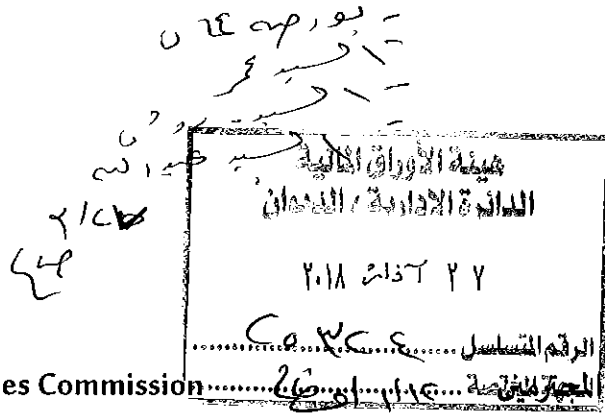


Ref: FCD/118/2018

Date: 27/3/2018

الرقم: 2018/118/درم

التاريخ: 2018/3/27



Messer's Jordan Securities Commission

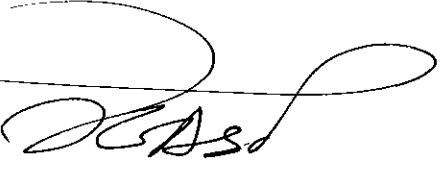

Messer's Amman Stock Exchange

السادة هيئة الأوراق المالية

السادة بورصة عمان المحترمين

Subject: Audited Financial Statements for the fiscal  
year ended 31/12/2017

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

Attached the Audited Financial Statements of Islamic International Arab Bank plc. For the fiscal year ended 31/12/2017 After External Audit and CBJ approval.	مرفق طيه نسخة من البيانات المالية المدققة لشركة البنك العربي الإسلامي الدولي عن السنة المالية المنتهية في 2017/12/31 معتمدة من المدقق الخارجي وموافق عليها من البنك المركزي الأردني.
Yours Sincerely,  Iyad Asali General Manager	وتفضلوا بقبول فائق الاحترام،،،  إياد العسلي المدير العام

**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN - THE HASHEMITE KINGDOM OF JORDAN**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**DECEMBER 31, 2017**

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In the Name of Allah, the Beneficent, the Merciful

Independent Auditor's Report

To the Shareholder of  
Islamic International Arab Bank  
(A Public Shareholding Limited Company)  
Amman – The Hashemite Kingdom of Jordan

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

**Opinion**

We have audited the accompanying financial statements of the Islamic International Arab Bank "the Bank", which comprise the statement of financial position as of December 31, 2017, and the statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Islamic Accounting Standards Issued by the Accounting and Auditing Organization for Islamic Financial Institutions which are consistent with the Bank's Articles of Association and aligned with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank.

**Basis for Opinion**

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

**Other matters**

1. The Bank has complied with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank.
2. The financial statements for the year ended December 31, 2016 audited by Deloitte & Touche (Middle East) – Jordan as the sole auditor of the Bank for the year 2016. An unqualified opinion was issued on these financial statements on February 7, 2017. Deloitte & Touche (Middle East) – Jordan and Ernst & Young - Jordan were appointed as joint auditors for the Bank for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.
3. The accompanying financial statements are a translation of the statutory financial statements in the Arabic language to which reference should be made.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on those matters:

### **Distribution of Total Revenue of Joint Investment Accounts (Investment Pool)**

Distribution of total revenue of joint investment accounts is a significant audit matter, whereby the Bank is required to calculate gross revenue generated from joint investment operations and distribute them periodically according to rates determined and announced among the owners of the joint investment accounts, shareholders, and investment risks fund related to those revenue.

### **Scope of Audit to Address the Risk**

Audit procedures included understanding the calculation and distribution of total revenue among the owners of the joint investment accounts, shareholders, and investment risks fund. Our procedures also included examination of the adopted internal control system and re-calculation and distribution of a selected sample by a team specialized in the audit of electronic systems to study the Bank's system computational processes and mechanism of revenue distribution.

### **Adequacy of the Provision for Impairment of Deferred Sales Receivables and Other Receivables, Ijara muntahia bittamaleek Assets and Al - Qard Al - Hassan Loans**

The provision for impairment of deferred sales receivables and other receivables, Ijara muntahia bittamaleek assets, and Al - Qard Al - Hassan loans are of a significant matter for the financial statements. Its calculation requires assumptions, management's use of estimates for the decline in credit rating, probabilities of non-collection resulting from the deterioration of some debtors' financial and economic conditions and inadequate guarantees. Moreover, deferred sales receivables and other receivables, Ijara muntahia bittamaleek assets, and Al - Qard Al - Hassan loans granted by the Bank totaled JD 1,349,799,545 representing 66% of total assets as of December 31, 2017.

The nature and characteristics of those receivables, assets, and loans granted to debtors differ from sector to sector. Consequently, the calculation method of the impairment provision differs due to the varied sectors and difference in evaluating the related risks.

### **Scope of Audit to Address the Risk**

The adopted audit procedures included understanding deferred sales receivables and other receivables, Ijara muntahia bittamaleek assets, and Al - Qard Al - Hassan loans. They also included examination of the internal control system related to credit granting, credit monitoring, and evaluation of the reasonableness of management's estimates of the impairment provision. Moreover, we studied and understood the Bank's policy relating to the calculation of provisions. We also studied a sample of those receivables, assets, and loans, at the Bank's level as a whole, regarding the calculation of the provision such as available guarantees, customers' solvency, management's estimates of the expected cash flows, and regulatory requirements issued by the Central Bank of Jordan. Furthermore, we discussed those factors with executive management to verify the adequacy of the provisions taken and recalculated the provision to be taken for that sample.



## **Other Information**

Management is responsible for the other information. The other information comprises the information stated in the Annual Report and does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Islamic Accounting Standards that issued by the Accounting and Auditing Organization for Islamic Financial Institutions, which are consistent with the Bank's Articles of Association and aligned with the Sharia rules and principles determined by Sharia Supervisory Board of the Bank, and for such internal control as management determines 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, 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 Islamic Accounting Standards, we exercise professional judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.



- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 evidenced 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 material 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 financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The Bank maintains proper accounting records that are consistent with the financial statements, and we recommend that they be approved.

**Amman – Jordan**  
**January 25, 2018**

Deloitte & Touche (M.E.) – Jordan



Ernst & Young – Jordan

**ERNST & YOUNG**  
Amman - Jordan

**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	Note	December 31,	
		2017	2016
		JD	JD
Cash and balances at the Central Bank	4	588,819,337	642,618,706
Balances at banks and financial institutions	5	21,546,641	22,343,142
Deferred sales receivables and other receivables – Net	6	701,820,133	613,132,971
Deferred sales receivables through statement of income	7	-	-
Ijara muntahia bittamaleek assets – Net	8	620,283,994	568,938,389
Financing investments	9	-	255,367
Financial assets at fair value through shareholders' equity - Self	10	5,498,759	5,519,852
Financial assets at fair value through joint investment accounts holder's equity	11	198,366	-
Financial assets at amortized cost – Net	12	38,096,056	33,857,822
Investments in real estates	13	21,508,775	21,023,966
Al – Qard Al - Hasan loans – Net		27,695,418	18,958,319
Property and equipment – Net	14	18,758,098	19,829,354
Intangible assets – Net	15	473,854	495,065
Deferred tax assets	21/c	2,678,427	2,606,134
Other assets	16	4,701,307	20,238,624
<b>TOTAL ASSETS</b>		<b>2,052,079,165</b>	<b>1,969,817,711</b>
<b>LIABILITIES</b>			
Banks and financial institutions accounts	17	257,629	113,743
Customers' current accounts	18	706,073,699	715,422,218
Cash margin	19	35,652,339	28,738,283
Other provisions	20	2,745,846	2,462,395
Provision for income tax	(21/a)	12,003,114	10,204,258
Deferred tax liabilities	(21/c)	227,174	234,557
Other liabilities	22	29,378,103	37,266,915
<b>TOTAL LIABILITIES</b>		<b>786,337,904</b>	<b>794,442,369</b>
<b>Joint Investment Accounts Holders' Equity</b>			
Unrestricted investment accounts	23	1,061,579,579	993,700,279
Total Joint Investment Accounts Holder's Equity		<b>1,061,579,579</b>	<b>993,700,279</b>
<b>INVESTMENT RISKS FUND</b>			
Investment Risks Fund	24	26,983,673	23,596,813
Provision for income tax on Investment Risks Fund	24	2,594,950	2,279,185
		<b>29,578,623</b>	<b>25,875,998</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-up capital	25	100,000,000	100,000,000
Statutory reserve	26	25,735,842	21,383,327
Voluntary reserve	26	4,262,322	4,262,322
General banking risks reserve	26	882,000	882,000
Fair value reserve - net	27	421,895	435,605
Retained earnings	28	43,281,000	28,835,811
Total Shareholders' Equity		<b>174,583,059</b>	<b>155,799,065</b>
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		<b>2,052,079,165</b>	<b>1,969,817,711</b>
Restricted investments		<b>131,706,967</b>	<b>118,177,657</b>
Wakalah investments		<b>32,320,657</b>	<b>17,679,879</b>

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (56) CONSTITUTE AN INTEGRAL PART OF  
THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH  
THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN - THE HASHEMITE KINGDOM OF JORDAN**  
**STATEMENT OF INCOME**

	Note	For the Year Ended December 31,	
		2017	2016
		JD	JD
Deferred sales revenue	29	44,550,457	39,311,598
Revenue from financing investments	30	7,664	181,702
Revenue from financial assets at amortized cost	31	1,141,294	554,049
Net (expense) from Investment in Real Estate	32	(713,892)	(583,420)
Revenue from Ijara muntahia bittamaleek assets	33	46,681,918	41,517,882
Ju'alah commissions	34	397,339	195,410
Net gain from foreign currencies	39	-	3,321
<b>Total Revenue from Joint Investments Accounts</b>		<b>92,064,780</b>	<b>81,180,542</b>
Unrestricted investment accounts share	35	(19,343,977)	(19,023,501)
Investment risks fund share	24	(9,206,478)	(8,118,054)
<b>Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)</b>	36	<b>63,514,325</b>	<b>54,038,987</b>
Bank's revenue from its own investments	37	64,237	438,223
Bank's share in restricted investment profit as Mudarib	38/a	249,029	108,065
Bank's share in restricted investment profit as agent (Wakeel)	38/b	201,631	112,506
Gains from foreign currencies	39	2,165,332	1,641,434
Banking services revenue	40	9,161,948	8,282,039
Other revenue	41	356,350	344,170
<b>Gross Income</b>		<b>75,712,852</b>	<b>64,965,424</b>
Expenses			
Employees' expenses	42	19,326,308	17,424,272
Depreciation and amortization	14&15	3,129,541	3,668,397
Other expenses	43	9,224,989	8,467,648
Depreciation of Ijara muntahia bittamaleek assets	8	24,113	376,534
Provisions for impairment of deferred sales receivables	6	91,000	53,000
Other provisions	20	391,748	332,713
<b>Total Expenses</b>		<b>32,187,699</b>	<b>30,322,564</b>
<b>Income for the Year before Tax</b>		<b>43,525,153</b>	<b>34,642,860</b>
<b>Income tax</b>	(21/b)	<b>(14,727,449)</b>	<b>(11,629,945)</b>
<b>Income for the Year</b>		<b>28,797,704</b>	<b>23,012,915</b>
Earnings per Share - Basic / Diluted	44	0/288	0/230

THE ACCOMPANYING NOTES FROM NO.( 1) TO NO. (56) CONSTITUTE AN INTEGRAL PART OF THESE  
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INDEPENDENT AUDITOR'S REPORT.

ISLAMIC INTERNATIONAL ARAB BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Profit for the year	28,797,704	23,012,915
Comprehensive Income Items:		
Items that will not be reclassified subsequently to Statement of Income:		
Net change in the fair value reserve	(13,710)	8,250
<b>Total Comprehensive Income attributed to the bank's Year for the shareholder's</b>	<b><u>28,783,994</u></b>	<b><u>23,021,165</u></b>

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (56) CONSTITUTE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE  
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**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Note	Reserves					Total
	Paid-up Capital	Statutory	Voluntary	General Banking Reserve **	Fair Value Reserve Net (self)	
	JD	JD	JD	JD	JD	JD
<b>For the Year Ended December 31, 2017</b>						
Balance at the beginning of the year	100,000,000	21,383,327	4,262,322	882,000	435,605	155,799,065
Income for the year	-	-	-	-	-	28,797,704
Net change in the fair value reserve after tax	-	-	-	-	(13,710)	(13,710)
Total comprehensive income	-	-	-	-	(13,710)	28,783,994
Transfer to reserves	-	4,352,515	-	-	-	(4,352,515)
Distributed dividends ***	-	-	-	-	-	(10,000,000)
<b>Balance at the End of the Year</b>	<b>100,000,000</b>	<b>25,735,842</b>	<b>4,262,322</b>	<b>882,000</b>	<b>421,895</b>	<b>174,583,059</b>
<b>For the Year Ended December 31, 2016</b>						
Balance at the beginning of the year	100,000,000	17,919,041	4,262,322	882,000	427,355	139,867,900
Income for the year	-	-	-	-	-	23,012,915
Net change in the fair value reserve after tax	-	-	-	-	8,250	8,250
Total comprehensive income	-	-	-	-	8,250	23,021,165
Transfer to reserves	-	3,464,286	-	-	-	(3,464,286)
Distributed dividends	-	-	-	-	-	(7,090,000)
<b>Balance at the End of the Year</b>	<b>100,000,000</b>	<b>21,383,327</b>	<b>4,262,322</b>	<b>882,000</b>	<b>435,605</b>	<b>155,799,065</b>

\* Retained earnings includes an amount of JD 2,410,268 as of December 31, 2017 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets relating to the Bank's own operations (JD 2,348,792) as of December, 2016).

\*\* The General Banking Risks Reserve amounting to JD 882,000 as of December 31, 2017 and 2016 cannot be used without prior approval of the Central Bank of Jordan.

\*\*\* On April 17, 2017, the General Assembly of Shareholders approved the distribution of cash dividends of JD 10,000,000 to the sole shareholder (Arab Bank plc.), representing %10 of the authorized and paid-up capital from distributable retained earnings for the year 2017 (JD 7,090,000 for the previous year).

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (56) CONSTITUTE AN INTEGRAL PART OF  
THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE  
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**STATEMENT OF CASH FLOWS**

	Note	For the Year Ended December 31,	
		2017	2016
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before tax		43,525,153	34,642,860
Adjustments to Non- Cash Items:			
Depreciation and amortization	14&15	3,129,541	3,668,397
Depreciation of investment in real estate	13	802,693	750,425
Depreciation of Ijara muntahia bittamaleek assets		61,773,064	57,891,632
Provision for impairment of deferred sales receivables and self-financing	6	91,000	53,000
Investment Risks Fund	24	9,206,478	8,118,054
Other provisions	20	391,748	332,713
Losses (Gains) from sale of property and equipment		7,866	(2,585)
Effect of exchange rate fluctuations on cash and cash equivalents	39	(18,234)	3,321
<b>Net cash from operating activities before change in the working capital</b>		<b>118,909,309</b>	<b>105,457,817</b>
<b>Change in working capital Items</b>			
(Increase) in deferred sales receivables and other receivables		(90,991,747)	(99,694,958)
Decrease in financing investments		255,367	8,915,191
(Increase) in Ijara muntahia bittamaleek assets		(114,442,465)	(137,091,807)
Decrease (Increase) in other assets		15,526,500	(17,380,044)
(Increase) in Al – Qard Al – Hasan loan		(8,737,099)	(8,757,637)
(Decrease) in customers' current accounts		(9,348,519)	88,255,400
Increase in cash margins		6,914,056	2,541,900
(Decrease) increase in other liabilities		(7,283,856)	12,047,455
<b>Net Cash (used in) Operating Activities before Tax and Provisions Paid</b>		<b>(89,198,454)</b>	<b>(45,706,683)</b>
Provisions paid	20	(108,297)	(138,965)
Tax paid	21&24	(16,500,136)	(12,022,257)
<b>Net Cash (used in) Operating Activities</b>		<b>(105,806,887)</b>	<b>(57,867,905)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
(Purchase) of in financial assets through shareholders' equity		(198,366)	-
(Purchase) of financial assets at amortized costs – Net		(4,238,234)	(25,817,485)
(Purchase) of investment in real estates		(348,863)	(2,315,718)
(Purchase) of property and equipment		(1,875,620)	(1,715,572)
(Purchase) of intangible assets	15	(197,964)	(65,483)
Proceed from sale of property and equipment		28,644	53,605
<b>Net Cash (used in) Investing Activities</b>		<b>(6,830,403)</b>	<b>(29,860,653)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in joint investment accounts holders' equity		67,879,300	34,965,458
Distributed dividends	28	(10,000,000)	(7,090,000)
Net Cash Flows from Financing Activities		57,879,300	27,875,458
Effect of exchange rate fluctuations on cash and cash equivalents		18,234	(3,321)
Net (Decrease) Increase in Cash and Cash Equivalents		(54,739,756)	(59,856,421)
Cash and Cash Equivalents - beginning of the Year		664,848,105	724,704,526
<b>Cash and cash equivalents - End of the Year</b>	<b>45</b>	<b>610,108,349</b>	<b>664,848,105</b>
<b>Non-Cash Operations:</b>			
<b>Investment in Real estates resulted from revoke Ijara Contracts</b>		<b>1,680,572</b>	<b>1,319,017</b>
<b>Property and equipment's capitalization</b>		<b>184,460</b>	<b>-</b>

