بنك الاتحاد
Bank al Etihad

Ref: 3300/51/2018

الرقم: 2018/51/3300

Date: 29/03/2018

التاريخ: 2018/03/29

Jordan Securities Commission

Amman Stock Exchange

السادة هيئة الاوراق المالية

السادة بورصة عمان

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 Bank Al Etihad for the fiscal year ended 31/12/2017 which is subject to the Central Bank of Jordan approval.

مرفق طيه نسخة من البيانات المالية المدققة لبنك الاتحاد عن السنة المالية المنتهية في 2017/12/31 الخاضعة لموافقة البنك المركزي الاردني.

Best Regards,,,

Isam Salfiti

Chairman of Board of Directors

وتفضلوا بقبول فائق الاحترام،،،

عصام السلفيتي

رئيس مجلس الادارة

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٩ آذار ٢٠١٨
الرقم المتسلسل: 1698
رقم الملف: 1100
الجهة المختصة:

BANK AL ETIHAD

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BANK AL ETIHAD
Amman – Jordan

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **BANK AL ETIHAD** (a public shareholding company) and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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Other Matters

The consolidated financial statements for the year ended 31 December 2016 were audited by Ernst & Young – Jordan as the sole auditor of the Bank for the year 2016. Unqualified opinion was issued on the consolidated financial statements on 12 February 2017. Ernst & Young – Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors of the Bank for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

The accompanying consolidated financial statements are a translation of the statutory financial statements in Arabic language to which reference should be made.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

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Impairment of loans and advances to customers	
Key Audit matter	How the key audit matter was addressed in the audit
Impairment of loans and advances to customers is one of the most significant matters that impact the reported results of the Group, in addition of being an area that requires a considerable amount of judgment for determining impairment event and the measurement of impairment loss. Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral, inputs and calculation of specific and collective impairment and determining the default date, and as a result, impairment is calculated from that date. As at 31 December 2017, the gross loans and advances amounted to JD 2,172,692,509 against which accumulated loan loss provision of JD 72,295,950 were recorded.	Our audit procedures included obtaining the non-performing and watch list loans schedules, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default. We also selected a sample from the performing loans to determine whether management had identified all impairment events. Disclosures of impairment of loans and advances are detailed in note (9) to the consolidated financial statements, and the accounting policy related to credit facilities are disclosed in note (2) to the consolidated financial statements

Suspension of interest on non- performing loans	
Key Audit matter	How the key audit matter was addressed in the audit
Interest is suspended after 90 days from impairment event (default date) in accordance with Central Bank of Jordan regulations. Judgment is applied as to determining when the default date occurred which affects the amount of interest to be suspended. Suspended interest amounted to JD 16,068,570.	Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and tested suspended interest including recalculation in accordance with CBJ regulations, and assessing the criteria used by management for determining the impairment event. Disclosures of interest in suspense are detailed in note (9) to the consolidated financial statements.

<table>
<tr><th colspan="2">Business acquisition</th></tr>
<tr><td>Key Audit matter</td><td>How the key audit matter was addressed in the audit</td></tr>
<tr><td>During January 2017, the Bank acquired 61.8% controlling interest in Safwa Islamic Bank for a cash consideration of JD 113 million. The acquisition was completed through the Bank's subsidiary Etihad Islamic Investment Company of which the Bank owns 58%. As a result, Safwa Islamic Bank financial statements were consolidated with the Bank's financial statements from the date of acquisition.

The acquisition was accounted for as business combination using the acquisition method, and accordingly, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired entity were recorded at their estimated fair values at the date of acquisition. Intangible assets of License, core customers' deposits and goodwill of JD 9,928,000 and JD 3,749,000, JD 1,380,512 were recognized respectively by the Bank as a result of the acquisition.

IFRS 3 requires that identifiable assets and liabilities acquired in a business combination be measured at their fair value. The acquisition is material and significant judgement is required in relation to the fair value of assets acquired and liabilities assumed.</td><td>Our audit procedures included the assessment of the managements' analysis of the fair value of the acquired assets and liabilities which also included the intangible assets (license, customers' deposits, and goodwill), we reviewed the acquisition agreement's terms and conditions. We assessed the procedures carried out to evaluate assets and liabilities assumed after the acquisition. We checked the accounting treatment of the purchase price allocation as well as assessing the sufficiency of the disclosures.

Disclosures of the acquisition are detailed in note (42) to consolidated financial statements.</td></tr>
</table>

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Other information included in the Group's 2017 annual report.

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Amman- Hashemite Kingdom of Jordan
25 February 2018

Deloitte & Touche (Middle East) - Jordan

Shafiq Batshon
Partner

Ernst & Young – Jordan

Bishr Baker
Managing Partner

Ernst + Young

BANK AL ETIHAD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 JD	2016 JD
ASSETS-			
Cash and balances with Central Bank	4	338,311,743	281,844,459
Balances at banks and financial institutions	5	326,075,874	258,889,861
Deposits at banks and financial institutions	6	8,325,098	-
Financial assets at fair value through profit or loss	7	7,509,280	23,300,582
Financial assets at fair value through other comprehensive income	8	30,877,736	28,527,354
Financial assets held at amortized cost, net	10	617,696,128	479,610,204
Investment in associate	11	377,262	-
Direct credit facilities and financing, net	9	2,084,327,989	1,385,666,088
Property and equipment, net	12	70,968,060	44,270,972
Intangible assets, net	13	20,945,239	5,891,223
Deferred tax assets	20	4,559,081	1,602,674
Other assets	14	62,301,763	50,136,833
Total Assets		3,572,275,253	2,559,740,250
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits	15	58,873,920	123,107,908
Customers' deposits	16	2,691,335,921	1,856,773,606
Margin accounts	17	210,088,710	176,163,488
Loans and borrowings	18	88,211,995	56,869,246
Sundry provisions	19	234,615	42,516
Income tax liabilities	20	14,773,872	10,595,594
Other liabilities	21	50,245,187	25,984,239
Total Liabilities		3,113,764,220	2,249,536,597
EQUITY-			
Equity attributable to the bank's shareholders			
Paid - in capital	22	160,000,000	125,000,000
Share premium	22	80,213,173	71,463,173
Statutory reserve	23	42,668,849	37,340,305
Voluntary reserve	23	29,271,414	24,932,207
General banking risk reserve	23	14,034,670	14,730,577
Fair value reserve	25	1,191,589	1,555,417
Retained earnings	26	43,243,353	35,055,974
Total equity attributable to the bank's shareholder's		370,623,048	310,077,653
Non- controlling interests	27	87,887,985	126,000
Total Equity		458,511,033	310,203,653
Total Liabilities and Equity		3,572,275,253	2,559,740,250

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements and should be read with them

BANK AL ETIHAD
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 JD	2016 JD
Interest income and returns	28	186,859,033	125,177,643
Interest expense	29	72,169,059	45,141,102
Net interest income and returns		114,689,974	80,036,541
Net commission income	30	21,399,045	14,877,325
Net interest, commission income and returns		136,089,019	94,913,866
Gain from foreign currencies	31	5,525,404	3,242,503
Gain from financial assets at fair value through profit or loss	32	3,358,359	297,478
Gain from financial assets held at amortized cost		-	62,482
Dividends received from financial assets at fair value through other comprehensive income	33	938,772	1,271,838
Other income	34	1,201,429	978,141
Gross income		147,112,983	100,766,308
Employees' expenses	35	39,980,839	24,966,451
Depreciation and amortization	12, 13	10,332,667	6,531,059
Other expenses	36	27,034,084	18,073,085
Impairment loss on direct credit facilities and financing	9	15,229,285	8,093,535
Impairment loss on financial assets held at amortized cost	10	547,500	593,125
Impairment loss on repossessed assets	14	1,753,468	750,102
Sundry provisions	19	107,496	30,766
Total expenses		94,985,339	59,038,123
Operating profit		52,127,644	41,728,185
Share of profit of associate	11	16,900	-
Profit before tax		52,144,544	41,728,185
Income tax expense	20	17,345,461	12,492,363
Profit for the year		34,799,083	29,235,822
Attributed to:			
Bank's shareholders		31,364,269	29,235,822
Non- controlling interests		3,434,814	-
		34,799,083	29,235,822
		JD/Fills	JD/Fills
Basic and diluted earnings per share	37	0.209	0.234

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements and should be read with them

BANK AL ETIHAD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 JD	2016 JD
Profit for the year	34,799,083	29,235,822
Add: other comprehensive income, net of tax, which will not be reclassified to the income statement in future periods		
Change in fair value reserve – net of tax	(1,481,941)	31,171
Total comprehensive income for the year	33,317,142	29,266,993
Attributed to:		
Bank's shareholders	29,882,698	29,266,993
Non- controlling interests	3,434,444	-
	33,317,142	29,266,993

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements and should be read with them