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (56) CONSTITUTE AN INTEGRAL PART OF  
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ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ISLAMIC INTERNATIONAL ARAB BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
STATEMENT OF SOURCES AND USES OF AI - QARD AI - HASAN FUND

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Balance at the beginning of the year	18,532,292	10,086,347
<u>Resources of Fund's Assets From:</u>		
Shareholders' equity	(28,011,687)	(20,273,935)
Total Resources of Fund's Assets during the Year	(28,011,687)	(20,273,935)
<u>Uses of Fund's Assets On:</u>		
Personal advances	1,773,492	2,749,360
Visa Revolving Card	35,054,749	25,970,520
Total Used during the Year	36,828,241	28,719,880
Total balance	27,348,846	18,532,292
Currents and overdraft accounts	681,757	665,085
<u>Less: Impairment provision</u>	(335,185)	(239,058)
<b>Balance at the End of the Year – Net</b>	<b>27,695,418</b>	<b>18,958,319</b>

**ISLAMIC INTERNATIONAL ARAB BANK**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS**

	International Murabaha		Ijara muntahia bittamaleek Assets *		Local Murabaha (Real Estate Financing) *		Cash Balances		Total	
	For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Investments at the beginning of the year	111,865,461	116,805,777	196,000	269,000	30,568	101,088	6,085,628	6,771,743	118,177,657	123,947,608
Add: Deposits	59,097,891	35,173,889	-	-	-	-	-	-	59,097,891	35,173,889
Less: Withdrawals	(45,347,412)	(40,580,774)	(198,806)	(76,847)	(31,856)	(74,810)	(1,081,645)	(686,115)	(46,659,719)	(41,418,546)
Bank's fees as Mudarib	(247,126)	(104,642)	(1,304)	(1,618)	(599)	(1,805)	-	-	(249,029)	(108,065)
Add: Investment gains	1,334,170	571,211	4,110	5,465	1,887	6,095	-	-	1,340,167	582,771
<b>Investments at the End of the Year</b>	<b>126,702,984</b>	<b>111,865,461</b>	<b>-</b>	<b>196,000</b>	<b>-</b>	<b>30,568</b>	<b>5,003,983</b>	<b>6,085,628</b>	<b>131,706,967</b>	<b>118,177,657</b>
Revenues received in advance	-	-	-	-	-	3,343	-	-	-	3,343
Ijara depreciation provision	-	-	-	97,531	-	-	-	-	-	97,531
Investments' risks provision	-	-	-	-	-	260,639	-	-	-	260,639
Revenues for distribution	877	382	-	-	-	2,885	-	-	877	3,267
<b>Total</b>	<b>877</b>	<b>382</b>	<b>-</b>	<b>97,531</b>	<b>-</b>	<b>266,867</b>	<b>-</b>	<b>-</b>	<b>877</b>	<b>364,780</b>

\* The bank decided to cancel the real estate financing product (nama') during 2017 and transfer its balances inside balance sheet statement after The approval of shari'a supervisory board.



ISLAMIC INTERNATIONAL ARAB BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
STATEMENT OF CHANGES IN RESTRICTED WAKALAH INVESTMENT

	Local Murabaha		Cash Balances		Total	
	For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Investments at the beginning of the year	15,240,490	5,981,628	2,439,389	2,898,748	17,679,879	8,880,376
Add: Deposits	18,252,060	16,302,478	6,727,848	-	24,979,908	16,302,478
Less: Withdrawals	(10,339,130)	(7,043,616)	-	(459,359)	(10,339,130)	(7,502,975)
Add: Investments' gains	647,294	347,683	-	-	647,294	347,683
Less: Bank's fees as Agent as Wakeel	(201,631)	(112,506)	-	-	(201,631)	(112,506)
Less: Client's share	(445,663)	(235,177)	-	-	(445,663)	(235,177)
<b>Investments at the End of the Year</b>	<b>23,153,420</b>	<b>15,240,490</b>	<b>9,167,237</b>	<b>2,439,389</b>	<b>32,320,657</b>	<b>17,679,879</b>
Revenue received in advance	1,634,864	704,966	-	-	1,634,864	704,966
	<b>1,634,864</b>	<b>704,966</b>	<b>-</b>	<b>-</b>	<b>1,634,864</b>	<b>704,966</b>

ISLAMIC INTERNATIONAL ARAB BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
NOTES TO THE FINANCIAL STATEMENTS

**1. General**

- The Islamic International Arab Bank is a Jordanian Public Shareholding Limited Company. The bank headquarters in Amman – the Hashemite Kingdom of Jordan. The Bank was established on March 30, 1997 according to the Companies Law No. 22 for the year 1997.
- The Bank provides all banking, financial, and investment activities that comply with Islamic Shari'a standards through its headquarters and its 42 branches inside the Kingdom. The Bank's activities are subject to the provisions of the Banks' Law in force.
- The Islamic International Arab Bank is wholly owned by the Arab Bank.
- The financial statements have been approved by the Bank's Board of Directors in its Meeting Session No. (1) on January 21, 2018.
- The Bank's Shari'a Supervisory Board has reviewed the Financial Statements in its Meeting Session No. (1) on January 21, 2018 and has issued its Shari'a Report in respect thereof.

**2. Significant Accounting Policies**

**Bases of Financial Statements Preparation**

- The Bank's financial statements have been prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions and local laws in force, and the instructions of the Central Bank of Jordan. In case that there are no standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions relating to the financial statements' items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari'a Standards, pending the promulgation of Islamic Standards therefor.
- The financial statements are prepared on the historical cost basis except for financial assets at fair value through shareholders' equity and sales receivables through the statement of income, which are recognized at fair value at the date of the financial statements.
- The financial statements have been presented in Jordanian Dinar, which is the functional currency at the Bank.
- The Bank adopted the principle of mixing owner's equity with the accounts of the holders of joint investment as from the beginning of May 2013, maintaining the existing investments financed by the holders of equity (self) until maturity.
- Amounts are deducted from the Investment Risks Fund to cover the impairment in receivables and financings, the impairment in investments in real estate, and any other investments financed from the joint investments accounts.
- The general banking risk reserve cannot be utilized without prior approval of the Central Bank of Jordan.

- In case of revoking an Ijara (lease to own) contract, the real estate's resulting from the revoking will be presented within investment in real state portfolio according to the investment policy.
- The accounting policies adopted in preparing the financial statements for the year ended December 31, 2017 are consistent with those adopted in preparing the financial statements for the year ended December 31, 2016.

#### Sectors' Information

- The business sector represents a group of assets and operations, which jointly provides products or services subject to risks and rewards different from those relating to other business sectors measured in accordance with the reports used by the Chief Operating Officer and key decision maker at the Bank.
- The geographical sector relates to providing products or services in a specific economic environment subject to risks and rewards different from those relating to segments operating in other economic environments.

#### Bases of Dividends Distribution among Owners of Shareholders' Equity and Holders of the Joint Investment Accounts

	Rate	
Share of Joint Investment Accounts Holders	40%	Which is 2,948% and 2,879% for the 1st and 2nd halves of 2017, respectively on the Jordanian Dinar (compared with 3,021% and 2,965% for the 1st and 2nd halves of 2016, respectively) and 0,53% and 0,66% on the US Dollar for the 1st and 2nd halves of 2017, respectively (compared with 0,34% and 0,44% for 2016, respectively)
Share of Shareholders' Equity	50%	
Share of the Investment Risks Fund	10%	

- The Bank grants priority in investment to the holders of the joint investment accounts. These accounts are charged with the advertisement and publicity expenses in respect of the products that the Bank releases. Such expenses are life insurance premiums in respect of those financed by Ijara muntahia bittamaleek contracts and the expenses related to investment in real estate, which are invested from the deposits accounts that participate in profits.
- The rate of dividends distributed to the holders of the restricted investment deposits in US Dollars ranged from 0/76% to 0/1/37% for the year 2017 (compared with 0,41% and 0,60% for the year 2016).

#### Revenue, Earnings and Losses not Compliant with Islamic Shari'a

The Bank's revenue, earnings, and losses not in compliance with Islamic Shari'a (if any) are recorded in a special account in the statement of financial position within other credit balances. They are not recorded in the statement of income and are disbursed on charity as determined by the Shari'a Supervisory Board.



### Zakah

The responsibility for Zakah is assumed by the holders of deposits and shareholders separately.

### Deferred Sales Receivables

#### Murabaha Contracts

These are sale of a commodity at its first purchase price paid by the seller (the Bank) with known and an agreed upon mark-up. The sale may be on an ordinary Murabaha basis called (Simple Murabaha), in which the Bank practices trade. According to simple Murabaha, the Bank buys the commodities without reliance on a prior promise by a customer to buy them, and then the Bank offers such commodities for sale by Murabaha at an agreed upon price and profit. Otherwise, the sale could be Murabaha coupled with a promise from a customer, i.e. the Bank buys the commodity only after the customer determines his desires with the existence of a prior promise to buy, which is then called (Murabaha to purchase order).

- The Bank applies the principle of commitment of promise in the sale contracts of Murabaha to purchase order, but in the event of abstention, the Bank sells the commodity and refers to the commander of purchase to compensate for the actual losses.
- Murabaha receivables are recorded upon their occurrence at their nominal value. They are measured at the end of the financial year at the net cash value expected to be realized.
- The profits are recorded upon concluding the cash Murabaha contracts or to a period not exceeding the financial year.
- Income of deferred sales for a period exceeding the financial year is recorded by distributing it over the future financial years for the term, whereby a share of the profits is allocated for each financial year regardless of whether or not it is a cash delivery.

#### Al Ju'alah

It is a contract in which one of the parties (the Ja'il) offers specified compensation (the Ju'l / commission) to anyone who will achieve a determined result (the 'Amil) in a known or unknown period.

#### Al Istisna'

It is a sale contract between Al Mustasnee (buyer) and Al Sanee' (seller), whereby the latter, upon the request of the former, manufactures a described commodity (Masnou') or obtains it on the delivery date. This is provided that the manufacturing material and/or cost of work is provided by the manufacturer against the price and payment method (immediate, deferred, or installed) agreed on by both.

- Cost of Istisna' includes direct and indirect costs related to Istisna' contracts. Such costs do not include general and administrative, marketing expenses and costs of research and development.
- The costs of Istisna' process and the costs prior to signing the contract are recorded in the financial year under the item Istisna' under process at the amounts disbursed by the Bank. The invoices sent to Al Mustasnee (the buyer) by the Bank are recorded under Istisna' receivables account and deducted from the account of Istisna' under process in the statement of financial position.
- Istisna' revenue is recorded upon concluding the contract either through completion of execution or expiry of the contract, whichever is earlier.

- In the event that Al Mustasnee (the buyer) does not fully pay the agreed upon price and reach an agreement to pay in installments during the contract execution or after its completion, deferred profits are recorded and deducted from the balance of Istisna' receivables account in the Bank's statement of financial position. This is carried out whether the method followed in recording Istisna' revenues is the percentage of completion method or the completed contract method. Moreover, the deferred profits distribution is made over the future financial years whereby a share of the profits is allocated for each financial year, whether the settlement is made by cash or not.
- In the event that the Bank retains the manufactured item for any reason, such assets are measured at the expected cash value to be realized or at cost, whichever is lower. The difference (if any) is recorded as a loss in the statement of income in the financial year in which it is realized.

#### Assets Available for Deferred Payment Sale

- These are assets which the Bank acquires for the purpose of future sale (by installments). The sale of such assets is called Musawamah sale by installments in order to differentiate it from Murabaha to purchase order.
- The assets available for deferred payment sale are recorded at cost at the time of contracting and measured on a cost basis (purchase value and any direct expenses which are acquisition-related).
- The assets available for deferred payment sale are measured at the end of the financial period at fair value. The amount of change resulting from the re-valuation process (if any) is measured on the basis of book value compared with fair value, and the unrealized profit (loss) is recorded in the investments fair value reserve.
- Profits from the deferred payment sale operations are recorded according to the maturity principle distributed over the financed periods for the contract term. The profits for deferred payment sale are recorded in the revenues of future sales account.
- Receivables of deferred payment sale are recorded upon contracting at par value (the contracted for).

#### Financing Investments

##### Mudaraba Financing

It is a partnership in profit regarding money and work, and it is instituted between the holders of investment accounts (Arbab Al Mal) and the Bank (Mudarib). The Bank announces the general acceptance of such funds for the investment thereof and the division of gain as agreed, whereby losses are charged to Rab Al-Mal except in the events of infringement of the Bank (Al Mudarib), its default, or violation of the conditions. In such cases, the Bank bears the consequences arising therefrom. The partnership is also instituted between the Bank in its capacity as the capital holder in its own name or on behalf of the holders of investment accounts and craftsmen and other business owners such as farmers and industrialists. Such Mudaraba is different from the traditional speculation that involves adventure and taking risks in sale and purchase activities.

- Mudaraba finance is recorded upon delivering the capital to Al Mudarib or putting it under his control. The provided capital is measured by the paid amount or at fair value if in-kind. If a difference results from the valuation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the statement of income. At the end of the financial year, the amount the Bank redeems from the Mudaraba capital is deducted.
- The Bank's share of the gains (losses) arising and expiring during a financial year is recorded after the settlement of the Mudaraba process. In events where Mudaraba process continues for more than a financial year, the Bank's share of the profits is recorded upon realization of the profits by accounting for them, in whole or any part thereof, in the financial year in which the profits occur to the extent of distributed profits. Moreover, losses for that year are recorded to the extent of losses by which the Mudaraba capital is reduced.
- If losses are incurred due to Mudareb infringement or default, such losses are recorded as receivables debited to Mudareb's account.

#### Musharaka Financing

It is the provision of funds by the Bank and customer equally or differently in order to set up a new project or participate in an existing one, whereby each of them would own a share in the capital either on a fixed or diminishing basis and would be entitled to its share of the gains. Losses are divided proportionate to the partner's share in capital, whereby it would be inappropriate to stipulate otherwise.

- The Bank's share in Musharaka capital is recorded upon delivery to the managing partner or when it is deposited in Musharaka account, as it is measured at the cash paid value or at fair value if in-kind. If a difference results from the evaluation of the in-kind item between fair value and book value, it is recognized as a profit (loss) in the statement of income.
- The capital in the diminishing Musharaka is measured at the end of the financial year at the historical value less the historical value of the share sold at the agreed upon fair value, and the difference between both values is recorded as a profit or loss in the statement of income.
- The Bank's share of the gains or (losses) of Musharaka financing which arises or expires during the financial year is recorded after settlement. In the event that Musharaka continues for more than a financial year, the Bank's share of the profits is recorded upon their realization by accounting for them, in whole or any part thereof, between the Bank and the partner in the financial year in which the profits occur to the extent of the distributed profits. Moreover, losses for a financial year are recorded in that year to the extent of the losses by which the Bank's share in the Musharaka capital is reduced.
- An impairment provision for the deferred sales receivables and other receivables are made, if the amounts due to the Bank become uncollectible and when there is an objective evidence that an event has adversely affected the future cash flows of the deferred sales receivables and other receivables. Such impairment is recorded in the statement of income when it becomes measurable.
- At the end of the financial year, the financing assets are recorded at cost or at cash value expected to be realized, whichever is lower, and the difference is recorded as a financings impairment provision.
- The income from future sales and non-performing financing granted to customers is held in suspense in accordance with the Central Bank's instructions.
- The deferred sales receivables and funding financed from the joint investment accounts are written off in case efforts relating to their collection are not successful against the Investment Risks Fund (except for what has been granted / financed and then written off of the deferred sales receivables and finances in the same year whereby they are recorded in the statement of income within investment income). Any amounts collected from the previously written-off receivables and finances are added to the Investment Risks Fund, except for what has been recorded in the statement of income within investment income. Moreover, deferred sales receivables and funding financed from the Bank's own funds for which an impairment provision is taken are written off, if the related collection procedures are not successful, and deducted from the impairment provision. Any surplus in the total impairment provision is transferred to the statement of income, and any amounts of the previously written-off receivables and finances collected are added to income.

#### Financial Assets at Amortized Cost

These represent financial assets the Bank's Management aims to hold according to its business model to collect their contractual cash flows. Moreover, they represent fixed or determinable payments for their capital and gains.

These assets are recorded at cost upon purchase plus acquisition costs, and they are re-valued at the end of the current period based on the effective profit method. Any profits or losses resulting from the amortization process are recognized in the statement of income, and any impairment in value is recorded in the statement of income.

The amount of impairment in the value of these assets represents the difference between the book value and present value of the expected cash flows discounted at the original effective profit rate whereby any provisions resulting from impairment in the value of these assets are deducted. Moreover, any financial assets may not be reclassified to/ from this item.



If any of these assets financed from the Bank's own funds is sold before maturity, the result of the sale is recorded in a separate item within the statement of comprehensive income and disclosed accordingly.

Financial Assets at Fair value through Shareholders' Equity - Self Financed

- These assets represent investments in equity instruments financed from the Bank's funds for retaining them for the long term.
- These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within shareholders' equity.
- If such assets or any part thereof is sold, gains or losses resulting therefrom are recorded in retained earnings.
- Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.
- Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve.

Financial Assets at Fair value through joint investment accounts holder's equity

- These assets represent investments in equity instruments financed from joint investment account for retaining them for the long term.
- These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within joint investment account holder's equity.
- If such assets or any part thereof is sold, gains or losses resulting therefrom are recorded in statement of income.
- The impairment loss previously recorded in the statement of income may be recovered if it is objectively found that the increase in fair value occurred in a period subsequent to recording the impairment losses through the fair value reserve recognized within joint investment account's holders' equity
- Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.
- Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve within joint investment account holders' equity.
- Financial assets whose fair value cannot be reliably determined are recognized at cost, and the impairment test is carried out at the end of every financial period. Moreover, the impairment in their value is recorded in the statement of income and may not be recovered during subsequent periods.

Deferred Sales Receivables through the Statement of Income / Self - Financed

- These are sale receivables (International Murabaha) due to the Bank's buying of commodities with the purpose of selling them in the near future.
- These receivables are recorded at fair value upon sale and subsequently re-valued at fair value through the market indicators of these receivables. Moreover, the change in fair value is recognized in the statement of income.
- The Bank may dispose of these receivables by a debt assignment to another person at their net nominal or book value, and the difference is recorded in the statement of income.

#### Ijara (Lease to Own)

It is a benefit contract for a compensation which expires by the lessee's acquisition of the leased assets.

- The assets acquired for Ijara are measured, at the date of their acquisition, at historical cost, including direct costs to render them usable. The leased assets are depreciated according to the straight-line method over the life of Ijara contract.
- When the recoverable amount from any of the acquired Ijara assets is lower than their net book value, their value is reduced to the recoverable amount, and the impairment amount is recorded in the statement of income.
- The income from Ijara is distributed over the financial years covered by the Ijara contract.

#### Investment in Real Estate

It is the acquisition of real estate to obtain periodical income or in anticipation of the increase of value thereof or both. Initially, the investment in real estate is recognized at cost plus direct cost, and it is subsequently measured depending on its application whether for utilization (cost or fair value model) or for sale. When the Bank approves either model, it has to apply it to all investments in real estate.

##### a. Investment in Real Estate Held-for-Use

The cost or fair value model is applied as follows:

- Cost Model:  
Investments in real estate are recorded at cost less accumulated depreciation and impairment (if any). In the event that the Bank decides to apply this model, it has to apply it to all investments in real estate.
- Fair Value Model:  
Investments are measured at fair value, and the increase in value is recorded in the fair value reserve. Moreover, any decrease in fair value is deducted from previously recorded increase. If there is no increase in the previously recorded value, the difference is recognized in the statement of income. Furthermore, if the Bank decides to apply this model, it has to apply it to all investments in real estate.

##### b. Investments in Real Estate Held-for-Sale

Investments in real estate are recorded at the book value or fair value less costs of sale, whichever is lower. Moreover, these investments are not depreciated. The difference is recorded in the statement of income.

Real estates may be transferred from the investment portfolio to the property and equipment portfolio or vice versa if the change in the purpose of their utilization can be established. The transfer is made at cost less depreciation if the Bank uses the cost model in measuring the portfolio's real estates. If the Bank uses the fair value model, real estates are transferred at their fair value at the date of transfer.

If real estate is transferred from the Bank's property and equipment to the investment in real estate portfolio, the transfer is made at the cost of the real estate less depreciation and impairment provision (if any) as at the date of cessation of use.

#### Provisions

Provisions are recognized when the Bank has obligations at the date of the statement of financial position arising from past events and settlement of these obligations is probable and can be measured reliably.

#### Investment Risk Fund

- The Bank deducts at least 10% of the gross profits of the joint investment realized on various ongoing operations through the year in accordance with the Banks Law. The rate is increased based on the instructions of the Central Bank of Jordan. The amended rate, after being increased, becomes valid in the financial year subsequent to the year in which the amendment is decided.
- The balance of the Investment Risks Fund is transferred to the Zakat Fund after covering all expenses and losses for which the Fund was established to cover or amortize. Thereof, it can be inferred that investors in the Bank have no right to the deducted amounts, at the determined rate, which accrue in the Investment Risks Fund. Rather, these amounts are allocated to cover the losses which the joint investment activities may incur.
- If losses occur in some joint investment activities that begin and end in a certain year, such losses are covered from the gains realized by the other joint investment activities which begin and end in the same year. If the losses are greater than the gains in the same year, loss is covered from the Investment Risks Fund.
- Yet, if the joint investment activities began and continued in past years, and it was ultimately found out during a certain year that such investment activities resulted in losses, the losses are covered from the Investment Risks Fund.

#### Fair Value of Financial Assets

- The closing prices (purchase/sale) at the date of the financial statements in an active market represent the fair value of financial instruments that have market prices. If there are no actual prices, there is no active trading for certain financial instruments, or there is no active market, then their fair value is estimated by comparison with the current market value of a highly similar financial instrument.
- The objective of the measurement methods is to obtain a fair value that reflects the market and takes into consideration the market factors and any expected risks or benefits upon estimating the value of financial assets. Moreover, financial assets, the fair value of which cannot be measured reliably, are stated at cost after deducting any impairment in their value.

#### Impairment of Financial Assets

The Bank reviews the values recorded in the financial assets registers at the date of the statement of financial position to determine whether there are indicators of impairment in their value individually or collectively. If such indicators exist, the recoverable value is estimated in order to determine the impairment loss.

#### Property and Equipment

- Property and equipment are stated at cost after deducting accumulated depreciation and any impairment in their value. Property and equipment (except for lands) are depreciated when ready for use according to the straight-line method over their expected useful lives at the following annual rates:

	Percentage
Buildings	2%
Furniture, fixture and equipment	2%-15%
Vehicles	20%
Computers	25%
Improvements and decorations	15%

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

- When the recoverable amount of any property and equipment is less than their net carrying value, their value is reduced to the recoverable amount, and the impairment loss is taken to the statement of income.

#### Intangible Assets

- Intangible assets acquired through a method other than merger are recorded at cost.
- Intangible assets are classified based on the estimation of their useful life for a definite or an indefinite period. Intangible assets with definite useful economic lives are amortized over their useful lives, and amortization is recorded in the statement of income. Furthermore, the impairment in the value of intangible assets with indefinite useful lives are reviewed at the date of the financial statements, and any impairment in their value is recorded in the statement of income.
- Intangible assets resulting from the Bank's operations are not capitalized but included in the statement of income in the same year.
- Indications of impairment of intangible assets are reviewed at the date of the financial statements, their useful lives are reassessed, and any adjustments are made in the subsequent years.
- Software and systems are stated in the statement of financial position at cost after deducting accumulated amortization. They are amortized when ready for use based on the straight- line method over their expected useful lives at an annual rate of 25%.

#### End- of- Service Indemnity Provision

Annual indemnities paid to the employees who leave employment are recorded in the end-of- service indemnity provision when paid. Indemnity paid in excess of the provision is taken to the statement of income upon payment, and a provision for the Bank's obligations in respect of staff end- of -service indemnity is taken in the statement of income in accordance with the Bank's personnel bylaws and the provisions of the Labor Law.

#### Income Tax

- Tax expenses represent accrued taxes and deferred taxes.
- Tax expenses are accounted for on the basis of taxable income which differs from income declared in the financial statements because the latter includes non-taxable revenue or taxable expenses disallowed in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates according to the prevailing Laws, Regulations and Instructions of the Hashemite Kingdom of 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 financial statements and the value of the taxable amount. Deferred taxes are calculated, using the financial position liability method. Moreover, these deferred taxes are calculated according to the tax rates expected to be applied upon settling the tax liability or the realization of the deferred tax assets.
- Deferred tax assets are reviewed at the date of the financial statements and reduced when it is no longer probable to benefit from these tax assets partially or totally.

#### Accounts Managed on Behalf of Customers

These represent the accounts managed by the Bank on behalf of its customers but do not represent part of the Bank's assets. The fees and commissions for managing these accounts are recognized in the statement of income.



#### Accounts Managed by Wakalah

These represent accounts managed by the Bank as Wakalah according to a program with the Central Bank of Jordan. The funds invested by Wakalah are recognized off-the statement of financial position whereas the Bank's share from the Wakalah (returns) is recorded in the statement of income.

#### Realization of Income and Recognition of Expenses

- Realization of income and recognition of expenses are recognized on the accrual basis, except for revenue from deferred sales and non-performing finances that are not recognized as revenue but recorded in the suspense income accounts.
- Commissions are recorded upon rendering the related services. Dividend income is recognized when earned (when approved by the General Assembly of Shareholders).

#### Recognition Date of Financial Assets

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

#### Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.
- Financial assets and financial liabilities are translated based on the average exchange rates declared by the Central Bank of Jordan on the date of the financial position.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the statement of income.

#### Cash and Cash Equivalents

This item represents cash and cash balances that mature within three months and comprise cash and balances at the Central Bank, and balances at banks and financial institutions less banks and financial institutions' accounts that mature within three months and restricted balances.

### **3. Accounting Estimates**

- Preparation of the financial statements and application of accounting policies require the Bank's Management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's Management is required to make significant judgments for estimating the amounts and timing of future cash flows. Moreover, the said assessments are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the financial statements are reasonable.
- A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

- A provision for impairment in the facilities self-financed by the Bank is taken based on assumptions approved by the Bank's Management in respect of estimating the provision. Moreover, the results of these bases and assumptions are compared with the provision to be taken by virtue of the instructions of the Central Bank of Jordan. The more stringent results are approved in compliance with the Islamic Accounting and Auditing Organization of Financial Institutions.
- The financial year is charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards; and the necessary tax provision is calculated.

Management carries out a periodical review of financial assets recorded at cost to estimate any impairment in their value. This impairment (if any) is recorded in the statement of income for the year.

- **Fair value measurement:** The standard requires determination and disclosure of 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 IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.
- **Useful lives of tangible and intangible assets:** Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general status of such assets and the estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the statement of income.

The factors that affect the estimated useful lives of tangible and intangible assets include Management's estimates for the period in which the Bank is expected to use these assets as well as technological development and obsolescence.

The difference between the useful lives of tangible and intangible assets and Management's estimates significantly affect the depreciation expense and the gain/ loss arising from their disposal.

- Management periodically revaluates the real estate within the investments in real estate portfolio, and a provision is taken for any impairment in their value within the investment risks Fund. Moreover, the portfolio is within the joint investment whereby building within such portfolio are depreciated at 10% per annum.

#### **4. Cash and Balances at the Central Bank**

The details of this item are as following:

	December 31,	
	2017	2016
	JD	JD
Cash in vaults	33,226,507	24,545,935
Balances at the Central Bank		
Current and call accounts	445,552,304	513,057,283
Statutory cash reserve	110,040,526	105,015,488
<b>Total</b>	<b>588,819,337</b>	<b>642,618,706</b>

- Except for the mandatory cash reserve, there are no restricted cash balances as at December 31, 2017 and 2016.

#### **5. Balances at Banks and Financial Institutions**

The details of this item are as following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and call accounts	16,502,514	17,791,150	5,044,127	4,551,992	21,546,641	22,343,142
	<b>16,502,514</b>	<b>17,791,150</b>	<b>5,044,127</b>	<b>4,551,992</b>	<b>21,546,641</b>	<b>22,343,142</b>

- There are no restricted cash balances as at December 31, 2017 and 2016.

## 6. Deferred Sales Receivables and other Receivables - Net

The details of this item are as follows:

	Joint		Self		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
<b>Individuals (retail)</b>						
Murabaha to purchase order	236,475,444	191,851,793	-	-	236,475,444	191,851,793
Ju'alah guarantees	3,261,533	1,929,597	-	-	3,261,533	1,929,597
Receivables – Ijara muntahia bittamaleek	1,006,396	845,823	-	-	1,006,396	845,823
Real estate finances	142,998,279	118,423,940	-	-	142,998,279	118,423,940
<b>Large companies</b>						
International Murabaha	148,314,301	129,824,536	460,117	453,881	148,774,418	130,278,417
Murabaha to purchase order	189,178,642	164,286,119	3,356,003	3,565,743	192,534,645	167,851,862
Receivables – Ijara muntahia bittamaleek	1,291,047	1,539,708	-	-	1,291,047	1,539,708
<b>Small and Medium Companies</b>						
Murabaha to purchase order	50,938,587	67,534,040	-	-	50,938,587	67,534,040
Deferred payment sale	-	40,621	-	-	-	40,621
Ju'alah guarantees	9,785	6,307	-	-	9,785	6,307
Receivables – Ijara muntahia bittamaleek	540,065	748,400	8,585	16,468	548,650	764,868
<b>Total</b>	<b>774,014,079</b>	<b>677,030,884</b>	<b>3,824,705</b>	<b>4,036,092</b>	<b>777,838,784</b>	<b>681,066,976</b>
<b>Less: Deferred revenue</b>	<b>60,789,048</b>	<b>55,212,370</b>	<b>1,169</b>	<b>3,083</b>	<b>60,790,217</b>	<b>55,215,453</b>
<b>Impairment provision</b>	<b>10,808,780</b>	<b>8,325,938</b>	<b>3,492,223</b>	<b>3,497,350</b>	<b>14,301,003</b>	<b>11,823,288</b>
<b>Revenues in suspense</b>	<b>911,067</b>	<b>880,159</b>	<b>16,364</b>	<b>15,105</b>	<b>927,431</b>	<b>895,264</b>
<b>Net Deferred Sales Receivables and Other Receivables</b>	<b>701,505,184</b>	<b>612,612,417</b>	<b>314,949</b>	<b>520,554</b>	<b>701,820,133</b>	<b>613,132,971</b>

- The movement on the deferred payment sale was as follows:

	Deferred Sale Receivables	Deferred Revenue	Impairment Provision
	JD	JD	JD
Balance at the beginning of the year	40,621	11,648	-
Additions	-	-	-
Disposals	40,621	11,648	-
<b>Balance at the End of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Impairment Provision for Deferred Sales Receivables, Financing Investment, Ijara muntahia bittamaleek and Qard Hasan - Self Owned**

The following is the movement on the provision for impairment:

<u>2017</u>	Individuals	Large Companies	Small and Medium Companies	Total
	JD	JD	JD	JD
Balance at the beginning of the year	139,886	3,506,664	89,858	3,736,408
Deducted from the profits	-	91,000	-	91,000
Used during the year (written-off)	-	-	-	-
Settlements during the year	93,816	(142,854)	49,038	-
<b>Balance at the End of the Year</b>	<b>233,702</b>	<b>3,454,810</b>	<b>138,896</b>	<b>3,827,408</b>
Provision for impairment of non- performing sales receivables on a single client basis	231,656	3,448,773	138,875	3,819,304
Provision for impairment of under watch-list sales receivables on a single client basis	2,046	6,037	21	8,104
<b>Balance at the End of the Year</b>	<b>233,702</b>	<b>3,454,810</b>	<b>138,896</b>	<b>3,827,408</b>

<u>2016</u>	Individuals	Large Companies	Small and Medium Companies	Total
	JD	JD	JD	JD
Balance at the beginning of the year	89,029	4,826,426	-	4,915,455
Deducted from the profits	-	53,000	-	53,000
Used during the year (written-off)	-	(1,232,047)	-	(1,232,047)
Settlements during the year	50,857	(140,715)	89,858	-
<b>Balance at the End of the Year</b>	<b>139,886</b>	<b>3,506,664</b>	<b>89,858</b>	<b>3,736,408</b>
Provision for impairment of non- performing sales receivables on a single client basis	139,162	3,502,160	85,437	3,726,759
Provision for impairment of under watch-list sales receivables on a single client basis	724	4,504	4,421	9,649
<b>Balance at the End of the Year</b>	<b>139,886</b>	<b>3,506,664</b>	<b>89,858</b>	<b>3,736,408</b>

- The total general banking risks reserve for receivables and self-financing amounted to JD 882,000 as at December 31, 2017 (JD 882,000 as at December 31, 2016).
- The total provisions prepared for debts calculated on the single client basis have been disclosed.

- The amount of the provisions no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 1,922,659 as at December 31, 2017 (JD 2,626,791 as at December 31, 2016).