BANK AL ETIHAD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

			Reserves				Retained earnings*					
	Paid - in Capital	Share premium	Statutory	Voluntary	General banking risk	Fair value	Realized	Unrealized	Total	Total equity attributable to the banks' shareholders	Non-controlling interest	Total equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017 -												
Beginning balance for the year	125,000,000	71,463,173	37,340,305	24,932,207	14,730,577	1,555,417	33,430,445	1,625,529	35,055,974	310,077,653	126,000	310,203,653
Total comprehensive income for the year	-	-	-	-	-	(1,481,571)	28,575,470	2,788,799	31,364,269	29,882,698	3,434,444	33,317,142
Transfers during the year	-	-	-	-	-	-	(683,243)	683,243	-	-	-	-
Transfer to reserves	-	-	5,328,544	4,339,207	(695,907)	-	(8,971,844)	-	(8,971,844)	-	-	-
Distributed dividends (Note 24)	-	-	-	-	-	-	(12,500,000)	-	(12,500,000)	(12,500,000)	-	(12,500,000)
Realized loss from sale of financial Assets at fair value through other comprehensive income	-	-	-	-	-	1,117,743	(1,117,743)	-	(1,117,743)	-	-	-
Share of non-controlling interest from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	84,564,325	84,564,325
Increase in capital	35,000,000	8,750,000	-	-	-	-	-	-	-	43,750,000	-	43,750,000
Capital increase fees	-	-	-	-	-	-	(587,303)	-	(587,303)	(587,303)	(236,784)	(824,087)
Ending balance for the year	160,000,000	80,213,173	42,668,849	29,271,414	14,034,670	1,191,589	38,145,782	5,097,571	43,243,353	370,623,048	87,887,985	458,511,033
2016-												
Beginning balance for the year	125,000,000	71,463,173	33,147,431	20,776,553	13,469,720	1,382,375	27,816,140	255,268	28,071,408	293,310,660	-	293,310,660
Total comprehensive income for the year	-	-	-	-	-	31,171	27,865,561	1,370,261	29,235,822	29,266,993	-	29,266,993
Transfer to reserves	-	-	4,192,874	4,155,654	1,260,857	-	(9,609,385)	-	(9,609,385)	-	-	-
Distributed dividends (Note 24)	-	-	-	-	-	-	(12,500,000)	-	(12,500,000)	(12,500,000)	-	(12,500,000)
Realized loss from sale of financial Assets at fair value through other comprehensive income	-	-	-	-	-	141,871	(141,871)	-	(141,871)	-	-	-
Establishment of the Al-Etihad Islamic Investment Company	-	-	-	-	-	-	-	-	-	-	126,000	126,000
Ending balance for the year	125,000,000	71,463,173	37,340,305	24,932,207	14,730,577	1,555,417	33,430,445	1,625,529	35,055,974	310,077,653	126,000	310,203,653

- Retained earnings balance incudes deferred tax assets amounted to JD 4,559,081 as at 31 December 2017 (31 December 2016: JD 1,602,674), which is restricted from use as per the Central Bank of Jordan instructions.
- The general banking risk reserve is restricted and cannot be used without approval of the Central Bank of Jordan.
- Retained earnings balance contains an amount of JD 538,490 as at 31 December 2017 that represents unrealized losses from revaluation of financial assets at fair value through profit or loss.
- The Bank cannot use a restricted amount of JD 1,191,589 that represents fair value reserve as at 31 December 2017 (2016: JD 1,555,417).

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements and should be read with them

BANK AL ETIHAD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		JD	JD
OPERATING ACTIVITIES			
Profit before income tax		52,144,544	41,728,185
Adjustments for -			
Depreciation and amortization	12,13	10,332,667	6,531,059
Impairment loss on direct credit facilities, and financing	9	15,229,285	8,093,535
Impairment loss on repossessed assets	14	1,753,468	750,102
Unrealized (gain) from financial assets	32	(432,207)	(187,269)
Loss from sale of property and equipment	36	268,463	202,741
Sundry provisions	19	107,496	30,766
Share of profit of associate	11	(16,900)	-
Effect of exchange rate changes on cash and cash equivalent		(2,796,196)	(1,311,825)
Profit before changes in assets and liabilities		76,590,620	55,837,294
Changes in assets and liabilities-			
Restricted cash balances		119,351	(4,803,094)
Financial assets at fair value through profit or loss		16,223,509	(4,451,944)
Deposits at banks and financial institutions		(3,232,271)	-
Deposits at banks and financial institutions exceeding three months		3,000,000	-
Direct credit facilities and financing		(113,291,334)	(105,210,707)
Other assets		(7,349,025)	8,124,293
Customers' deposits		78,304,949	82,725,201
Margin accounts		25,701,024	56,195,324
Other liabilities		6,925,865	3,059,658
Net cash flow from operating activities before income tax		83,002,688	91,476,025
Income tax paid	20	(17,920,819)	(15,288,563)
Net cash flow from operating activities		65,071,869	76,187,462
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income, net		(2,178,302)	(1,639,152)
Purchase of financial assets at amortized cost, net		(90,181,636)	132,169,396
Purchase of property and equipment		(9,417,583)	(8,851,713)
Proceeds from sale of property and equipment		167,284	29,978
Purchase of intangible assets	13	(1,760,039)	(3,065,622)
Net cash flows acquired from the acquisition of subsidiary	42	164,854,581	-
Cash dividends received from investments in associate		10,000	-
Net cash flow from investing activities		61,494,305	118,642,887
FINANCING ACTIVITIES			
Dividends paid		(12,498,396)	(12,667,652)
Increase in loans and borrowings		31,342,749	29,798,325
Increase in capital		35,000,000	-
Increase in share premium		8,750,000	-
Capital increase fees		(824,087)	-
Increase in non- controlling interests		(126,000)	126,000
Net cash flow from financing activities		61,644,266	17,256,673
Net increase in cash and cash equivalents		188,210,440	212,087,022
Effect of exchange rate changes on cash and cash equivalents		2,796,196	1,311,825
Cash and cash equivalents at the beginning of the year		409,009,567	195,610,720
Cash and cash equivalents at the end of the year	38	600,016,203	409,009,567

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements and should be read with them

(1) GENERAL INFORMATION

Bank Al Etihad is a public shareholding company incorporated in Jordan during 1978, in accordance with the Companies Law No (12) of (1964). Its main branch located in Amman, Jordan, and was transformed to a bank during the 1991.

The Bank provides its financial and banking services through its main branch located in Amman and through its (44) branches in Jordan and its subsidiaries.

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

During 2017, the bank acquired controlling interest in Safwa Islamic Bank (Note 42).

The board of directors approved the financial statements on 18 February 2018, and it is subject to shareholders' general assembly approval.

(2) SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The accompanying consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations (IFRICs), and in conformity with the applicable laws and the regulations of the Central Bank of Jordan.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are presented at fair value as of the date of the consolidated financial statements. Moreover, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

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

2-2 Changes in accounting policies:

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except for the followings amendments, which has been applied by the Bank starting from1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

2-3 Summary of significant accounting policies:

Basis of consolidation-

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

Subsidiary	Date of incorporation	Capital	% of ownership	Activities
		JD		
Al-Etihad for Financial Brokerage Company L.L.C.	22 February 2006	5,000,000	100%	Brokerage
Al-Etihad for Financial Leasing Company L.L.C	21 January 2016	5,000,000	100%	Finance leasing
Al-Etihad Islamic Investment Company L.L.C	30 November 2016	113,039,028	58%	Islamic banking
Safwa Islamic Bank	30 April 2008	100,000,000	35.8%	Islamic banking

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

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

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

Segment reporting -

Business segments represent distinguishable components of the Bank that are engaged in providing products or services, which are subject to risks and rewards that are different from those of other business segments and are measured based on the reports, which are used by the executive manager and the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

Financial assets at amortized cost -

Financial assets which held by the Bank within a business model to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount; and

Debts instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated income statement.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

It is not permitted to reclassify any financial assets to or from this category except in certain circumstances determined in IFRS 9.

If these assets are sold before maturity date, gain or loss from sale is recorded in in a separate category in the consolidated income statement and it is disclosed based on the requirements of international financial reporting standards.

Financial assets at fair value through profit or loss:

Financial assets, which are purchased with the aim of resale in the near future in separate category order to generate profit from the short-term market prices fluctuation or the trading profit margins.

Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the consolidated income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated income statement. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated income statement.

Dividend and interest income are recorded in the consolidated income statement.

It is not permitted to reclassify assets (to / or) from this category except in certain circumstances determined in IFRS 9.

Financial assets at fair value through other comprehensive income:

Equity investments that are not held for sale in the near future.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of income.

Direct credit facilities and financing

Direct credit facilities and financing are financial assets that have fixed or determinable payments that the Bank has extended or acquired and does not have quoted prices inactive markets and it is measured at amortized costs.

Impairment of direct credit facilities and financing is recognized in the allowance for credit losses when events occur after the initial recognition of the facility and financing that have an impact on the estimated future cash flows of the facilities and financing that can be reliably estimated. The impairment is recorded in the consolidated income statement.

Interest returns and commission arising on non-performing facilities and financing is suspended when facilities and financing become impaired according to the Central Bank of Jordan's regulatory authorities instructions or the regulatory authorities industries of the country where the Bank has branches or subsidiaries, whichever is stricter.