### **Revenue in Suspense**

The following is the movement on the revenue in suspense:

	Self	
	Corporates	
	2017	2016
	JD	JD
Balance at the beginning of the year	15,105	659,754
<u>Add:</u> Revenue in suspense during the year	1,288	122,165
<u>Less:</u> Revenue in suspense transferred to income	(29)	-
Revenue in suspense written-off	-	(766,814)
<b>Balance at the End of the Year</b>	<b>16,364</b>	<b>15,105</b>

	Joint				
	Corporates				
	Individuals	Real Estate Finances	Large	Small & Medium	Total
	JD	JD	JD	JD	JD
2017					
Balance at the beginning of the year	120,520	45,436	319,093	395,110	880,159
<u>Add:</u> Revenue suspended during the year	81,733	10,352	61,804	218,427	372,316
<u>Less:</u> Revenue in suspense reversed to income	(57,824)	(8,007)	(44,896)	(230,681)	(341,408)
Revenue in suspense written-off	-	-	-	-	-
<b>Balance at the End of the Year</b>	<b>144,429</b>	<b>47,781</b>	<b>336,001</b>	<b>382,856</b>	<b>911,067</b>
2016					
Balance at the beginning of the year	94,303	55,377	301,431	338,869	789,980
<u>Add:</u> Revenue suspended during the year	53,481	9,877	17,662	163,536	244,556
<u>Less:</u> Revenue in suspense reversed to income	(27,264)	(19,818)	-	(94,826)	(141,908)
Revenue in suspense Written-off	-	-	-	(12,469)	(12,469)
<b>Balance at the End of the Year</b>	<b>120,520</b>	<b>45,436</b>	<b>319,093</b>	<b>395,110</b>	<b>880,159</b>

### **7. Deferred Sales Receivables through the Statement of Income**

The sales receivables through the statement of income- self owned amounted to JD 6,513,267, and an impairment provision for sales receivables of JD 6,513,267 was taken.

### 8. Ijara muntahia bittamaleek Assets - Net

The details of this item are as follows:

December 31, 2017	Joint			Self			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara muntahia bittamaleek Assets- Real Estate	774,181,293	(160,111,940)	614,069,353	1,338,000	(974,385)	363,615	775,519,293	(161,086,325)	614,432,968
Ijara muntahia bittamaleek Assets- Machinery	12,968,133	(7,127,951)	5,840,182	-	-	-	12,968,133	(7,127,951)	5,840,182
Ijara muntahia bittamaleek Assets - Vehicles	44,200	(33,356)	10,844	-	-	-	44,200	(33,356)	10,844
<b>Total</b>	<b>787,193,626</b>	<b>(167,273,247)</b>	<b>619,920,379</b>	<b>1,338,000</b>	<b>(974,385)</b>	<b>363,615</b>	<b>788,531,626</b>	<b>(168,247,632)</b>	<b>620,283,994</b>
<b>December 31, 2016</b>									
Ijara muntahia bittamaleek Assets- Real Estate	692,282,017	(129,913,393)	562,368,624	1,338,000	(950,272)	387,728	693,620,017	(130,863,665)	562,756,352
Ijara muntahia bittamaleek Assets- Machinery	11,515,900	(6,118,014)	5,397,886	-	-	-	11,515,900	(6,118,014)	5,397,886
Ijara muntahia bittamaleek Assets - Vehicles	3,437,040	(2,652,889)	784,151	-	-	-	3,437,040	(2,652,889)	784,151
<b>Total</b>	<b>707,234,957</b>	<b>(138,684,296)</b>	<b>568,550,661</b>	<b>1,338,000</b>	<b>(950,272)</b>	<b>387,728</b>	<b>708,572,957</b>	<b>(139,634,568)</b>	<b>568,938,389</b>

- Total due Ijara installments amounted to JD 2,846,093 as at December 31, 2017 (JD 3,150,399 as at December 31, 2016). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).
- Non-performing Ijara muntahia bittamaleek amounted to 816,682 JD i.e., %0/1 of the balance of Ijara lease-to-own as at December 31, 2017 (JD 1,823,186 i.e., 0.3% as at December 31, 2016).
- Non-performing Ijara muntahia bittamaleek after deducting revenue in suspense amounted to JD 335,017 i.e. %0/1 of the balance of Ijara muntahia bittamaleek as at December 31, 2017 (JD 1,326,034 - i.e. 0.2% as at December 31, 2016).

#### **9. Financing Investments**

The details of this item are as follows:

	Joint	
	December 31,	
	2017	2016
	JD	JD
<b>Large companies</b>		
Mudaraba	-	255,367
<b>Net Financing Investments</b>	-	<b>255,367</b>

- Non-performing deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and Al - Qard Al - Hasan amounted to JD 21,640,418 - i.e. 1/5% of the balance of deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and Al - Qard Al - Hasan for the year (JD 13,845,455 - i.e. 1.1% of the balance granted at the end of the previous year).
- Non-performing deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and Al - Qard Al - Hasan after deducting revenues in suspense amounted to JD 20,712,987 - i.e. 1/5% of the balance of deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and Al - Qard Al - Hasan after deducting revenue in suspense (JD 12,950,191 - i.e. 1% of the balance granted at the end of the previous year).

#### **10. Financial Assets at Fair Value Through Shareholders' Equity**

The details of this item are as follows:

	Self	
	December 31,	
	2017	2016
	JD	JD
<b>Financial assets quoted in the Market</b>		
Investment portfolios managed by other parties *	5,498,759	5,519,852
<b>Total financial Assets at fair Value through shareholders' Equity</b>	<b>5,498,759</b>	<b>5,519,852</b>

- \* This item represents the investment portfolios managed by al - Arabi Investment Group Company and comprises external shares and Islamic Sukuk.
- There was no transfer to retained earnings under shareholders' equity related to financial assets through shareholders' equity.



**11. Financial Assets at fair value through joint investment accounts holder's equity**

The details of this item are as follows:

	Joint	
	December 31,	
	2017	2016
	JD	JD
Financial Assets unquoted in the market		
Corporate shares	198,366	-
<b>Total</b>	<b>198,366</b>	<b>-</b>

- Represents the bank's share in establishing (Jordan Payment and clearing Company).
- Financial assets, which carried at cost because its impractical to identify its fair value (under establishment), amounted to JD 198,366 (Nil for the year 2016).

**12. Financial Assets at Amortized Costs – Net**

The details of this item are as follows:

	Joint	
	December 31,	
	2017	2016
	JD	JD
Islamic Sukuk quoted in the Market	28,010,256	21,707,822
Islamic Sukuk not quoted in the Market	10,085,800	12,150,000
<b>Total</b>	<b>38,096,056</b>	<b>33,857,822</b>

- The above assets have fixed and determinable payments and mature within the period from 2018 until the end of the year 2025.
- No impairment provisions for the financial assets at amortized cost were taken.

**13. Investments in Real Estates**

The details of this item are as follows:

Investment in Real Estate for the purpose of utilization:

	Joint	
	December 31,	
	2017	2016
	JD	JD
Investments in real estate	27,924,456	26,303,595
Accumulated depreciation	(1,899,506)	(1,148,611)
Impairment provision	(4,516,175)	(4,131,018)
<b>Total</b>	<b>21,508,775</b>	<b>21,023,966</b>

- Buildings within the real estate portfolio above are depreciated according to the straight-line method at a rate of 10%.

- The movement on the investment in real estate portfolio during the year was as follows:

<u>2017</u>	Balance at the Beginning of the Year	Additions/Transfers during the Year	Sales during the Year	Balance at the End of the Year
	JD	JD	JD	JD
Investments in real estate	26,303,595	2,832,128	(1,211,267)	27,924,456
Accumulated depreciation	(1,148,611)	(802,693)	51,798	(1,899,506)
Total	25,154,984	2,029,435	(1,159,469)	26,024,950
Real estate impairment provision	(4,131,018)	(421,504)	36,347	(4,516,175)
<b>Net</b>	<b>21,023,966</b>	<b>1,607,931</b>	<b>(1,123,122)</b>	<b>21,508,775</b>

<u>2016</u>	Balance at the Beginning of the year	Additions/Transfers during the year *	Sales during the year	Balance at the End of the year
	JD	JD	JD	JD
Investments in real estate	23,350,821	4,385,160	(1,432,386)	26,303,595
Accumulated depreciation	(423,217)	(750,425)	25,031	(1,148,611)
Total	22,927,604	3,634,735	(1,407,355)	25,154,984
Real estate impairment provision	(3,468,931)	(778,420)	116,333	(4,131,018)
<b>Net</b>	<b>19,458,673</b>	<b>2,856,315</b>	<b>(1,291,022)</b>	<b>21,023,966</b>

The fair value of investments in real estate portfolio amounted to JD 24,118,346 as at December 31, 2017 (JD 22,027,117 as at December 31, 2016).

#### 14. Property and Equipment - Net

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
2017	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	7,152,508	4,818,668	6,819,529	279,208	5,450,796	11,219,877	35,740,586
Additions / Capitalization	-	-	386,069	-	835,712	469,379	1,691,160
Disposals	-	-	(358,546)	-	(165,901)	-	(524,447)
Balance at the End of the Year	<u>7,152,508</u>	<u>4,818,668</u>	<u>6,847,052</u>	<u>279,208</u>	<u>6,120,607</u>	<u>11,689,256</u>	<u>36,907,299</u>
Accumulated Depreciation:							
Accumulated depreciation at the beginning of the year	-	1,287,750	3,839,310	227,060	3,875,988	7,645,312	16,875,420
Depreciation of the year	-	100,969	676,773	24,771	860,721	1,247,132	2,910,366
Disposals	-	-	(331,886)	-	(156,051)	-	(487,937)
Accumulated depreciation at the end of the year	-	<u>1,388,719</u>	<u>4,184,197</u>	<u>251,831</u>	<u>4,580,658</u>	<u>8,892,444</u>	<u>19,297,849</u>
Net Book Value for Property and Equipment	<u>7,152,508</u>	<u>3,429,949</u>	<u>2,662,855</u>	<u>27,377</u>	<u>1,539,949</u>	<u>2,796,812</u>	<u>17,609,450</u>
Projects under Process	-	44,172	22,135	-	1,082,341	-	1,148,648
<b>Net Property and Equipment at the End of The Year</b>	<b><u>7,152,508</u></b>	<b><u>3,474,121</u></b>	<b><u>2,684,990</u></b>	<b><u>27,377</u></b>	<b><u>2,622,290</u></b>	<b><u>2,796,812</u></b>	<b><u>18,758,098</u></b>
2016							
Cost:							
Balance at the beginning of the year	7,152,508	4,796,693	6,886,906	257,308	5,666,239	11,005,480	35,765,134
Additions / Capitalization	-	-	460,951	21,900	1,148,148	214,397	1,845,396
Disposals	-	-	(528,328)	-	(1,363,591)	-	(1,891,919)
Adjustments during the year	-	21,975	-	-	-	-	21,975
Balance at the End of the Year	<u>7,152,508</u>	<u>4,818,668</u>	<u>6,819,529</u>	<u>279,208</u>	<u>5,450,796</u>	<u>11,219,877</u>	<u>35,740,586</u>
Accumulated Depreciation:							
Accumulated depreciation at the beginning of the year	-	1,164,806	3,639,268	190,618	4,353,922	6,292,629	15,641,243
Depreciation of the year	-	100,969	705,590	36,442	857,417	1,352,683	3,053,101
Disposals	-	-	(505,548)	-	(1,335,351)	-	(1,840,899)
Adjustments during the year	-	21,975	-	-	-	-	21,975
Accumulated depreciation at the end of the year	-	<u>1,287,750</u>	<u>3,839,310</u>	<u>227,060</u>	<u>3,875,988</u>	<u>7,645,312</u>	<u>16,875,420</u>
Net Book Value for Property and Equipment	<u>7,152,508</u>	<u>3,530,918</u>	<u>2,980,219</u>	<u>52,148</u>	<u>1,574,808</u>	<u>3,574,565</u>	<u>18,865,166</u>
Projects under Process	-	44,154	-	-	787,490	132,544	964,188
<b>Net Property and Equipment at the End of The Year</b>	<b><u>7,152,508</u></b>	<b><u>3,575,072</u></b>	<b><u>2,980,219</u></b>	<b><u>52,148</u></b>	<b><u>2,362,298</u></b>	<b><u>3,707,109</u></b>	<b><u>19,829,354</u></b>
Annual depreciation rates %	-	2	2-15	20	25	15	

- The cost of fully depreciated property and equipment amounted to JD 7,968,653 as at December 31, 2017 (JD 6,995,854 as at December 31, 2016).

### **15. Intangible Assets – Net**

The details of this item are as follows:

	Systems and Software	
	2017	2016
	JD	JD
Balance at the beginning of the year	495,065	1,044,878
Additions	197,964	65,483
Amortization for the Year	(219,175)	(615,296)
<b>Balance at the End of the Year</b>	<b>473,854</b>	<b>495,065</b>
Annual Amortization Rates %	25%	25%

### **16. Other Assets**

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Clearing cheques	25,937	16,394,496
Prepaid expenses	1,505,817	1,174,022
Accrued revenue	464,444	249,048
Assets seized by the Bank against due debts	2,042,354	1,913,060
Payment for invest in companies *	107,383	-
Others	555,372	507,998
<b>Total</b>	<b>4,701,307</b>	<b>20,238,624</b>

- \* This item represents the bank's share in the establishment of Jordanian Islamic Banks Co. for investment and Islamic Banks group co. for SMEs contribution.

The following is a summary of the movement on the assets seized by the Bank against due debt:

	2017	2016
	JD	JD
Balance at the beginning of the year	1,921,224	842,554
Additions	126,001	1,078,670
Sales	-	-
<b>Total</b>	<b>2,047,225</b>	<b>1,921,224</b>
Impairment losses in real estate	(4,871)	(8,164)
<b>Balance at the End of the Year *</b>	<b>2,042,354</b>	<b>1,913,060</b>

- \* This balance represents the balance of assets seized by the Bank against distressed settlement of bad debts. The Bank is prohibited from disposing these assets for one year from the date of registration of the real estate in its name.
- The Central Bank instructions require the disposal of assets seized by the Bank during a duration not more than two years from the date of disposal. The Central Bank can in exceptional cases make the duration longer for no more than two executive years.



**17. Banks and Financial Institutions Accounts**

The details of this item are as follows:

	December 31,					
	2017			2016		
	Inside Kingdom	Out Side Kingdom	Total	Inside Kingdom	Out Side Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	35,115	222,514	257,629	9,622	104,121	113,743
<b>Total</b>	<b>35,115</b>	<b>222,514</b>	<b>257,629</b>	<b>9,622</b>	<b>104,121</b>	<b>113,743</b>

**18. Customers' Current Accounts**

The details of this item are as follows:

	December 31, 2017				
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current accounts	548,572,457	43,501,500	109,301,605	4,698,137	706,073,699
<b>Total</b>	<b>548,572,547</b>	<b>43,501,500</b>	<b>109,301,605</b>	<b>4,698,137</b>	<b>706,073,699</b>

	December 31, 2016				
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current accounts	525,449,363	46,805,135	139,804,717	3,363,003	715,422,218
<b>Total</b>	<b>525,449,363</b>	<b>46,805,135</b>	<b>139,804,717</b>	<b>3,363,003</b>	<b>715,422,218</b>

- The deposits of the Government of Jordan and public sector inside the Kingdom amounted to JD 4,698,137 as at December 31, 2017- i.e. 0/66% of the total customers' current accounts (JD 3,363,003 as at December 31, 2016 i.e. 0.47%).
- Restricted deposits amounted to JD 4,828,492 as at December 31, 2017 - i.e. 0/68% of the total customers' current accounts (JD 4,881,748 as at December 31, 2016 - i.e. 0.68%).
- Dormant accounts amounted to JD 9,336,289 as at December 31, 2017 (JD 8,843,836 as at December 31, 2016).

## **19. Cash Margins**

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Cash margins against sales receivables and financings	27,798,396	21,261,451
Cash margins against indirect credit facilities	6,327,503	5,905,476
Other cash margins	1,526,440	1,571,356
<b>Total</b>	<b>35,652,339</b>	<b>28,738,283</b>

The amount of 478,897 JD was distributed on the insurance accounts participating in the profit for the year 2017 (293,194 for the year 2016).

## **20. Other Provisions**

The movement on the other provisions is as follows:

	Balance at the Beginning of the Year	Provision for the Year	Paid during the Year	Balance at the End of the Year
<u>2017</u>	JD	JD	JD	JD
Provision for end-of-service indemnity	2,430,895	364,912	93,528	2,702,279
Provision for lawsuits against the Bank	31,500	26,836	14,769	43,567
<b>Total</b>	<b>2,462,395</b>	<b>391,748</b>	<b>108,297</b>	<b>2,745,846</b>

	Balance At The Beginning Of The Year	Provision For The Year	Paid During The Year	Balance At The End Of The Year
<u>2016</u>	JD	JD	JD	JD
Provision for end-of-service indemnity	2,241,647	328,213	138,965	2,430,895
Provision for lawsuits against the Bank	27,000	4,500	-	31,500
<b>Total</b>	<b>2,268,647</b>	<b>332,713</b>	<b>138,965</b>	<b>2,462,395</b>

## **21. Provision for Income Tax**

### **a. Provision for Income Tax**

The movement on the income tax provision is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	10,204,258	6,742,519
Income tax paid during the year	(12,892,799)	(8,952,078)
Income tax paid for pervious years	(97,270)	(44,257)
Accrued income tax expense for current year's income	14,788,925	12,458,074
<b>Balance at the End of the Year</b>	<b>12,003,114</b>	<b>10,204,258</b>

**b. The income tax balance presented in the statement of income consists of the following:**

	2017	2016
	JD	JD
Income tax for the year	14,788,925	12,458,074
Deferred tax assets for the year	(173,862)	(182,755)
Amortization of deferred tax assets	112,386	93,545
(Amortization) addition deferred tax liabilities for the year	-	(738,919)
<b>Total</b>	<b>14,727,449</b>	<b>11,629,945</b>

- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2015. Moreover, the tax return for the year 2016 was submitted and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The accrued income tax for the year ended December 31, 2017 was calculated in accordance with the Income Tax Law in force.
- In the opinion of the Management and the tax consultant, no further provisions are required for the year ended December 31, 2017.