Allowance for credit losses for facilities and financing are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated income statement, and cash recoveries of loans that were previously written off are credited to the consolidated income statement.

Fair value

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial assets where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for instruments with similar terms and risk characteristics.
- Option pricing models.

Long term financial assets bearing no interest are evaluated based on discounted cash flow and effective interest rate, and the discounted interest is taken to interest income within the consolidated statement of income.

The valuation methods aim to obtain a fair value reflecting market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of the financial assets. Moreover, financial assets at fair value of which cannot be reliably measured are stated at cost, net of any impairment in their value.

Impairment of financial assets

The bank reviews the values of financial assets on the date of the consolidated statement of financial position in order to determine if there is an indication of impairment but in their value individually or as a portfolio if such indicates exists, the recoverable value is estimated so as to determine the impairment loss.

Impairment is determined as follows:
For financial assets carried at amortized cost: impairment is the difference between the book value and present value of the future cash flows discounted at the original interest rate.

Impairment is recognized in the consolidated income statement. Any subsequent recovery of a previously recorded impairment of financial assets is charged to the consolidated income statement, and for equity instruments in the consolidated comprehensive income.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates used are as follows:

	%
Buildings	2 - 4
Equipment, furniture and fixtures	7 - 15
Vehicles	15
Computers	20
Others	2.5 - 20

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

Useful life is reviewed for properties and equipment at the end of each year, if revised estimates are different that the old ones the change is recorded in the future periods as a change in estimate.

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

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) arising from a past event as at the date of the consolidated financial position and the costs to settle the obligation are both probable and able to be reliably measured.

Income Tax

Tax expense comprises current tax and deferred taxes.

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

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

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position and are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled.

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

Offsetting

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

Revenue and expense recognition

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

Expenses are recognized on an accrual basis.

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

Recognition date of financial assets

Purchase or sale of financial assets is recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

Financial Derivatives

Derivative financial instruments held for trading

Derivative financial instruments held for trading, such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others, are recorded at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices were unavailable, the method of valuation is stated, and changes in fair value are transferred to the consolidated income statement.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies.

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

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

Assets repossessed by the Bank

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

Intangible assets

Intangible assets are measured on initial recognition at cost.

Intangible assets are classified as indefinite or with definite useful life. Intangible assets with finite lives are amortized over the useful economic life and the amortization is recorded in the consolidated statement of income, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and impairment losses are recorded in the consolidated statement of income.

Internally generated intangible assets are not capitalized and are expensed in the consolidated income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software, programs, Safwa Islamic Bank's license and customers' deposits. The Bank's management estimates the useful life for each intangible asset, where the assets are amortized using the straight- line method from 3 to 7 years. As for Safwa Bank's license, its useful life is indefinite and it is not amortized.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Bank elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Investment in associates

Investment in an associate is accounted for using the equity method. An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in Bank's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The Bank's share in associate's results is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between the Bank and its associate are eliminated to the extent of its interest in the associate.

Foreign currencies

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

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the consolidated statement of financial position and declared by the Central Bank of Jordan.

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

Gains or losses resulting from foreign currency translation are charged to the consolidated income statement.

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

Upon the consolidation of the financial statements at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, cash balances with central banks and cash balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances from its effective date.

(3) USE OF ESTIMATES

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

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

- Provision for impairment in direct credit facilities and financing: The Bank reviews its credit facilities and financing according to the regulations of the Central Bank of Jordan as a minimum, and according to International Financial Reporting Standards.

- Impairment losses on repossessed assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.

- Impairment losses goodwill and the license of Safwa Islamic Bank are recorded if any indication were noted or when it requires to apply an impairment test. The management uses judgements in reviewing the impairment test of the impairments in the fair value.

- Management periodically re-evaluates the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and the general status of these assets. Any related impairment is charged to the consolidated income statement.

- The income tax provision is calculated based on the prevailing laws and regulations and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the related provisions are recorded.

- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.

(4) CASH AND BALANCES WITH CENTRAL BANK

	2017	2016
	JD	JD
Cash on hand	55,826,325	34,091,053
Balances at Central Bank		
Current accounts and demand deposits	55,759,508	11,491,979
Term and notice deposits	45,000,000	107,000,000
Statutory cash reserve	181,725,910	129,261,427
Total	338,311,743	281,844,459

Except for the statutory cash reserve at Central Banks, there are no restricted balance as of 31 December 2017 and 2016.

There are no balances that matures in a period more than three months as of 31 December 2017 and 2016.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	613,846	-	229,036,500	176,932,070	229,650,346	176,932,070
Deposits maturing within 3 months or less	-	39,981,100	96,425,528	41,976,691	96,425,528	81,957,791
Total	613,846	39,981,100	325,462,028	218,908,761	326,075,874	258,889,861

Non-interest bearing balances at banks and financial institutions amounted to JD 48,064,730 as of 31 December 2017 (2016: JD 47,755,311).

Restricted balances at Banks and financial institutions amounted to JD 8,497,494 as at 31 December 2017 (2016: JD 8,616,845).

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
Maturity period	JD	JD	JD	JD	JD	JD
From 3 months to 6 months	-	-	4,261,598	-	4,261,598	-
More than 1 year	3,000,000	-	1,063,500	-	4,063,500	-
Total	3,000,000	-	5,325,098	-	8,325,098	-

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

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

	2017	2016
	JD	JD
Quoted financial assets:		
Treasury bonds	-	3,610,200
Corporate bonds	-	14,141,599
Shares	3,658,948	3,594,962
Investment funds	3,850,332	1,953,821
Total	7,509,280	23,300,582

Analysis of debt instruments:		
Fixed rate	-	17,751,799
Floating rate	-	-
Total	-	17,751,799

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

	2017	2016
	JD	JD
Quoted financial assets		
Shares	26,751,131	27,112,965
Total quoted financial assets	26,751,131	27,112,965
Unquoted financial assets		
Shares	4,126,605	1,414,389
Total unquoted financial assets	4,126,605	1,414,389
Total financial assets at fair value through other comprehensive income	30,877,736	28,527,354

- Realized losses transferred to retained earnings as a result of the sale of financial assets at fair value through other comprehensive income amounted to JD 1,117,743 as of 31 December 2017 (2016: JD 141,871).

- Dividends received from financial assets at fair value through other comprehensive income amounted to JD 938,772 as of 31 December 2017 (2016: JD 1,271,838).

- Dividends from financial assets at fair value through other comprehensive income sold during 2017 amounted to JD 10,800.

(9) DIRECT CREDIT FACILITIES AND FINANCING, NET

	2017	2016
	JD	JD
Consumer lending		
Overdrafts	11,727,365	11,197,498
Loans and bills *	346,626,917	158,578,627
Credit Cards	7,967,050	6,103,074
Residential mortgages	582,624,848	301,185,746
Corporates		
Overdrafts	121,778,528	141,235,650
Loans and bills *	835,326,438	707,922,724
Small and medium enterprises lending "SMEs"		
Overdrafts	37,256,005	30,787,743
Loans and bills *	94,077,515	75,464,746
Lending to governmental sectors	135,307,843	26,848,760
Total	2,172,692,509	1,459,324,568
Less: Suspended interest, and returns	16,068,570	15,189,919
Less: Allowance for impairment losses	72,295,950	58,468,561
Direct credit facilities, returns, net	2,084,327,989	1,385,666,088

* Net of interest and returns and commissions received in advance amounted to JD 1,874,992 as at 31 December 2017 (2016: JD 761,780).

- At 31 December 2017, non-performing credit facilities and financing amounted to JD 107,481,008 (2016: JD 99,353,061) representing 4.95% (2016: 6.81%) of gross facilities and financing granted.

- At 31 December 2017, non-performing credit facilities and financing, net of suspended interest and returns , amounted to JD 91,412,438 (2016: JD 84,163,142), representing 4,24% (2016: 5,83 %) of gross facilities and financing granted after excluding the suspended interest and returns.

- At 31 December 2017, credit facilities and financing granted to the Government of Jordan or granted by the government amounted to JD 107,331,399 (2016: JD 69,910), representing 4,94% (2016: 0.005%) of gross facilities and financing granted.

- Islamic financing amounted to JD 678,302,346 representing 31,22% of the balance of client gross facilities and financing as of 31 December 2017.