**C. Deferred Tax Assets / Liabilities – Self – Joint**

Accounts Included	December 31, 2017					December 31, 2016
	Beginning Balance	Released Amounts	Added Amounts	Ending Balance	Deferred Tax	Deferred Tax
1. Deferred Tax Assets - Joint	JD	JD	JD	JD	JD	JD
Revenue in suspense	735,261	341,408	372,316	766,169	268,159	257,342
	<u>735,261</u>	<u>341,408</u>	<u>372,316</u>	<u>766,169</u>	<u>268,159</u>	<u>257,342</u>
2. Deferred Tax Assets - Self						
Provision for end-of-service indemnity	2,430,895	93,528	364,912	2,702,279	945,798	850,814
Impairment provision for self- financing	1,342,848	-	-	1,342,848	469,997	469,997
Provision for fees for lawsuits against the Bank	31,500	14,769	26,836	43,567	15,248	11,025
Impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	954,725	954,725
Unacceptable tax expenses and deferred for coming years						
Provision for operating losses	177,804	212,804	105,000	70,000	24,500	62,231
	<u>6,710,833</u>	<u>321,101</u>	<u>496,748</u>	<u>6,886,480</u>	<u>2,410,268</u>	<u>2,348,792</u>
<b>Grand Total</b>	<b>7,446,094</b>	<b>662,509</b>	<b>869,064</b>	<b>7,652,649</b>	<b>2,678,427</b>	<b>2,606,134</b>

The joint-deferred tax assets of JD 268,159 as at December 31, 2017 resulting from time differences of the revenue in suspense against unacceptable joint financing and deferred for years to come have been calculated at a tax rate of 35%. In the Management's opinion, these tax benefits from the investment risk fund will be utilized in the future.

The self-deferred tax assets of JD 2,410,268 as at December 31, 2017 resulting from time differences of the provision for end-of- service indemnity, provision for impairment in self – financings, provision for fees on lawsuits against the Bank, impairment in financial assets, and unacceptable tax expenses and deferred for years to come have been calculated at a tax rate of 35%. In the Management's opinion, these tax benefits from profits will be utilized in the future.

	December 31, 2017				December 31, 2016
	Beginning Balance	Released Amounts	Added Amounts	Ending Balance	Deferred Tax
3. Deferred Tax Liabilities - Self	JD	JD	JD	JD	JD
Financial assets at fair value through shareholders' equity	670,162	21,093	-	649,069	227,174
	<b>670,162</b>	<b>21,093</b>	<b>-</b>	<b>649,069</b>	<b>227,174</b>
					<b>234,557</b>

The deferred tax liabilities of JD 227,174 as at December 31, 2017 (JD 234,557 as at December 31, 2016) resulted from gains from valuation of financial assets presented within the fair value reserve of shareholders' equity.

The movement on the deferred tax assets and liabilities – Joint is as follows:

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	257,342	-	225,779	-
Additions during the year	130,310	-	85,595	-
Amortized during the year	(119,493)	-	(54,032)	-
<b>Balance at the End of the Year</b>	<b>268,159</b>	<b>-</b>	<b>257,342</b>	<b>-</b>

The movement on the deferred tax assets and liabilities – Self is as follows:

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	2,348,792	234,557	2,259,582	969,033
Additions during the year	173,862	-	182,755	4,443
Amortized during the year	(112,386)	(7,383)	(93,545)	(738,919)
<b>Balance at the End of the Year</b>	<b>2,410,268</b>	<b>227,174</b>	<b>2,348,792</b>	<b>234,557</b>



**d. Summary of the Reconciliation between Accounting Income with Taxable Income:**

	2017	2016
	JD	JD
Accounting Income	43,525,153	34,642,860
Add: Non deductible tax expenses	11,859,821	9,928,827
Tax-exempt Income	(341,408)	(154,375)
Other adjustments	(1,311,018)	863,482
Taxable Income	53,732,548	45,280,794
Declared income tax rate	35%	35%
Income Tax Provision - Net	18,806,392	15,848,278
Attributable to:		
Declared provision - Bank	14,788,925	12,458,074
Declared provision - Investment Risks Fund	3,233,085	2,872,883
Declared provision - Mutual insurance fund *	784,382	517,321
	<b>18,806,392</b>	<b>15,848,278</b>

- \* The mutual insurance fund has been established to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

**22. Other Liabilities**

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Certified cheques	9,006,880	11,789,842
Promissory notes, bills of collection and inward transfers	5,730,484	7,067,987
Accrued and unpaid expenses	209,552	98,653
Customers' share of revenue from joint investments (saving and time deposit)	6,023,821	5,874,870
Customers' share of revenues from joint investments (cash deposit)	175,458	227,626
Commissions received in advance	406,552	409,848
Temporary deposit's and others *	7,171,544	11,334,520
Income tax of mutual insurance fund (Note 24)	628,812	438,569
Board of Directors' remunerations	25,000	25,000
	<b>29,378,103</b>	<b>37,266,915</b>

- \* Includes intermediate accounts of JD 4,992,379 as of December 31, 2017, (JD 9,024,613 at December 31, 2016) representing accepted L/C's and deferred bills from customers and transferred to deferred sales receivables. This amount will be paid on the maturity date.

### 23. Unrestricted Investment Accounts

The details of this item are as follows:

December 31, 2017					
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving accounts	241,101,112	443,217	3,023,277	47,146	244,614,752
Time deposits *	627,686,284	75,672,225	55,824,618	39,013,403	798,196,530
Total	868,787,396	76,115,442	58,847,895	39,060,549	1,042,811,282
Depositors' share of the investment returns	14,403,029	2,444,867	1,170,914	749,487	18,768,297
<b>Total Joint Investment Accounts</b>	<b>883,190,425</b>	<b>78,560,309</b>	<b>60,018,809</b>	<b>39,810,036</b>	<b>1,061,579,579</b>

December 31, 2016					
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving accounts	251,566,602	782,555	4,167,671	44,404	256,561,232
Time deposits *	540,542,001	96,413,992	53,212,712	30,126,590	720,295,295
Total	792,108,603	97,196,547	57,380,383	30,170,994	976,856,527
Depositors' share of the investment returns	13,152,195	2,647,475	385,659	658,423	16,843,752
<b>Total Joint Investment Accounts</b>	<b>805,260,798</b>	<b>99,844,022</b>	<b>57,766,042</b>	<b>30,829,417</b>	<b>993,700,279</b>

\* Time deposits include JD 10,621,470 (net after tax) as at December 31, 2017 (JD 7,432,990 as at December 31, 2016). This item is the balance of the Mutual Insurance Fund established during 2013 to cover defaults on repayments of financings due to the death or total disability of the customers as per the Fund's Articles of Association approved by the Central Bank of Jordan (Note 24/C).

- The joint investment accounts participate in profits based on the following:
- 30% from the monthly balance of saving accounts.
- 85% of the lowest balance of time deposits.
- The general rate of profit on the Jordanian Dinar for the first and second halves of the year 2017, i.e. 2.948% and 2.879%, respectively (3.021% and 2.965% in the previous year).
- The general rate of profit on USD for the first and second halves of the year 2017, i.e. 0.53% and 0.66%, respectively (0.34% and 0.44% in the previous year).
- The restricted accounts amounted to JD 1,290,432 as at December 31, 2017 (JD 1,226,547 as at December 31, 2016).
- The joint investment accounts of the Government of Jordan and Public Sector inside the Kingdom amounted to JD 39,810,036 as at December 31, 2017- i.e. at 3.7% of the total joint investment accounts (JD 30,829,417 as at December 31, 2016- i.e. 1.3%).
- Dormant accounts amounted to JD 2,561,621 as of December 31, 2017 (JD 2,403,259 as at December 31, 2016).

#### **24. Investment Risk Fund**

a. The movement on the Investment Risk Fund is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	36,061,933	30,907,989
<u>Add:</u> Transferred from joint investment revenue for the year – Statement of Income	9,206,478	8,118,054
Amortized losses for the period	-	(120,973)
Transferred of Investment risk fund – Nama'a Aqari *	261,239	-
Balances settlement	1,392	-
Difference in transaction of foreign currencies	4,725	(1,817)
<u>Less:</u> income tax	(3,222,268)	(2,841,320)
<b>Balance at the End of the Year</b>	<b><u>42,313,499</u></b>	<b><u>36,061,933</u></b>

The Fund's income tax item represents the following:

	2017	2016
	JD	JD
Accrued income tax on the transferred amounts from investment revenues	3,233,085	2,872,883
Deferred tax assets	(130,310)	(85,595)
Amortization of deferred tax assets	119,493	54,032
	<b><u>3,222,268</u></b>	<b><u>2,841,320</u></b>

- \* The bank decided to cancel the real estate financing product (Nama' Aqari) during 2017 and transfer its balances inside balance sheet statement after the approval of shari'a supervisory board.

**b. The Balance of the Investment Risk Fund is distributed as follows:**

	December 31,	
	2017	2016
	JD	JD
Against impairment of deferred sales receivables (Note 6)	10,808,780	8,325,938
Against impairment in investments in real estate (Note 13)	4,516,175	4,131,018
Against impairment in assets seized against debts (Note 16)	4,871	8,164
<b>Remaining Balance (undistributed)</b>	<b>26,983,673</b>	<b>23,596,813</b>

- Deduction of 10% of the gross revenue of the joint investment accounts continues to be made until the Investment Risk Fund balance reaches 200% of the Bank's authorized and paid-up capital.
- The remaining balance represents the undistributed portion over the joint investments accounts.

The movement on the tax of the Investment Risk Fund is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	2,279,185	2,148,821
<u>Less:</u> Income tax paid	(2,915,928)	(2,742,519)
<u>Add:</u> Accrued income tax for the year	3,233,085	2,872,883
Settlement balances	(1,392)	-
<b>Balance at the End of the Year</b>	<b>2,594,950</b>	<b>2,279,185</b>

- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2015. Moreover, the tax return for the year 2016 was submitted and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.

**c. Mutual Insurance Fund**

The movement on the mutual insurance fund is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	7,432,990	4,564,871
<u>Add:</u> Fund investment profits for the year	472,039	348,532
Insurance installments during the year	3,826,776	3,307,827
<u>Less:</u> Fund's income tax for the year	(784,382)	(517,321)
Fund accountant's reward	(1,800)	(1,800)
Subscribers' compensation during the year	(285,928)	(235,988)
Financial stamp's expenses during the year	(38,225)	(33,131)
<b>Balance at the End of the Year</b>	<b>10,621,470</b>	<b>7,432,990</b>

The movement on the tax of the Joint Insurance Fund is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the Year	438,569	204,651
<u>Less:</u> Income tax paid	(594,139)	(283,403)
<u>Add:</u> Accrued income tax for the year	784,382	517,321
<b>Balance at the End of Year</b>	<b>628,812</b>	<b>438,569</b>

- The Balance of Income tax of Mutual Insurance Fund is included in other liabilities (Note 22).
- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2015. Moreover, the tax return for the year 2016 was submitted and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The bylaws of the Mutual Insurance Fund are based on Paragraph No. (D/3) of Article (54) of the Banks' Law No. 28 for the Year 2000.
- The Central Bank of Jordan's approval is required in case any amendment to the Mutual Insurance Fund is to be made.
- In case the Mutual Insurance Fund ceases its activities, the Board of Directors decides on the manner of disbursing of the Fund's cash for charitable causes.
- Compensation for Participants to the Fund is made as follows:
  - Participant's death.
  - Participant's totally and permanent physical disability.

## **25. Paid-up Capital**

The authorized and paid-up capital at the end of the fiscal year amounted to JD100 million divided into 100 million shares at a par value of JD 1 per share as at December 31, 2017 (100 million shares at a par value of JD 1 per share as at the end of the previous year).

## **26. Reserves**

- **Statutory Reserve**  
The accumulated amounts in this account are appropriated from the annual net income before tax at 10% in accordance with the Banks Law. This reserve may not be distributed to shareholders.
- **Voluntary Reserve**  
The accumulated amounts in this account represent appropriations from annual net income before tax during the previous years at a rate not exceeding 20%. This reserve is used for the purposes determined by the Board of Directors. Moreover, the General Assembly is entitled to distribute it in whole or in part as dividends to shareholders.



- **General Banking Risk Reserve**

This reserve represents the general banking risk reserve on deferred sales receivables and the Bank's self - financings in accordance with the instructions of the Central Bank of Jordan.

- The restricted reserves are as follows:

Reserve Name	December 31,		Nature of restriction
	2017	2016	
	JD	JD	
Statutory reserve	25,735,842	21,383,327	Requirement of the Law
General Banking Risk Reserve	882,000	882,000	Central Bank's Instructions

- **Proposed Dividends to Shareholders**

During its meeting Session No. (1) held on January 21, 2018, the Board of Directors recommended the distribution of JD 12,000,000 to the sole shareholder (Arab Bank) - i.e. equivalent to 12% of authorized and paid-up capital from distributable retained earnings, subject to the approval of the Shareholders' General Assembly.

Note that the percentage of dividends distributed to the shareholders during the year is 10% of the capital, ie 10,000,000 JD.

## **27. Fair Value Reserve – Net**

The details of this item are as follows:

	Self	
	December 31,	
	2017	2016
	JD	JD
Financial assets at fair value through shareholders' equity	421,895	435,605
<b>Balance at the End of the Year</b>	<b>421,895</b>	<b>435,605</b>

The movement on the fair value reserve was as follows:

	Self	
	2017	2016
	JD	JD
Balance at the beginning of the year	435,605	427,355
Unrealized gains (losses)	(21,093)	12,693
Realized (added) from the deferred tax liabilities	7,383	(4,443)
<b>Balance at the End of the Year</b>	<b>421,895</b>	<b>435,605</b>

The fair value reserve is stated at net (after deducting deferred tax liabilities-self) of JD 421,895 as at December 31, 2017 (JD 435,605 as at December 31, 2016).

**28. Retained Earnings**

The details of this item are as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	28,835,811	16,377,182
Profit for the year	28,797,704	23,012,915
(Transferred) to the statutory reserve	(4,352,515)	(3,464,286)
Dividends *	(10,000,000)	(7,090,000)
<b>Balance at the End of the Year **</b>	<b>43,281,000</b>	<b>28,835,811</b>

\* On April 17, 2017, the Shareholders' General Assembly approved the distribution of cash dividends to the sole shareholder (Arab Bank plc.) at an amount of JD 10,000,000, representing 10% of authorized and paid-up capital from the distributable retained earnings (JD 7,090,000 the previous year).

\*\* The retained earnings balance includes JD 2,410,268 restricted against deferred tax benefits related to the Bank's self operations as at December 31, 2017 (JD 2,348,792 as at December 31, 2016).