Allowance for impairment losses

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

	Consumer	Residential mortgages	Corporate	SMEs	Banks and financial institutions	Total
	JD	JD	JD	JD	JD	JD
2017 -						
At 1 January 2017	4,703,668	3,793,242	45,038,645	1,397,828	3,535,178	58,468,561
Resulting from the acquisition of Safwa Islamic Bank	1,108,733	-	7,957,745	-	-	9,066,478
Recovery from subsidiaries	-	-	(843,358)	-	-	(843,358)
Charged (recovered) during the year	1,807,673	(90,937)	10,719,216	2,793,333	-	15,229,285
Amounts written off	(1,982)	(2,213)	(9,568,843)	(51,978)	-	(9,625,016)
At 31 December 2017	7,618,092	3,700,092	53,303,405	4,139,183	3,535,178	72,295,950
Watch list allowance	203,594	10,307	1,420,194	36,630	-	1,670,725
Specific impairment on individual customer – non performing	7,414,498	3,689,785	51,883,211	4,102,553	3,535,178	70,625,225
At 31 December 2017	7,618,092	3,700,092	53,303,405	4,139,183	3,535,178	72,295,950
2016 -						
At 1 January 2017	3,130,891	2,067,192	44,863,209	1,082,769	3,550,678	54,694,739
Charged (recovered) during the year	1,613,930	1,749,089	4,331,191	414,825	(15,500)	8,093,535
Amounts written off	(41,153)	(23,039)	(4,155,755)	(99,766)	-	(4,319,713)
At 31 December 2016	4,703,668	3,793,242	45,038,645	1,397,828	3,535,178	58,468,561
Watch list allowance	64,775	4,843	968,837	7,714	-	1,046,169
Specific impairment on individual customer – non performing	4,638,893	3,788,399	44,069,808	1,390,114	3,535,178	57,422,392
At 31 December 2016	4,703,668	3,793,242	45,038,645	1,397,828	3,535,178	58,468,561

Allowance for impairment related to non-performing credit facilities and financing that was settled or collected amounted to JD 10,017,622 as of 31 December 2017 (2016: JD 7,810,323).

During 2017, direct credit facilities and financing amounting to JD 9,625,016 have been written off in accordance with the Board of Directors' decision in this regards (2016: JD 4,319,713).

Suspended interest and returns

The movement on the suspended interest and returns is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Banks and financial institutions	Total
	JD	JD	JD	JD	JD	JD
2017 -						
At 1 January 2017	1,190,119	4,440,522	8,983,839	459,877	115,562	15,189,919
Resulting from the acquisition of Safwa Islamic Bank	150,326	-	489,084	-	-	639,410
Add: Suspended interest and return during the year	618,502	707,304	1,312,477	325,494	-	2,963,777
Less: interest and return transferred to income on recovery	244,417	301,456	1,756,265	50,983	-	2,353,121
Less: interest and return written off	53,122	36,846	250,134	31,313	-	371,415
At 31 December 2017	1,661,408	4,809,524	8,779,001	703,075	115,562	16,068,570
2016 -						
At 1 January 2016	678,174	1,027,851	10,828,783	365,135	115,562	13,015,505
Add: Suspended interest and return during the year	735,899	3,898,867	2,230,064	211,634	-	7,076,464
Less: interest and return transferred to income recovery	177,532	466,144	3,246,119	80,096	-	3,969,891
Less: interest and return written off	46,422	20,052	828,889	36,796	-	932,159
At 31 December 2016	1,190,119	4,440,522	8,983,839	459,877	115,562	15,189,919

(10) FINANCIAL ASSETS HELD AT AMORTIZED COSTS, NET

	2017	2016
	JD	JD
Quoted Financial Assets		
Foreign treasury bonds	33,352,441	3,604,961
Corporate debt securities	46,058,847	20,048,090
Unquoted Financial Assets		
Governmental guaranteed bonds	496,187,965	423,564,028
Corporate debt securities	43,487,500	33,236,250
Total financial assets at amortized cost	619,086,753	480,453,329
Impairment losses*	1,390,625	843,125
Total financial assets at amortized cost, net	617,696,128	479,610,204
Analysis of debt instruments:		
Fixed rate	618,000,425	467,746,496
Floating rate	1,086,328	12,706,833
Total	619,086,753	480,453,329

- Bonds' maturity ranges from one month to ten years, and have fixed payments.

* The movement on the impairment losses is as follows:

	2017	2016
	JD	JD
Beginning balance	843,125	250,000
Additions	547,500	593,125
Ending balance	1,390,625	843,125

(11) INVESTMENT IN ASSOCIATE

Company name	Country of residence	Ownership percentage	Nature of the activity	31 December 2017	31 December 2016
	JD	JD	JD	JD	JD
Jordan Fertilizer Processing Company	Jordan	25%	Industrial	377,262	-

The movement in the value of the investment in the associate is as follows:

	2017	2016
	JD	JD
Resulting from the acquisition of Safwa Islamic Bank	370,362	-
Share of profit for the year	16,900	-
Cash dividends received	(10,000)	-
Balance at the end of the year	377,262	-

Share of the assets and liabilities of the associate:

	2017	2016
	JD	JD
Total assets	1,905,096	-
Total liabilities	396,052	-
Net assets	1,509,044	-

(12) PROPERTY AND EQUIPMENT, NET

	Lands	Buildings	Equipment furniture and Fixtures	Vehicles	Computers	Total
2017 -	JD	JD	JD	JD	JD	JD
Cost:						
At 1 January 2017	14,761,236	9,138,250	28,324,870	851,076	6,940,677	60,016,109
Resulting from the acquisition of Safwa Islamic Bank*	4,893,557	13,403,439	11,281,916	302,944	2,793,001	32,674,857
Additions	1,023,795	107,572	6,482,861	396,000	2,623,107	10,633,335
Disposals	-	(19,459)	(705,025)	(345,523)	(348,948)	(1,418,955)
At 31 December 2017	20,678,588	22,629,802	45,384,622	1,204,497	12,007,837	101,905,346
Accumulated depreciation:						
At 1 January 2017	-	5,587,863	11,047,674	555,406	4,446,863	21,637,806
Resulting from the acquisition of Safwa Islamic Bank	-	899,596	6,530,073	156,748	1,617,349	9,203,766
Depreciation charge during the year	-	431,679	4,629,830	149,812	1,615,245	6,826,566
Disposals	-	(17,033)	(391,576)	(229,763)	(344,836)	(983,208)
At 31 December 2017	-	6,902,105	21,816,001	632,203	7,334,621	36,684,930
Net book value of property and equipment	20,678,588	15,727,697	23,568,621	572,294	4,673,216	65,220,416
Advance payments on purchase of property and equipment**	196,000	-	5,110,813	-	440,831	5,747,644
Net book value of property and equipment at 31 December 2017	20,874,588	15,727,697	28,679,434	572,294	5,114,047	70,968,060

* This item represents the difference between the book value and fair value resulting from the acquisition of Safwa Islamic Bank (Note 42).

** Includes an advance payment amounted to JD 1,070,727 resulting from the acquisition of Safwa Islamic Bank

(14) OTHER ASSETS

	2017	2016
	JD	JD
Accrued interest income and returns	10,592,220	12,489,727
Prepaid expenses	3,803,129	1,751,776
Assets obtained by the Bank by calling upon collateral*	31,992,554	27,414,157
Cheques and transfers under collection	18,434	14,180
Clearing Cheques	161,360	969,066
Paid guarantees margins	5,174,311	3,913,074
Discounted commercial papers	6,793,343	708,000
Others	3,766,412	2,876,853
Total	62,301,763	50,136,833

* The movement of assets obtained by the Bank by calling upon collateral during the year is as follows:

	2017	2016
	JD	JD
At 1 January	27,414,157	31,729,039
Resulting from the acquisition of Safwa Islamic Bank	3,969,355	-
Additions	4,110,783	687,336
Disposals	(1,748,273)	(4,252,116)
Impairment on repossessed assets	(1,753,468)	(750,102)
At 31 December	31,992,554	27,414,157

The movement of repossessed assets impairment during the year is as follows:

	2017	2016
	JD	JD
Beginning balance	1,593,330	843,228
Resulting from the acquisition of Safwa Islamic Bank	343,441	-
Charge for the year	1,753,468	750,102
Ending balance**	3,690,239	1,593,330

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

** Impairment loss on repossessed assets amounted to JD 1,080,879 as of 31 December 2017, and impairment loss on repossessed assets held for a period over 4 years amounted to JD 2,609,360 as of 31 December 2017.

(15) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

	2017			2016		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	28	34,416,840	34,416,868	103,906	47,367,182	47,471,088
Term deposits	3,000,000	21,457,052	24,457,052	13,036,388	62,600,432	75,636,820
Total	3,000,028	58,873,920	58,873,920	13,140,294	109,967,614	123,107,908

(16) CUSTOMERS' DEPOSITS

	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
2017 -					
Current accounts and demand deposits	254,620,894	231,955,524	71,692,522	3,873,495	562,142,435
Saving accounts	512,087,556	10,126,781	6,327,419	17,110,550	545,652,306
Term and notice deposits	795,684,084	328,202,529	91,862,127	184,661,100	1,400,409,840
Certificates of deposit	153,655,116	15,379,000	6,097,224	8,000,000	183,131,340
Total	1,716,047,650	585,663,834	175,979,292	213,645,145	2,691,335,921
2016 -					
Current accounts and demand deposits	181,629,926	173,500,657	46,669,627	6,621,788	408,421,998
Saving accounts	333,179,797	11,796,662	4,388,769	1,402,897	350,768,125
Term and notice deposits	379,486,764	379,139,531	26,171,109	213,771,329	998,568,733
Certificates of deposit	97,578,780	-	1,435,970	-	99,014,750
Total	991,875,267	564,436,850	78,665,475	221,796,014	1,856,773,606

- Governmental institutions' deposits amounted to JD 213,645,145 as of 31 December 2017 (2016: JD 221,796,014) representing 7,94% (2016: 11.95%) of total customers' deposits.
- Non-interest or non- returns bearing deposits amounted to JD 573,155,164 as of 31 December 2017 (2016: JD 392,239,538) representing 21,30% (2016: 21,12%) of total customers' deposits.
- Restricted deposits amounted to JD 1,068,100 as of 31 December 2017 (2016: JD 566,507) representing 0,04% (2016: 0.03%) of total customers' deposits.
- Dormant accounts amounted to JD 65,946,533 as of 31 December 2017 (2016: JD 45,028,169) representing 2,45% (2016: 2.43%) of total customers' deposits.
- Customers' deposits amounted to JD 647,921,139 representing the joint investment of customers as of 31 December 2017.

(17) MARGIN ACCOUNTS

	2017	2016
	JD	JD
Margins on direct credit facilities	98,837,068	82,585,366
Margins on indirect credit facilities	101,187,443	83,060,034
Margin dealings	4,015,146	5,106,982
Others	6,049,053	5,411,106
Total	210,088,710	176,163,488

(18) LOANS AND BORROWINGS

	Amount	No. of total payments: Total no. of payments	No. of total payments: Remaining payments	Payment frequency	Collaterals	Interest rate
2017 -	JD					
Central Bank Of Jordan Borrowing	28,717,090	4,595	3,118	Monthly	Bank Promissory	1,00% - 2.75%
Central Bank Of Jordan Borrowing	312,500	16	15	Quarterly	Bank Promissory	2.25%
Central Bank Of Jordan Borrowing	1,677,508	4	4	One payment	Bank Promissory	1.75%
Central Bank Of Jordan Borrowing	110,008	4	3	Annual	Bank Promissory	2.00%
International Bank for Reconstruction and Development	6,000,000	40	40	Semi-annual from 15/9/2018	Bank Promissory	Libor 6 months +1.8%
Arab Fund To Support Private Sector	2,790,000	15	14	Semi - annual	Bank Promissory	2.50%
Arab Fund To Support Private Sector	1,589,151	84	84	Semi - annual	Bank Promissory	3.00%
The European Bank for Reconstruction and Development	6,578,571	6	6	Semi - annual	Bank Promissory	5.25%
Jordan Mortgage Refinance Company	40,000,000	4	4	One payment	Bank Promissory	4.50% - 6%
Other	437,167	48	47	Monthly, quarterly	Bank Promissory	6%
Total	88,211,995					

	Amount	No. of total payments: Total no. of payments	No. of total payments: Remaining payments	Payment frequency	Collaterals	Interest rate
2016 -	JD					
Central Bank Of Jordan Borrowing	19,289,334	3,064	2,188	Monthly	Bank Promissory	1.75% - 2.75%
Central Bank Of Jordan Borrowing	562,500	16	7	Quarterly	Bank Promissory	2.25%
Central Bank Of Jordan Borrowing	2,688,517	58	54	One payment	Bank Promissory	1.75%
Central Bank Of Jordan Borrowing	165,012	4	4	Annual	Bank Promissory	2.00%
Central Bank Of Jordan Borrowing	1,618,883	4	4	One payment	Bank Promissory	1.75%
Arab Fund To Support Private Sector	6,000,000	40	40	Semi-annual from 15/9/2018	Bank Promissory	Libor 6 months + 1.8%
Arab Fund To Support Private Sector	3,000,000	15	15	Semi-annual	Bank Promissory	2.25%
The European Bank for Reconstruction and Development	3,545,000	2	2	Two payments	Bank Promissory	3.25%
Jordan Mortgage Refinance Company	20,000,000	2	2	One payment	Bank Promissory	4.60%
Total	56,869,246					

- All borrowings have fixed payment terms.
- All borrowings were re-lent as credit facilities to SMEs with average interest rate of 6%, in order to carry on its operation within medium and long terms according to midterm loans program.

(19) SUNDRY PROVISIONS

	Balance at 1 January	Resulting from the acquisition of Safwa Islamic Bank	Utilized during the year	Transferred to income	Balance at 31 December
	JD	JD	JD	JD	JD
2017 -					
Provision for end of service indemnity	-	23,818	-	-	23,818
Lawsuits provision and contingent liabilities	42,516	60,785	112,496	(5,000)	210,797
Total	42,516	84,603	112,496	(5,000)	234,615
2016 -					
Lawsuits provision and contingent liabilities	11,750	-	37,266	(6,500)	42,516
Total	11,750	-	37,266	(6,500)	42,516

(20) INCOME TAX

a- Income Tax liabilities

The movements on the income tax liability is as follows:

	2017	2016
	JD	JD
At 1 January	10,595,594	12,546,094
Resulting from the acquisition of Safwa Islamic Bank	2,438,733	-
Income tax paid	(17,920,819)	(15,288,563)
Provision for income tax for the year	17,226,452	13,335,979
Provision for income tax for previous years	2,433,912	2,084
At 31 December	14,773,872	10,595,594

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

	2017	2016
	JD	JD
Current year provision for income tax	17,226,452	13,335,979
Provision for income tax for previous years	2,433,912	2,084
Amortization of deferred tax assets	(2,314,903)	(845,700)
	17,345,461	12,492,363

b- Deferred tax Assets / liabilities

The details of this item is as follows:

a- Deferred tax assets

	2017						2016
Accounts included	Balance at 1 January	Resulting from the acquisition of Safwa Islamic Bank	Released during the year	Additions during the year	Balance at 31 December	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD	JD
Unrealized losses from financial assets at fair value through other comprehensive income	866,096	-	1,694,934	1,289,623	460,785	731,010	689,321
Unrealized losses from financial assets at fair value through profit or loss	187,269	-	319,098	564,036	432,207	(31,644)	(10,472)
Provision for credit facilities and financing watch list	1,046,169	-	226,579	555,666	1,375,256	481,340	366,159
Provision for repossessed assets	1,593,330	343,441	-	1,753,468	3,690,239	1,291,583	557,666
Bonus allowances	-	-	-	2,549,468	2,549,468	892,314	-
Capital maintenance expenditures 2012	-	-	-	231,248	231,248	80,937	-
Capital maintenance expenditures 2013	-	-	-	129,515	129,515	45,330	-
Legal cases provision	-	60,785	-	150,012	210,797	73,779	-
Credit facilities and financing provision	-	-	-	1,182,598	1,182,598	413,909	-
General provision	-	-	-	349,106	349,106	122,187	-
Provision for end of service indemnity	-	23,818	-	-	23,818	8,336	
Legal fees	-	1,500,000	-	-	1,500,000	450,000	-
Total	3,692,864	1,928,044	2,240,611	8,754,740	12,135,037	4,559,081	1,602,674

b- The movement on deferred tax assets / liabilities account is as follows:

	2017	2016
	Assets	Assets
	JD	JD
At 1 January	1,602,674	255,268
Resulting from the acquisition of Safwa Islamic Bank	599,815	-
Additions	2,894,248	1,682,986
Released	(537,656)	(335,580)
At 31 December	4,559,081	1,602,674

c- A reconciliation between taxable profit and the accounting profit is as follows:

	2017	2016
	JD	JD
Accounting profit	52,144,544	41,728,185
Non-taxable profit	(7,988,082)	(6,792,458)
Nondeductible expenses	7,593,115	4,395,990
Losses over previous years	(115,004)	-
Taxable profit	51,634,573	39,331,717
Effective income tax rate	33.26%	29.94%
Statutory income tax rate	35%	35%

A final settlement was reached with the Income Tax Department on the results of the Bank Al Etihad until 2014. The Bank submitted the tax return for the year 2016 and 2015. The Income Tax Department did not review the accounting records for the year 2016. And the files of 2016 are under audit and no final decision has been reached as of the date of financial statement preparation.

A final clearance for Safwa Islamic Bank (Subsidiary) has been reached up to the year 2013. Moreover, the Company has filed its income tax return for the year 2014, 2015 and 2016. Also, the Income and Sales Tax Department has reviewed the tax return for the year 2014 and 2015 and a primary decision has been issued but it is still in the objective phase.

A final settlement for Al – Etihad for Financial Brokerage Services Co. Ltd has been reached up to the year 2014.

The expected deferred tax rate is 35% and 10% and in management's opinion, these deferred taxes will be realized in the future.

(21) OTHER LIABILITIES

	2017	2016
	JD	JD
Accrued interest expense	21,748,139	11,366,578
Interest and commissions received in advance	1,205,293	1,410,646
Accounts payable	194,978	279,165
Accrued expenses	6,633,949	4,406,734
Incoming transfers	9,367	21,200
Manager checks	4,172,457	4,532,524
Balance of the investment risk review fund	5,344,209	-
Others	10,936,795	3,967,392
Total	50,245,187	25,984,239

(22) PAID IN CAPITAL AND SHARE PREMIUM

Paid in capital

The authorized and paid in capital amounted to JD 160,000,000 divided into 160,000,000 shares at a par value of JD 1 per share as of 31 December 2017.