**29. Deferred Sales Revenue**

The details of this item are as follows:

	Joint		Self		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
<b>Individuals (retail)</b>						
Murabaha to purchase order	16,898,838	14,596,158	-	-	16,898,838	14,596,158
Real estate financings	8,430,727	7,333,941	-	-	8,430,727	7,333,941
<b>Large Companies</b>						
International Murabaha	1,465,805	634,535	-	-	1,465,805	634,535
Murabaha to purchase order	13,118,910	11,945,627	654	1,716	13,119,564	11,947,343
<b>Small and medium Size Companies</b>						
Murabaha to purchase order	4,624,529	4,778,430	-	-	4,624,529	4,778,430
Deferred sale	11,648	22,907	-	-	11,648	22,907
<b>Total</b>	<b>44,550,457</b>	<b>39,311,598</b>	<b>654</b>	<b>1,716</b>	<b>44,551,111</b>	<b>39,313,314</b>

**30. Revenue from Financing Investments**

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Large companies:		
Mudaraba	7,664	181,702
	<b>7,664</b>	<b>181,702</b>

**31. Revenue from Financial Assets at Amortized Costs**

The details of this item are as follows:

	Joint		Self	
	2017	2016	2017	2016
	JD	JD	JD	JD
Islamic Sukuk	1,141,294	554,049	-	3,427
	<b>1,141,294</b>	<b>554,049</b>	<b>-</b>	<b>3,427</b>

**32. Net (Expenses) Revenue from Investment in Real Estate**

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
<u>Acquired for the purpose of Utilization</u>		
Real estate rents	198,081	165,936
Gains from real estate sales	13,425	75,108
Other expenses	(122,705)	(74,039)
Depreciation of buildings	(802,693)	(750,425)
	<b>(713,892)</b>	<b>(583,420)</b>

**33. Revenue from Ijara muntahia bittamaleek Assets**

The details of this item are as follows:

	Joint		Self	
	2017	2016	2017	2016
	JD	JD	JD	JD
Ijara muntahia bittamaleek – Real estate	103,700,153	92,789,932	49,113	402,593
Ijara muntahia bittamaleek – Machinery	3,920,336	5,067,313	-	-
Ijara muntahia bittamaleek - Vehicles	800,694	1,175,735	-	-
Depreciation of Ijara muntahia bittamaleek assets	(61,739,265)	(57,515,098)	-	-
<b>Total</b>	<b>46,681,918</b>	<b>41,517,882</b>	<b>49,113</b>	<b>402,593</b>

**34. Ju'alah commissions**

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Bargaining commissions	397,339	195,410
<b>Total</b>	<b>397,339</b>	<b>195,410</b>

**35. Unrestricted Investment Accounts Share**

The details of this item are as follows:

	2017	2016
	JD	JD
Customers:		
Revenue of investments saving accounts	1,700,308	1,934,768
Revenue of time deposit accounts	17,216,940	16,712,743
Revenue of cash deposit accounts	426,729	375,990
<b>Total</b>	<b>19,343,977</b>	<b>19,023,501</b>

**36. Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)**

The details of this item are as follows:

	2017	2016
	JD	JD
Bank's share as Mudarib	23,505,426	23,156,378
Bank's share as (Rab Al-Mal)	40,008,899	30,882,609
<b>Total</b>	<b>63,514,325</b>	<b>54,038,987</b>

**37. Bank's Revenue from its Own Investments**

The details of this item are as follows:

	2017	2016
	JD	JD
Income from deferred sales (Note 29)	654	1,716
Income from financial assets at amortized cost (Note 31)	-	3,427
Income from Ijara muntahia bittamaleek assets (Note 33)	49,113	402,593
Returns of distributions of financial assets at fair value through shareholders' equity	14,470	30,487
<b>Total</b>	<b>64,237</b>	<b>438,223</b>

**38. Bank's Share in Restricted Investment Profit as Mudarib and Wakeel****a. Bank's Share from Restricted Investment Revenue as Mudarib:**

	2017	2016
	JD	JD
Income from restricted investments	1,349,853	598,415
<u>Less:</u> Depreciation of Ijara real estate development (Nama'a Aqari)	<u>(9,686)</u>	<u>(15,644)</u>
Net income from restricted investments	1,340,167	582,771
<u>Less:</u> Share of holders of restricted investments accounts	<u>(1,091,138)</u>	<u>(474,706)</u>
<b>Bank's share as Mudarib</b>	<b><u>249,029</u></b>	<b><u>108,065</u></b>

**b. Bank's Share from the Restricted Wakalah Investment \***

	2017	2016
	JD	JD
Income from sales receivables	647,294	347,683
<u>Less:</u> Muwakel's share	<u>(445,663)</u>	<u>(235,177)</u>
<b>Bank's Share (Wakeel)</b>	<b><u>201,631</u></b>	<b><u>112,506</u></b>

\* This item represents income from Murabaha to Purchase order for small enterprises and within the Wakalah investment agreement signed with the Central Bank of Jordan.

**39. Gains (Loss) from Foreign Currencies**

The details of this item are as follows:

	Joint		Self	
	2017	2016	2017	2016
	JD	JD	JD	JD
Resulting from trading / dealing	-	-	2,183,566	1,641,434
Resulting from revaluation	-	3,321	(18,234)	-
<b>Total</b>	<b><u>-</u></b>	<b><u>3,321</u></b>	<b><u>2,165,332</u></b>	<b><u>1,641,434</u></b>



**40. Banking Services Revenue**

The details of this item are as follows:

	2017	2016
	JD	JD
Commissions on certified cheques	49,362	53,553
Commissions on letters of credit and bills	1,018,496	1,070,832
Commissions on guarantees	734,188	695,330
Commissions on transfers	361,108	309,006
Commissions on Visa	2,081,870	1,593,716
Commissions on cheques	391,859	333,660
Commissions on electronic services	1,137,887	1,036,291
Commissions on execution of financings	755,450	716,091
Commissions on transferred salaries	1,553,507	1,420,675
Other commissions	1,078,221	1,052,885
<b>Total</b>	<b>9,161,948</b>	<b>8,282,039</b>

**41. Other Revenue**

The details of this item are as follows:

	2017	2016
	JD	JD
Revenue from customers services (post, telephone, custody)	325,897	318,598
Other income	30,453	25,572
<b>Total</b>	<b>356,350</b>	<b>344,170</b>

**42. Employees' Expenses**

The details of this item are as follows:

	2017	2016
	JD	JD
Salaries, bonuses and employees benefits	16,458,255	14,831,805
Bank's contribution in social security	1,827,458	1,628,111
Medical expenses	835,534	816,604
Staff training	136,614	99,321
Insurance expenses	68,447	48,431
<b>Total</b>	<b>19,326,308</b>	<b>17,424,272</b>

**43. Other Expenses**

The details of this item are as follows:

	2017	2016
	JD	JD
Rents	1,147,472	1,026,021
Stationery and printing	486,965	450,704
Postage and telephone	465,708	401,385
Maintenance and cleaning	654,137	648,891
Advertising	503,310	599,080
Insurance expenses	89,412	77,822
Electricity and water	1,151,230	1,176,292
Donations	479,559	337,965
Subscriptions and fees	524,787	460,052
Transportation and travel expenses	457,493	366,285
Consultancy and professional fees	455,601	308,643
Information systems' expenses	2,060,263	1,914,513
Board of Directors' remunerations	25,000	25,000
Others	724,052	674,995
<b>Total</b>	<b>9,224,989</b>	<b>8,467,648</b>

**44. Earnings Per Share**

The details of this item are as follows:

	2017	2016
	JD	JD
Profit for the Year	28,797,704	23,012,915
Weighted-average number of shares	100,000,000	100,000,000
Basic and Diluted Earnings per Share for the year	0/288	0/230

**45. Cash and Cash Equivalent**

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Cash and balances with the Central Bank maturing within three months	588,819,337	642,618,706
<u>Add:</u> Balances at banks and financial institutions maturing within three months	21,546,641	22,343,142
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(257,629)	(113,743)
	<b>610,108,349</b>	<b>664,848,105</b>

#### 46. Balances and Transactions with Related Parties

The Bank conducts transactions with shareholders, members of the Board of Directors, Executive Management, and Sister Companies in the ordinary course of its business using the Murabaha and commercial commissions rates.

The following is a summary of the transactions with related parties:

	Arab Bank (Parent Company)	Members of the Board	Subsidiaries of the Parent Companies	Member Of Shari'a Supervisory Board	Executive Management	Total	
						December 31,	
						2017	2016
<b>Statement of Financial Position Items:</b>	JD	JD	JD	JD	JD	JD	JD
Balances with banks and financial institutions	17,286,621	-	-	-	-	17,286,621	18,443,719
International Murabaha (commodities investment)	107,071,059	-	-	-	-	107,071,059	98,574,977
Mudaraba financings	-	-	-	-	-	-	255,367
Banks' and financial institutions accounts	255,616	-	-	-	-	255,616	87,619
Joint investment accounts and current accounts	-	32,996	-	57,863	795,745	886,604	748,023
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,498,759	-	-	5,498,759	5,519,852
Sales receivables and Ijara financings	-	299,166	-	48,919	1,232,319	1,580,404	1,748,964
<b>Off – Statement of Financial Position Items</b>							
Guarantees	12,547,369	-	-	-	-	12,547,369	12,537,369
International Murabaha (Investment in Commodity)	96,558,033	-	-	-	-	96,558,033	101,748,765
<b>Statement of Income Items:</b>						For the Year Ended December 31,	
						2017	2016
						JD	JD
Distributed profit – deposits' accounts	-	-	-	216	11,582	11,798	9,406
Received profit - receivables	-	3,274	7,664	5,987	66,822	83,747	292,809
Shares' dividends	-	-	14,470	-	-	14,470	30,487
Received commissions-off statement of financial position	62,687	-	-	-	-	62,687	62,687
Salaries and remunerations *	-	25,000	-	84,000	1,666,570	1,775,570	1,723,132
Transportation	-	120,000	-	-	-	120,000	109,800

- The lowest Murabaha rate that the Bank received was (3%), and the highest Murabaha rate was (5.4%). Meanwhile, the lowest dividends distribution rate in JD was 2.879%, and the highest rate of dividends distribution was 2.948%.
- All financings granted to related parties are performing, and consequently, no related provisions have been booked.
- \* The Central Bank of Jordan Circular No. 4676/2/10 regarding the definition of Executive Management has been implemented.

#### **47. Risk Management**

Islamic International Arab Bank deals with the challenges related to banking risks comprehensively within an overall risk management framework according to the best banking standards, conventions, and practices, reinforced by a governance structure at the level of the Board of Directors, in particular the committees emanating from the Board and Executive management level.

Risk management represents one of the main control levels within the institutional structural framework of the Bank's risk management. Moreover, management is responsible for developing an effective and secured system to identify the risks by the Bank is exposed to, and its tasks include the following:

- Reviewing the Bank's risk management framework before approval by the Board of Directors.
- Implementing risk management strategy as well as developing policies and work procedures to manage whole risk types.
- Developing methodologies for identifying, measuring, controlling and detecting each type of risks.
- Submitting reports to the Board members through the risk management committee and a copy of the reports to senior executive management, including information about the actual risk profile compared with accepted risk appetite, and following up and resolving negative deviations.
- Checking the integration of the risk measurement mechanism with management information systems.
- Studying and analyzing all risk types the Bank is exposed to.
- Submitting recommendations to the risk management committee about the Bank's risk exposure, as well as registering the exceptions in the risk management policy.
- Providing the necessary information about the Bank's risks for disclosure purposes.
- Reinforcing and raising awareness about risks through the best banking practices and standards.

Risk Management at the Bank is divided into the following sections:

##### **1. Credit Risk**

The Islamic international Arab Bank adopts initiative and a dynamic approach and implements a conservative strategy in managing this type of risk. This is a key factor to achieving its strategic objective in respect of continuous improvement and maintenance of the quality of assets and credit portfolio components.

The Bank also relies on well-established, conservative, and prudent credit standards. Furthermore, the Bank implements policies, procedures, methodologies, and general frameworks to manage risks, taking into consideration all the developments in the legislative and banking environment. Additionally, the Bank has in place clear organizational structures and technical systems, close follow-up, and effective controls that enable it to deal with probable risks and challenges arising from the changing environment at a high level of confidence and determination. Credit management decisions are based on the adopted strategy and the accepted levels of risk. Furthermore, periodic review and analysis of the credit portfolio type and quality are performed periodically based on specific performance indicators. These decisions also focus on diversity, which is considered key to mitigating and diversifying risks on the individual customers' level and sectors levels.

## **2. Liquidity Risk**

Liquidity is the Bank's ability to meet its obligations on their maturity dates without incurring unacceptable losses, according to the definition of Islamic Financial Services Board (IFSB).

The Islamic international Arab Bank has established a strong liquidity infrastructure fulfilled at maturity under all circumstances without additional costs.

The Assets and Liabilities Committee (ALCO) manages the Bank's liquidity strategy. Moreover, the Treasury Department's employees carry out their duties according to the powers granted to them to meet the needs and goals of the Bank's different units.

(ALCO) analyzes the statement of financial position and the statement of income, determines market risk, and takes all the required procedures to amend all the prices and products combination, as needed, in order to maintain the optimum structure for the Bank's financial position and related risks.

## **3. Market Risk**

Market risk is the probable loss arising from the change in value of the Bank's portfolios due to fluctuation in stock prices, profit rates, foreign exchange rates, and commodity prices. Moreover, market risks are managed on the trading portfolio and banking portfolio in a manner consistent with Islamic Sharia. In addition, three main activities expose the Bank to market risk: trading in cash market instruments, foreign currencies, and capital market instruments; trading in the banking portfolio; and trading in the trading portfolio.

The essential tools in measuring and managing market risk include:

- Net open position for foreign currencies.
- Value at risk.
- Stress testing.

## **4. Capital Market Risk**

Investment in capital market instruments is exposed to market risk because of the change in profit rate.

The Bank's probable risk resulting from this kind of investment is limited due to the strict control on credit risk and profit rate risk. In this regard, the Bank's stocks investment portfolio constitutes a small percentage of the Islamic International Arab Bank's total assets.

## **5. Foreign Currencies Exchange Rates Risk:**

Foreign currencies income is generated basically from the clients' operations. Restrictions are imposed on the Bank as regards trading in foreign currencies for its own account. In addition, these operations are properly hedged against expected currency fluctuations in a manner that reduces exchange rate risk to the minimum.



## **6. Compliance with Shari'a Standards Risk:**

The Islamic International Arab Bank fully adheres to Shari'a Standards in force in all of its deals. For this purpose, IIAB provides its employees from all managerial levels with Shari'a banking courses to reinforce their abilities and efficiencies and enhance their knowledge and understanding of all Shari'a Standards.

In order to ensure its compliance with Shari'a Standards, the Bank established three Shari'a control units:

- 1- Shari'a Internal Audit Department supervised directly by the Shari'a Supervisory Board.
- 2- Shari'a control concurrent with implementation.
- 3- Shari'a compliance in the Compliance Department.

## **7. Other Risks**

Islamic international Arab Bank is exposed to other types of risks, which it manages proactively and prudently.

#### 48/a. Credit Risk

1. Exposures to Credit Risk (after impairment provision and before collateral held and other risk mitigating factors)

	Joint		Self		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
<b>Statement of financial position items:</b>						
Balances at Central Bank	555,592,830	618,072,771	-	-	555,592,830	618,072,771
Balances with banks and financial institutions	21,546,641	22,343,142	-	-	21,546,641	22,343,142
<b>Deferred Sales Receivables and Other Receivables:</b>						
For Individuals	707,356,174	620,808,543	26,155,762	17,410,684	733,511,936	638,219,227
Real estate financings	122,299,379	100,749,517	-	-	122,299,379	100,749,517
For companies:						
Large companies	401,738,884	351,457,709	1,689,719	1,793,614	403,428,603	353,251,323
Small and Medium companies	90,031,126	108,147,309	528,501	662,303	90,559,627	108,809,612
Financing Investments:						
Musharaka:						
For Individuals	-	-	-	-	-	-
Real estate financings	-	-	-	-	-	-
Mudaraba:						
For companies						
Large companies	-	255,367	-	-	-	255,367
<b>Sukuk:</b>						
Within financial assets at amortized cost	38,096,056	33,857,822	-	-	38,096,056	33,857,822
Other assets						
Accrued revenue	464,444	249,048	-	-	464,444	249,048
Prepaid expenses	-	-	1,505,817	1,174,022	1,505,817	1,174,022
<b>Off – Statement of Financial Position:</b>						
Letters of guarantee	-	-	56,512,028	55,021,259	56,512,028	55,021,259
Letters of credit	-	-	25,781,677	23,961,187	25,781,677	23,961,187
Acceptances	-	-	5,882,171	9,773,365	5,882,171	9,773,365
Unutilized ceilings	165,101,101	142,376,144	13,913,032	11,185,354	179,014,133	153,561,498
<b>Total</b>	<b>2,102,226,635</b>	<b>1,998,317,372</b>	<b>131,968,707</b>	<b>120,981,788</b>	<b>2,234,195,342</b>	<b>2,119,299,160</b>

2- Distribution of Credit Risk Exposure according to the degree of risk, Instructions of the Central Bank of Jordan, and the International Accounting Standards.