In its extra ordinary general assembly meeting on 29 January 2017, the Bank increased its capital from 125 million shares at a per value of JD 1 per share to 160 million shares by issuing 35 million shares of a per value of JD 1 per share in addition to share premium of JD 0.250 per share. All necessary approvals were obtained and capital increase shares were recorded on 12 May 2017.

Share premium

Share premium amounted to JD 80,213,173 as at 31 December 2017 (31 December 2016: JD 71,463,173). The accumulated balance of the share premium represents the difference between the issuing price and the par value of the shares issued.

(23) RESERVES

Statutory reserve

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

Voluntary reserve

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

General banking risk reserve

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

Law restricts the use of the following reserves:

Description	2017	2016	Restriction Law
	JD	JD	
General banking risk reserve	14,034,670	14,730,577	Central Bank of Jordan
Statutory reserve	42,668,849	37,340,305	Corporate and Banking Law
Fair value reserve	1,191,589	1,555,417	Central Bank of Jordan and Jordan Securities Commission

(24) PROPOSED DIVIDENDS

The Board of Directors proposed cash dividends amounted to 10% of paid in capital, equivalent to JD 16,000,000 (2016: 10% of paid in capital equivalent to JD 12,500,000).

The distributable profit amounted to JD 30 Million.

(25) FAIR VALUE RESERVE

The movement is as follows:

	2017	2016
	JD	JD
Balance at 1 January	1,555,417	1,382,375
Unrealized loss	(1,523,260)	(470,535)
Deferred tax assets	41,689	501,706
Loss from sale of financial assets at fair value through other comprehensive income	1,117,743	141,871
Balance at 31 December	1,191,589	1,555,417

(26) RETAINED EARNINGS

	2017	2016
	JD	JD
Balance at 1 January	35,055,974	28,071,408
Profit for the year	31,364,269	29,235,822
Realized loss from the sale of financial assets at fair value through other comprehensive income	(1,117,743)	(141,871)
Transfer to reserves	(8,971,844)	(9,609,385)
Distributed dividends	(12,500,000)	(12,500,000)
Capital increase fees	(587,303)	-
Balance at 31 December	43,243,353	35,055,974

Retained earnings balance contains an amount of JD 538,490 that represents unrealized losses from revaluation of financial assets at fair value through profit and loss.

(27) PARTLY OWNED SIGNIFICANT SUBSIDIARIES

1. Percentage owned by non- controlling

Company name	Country	Ownership percentage	Activity nature	Distribution
Safwa Islamic Bank	Jordan	64,16%	Provides all financial, banking and investment services according to Islamic Sharia	-
Al-Etihad Islamic Investment Company	Jordan	42%	Objective of the Company is to own shares and bonds of Companies.	-

2. Following are the selected financial information for the significant subsidiaries including non- controlling interest:

A. Financial statements of the subsidiaries before cancellation of the corresponding transactions as of 31 December 2017:

	Safwa Islamic Bank (Subsidiary of Al-Etihad Islamic Investment Company)
	31 December 2017
	JD
Financial assets	926,008,691
Other assets	30,723,486
Total assets	956,732,177
Financial liabilities	796,612,440
Other liabilities	21,974,247
Total liabilities	818,586,687
Equity	138,145,490
Total liabilities and equity	956,732,177
Non- controlling interest	88,355,989
Non- controlling interests share of Al-Etihad Islamic Investment Company losses*	(468,004)
Total non- controlling interest	87,887,985

B. Condensed income statement of the subsidiaries before cancellation of the corresponding transactions for the year ended 31 December 2017:

	Safwa Islamic Bank (Subsidiary of Al-Etihad Islamic Investment Company)
	31 December 2017
	JD
Gross income	36,149,557
Profit for the year	5,713,955
Total comprehensive income	5,713,379
Non- controlling interest	3,665,665
Non- controlling interest share of Al-Etihad Islamic Investment Company losses for the year ended 31 December 2017*	(231,221)
Total non- controlling interest	3,434,444

* Total assets for Al-Etihad Islamic Investment Company amounts to JD 113,039,028 which represents the investment in the subsidiary Safwa Islamic Bank as of 31 December 2017. Total liabilities amounts to JD 1,112,296. The company recorded a total loss of JD 550,525 and equity amounted to JD 111,924,732 for the year ended 31 December 2017.

(28) INTEREST INCOME AND RETURNS

	2017	2016
Direct credit facilities and financing	JD	JD
Consumer lending		
Overdrafts	1,040,007	1,131,321
Loans and bills	28,803,199	12,801,988
Credit cards	1,304,124	1,077,190
Residential mortgages	41,830,891	17,523,682
Corporate lending		
Overdrafts	9,652,680	9,952,070
Loans and bills	57,323,240	43,773,803
Small and medium enterprises lending		
Overdrafts	2,897,509	2,258,929
Loans and bills	7,415,507	5,860,483
Public and governmental sectors	7,343,783	1,430,166
Balances at Central Banks	872,863	973,151
Balances at banks and financial institutions	1,955,179	197,748
Financial assets at fair value through profit or loss	415,970	606,356
Financial assets at amortized cost	25,661,508	27,505,494
Documents discounted interests based on letter of credits	342,573	85,262
Total	186,859,033	125,177,643

(29) INTEREST EXPENSE

	2017	2016
	JD	JD
Banks and financial institutions deposits	1,354,308	1,213,156
Customers' deposits -		
- Current accounts and demand deposits	1,071,645	610,128
- Saving accounts	6,453,230	3,804,552
- Term and notice deposits	49,130,145	29,164,569
- Certificates of deposits	5,706,236	3,222,212
Margin accounts	2,776,029	2,405,119
Loans and borrowings	2,597,660	1,353,468
Deposits guarantee fees	3,079,806	3,367,898
Total	72,169,059	45,141,102

(30) NET COMMISSION INCOME

	2017	2016
	JD	JD
Commission income -		
Direct credit facilities and financing	4,748,536	3,596,777
Indirect credit facilities and financing	9,956,637	7,788,608
Other	7,434,979	4,115,738
Less: commission expense	(741,107)	(623,798)
Net Commission income	21,399,045	14,877,325

(31) GAIN FROM FOREIGN CURRENCIES

	2017	2016
	JD	JD
Trading in foreign currencies	2,729,208	1,930,678
Revaluation of foreign currencies	2,796,196	1,311,825
Total	5,525,404	3,242,503

(32) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Realized gain (loss)	Unrealized gain	Dividends income	Total
	JD	JD	JD	JD
2017 -				
Treasury bills and bonds	115,960	-	-	115,960
Corporate shares	2,617,768	(46,304)	194,806	2,766,270
Investment fund	-	478,511	-	478,511
Financial derivatives	(2,382)	-	-	(2,382)
Total	2,731,346	432,207	194,806	3,358,359
2016 -				
Treasury bills and bonds	270,380	56,626	-	327,006
Corporate shares	(226,427)	(91,532)	163,814	(154,145)
Investment fund	-	222,175	-	222,175
Financial derivatives	(97,558)	-	-	(97,558)
Total	(53,605)	187,269	163,814	297,478

(33) DIVIDENDS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017	2016
	JD	JD
Dividends income	938,772	1,271,838

(34) OTHER INCOME

	2017	2016
	JD	JD
Safety deposit box rental income	124,535	86,867
Dormant accounts	85,121	58,955
Bonded warehouse revenue	321,029	406,693
Recoveries from amounts written-off	375,292	354,886
Income from disposed of investments	120,000	-
Others	175,452	70,740
Total	1,201,429	978,141

(35) EMPLOYEES' EXPENSES

	2017	2016
	JD	JD
Salaries and benefits	31,252,997	19,346,982
Bank's contribution to social security	3,342,818	2,005,456
Bank's contribution to saving fund	1,280,000	1,146,024
Medical expenses	1,403,009	796,972
Per diems	329,732	146,184
Training	812,160	480,567
Uniforms	27,317	32,989
Selling expenses	1,211,172	860,920
Employees' life insurance expense	200,644	150,357
Other	120,990	-
Total	39,980,839	24,966,451

(36) OTHER EXPENSES

	2017	2016
	JD	JD
Post, telephone telex and swift	2,053,363	1,302,990
Stationary and printing	1,249,199	791,303
Rent	3,511,546	1,859,760
Water, electricity and fuel expense	1,461,754	1,285,978
Maintenance	5,634,548	3,754,556
Insurance	713,005	238,334
Consulting and professional fees	2,430,230	3,155,801
Licenses and governmental fees	1,479,558	650,045
Losses from disposal of fixed assets	268,463	202,741
Board of Directors' transportation and fees	1,244,851	763,447
Advertising	4,731,743	2,851,155
Donations and subscriptions	667,894	492,432
Board of Directors' remuneration	110,000	55,000
Others	1,477,930	669,543
Total	27,034,084	18,073,085

(37) EARNINGS PER SHARE

	2017	2016
	JD	JD
Profit for the year (JD)	31,364,269	29,235,822
Weighted average number of shares (share)	150,364,284	125,000,000
	JD/ Fills	JD/ Fills
Basic and diluted earnings per share	0.209	0.234