The credit exposure is distributed according to the degree of risk according to the following table:

December 31, 2017	Joint				Self											
	Individuals		Real Estate		Large Companies	Medium Companies	Banks and other Financial Institutions	Government and Public Sector	Total		Individuals	Government and Real Estate	Large Companies	Medium Companies	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	1,471,347	186,672	5,926,552	2,843,311	-	579,618,571	590,046,453	-	-	72,981	-	72,981	-	-	72,981	590,119,434
Acceptable risk	728,162,235	139,884,764	395,725,755	86,051,877	35,956,824	-	1,385,781,455	26,650,070	82,938	2,178,682	528,241	29,439,931	1,415,221,386	-	-	-
From which post due																
Up to 30 days	1,143,358	35,526	116,639	10,764	-	-	1,306,287	-	-	-	-	-	-	-	-	1,306,287
From 31 to 60 days	7,793,713	35,959	626,417	53,683	-	-	8,509,772	13,208	-	568	179	13,955	8,523,727	-	-	-
Watch list	837,514	2,304,064	1,116,924	1,878,080	-	-	6,136,582	10,999	-	400,234	102	411,335	6,547,917	-	-	-
Non-performing:																
Sub-standard	210,524	53,152	1,573,100	505,611	-	-	2,342,387	24,046	-	-	2,150	26,196	2,368,583	-	-	-
Doubtful	225,632	11,842	5,454,224	2,243,820	-	-	7,935,518	44,747	-	-	32,055	76,802	8,012,320	-	-	-
problematic	817,814	486,300	3,643,421	2,628,440	-	-	7,575,975	162,863	-	3,416,007	104,670	3,683,540	11,259,515	-	-	-
Total	740,662,137	142,998,279	414,183,032	96,215,586	35,956,824	579,618,571	2,009,634,429	26,905,933	82,938	6,068,472	667,397	33,724,740	2,043,359,169	-	-	-
Less:																
Deferred revenue	32,008,832	20,193,902	5,921,133	2,665,181	-	-	60,789,048	-	-	1,169	-	1,169	60,790,217	-	-	-
Revenues in suspense	144,429	47,781	336,001	382,856	-	-	911,067	-	-	16,364	-	16,364	927,431	-	-	-
Provision for impairment	1,152,702	457,217	6,062,438	3,136,423	-	-	10,808,780	233,702	-	3,454,810	138,896	3,827,408	14,636,188	-	-	-
Net	707,356,174	122,299,379	401,863,460	90,031,126	35,956,824	579,618,571	1,937,125,534	26,672,231	82,938	2,596,129	528,501	29,879,799	1,967,005,333	-	-	-

	Joint						Self					
	December 31, 2016											
	Individuals	Real Estate	Large Companies	Medium Companies	Banks and other Financial Institutions	Government and Public Sector	Total	Individuals	Government and Public Sector	Large Companies	Medium Companies	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	1,116,354	466,680	4,900,700	3,277,968	-	637,736,340	647,498,042	-	-	-	-	647,498,042
Acceptable risk	644,997,051	115,704,151	350,383,325	105,071,859	36,734,668	-	1,252,891,054	17,979,089	53,805	1,920,146	625,206	20,578,246
From which post due												1,273,469,300
Up to 30 days	452,513	10,758	478,971	181,580	-	-	1,123,822	-	-	-	-	1,123,822
From 31 to 60 days	1,644,457	165,220	1,038,195	294,927	-	-	3,142,799	3,484	-	803	31,546	3,178,632
Watch list	340,249	1,525,271	1,665,178	2,196,234	-	-	5,726,932	4,128	-	298,611	9,972	312,731
Non-performing:												6,039,663
Sub-standard	263,389	20,199	7,447	257,836	-	-	548,871	12,000	-	-	3,000	563,871
Doubtful	149,865	59,643	84,104	318,680	-	-	612,292	22,185	-	136,917	5,613	777,007
problematic	779,816	472,018	4,441,162	3,122,887	-	-	8,815,883	104,977	-	3,506,893	76,824	12,504,577
Total	649,743,694	118,423,940	362,999,082	114,721,971	36,734,668	637,736,340	1,920,359,695	18,125,863	53,805	5,863,390	757,161	24,795,219
Less:												1,945,154,914
Deferred revenue	27,841,676	17,256,533	6,514,319	3,599,842	-	-	55,212,370	-	-	3,083	-	55,215,453
Revenues in suspense	120,520	45,436	319,093	395,110	-	-	880,159	-	-	15,105	-	895,264
Provision for impairment	972,955	372,454	4,400,819	2,579,710	-	-	8,325,938	139,886	-	3,506,664	89,858	12,062,346
Net	620,808,543	100,749,517	351,764,851	108,147,309	36,734,668	637,736,340	1,855,941,228	17,985,977	53,805	2,338,538	662,303	21,040,623
												1,876,981,851

The following table breaks down the fair value of collateralized against deferred sales receivables, other receivables and financings:

2017	Joint				Self			
	Individuals		Real Estate		Large Companies		Medium Companies	
	JD	JD	JD	JD	JD	JD	JD	JD
Collaterals against:								
Low risk	1,471,347	186,672	5,926,552	2,843,311	10,427,882	-	72,981	10,500,863
Acceptable risk	81,915,028	19,893,020	80,428,664	9,861,822	192,098,534	-	-	192,098,534
Watch list	1,385,972	1,673,087	846,000	466,220	4,371,279	-	324,065	4,695,344
Non-performing:								
Sub-standard	316,375	-	1,811,321	240,887	2,368,583	-	-	2,368,583
Doubtful	237,825	11,423	1,220,408	176,264	1,645,920	-	-	1,645,920
Problematic	5,220,136	161,773	1,121,453	890,201	7,393,563	-	615,810	8,009,373
<b>Total</b>	<b>90,546,683</b>	<b>21,925,975</b>	<b>91,345,398</b>	<b>14,478,705</b>	<b>218,305,761</b>	<b>-</b>	<b>1,012,856</b>	<b>219,318,617</b>
Of which:								
Cash margins	1,471,347	-	5,926,552	2,780,803	10,178,702	-	72,981	10,251,683
Real estate	24,861,693	19,883,067	69,136,641	7,684,046	121,566,267	-	939,875	122,506,142
Listed shares	-	-	-	-	-	-	-	-
Vehicles and equipment	64,213,643	1,855,416	16,291,205	3,951,348	86,311,612	-	-	86,311,612
Accepted bank guarantees	-	186,672	-	62,508	249,180	-	-	249,180
	<b>90,546,683</b>	<b>21,925,975</b>	<b>91,354,398</b>	<b>14,478,705</b>	<b>218,305,761</b>	<b>-</b>	<b>1,012,856</b>	<b>219,318,617</b>



2016	Joint				Self						
	Individuals		Real Estate		Large Companies		Medium Companies		Total		Total
	JD		JD		JD		JD		JD		
Collaterals against:											
Low risk	1,116,354		466,680		4,900,700		3,277,968		9,761,702		9,761,702
Acceptable risk	84,530,635		24,205,783		72,491,278		11,166,867		192,394,563		192,394,563
Watch list	170,346		1,727,725		1,918,482		464,704		4,281,257		4,579,881
Non-performing:											
Sub-standard	337,174		3,359		-		62,362		402,895		402,895
Doubtful	88,667		17,901		3,744		228,111		338,423		338,423
Problematic	3,671,278		167,111		2,293,863		1,401,732		7,533,984		8,993,621
<b>Total</b>	<b>89,914,454</b>		<b>26,588,559</b>		<b>81,608,067</b>		<b>16,601,744</b>		<b>214,712,824</b>		<b>216,471,085</b>
Of which:											
Cash margins	1,116,354		-		4,900,700		3,254,301		9,271,355		9,271,355
Real estate	22,975,017		23,805,790		59,189,113		9,150,185		115,120,105		116,878,366
Listed shares	-		-		-		-		-		-
Vehicles and equipment	65,823,083		2,316,089		17,518,254		4,173,591		89,831,017		89,831,017
Accepted bank guarantees	-		466,680		-		23,667		490,347		490,347
	<b>89,914,454</b>		<b>26,588,559</b>		<b>81,608,067</b>		<b>16,601,744</b>		<b>214,712,824</b>		<b>216,471,085</b>

3. Sukuk: The following table shows the classification of Sukuk according to External Rating Agencies

Rating Grade	Rating Agency	Within Financial Assets at Amortized Cost
		JD
A	S & P	3,574,060
A	Fitch	10,718,226
B+	S & P	6,505,916
BBB+	S & P	7,212,054
Unrated/ guaranteed by Jordanian government		10,085,800
<b>Total</b>		<b>38,096,056</b>

**Deferred Sales Receivables and Other Receivables and Scheduled Financings:**

These are the receivables previously rated as non-performing receivables/financings and excluded from the non-performing receivables and financings framework by virtue of proper scheduling. These receivables have been classified within watch-list receivables/financings and amounted to JD 1,303 thousand as of December 31, 2017, regardless of whether they remain in the watch list or get transferred to the performing receivables (JD 271 thousand as of December 31, 2016).

**Deferred Sales Receivables and Other Receivables and Re-structured Financings:**

Restructuring means re-arranging receivables/financings in terms of amending installments, extending their life of receivables/financings, deferring some installments, or extending their grace period. They are classified as watch-list receivables/financings and amounted to JD 28,133 thousand as of December 31, 2017 (JD 8,441 thousand as of December 31, 2016).

4. Concentration of Credit Risk Exposures as per Geographical Distribution is as follows:

Item Geographical Area	Inside the Kingdom	Other Middle Eastern Countries	Europe	America	Australia	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	555,592,830	-	-	-	-	-	<b>555,592,830</b>
Balances at banks and financial institutions	16,502,514	762,246	734,662	2,785,058	400,590	361,571	<b>21,546,641</b>
Deferred Sales Receivables, other Receivables and Financings:							
Individuals	733,511,936	-	-	-	-	-	<b>733,511,936</b>
Real estate financings	122,299,379	-	-	-	-	-	<b>122,299,379</b>
<b>Companies:</b>							
Large companies	254,654,185	95,390,000	41,259,775	-	-	12,124,643	<b>403,428,603</b>
Small and medium companies	90,559,627	-	-	-	-	-	<b>90,559,627</b>
Within financial assets at amortized cost	10,085,800	28,010,256	-	-	-	-	<b>38,096,056</b>
<b>Other Assets:</b>							
Accrued revenue	54,273	351,577	48,403	-	-	10,191	<b>464,444</b>
Prepaid expenses	1,505,817	-	-	-	-	-	<b>1,505,817</b>
<b>Total / 2017</b>	<b>1,784,766,361</b>	<b>124,514,079</b>	<b>42,042,840</b>	<b>2,785,058</b>	<b>400,590</b>	<b>12,496,405</b>	<b>1,967,005,333</b>
<b>Total / 2016</b>	<b>1,720,249,001</b>	<b>111,563,621</b>	<b>43,447,104</b>	<b>1,361,924</b>	<b>128,562</b>	<b>231,639</b>	<b>1,876,981,851</b>

5. Concentration of Credit Risk Exposures as per Economic Activities is as follows:

Item Sector	Finance	Industrial	Trade	Real Estate	Agriculture	Shares	Individual (Retail)	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	555,592,830	<b>555,592,830</b>
Balances at banks and financial institutions	21,546,641	-	-	-	-	-	-	-	<b>21,546,641</b>
Deferred sales Receivables, other receivables, and Financings	1,258,777	71,364,286	387,287,201	122,299,379	32,317,228	1,760,738	733,511,936	-	<b>1,349,799,545</b>
<b>Sukuk:</b>									
Within financial assets at amortized cost	14,273,074	-	-	-	-	-	-	23,822,982	<b>38,096,056</b>
Other assets	-	-	-	-	-	-	-	-	-
Accrued revenues	137,109	-	124,576	-	-	-	-	202,759	<b>464,444</b>
Prepaid expenses	161,417	-	744,993	-	-	-	516,469	82,938	<b>1,505,817</b>
<b>Total / 2017</b>	<b>37,377,018</b>	<b>71,364,286</b>	<b>388,156,770</b>	<b>122,299,379</b>	<b>32,317,228</b>	<b>1,760,738</b>	<b>734,028,405</b>	<b>579,701,509</b>	<b>1,967,005,333</b>
<b>Total / 2016</b>	<b>38,439,057</b>	<b>64,849,639</b>	<b>369,970,883</b>	<b>100,749,517</b>	<b>25,071,129</b>	<b>1,946,059</b>	<b>638,219,227</b>	<b>637,736,340</b>	<b>1,876,981,851</b>

#### **48. B- Market Risk**

The Bank adopts financial policies for managing various risks within a defined strategy. Moreover, the Bank's Assets and Liabilities Management Committee monitors and controls risks and carries out the optimal strategic distribution for assets and liabilities, whether on- or off- the statement of financial position. These risks include:

- Up-dating the Bank's investment policies; presenting them periodically to the Board of Directors for approval; reviewing the implementation of the investment policies and evaluating their results in comparison with the market indicators and banking competitiveness.
- Forming investment decision-making committees and vesting authorities in conformity with the Bank's investment policy.
- Setting-up an annual investment plan, taking into consideration projections of the Assets and Liabilities Committee in respect of the expected returns and market rate fluctuations. The plan has to include the investment instruments available in the low-risk market.
- Preparing reports on the market rates and presenting them to the Assets and Liabilities Committee to monitor any sudden drop in the prices of the invested financial instruments to avoid the risks of market rates fluctuations.

#### **1. Rate of Return Risks**

- Rate of return risks arise from the increase in long-term fixed rates in the market, which do not correspond immediately with the emerging changes in the high return index. The necessary steps must be taken to ensure availability of administrative measures related to renewal, measurement and follow-up of the average return risk. Moreover, reports should be prepared on rate of return risks. They should also be monitored, and the soundness of their structure should be verified.
- The Bank is exposed to the average return risks due to a gap in the amounts of assets and liabilities as per the multiple maturity times or due to re-pricing of the average return over the subsequent transactions during a specific period. The Bank manages such risks by determining the future profit rates in accordance with the projections of market conditions and developing new instruments that are Shari'a compliant through the Bank's risk management strategy.
  - 1- Obtaining the best possible returns available in the market based on the International Market Index (Libor) as a standard and benchmark for both the portfolio and investments managed by the Bank.
  - 2- Observing the risks arising from these investments based on the diversity option and countries, institutions, and regions; and ensuring mitigation of the risk effects arising from managing investments.
  - 3- Complying with management of investments by matching the Bank's liabilities, represented by deposits, and assets in foreign currencies comprised of investments in foreign currencies. Accordingly, time restricted deposits are invested on a short-term investment basis while the long- term deposits are invested on a medium- or long- term investment basis.

## **2. Foreign Exchange Risk**

Foreign currencies are managed on a spot basis rather than on a forward basis. Accordingly, the foreign currency positions are monitored daily, and so are the ceilings for the positions for every currency. Moreover, the Bank's general policy for managing foreign currencies is based on liquidating the position on time and covering the required positions as per the customers' needs. In respect of open foreign currency positions held against each other, the Bank relies on the instructions of the Central Bank of Jordan. These instructions prescribe that licensed banks should hold open positions (long and short) in foreign currencies, not exceeding 5% of the shareholders' equity for each currency separately. This percentage does not apply to the US Dollar, as it is a base currency. As such, the total position for all currencies may not exceed 15% of the shareholders' equity of the Bank.

<u>2017</u>	<u>Change in Currency Exchange Rate</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
	(%)	JD	JD
Total currencies	5%	161,478	-

<u>2016</u>	<u>Change in Currency Exchange Rate</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
	(%)	JD	JD
Total currencies	5%	2,936	-

## **3. Change in Share Prices Risk**

The policy adopted by the Treasury Department for managing shares and securities is based on analyzing and fairly evaluating the financial indicators of these prices, depending on the shares' evaluation models. Such analysis and evaluation take into account the changes in fair value risks of the investments that the Bank manages by diversifying investments and economic sectors.

<u>2017</u>	<u>Change in the Index</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
Indicator	(%)	JD	JD
Financial Markets	5%	-	274,938

<u>2016</u>	<u>Change in the Index</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
Indicator	(%)	JD	JD
Financial Markets	5%	-	275,993

## **4. Commodities' Risks**

The commodities' risks arise from the fluctuations in the prices of tradable or leasable assets. Moreover, they are associated with the present and future fluctuations in the market values of specific assets. In this respect, the Bank is exposed to the fluctuations in the prices of commodities bought and fully paid for after concluding sales contracts and during the year of acquisition. It is also exposed to the fluctuations in the residual value of the leased premises as at the end of the lease period.



## Concentration of Foreign Currency Risk

(to the nearest 000 JDs)

<u>December 31, 2017</u>	<u>US Dollars</u>	<u>Euro</u>	<u>Sterling Pounds</u>	<u>Japanese Yens</u>	<u>Others</u>	<u>Total</u>
<b>Assets:</b>						
Cash and Balances at the Central Bank	18,336	493	71	-	182	19,082
Balances at banks and financial institutions	2,903	14,982	328	466	2,048	20,727
Deferred sales receivables and other receivables, financings and Ijara	145,283	27	4,019	-	6,250	155,579
Financial assets at fair value through shareholders' equity	5,307	-	-	-	-	5,307
Financial assets at amortized cost	28,010	-	-	-	-	28,010
Other assets	404	-	1	-	5	410
<b>Total Assets</b>	<b>200,243</b>	<b>15,502</b>	<b>4,419</b>	<b>466</b>	<b>8,485</b>	<b>229,115</b>
<b>Liabilities:</b>						
Banks and financial institutions' account	-	1	6	-	28	35
Customers' deposits (current, savings and time)	191,697	13,393	4,396	466	7,376	217,328
Cash margins	2,425	393	3	-	24	2,845
Other liabilities	3,066	1,592	9	-	555	5,222
<b>Total Liabilities</b>	<b>197,188</b>	<b>15,379</b>	<b>4,414</b>	<b>466</b>	<b>7,983</b>	<b>225,430</b>
Net concentration within the statement of financial position for the current year	3,055	123	5	-	502	3,685
Contingent liabilities off- statement of financial position for the current year	22,504	7,575	119	31	-	30,229
<u>December 31, 2016</u>						
<b>Total Assets</b>	<b>170,213</b>	<b>17,999</b>	<b>4,309</b>	<b>494</b>	<b>8,127</b>	<b>201,142</b>
<b>Total Liabilities</b>	<b>170,105</b>	<b>18,137</b>	<b>4,310</b>	<b>493</b>	<b>7,655</b>	<b>200,700</b>
Net Concentration on- Statement of Financial Position	108	(138)	(1)	1	472	442
Contingent Liabilities off- Statement of Financial Position	30,501	3,100	-	33	803	34,437

#### 48. C- Liquidity Risk

Management of cash liquidity is a clear expression of the Bank's ability to meet its cash obligations in the short and long terms within its general strategic framework that aims at realizing an optimal return on its investments. Moreover, the Bank's cash liquidity is reviewed and studied over many years. At the branches, the Branch's management and Treasury review and study the cash obligations and the available funds daily. On the Bank's level in general, cash liquidity is studied by the Financial Monitoring Department and General Treasury Department daily. Moreover, the cash liquidity and the Bank's assets and liabilities are studied and analyzed on a monthly basis. The cash liquidity review includes analyzing the maturity dates of assets and liabilities as a whole to ensure that they match properly. The review also includes analyzing the sources of funds in accordance with the nature of their sources and uses.