(38) CASH AND CASH EQUIVALENTS

	2017	2016
	JD	JD
Cash and balances with Central Bank maturing within 3 months	338,311,743	281,844,459
Add: Balances at banks and financial institutions maturing within 3 months	326,075,874	258,889,861
Less: Banks and financial institutions' deposits maturing within 3 months	55,873,920	123,107,908
Less: Restricted cash balances	8,497,494	8,616,845
Total	600,016,203	409,009,567

(39) FINANCIAL DERIVATIVE INSTRUMENTS

				Par value maturity			
	Positive fair value	Negative fair value	Total notional amount	Within 3 months	3 – 12 months	1 – 3 years	More than 3 years
	JD	JD	JD	JD	JD	JD	JD
2017 -							
Customers' purchased forward agreements	153,362	136,895	36,066,406	25,565,776	7,600,950	2,899,680	-
Purchased foreign currencies contracts	849	19,841	9,926,000	3,545,000	-	6,381,000	-
Banks' purchased forward agreements	201,832	79,068	80,534,667	80,534,667	-	-	-
2016 -							
Customers' purchased forward agreements	189,649	323,658	157,839,073	110,379,395	47,459,678	-	-
Purchased foreign currencies contracts	-	38,357	12,762,000	-	10,635,000	2,127,000	-
Options foreign currencies contracts	-	3,616	7,090,000	-	-	-	7,090,000

The nominal amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

(40) RELATED PARTY TRANSACTIONS

The accompanying consolidated financial statements of the Bank include the following subsidiaries:

Company name	Ownership	Paid-in capital 2017	Paid-in capital 2016
		JD	JD
Al-Etihad Islamic Investment Company	58%	113,039,028	300,000
Safwa Islamic Bank	35.8%	100,000,000	-
Al- Etihad for Financial Brokerage Services Co. Ltd	100%	5,000,000	5,000,000
Al- Etihad for Financial Leasing Co. Ltd	100%	5,000,000	5,000,000

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

The following related party transactions took place during the year:

	Related parties				Total	
	Board of Directors	Executive Management	Subsidiaries	Others (employees and their relatives and relatives of Board and management)	2017	2016
	JD	JD	JD	JD	JD	JD
Financial position items:						
Credit facilities and financing	1,515,921	2,744,493	1,000,000	41,764,759	47,025,173	43,779,475
Deposits	7,885,865	1,637,336	3,254,953	15,136,541	27,914,695	31,184,716
Deposits at banks and financial institutions	-	-	33,281	-	33,281	-
Off balance items:						
Letters of credit	-	-	-	247,157	247,157	840,619
Acceptance	-	-	-	145,024	145,024	18,930
Letters of guarantee	12,962	-	778,000	3,641,667	4,432,629	9,251,675
Income statements items						
Interest, returns and commission income	94,071	92,470	9,588	3,417,234	3,613,368	3,012,527
Interest and commission expense	457,271	63,936	466,083	213,552	1,200,842	320,538
Other information						
Watch list facilities and financing	-	-	-	1,917	1,917	-
Non-performing facilities and financing	-	-	-	-	-	1,909
Impairment provision of credit facilities and financing watch list	-	-	-	31	31	-
Provisions of non-performing loans	-	-	-	-	-	1,393
Suspended interest and returns	-	-	-	-	-	346

Highest interest income rate 17% (Overdrawn Accounts)
Lowest interest income rate 3.5%
Highest interest expense rate 4.75%
Lowest interest expense rate 0.5%
Highest commission income rate 1%
Lowest commission income rate 0%

Compensation of the key management personnel is as follows:

	2017	2016
	JD	JD
Benefits (Salaries, wages, and bonuses) of executive management	5,375,095	2,804,582
Board of directors transportation and fees	1,302,777	818,447
	6,677,872	3,623,029

(41) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	2017		2016	
	Book Value	Fair Value	Book Value	Fair Value
	JD	JD	JD	JD
Financial assets at amortized cost	617,696,128	624,646,198	479,610,204	484,935,398
Direct credit facilities	2,084,327,989	2,100,310,512	1,385,666,088	1,392,637,133
Banks and financial institutions deposits	58,873,920	58,985,911	123,107,908	123,180,510
Customers' deposits	2,691,335,921	2,712,076,501	1,856,773,606	1,867,679,254
Loans and Borrowings	88,211,995	89,101,327	56,869,246	57,251,528

Financial instruments include direct credit facilities and financing, financial assets at amortized cost, customers' deposits, banks deposits and financial institutions and Borrowings.

(42) PURCHASE OF CONTROLLING INTEREST AT SAFWA ISLAMIC BANK

The subsidiary Al-Etihad Islamic Investment Company which is owned by Bank Al Etihad by 58% acquired a controlling interest of 61.8% during January 2017 in Safwa Islamic Bank against JD 113,000,000. Since the Bank controls the subsidiary and Safwa Islamic Bank, their accounts were consolidated in the consolidated financial statement of the Group. Purchase price allocation has been completed during 2017 and the effect has been reflected on the Group's consolidated financial statements.

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

	Book value	Fair value adjustments	Fair value
Assets	JD	JD	JD
Cash and balances at Central Bank	204,028,358	-	204,028,358
Balances at banks and financial institutions	28,530,937	-	28,530,937
Deposits at banks and financial institutions	5,092,827	-	5,092,827
Financial assets at fair value through other comprehensive income	1,695,710	-	1,695,710
Financial assets held at amortized cost, net	47,904,288	-	47,904,288
Investments in associate	370,362	-	370,362
Direct credit facilities and financing, net	600,599,852	-	600,599,852
Property and equipment, net	21,778,480	2,763,337	24,541,817
Intangible assets	1,742,566	-	1,742,566
Deferred tax assets	599,815	-	599,815
Other assets	6,569,373	-	6,569,373
Total Assets	918,912,568	2,763,337	921,675,905
Liabilities			
Banks and financial institution deposits	2,142,078	-	2,142,078
Customers' deposits	756,257,366	-	756,257,366
Margin accounts	8,224,198	-	8,224,198
Sundry provisions	84,603	-	84,603
Income tax liabilities	2,438,733	-	2,438,733
Other liabilities	17,333,479	-	17,333,479
Total Liabilities	786,480,457	-	786,480,457
Net assets acquired	132,432,111	2,763,337	135,195,448
Less: Bank Al-Etihad's share of the account paid	-	-	(65,562,636)
Less: non-controlling interest	-	-	(84,690,324)
Intangible assets resulting from acquisition *	-	-	15,057,512

Details of this item is as follows:	JD
Safwa Islamic Bank license**	9,928,000
Customers' deposits**	3,749,000
Goodwill **	1,380,512
	15,057,512

Cash flow analysis at acquisition:

Net cash acquired from the subsidiary	230,417,217
Net cash paid	(65,562,636)
Net cash flow	164,854,581

** The Bank recorded the business combination of Safwa Islamic Bank's assets and liabilities at fair value, after completion the purchase price allocation of the acquisition in accordance with International Financial Reporting Standard (3) and intangible assets were recognized and recorded (note 13).

Impairment of intangible assets with indefinite life

Management believes that there is no impairment of intangible assets with indefinite life during 2017.

Significant assumptions used in the calculation

The projected discounted cash flow assumption was used to calculate the fair value.

(44) RISK MANAGEMENT

The Bank continuously develops the structure of risk management to ensure the effective administration of all its operations.
To ensure efficiency of the risk management process and the proper application of regulatory controls across all of the Bank's operations, the responsibility of risk management is distributed among various levels as summarized below:

1. Business (Work) Units:
Work units are formed of employees who, through their daily work manage the various risks associated with the Bank's operations according to acceptable risk levels determined by the Bank and specified in its policies.

To ensure effective management of risks, and as part of strategic plan, for example the Bank separates the functions of credit management and client relations management within each work unit to ensure the independency of studies and credit decisions, continuous development of the effectiveness and quality of its operations. In addition, the middle office reports to the risk management and is segregated from the treasury.

2. Risk Management and Compliance
The work of this department was furthered such that it operates independently across all business lines. The Department is linked to the Board through the Risk Management Committee to ensure its independency and capacity to detect measure and control risk within acceptable levels as determined by the Bank and submit regular reports to the Board in this regard.

3. Internal Audit
The Internal Audit Department is fully independent and linked to the Board Audit Committee. The Department functions as the last defense line through applying an audit plan that includes periodic audits of all the Bank's activities in order to ensure that all violations of the system and noncompliance with the banks' policies and procedures or the principles determined by the regulatory bodies.

4. Risk Management Committee

The Board of Directors endorsed the Board Risk Management charter. The charter has been developed based on the best practice of risk management and CBJ requirements. The Committee includes Board members, the Head of the Risk Management Department and headed by the chairman. All reports prepared by the Risk Management Department are submitted to the committee periodically to ensure that committee members are informed of all risks in timely manner such that they are able to make decisions or take measures to change risk levels in the event they are not in line with the established acceptable risks levels and submit reports to the Board in this regard.