First: The following table summarizes the distribution of liabilities (not discounted) on the basis of the remainder of the contractual maturity at the date of the financial statements:

(to the nearest 000JDs)

December 31, 2017	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without maturity	Total
<b>Liabilities</b>								
Banks and financial institutions accounts	258	-	-	-	-	-	-	258
Customers' current accounts	263,765	106,402	85,220	64,038	186,649	-	-	706,074
Cash margins	17,295	4,268	3,617	10,647	-	-	-	35,827
Other provisions	-	-	-	-	-	-	2,746	2,746
Income tax provision	3,123	-	8,880	-	-	-	-	12,003
Other liabilities	17,009	582	5,588	-	-	-	227	23,406
Investment risk fund	655	-	1,940	-	-	-	26,984	29,579
Joint investment accounts	224,739	224,503	162,902	387,956	67,503	-	-	1,067,603
<b>Total</b>	<b>526,844</b>	<b>335,755</b>	<b>268,147</b>	<b>462,641</b>	<b>254,152</b>	<b>-</b>	<b>29,957</b>	<b>1,877,496</b>
<b>Total Assets (according to expected maturities)</b>	<b>688,048</b>	<b>239,424</b>	<b>106,209</b>	<b>149,987</b>	<b>399,822</b>	<b>417,500</b>	<b>51,089</b>	<b>2,052,079</b>

December 31, 2016	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without Maturity	Total
<b>Liabilities</b>								
Banks and financial institutions accounts	114	-	-	-	-	-	-	114
Customers' current accounts	267,072	107,255	85,792	64,330	190,973	-	-	715,422
Cash margins	11,291	6,553	2,838	8,284	-	-	-	28,966
Other provisions	-	-	-	-	-	-	2,462	2,462
Income tax provision	2,478	-	7,590	136	-	-	-	10,204
Other liabilities	21,123	587	9,455	-	-	-	235	31,400
Investment Risks Fund	596	-	1,683	-	-	-	23,597	25,876
Joint investment accounts	190,114	167,040	144,555	425,639	72,227	-	-	999,575
<b>Total</b>	<b>492,788</b>	<b>281,435</b>	<b>251,913</b>	<b>498,389</b>	<b>263,200</b>	<b>-</b>	<b>26,294</b>	<b>1,814,019</b>
<b>Total Assets (according to expected maturities)</b>	<b>751,023</b>	<b>211,727</b>	<b>101,057</b>	<b>130,521</b>	<b>284,660</b>	<b>439,980</b>	<b>50,850</b>	<b>1,969,818</b>

## Second: Off-Statement of Financial Position Items

	Up to One Year	
	2017	2016
	JD	JD
Letters of credit and acceptances	31,663,848	33,734,552
Un-utilized limits	179,014,133	153,561,498
Letters of guarantee	56,512,028	55,021,259
<b>Total</b>	<b>267,190,009</b>	<b>242,317,309</b>

### **49. Information about the Bank's Business Sectors**

#### **a. Information about the Bank's Activities**

The Bank is organized, for administrative purposes, whereby the sectors are measured in accordance with the reports used by the Bank's Executive Manager and decision-maker through the following four major sectors:

##### **Individual (Retail) Banking**

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other services.

##### **Companies Banking**

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other banking services.

##### **Treasury**

This sector includes providing trading and treasury services and management of the Bank's funds.

The following represents information about the Bank's business sectors distributed according to activities (amounts in 000 JD):

	Retail	Companies	Treasury	Others	Total	
					December 31,	
					2017	2016
	JD	JD	JD	JD	JD	JD
Gross income (Joint and Self)	43,384	37,543	3,949	19	84,895	72,707
Share of Investment Risks Fund	-	(9,206)	-	-	(9,206)	(8,118)
Impairment in value of sales receivables and other receivables - self	-	(91)	-	-	(91)	(53)
Business Sector Results	43,384	28,246	3,949	19	75,598	64,536
Undistributed expenses	(11,909)	(3,725)	(266)	(16,173)	(32,073)	(29,893)
<b>Income before Tax</b>	<b>31,475</b>	<b>24,521</b>	<b>3,683</b>	<b>(16,154)</b>	<b>43,525</b>	<b>34,643</b>
Income tax	(10,650)	(8,297)	(1,246)	5,466	(14,727)	(11,630)
<b>Income for the Year</b>	<b>20,825</b>	<b>16,224</b>	<b>2,437</b>	<b>(10,688)</b>	<b>28,798</b>	<b>23,013</b>
Segment's assets Joint	829,567	404,685	769,814	-	2,004,066	1,905,625
Undistributed assets to the sector	-	-	-	48,013	48,013	64,193
<b>Total Segment's Assets</b>	<b>829,567</b>	<b>404,685</b>	<b>769,814</b>	<b>48,013</b>	<b>2,052,079</b>	<b>1,969,818</b>
Segment's Liabilities Joint Investment Equity and Risks Fund	1,440,773	389,516	258	-	1,830,547	1,761,566
Undistributed Liabilities to the Sectors Joint Investment Equity and Risks Fund	-	-	-	46,949	46,949	52,453
<b>Total Segment's Liabilities</b>	<b>1,440,773</b>	<b>389,516</b>	<b>258</b>	<b>46,949</b>	<b>1,877,496</b>	<b>1,814,019</b>
					2017	2016
					JD	JD
Capital expenses	-	-	-	2,074	2,074	1,871
Depreciation and Amortization	1,827	6	1	1,296	3,130	3,668

**b. Information on the Geographical Distribution**

This note represents the geographical distribution of the Bank's operations. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan, and these operations represent the local activities.

The following is the distribution of the Bank's income, assets and capital expenditures as per geographical sector based on their measurement method in accordance with the reports used by the Bank's Executive Manager and decision-maker at the Bank:

(to the nearest 000 JDs)

	Inside the Kingdom		Outside the Kingdom		Total	
	2017	2016	2017	2016	2017	2016
Gross income	81,277	71,020	3,618	1,687	84,895	72,707
Total assets	1,869,840	1,813,085	182,239	156,733	2,052,079	1,969,818
Capital expenditures	2,074	1,781	-	-	2,074	1,781

## 50. Capital Management

The Bank's Management takes into consideration the requirements of the Central Bank. These requirements necessitate making available sufficient self-funds to cover a specific rate of the risk-weighted assets consistent with the nature of the granted financing and direct investment for this purpose. Moreover, capital consists of what the Central Bank has determined as regulatory capital (being the primary capital and the supplementary capital).

The capital's Management aims at investing the funds in financial instruments with various risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio of 12% required by the Central Bank.

The most significant reason for the change in regulatory capital during the year is that profits realized during the year were not distributed but rather capitalized in shareholders' equity through the statutory, voluntary and special reserves.

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

	(to the nearest 000 JDs)	
	December 31,	
	2017	2016
	JD	JD
<b>Primary capital</b>		
Authorized and paid-up capital	158,395	141,637
Statutory reserve	100,000	100,000
Voluntary reserve	25,736	21,383
Retained earnings	4,262	4,262
Retained earnings	28,871	16,487
<u>Less: Intangible assets</u>	(474)	(495)
<b>Supplementary capital</b>		
Fair value reserve	190	196
General banking risks reserve	882	882
Bank's share of the general banking risks reserve – Joint	5,725	5,103
Bank's share of the surplus of Investment Risks Fund – Joint	7,767	6,577
<b>Total Regulatory Capital</b>	<b>172,959</b>	<b>154,395</b>
<b>Total Risk-weighted Assets</b>	<b>1,047,973</b>	<b>952,506</b>
<b>Capital Adequacy Ratio (%)</b>	<b>16,5%</b>	<b>16,21%</b>
<b>Primary Capital Ratio (%)</b>	<b>15,11%</b>	<b>14,87%</b>

The Central Bank of Jordan has issued instructions to banks relating to regulatory capital pursuant to Basel III Standard effective from 2016 third-quarter financial statement. However, the instructions did not include Islamic banks, and no related instructions have been issued to Islamic banks.

**51. Assets and Liabilities Maturities Analysis**

The following table analyzes assets and liabilities in accordance with the expected period of their recoverability or settlement:

(000 JDs)

	Up to 1 Year	Over 1 Year	Total
<u>December 31, 2017</u>	JD	JD	JD
<b><u>Assets:</u></b>			
Cash and balances at Central Banks	588,819	-	588,819
Balances at banks and financial institutions	21,547	-	21,547
Deferred sales receivables and other receivables – Net	431,387	270,433	701,820
Deferred sales receivables through the statement of income	-	-	-
Financing investments - Net	-	-	-
Financial assets at fair value through shareholders' equity - self	-	5,499	5,499
Financial assets at fair value through joint investment	-	198	198
Financial assets at amortized cost	10,799	27,297	38,096
Ijara muntahia bittamaleek assets – Net	102,585	517,699	620,284
Investments in real estate	-	21,509	21,509
Qard Hasan loans	26,414	1,281	27,695
Property and equipment - Net	-	18,758	18,758
Intangible assets	119	355	474
Deferred tax assets	12	2,666	2,678
Other assets	1,986	2,716	4,702
<b>Total Assets</b>	<b><u>1,183,668</u></b>	<b><u>868,411</u></b>	<b><u>2,052,079</u></b>
<b><u>Liabilities and Joint Investment Accounts' Holders</u></b>			
Banks and financial institutions accounts	258	-	258
Customers' current and call account	519,425	186,649	706,074
Cash margins	35,827	-	35,827
Other provisions	-	2,746	2,746
Income tax provision	12,003	-	12,003
Other liabilities	23,179	227	23,406
Joint investment accounts	1,000,100	67,503	1,067,603
Investment Risks Fund	-	26,984	26,984
Income tax provision for the Investment Risks Fund	2,595	-	2,595
<b>Total Liabilities and Joint Investment Accounts Holders</b>	<b><u>1,593,387</u></b>	<b><u>284,109</u></b>	<b><u>1,877,496</u></b>
<b>Net</b>	<b><u>(409,719)</u></b>	<b><u>584,302</u></b>	<b><u>174,583</u></b>



(000 JDs)

	Up to 1 Year	Over 1 Year	Total
December 31, 2016	JD	JD	JD
<b>Assets:</b>			
Cash and balances at Central Banks	642,619	-	642,619
Balances at banks and financial institutions	22,343	-	22,343
Deferred sales receivables and other receivables - Net	393,614	219,519	613,133
Deferred sales receivables through the statement of income	-	-	-
Financing investments - Net	38	217	255
Financial assets at fair value through shareholders' equity	-	5,520	5,520
Financial assets at fair value through joint investment	-	-	-
Financial assets at amortized cost	7,119	26,739	33,858
Ijara muntahia bittamaleek assets - Net	92,621	476,317	568,938
Investments in real estate	-	21,024	21,024
Qard Hasan loans	17,680	1,278	18,958
Property and equipment - Net	-	19,829	19,829
Intangible assets	124	371	495
Deferred tax assets	41	2,565	2,606
Other assets	18,129	2,111	20,240
<b>Total Assets</b>	<b>1,194,328</b>	<b>775,490</b>	<b>1,969,818</b>
<b>Liabilities and Joint Investment Accounts' Holders</b>			
Banks and financial institutions accounts	114	-	114
Customers' current and call account	524,449	190,973	715,422
Cash margins	28,966	-	28,966
Other provisions	-	2,462	2,462
Income tax provision	10,204	-	10,204
Other liabilities	31,165	235	31,400
Joint investment accounts	927,348	72,227	999,575
Investment Risks Fund	-	23,597	23,597
Income tax provision for the Investment Risks Fund	2,279	-	2,279
<b>Total Liabilities and Joint Investment Accounts Holders</b>	<b>1,524,525</b>	<b>289,494</b>	<b>1,814,019</b>
<b>Net</b>	<b>(330,197)</b>	<b>485,996</b>	<b>155,799</b>

## 52. Fair Value Measurement

The standard requires determining the level and disclosure of 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 IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

### a. The Bank's Fair Value of Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis:

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each financial period. The following table gives information about the method of determining the fair value of such financial assets and financial liabilities (valuation techniques and key inputs)

	Fair Value as at December 31,		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Financial Assets / Financial Liabilities	2017	2016				
	JD	JD				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity						
Quoted in the market Shares	5,498,759	5,519,852	Level 1	Quoted rates in the Financial Markets	Not Applicable	Not Applicable
Not quoted in the market shares	198,366	-				
<b>Total</b>	<b>5,697,125</b>	<b>5,519,852</b>				

There were no transfers between Level (1) and Level (2) during 2017 and 2016.

### b. The Bank's Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value on a Recurring Basis:

Except for what is detailed in the table below, we believe that the carrying amounts of the financial assets and financial liabilities presented in the Bank's financial statements approximate their fair values:

	December 31, 2017		December 31, 2016		
	Book Value	Fair Value	Book Value	Fair Value	Level
	JD	JD	JD	JD	
<b>Financial Assets not Calculated at Fair Value</b>					
Deferred sales receivables	701,820,133	701,944,709	613,132,971	613,170,807	Level 2
Investments in real estate	21,508,775	24,118,346	21,023,966	22,027,117	Level 2
Financial assets at amortized cost	38,096,056	38,435,924	33,857,822	34,055,095	Level 1
<b>Total financial assets not calculated at fair value</b>	<b>761,424,964</b>	<b>764,498,979</b>	<b>668,014,759</b>	<b>669,253,019</b>	
<b>Financial Liabilities not calculated at Fair Value</b>					
Customers' current and unrestricted accounts	1,767,653,278	1,773,677,099	1,709,122,497	1,714,997,367	Level 2
Cash margins	35,652,339	35,827,797	28,738,283	28,965,909	Level 2
<b>Total Financial Liabilities not Calculated at Fair Value</b>	<b>1,803,305,617</b>	<b>1,809,504,896</b>	<b>1,737,860,780</b>	<b>1,743,963,276</b>	

Regarding the items described above, the fair value of the financial assets and liabilities has been determined for Levels (2) and (3) in accordance with the generally accepted pricing models which reflect the credit risk with the parties dealt with.

**53. Commitments and Contingent Liabilities (Off – Statement of Financial Position)**

Credit Commitments and Obligations

	December 31,	
	2017	2016
	JD	JD
Letters of credit	25,781,677	23,961,187
Acceptances	5,882,171	9,773,365
Letters of Guarantee:		
Payment	25,322,405	23,296,869
Performance	17,324,851	16,133,636
Others	13,864,772	15,590,754
Unutilized limits	179,014,133	153,561,498
<b>Total</b>	<b>267,190,009</b>	<b>242,317,309</b>

**54. Lawsuits against the Bank**

There are lawsuits raised against the Bank amounting to JD 1,210,168 as at December 31, 2017 (lawsuits amounting to JD 288,202 as at December 31, 2016) with an impairment provision of JD 43,567 as at December 31, 2017 (JD 31,500 as at December 31, 2016). Based on the opinion of the legal consultant, no additional amounts will be claimed from the Bank in respect of those lawsuits.

**55. New Islamic Standards**

The Accounting and Auditing Organization for Islamic Financial Institutions has issued financial accounting standard 30 "Impairment, credit losses and onerous commitments", which aims to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic Financial Institutions.

The requirements of this standard regarding expected credit losses are similar to those of IFRS 9.

This standard shall be effective from the financial periods beginning on or after 1 January 2020, early adoption is permitted.

According to Banking Law, Article 55, an Islamic bank shall maintain an account in an investment risk fund to cover any losses in the joint investment accounts by deducting a percentage specified by central bank of Jordan, not less than 10% of the investment earnings realized by various joint investments carried out during the year.

Applying FAS 30 might require amending some law articles, or obtaining a legal opinion that allows the Islamic financial institution to use the remaining balance of the Investment Risk fund to cover any shortage in the calculated provisions according to the standard.

Noting that the application of FAS 30 won't have a significant financial effect on the financial statements as of 31 December 2017 in case the surplus in the investment risk fund was allowed to be used.

**56. Comparative Figures**

Some of the comparative figures of 2016 have been reclassified to correspond to those of 2017.