5. Board of Directors

The Board of Directors has the following responsibilities with regard to risk management:

- Determine the acceptable risks level for all of the Bank's activities.
- Review and approve the various risk policies.
- Monitor risks and ensure application of necessary controls through the Risks Management Committee.
- Delegate authority related to the approval, amendment and renewal of credit to the various credit committees and to review their performance and the validity of their decisions, which will reflect on the quality of the credit portfolio.
- Approve the investments policies, decisions and approve investment dealing and trading ceilings.

6. Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is headed by the Chairman, General Management and the directors of operations, financial management and risk management departments as members. The Committee reviews the budget and presents any amendment recommendations, based on liquidity and market risk management, to the Board for approval. Furthermore, the Committee reviews the risk management policies related to liquidity and market risks and submits its recommendations to the Board for endorsement. It also reviews the various risk reports in order to take any necessary decisions related to altering of the acceptable risks levels by the Bank.

The Committee also recommends to the Board the allocation of capital for the various activities of the Bank in a manner that ensures the most effective use of capital.

(44/a) Credit Risk

Credit risks are controlled within acceptable risk levels by the Bank through the following:

1. ***Credit Policy***: accurately determines the basis for extending credit, levels of acceptable credit risks, the basis used for establishing credit risks pricing and acceptable guarantees. In addition, the policy outlines the monitoring basis and procedures over credit to ensure early detection of any deterioration in the credit portfolio quality.
2. ***Training and Development***: the continuous training and development of all credit staff and relationship managers ensures better understanding of client requirements and the availability of high level credit analysis expertise and a good understanding of these risks when recommending their acceptance and ensures the effective management of these accounts.

3. ***Authority to Grant Credit*:** credit approval is done by specialized credit committees whereby they are formed and granted authority by the Board of Directors.

4. ***Credit Risk Measurement*:** the Bank implemented a credit rating system for corporate and medium size companies. In addition, the Bank implemented a scoring system for retail products as a base for credit granting decisions for retail and SME customers.

5. ***Internal Valuation for Capital Adequacy:*** the Bank developed a model to measure the capital adequacy based on a 5 years forecasted data to calculate the potential capital requirements and the effect of the stress testing on the Bank's capital adequacy, profitability and liquidity.

6. ***Credit Monitoring:***
   - A specialized unit within the Risk Management Department monitors the credit portfolio and prepares relevant reports.
   - The role of this Unit starts with managing legal risks resulting from the granting of credit. The Unit, in cooperation with the Bank's legal advisor, ensures that all facilities and guarantees contracts meet all the legal conditions that protect the rights of the Bank.
   - It ensures that all credit terms are met prior to allowing the borrower to execute the credit facility. All this is done due to the importance of having more than one monitoring entity oversee these highly sensitive transactions.
   - Through the early credit risk warning system, the risk management department examines any indicators that may signal the deterioration of the credit status of a customer. Such indicators include customer's transactions, financial performance, and the performance of the economic sector he / she operates in, in addition to indicators related to the performance of the client's account at the Bank. This system allows us to detect, early on, any deterioration in the performance of the account and enables us to take necessary measures to reduce any possible losses that may result from this.

7. ***Credit Portfolio Management***
   All departments concerned with credit continuously review the credit portfolio to maintain a good level of credit exposure quality.

   In managing the portfolio, efforts are made to ensure that it is distributed in a balanced manner to avoid any concentration that could lead to an increase in the risk level of the portfolio. In this regard, the sectoral and the geographical distribution of the portfolio are considered, in addition to avoiding large credit exposures of a single client except in exceptional cases and for exceptional clients.

8. ***Credit Risk Alleviation***
   As a step to hedge against credit risk, the cash flow of financed projects are taken into account when determining the repayment schedule of any credit extended to our clients and necessary controls to monitor cash flows that will be used for loan repayments in addition to determine collaterals deemed necessary in relation to the credit risk level. The quality and liquidity of the collaterals are taken into consideration in addition to the effective implementation of procedures that ensure sound control over these collaterals, the monitoring of their value and ease of liquidation.

1) The table below shows the maximum exposure to credit risk (after allowances for impairment and suspended interest and returns and before collaterals and other mitigating items):

	2017	2016
	JD	JD
Financial position items		
Balances at Central Bank	282,485,418	247,753,406
Balances at banks and financial institutions	326,075,874	258,889,861
Deposits at banks and financial institutions	8,325,098	-
Credit facilities and financing		
Consumer lending	357,041,832	169,985,412
Residential mortgages	574,115,232	292,951,982
Large corporations	891,371,820	791,485,150
Small and medium enterprises	126,491,262	104,394,784
Lending to governmental sectors	135,307,843	26,848,760
Bonds and treasury bills:		
Within financial assets at fair value through profit or loss	-	17,751,799
Within financial assets at amortized cost	617,696,128	479,610,204
Other assets	27,757,157	22,290,452
Total	3,346,667,664	2,411,961,810
Off-statement of financial position items		
Letters of guarantee	178,422,988	167,563,148
Letters of credit	162,215,287	200,343,907
Acceptances	182,116,425	128,915,147
Irrevocable commitments to extend credit	212,326,848	186,011,713
Total off-statement of financial position items	735,081,548	682,833,915
Total	4,081,749,212	3,094,795,725

The table above represents the maximum exposure to credit risks for the Bank at 31 December 2017 and 2016 before taking into consideration collaterals and other credit risks mitigating items.

2) The distribution of credit exposures* in accordance with their risk classification is as follows:

	Retail consumer	Residential mortgages	Corporate	SMEs	Governmental sectors	Banks and other financial institutions	Total
2017-	JD	JD	JD	JD	JD	JD	JD
Low risk	18,415,967	2,774,212	27,431,855	19,332,569	891,907,888	-	959,862,491
Acceptable risk	341,892,784	551,598,526	798,906,186	102,207,337	61,393,270	412,157,061	2,268,155,164
Watch list **	2,695,748	10,641,001	84,596,288	1,600,484	-	-	99,533,521
Non performing:							
Substandard	826,026	1,781,587	5,000	51,183	-	-	2,663,796
Doubtful	1,397,509	2,160,280	7,049,790	2,963,826	-	-	13,571,405
Loss	7,527,668	14,508,694	60,304,955	5,253,750	-	3,650,740	91,245,807
Total	372,755,702	583,464,300	978,294,074	131,409,149	953,301,158	415,807,801	2,435,032,184
Less:							
Suspended interest and returns	1,661,408	4,809,524	8,779,001	703,075	-	115,562	16,068,570
Provision for impairment losses	7,618,092	3,700,092	53,303,405	4,139,183	-	3,535,178	72,295,950
Net	363,472,202	574,954,684	916,211,668	126,566,891	953,304,158	412,157,061	3,346,667,664
2016-							
Low risk	15,064,693	-	10,692,156	15,153,396	683,789,767	-	724,700,012
Acceptable risk	155,437,584	286,215,363	729,132,502	87,078,893	26,778,850	312,406,265	1,597,049,457
Watch list **	438,131	321,744	63,252,302	505,583	-	-	64,517,760
Non performing:							
Substandard	401,118	1,819,091	7,093,618	32,654	-	-	9,346,481
Doubtful	572,479	581,384	3,540,264	1,528,204	-	-	6,222,331
Loss	5,383,752	13,518,184	59,277,814	1,953,759	-	3,650,740	83,784,249
Total	177,297,757	302,455,766	872,988,656	106,252,489	710,568,617	316,057,005	2,485,620,290
Less:							
Suspended interest	1,190,119	4,440,522	8,983,839	459,877	-	115,562	15,189,919
Provision for impairment losses	4,703,668	3,793,242	45,038,645	1,397,828	-	3,535,178	58,468,561
Net	171,403,970	294,222,002	818,966,172	104,394,784	710,568,617	312,406,265	2,411,961,810

* Credit exposures include credit facilities and financing, balances and deposits at banks and financial institutions, bonds, treasury bills and any assets with credit exposures.

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

- Credit exposures for government and public sector include financial assets held at amortized cost amounting to JD 496,187,965 rated at BB- and banks deposits amounting to JD 282,485,418 rated at BB- .
- Credit exposures for banks and financial institutions and banks deposits include JD 49,537,515 rated between AAA and AA-.
- Credit exposures for banks and financial institutions and banks deposits include JD 182,930,111 rated between A+ and A-.
- Credit exposures for banks and financial institutions and banks deposits include JD 77,462,148 rated between BBB+ and B-.
- Credit exposures for banks and financial institutions and banks deposits include JD 56,109 rated B-.
- Credit exposures for banks and financial institutions and banks deposits include JD 24,415,089 not rated.

Distribution of collaterals measured at fair value over credit facilities and financing:

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
2017 -					
Low risk	18,415,967	2,774,212	27,431,855	19,332,569	67,954,603
Acceptable risk	359,435,077	280,128,264	228,724,474	62,727,714	931,015,529
Watch list	957,624	2,284,422	13,899,286	742,934	17,884,266
Non performing:					
Substandard	277,985	1,393,004	5,000	-	1,675,989
Doubtful	551,249	1,771,097	1,340,791	1,394,038	5,057,175
Loss	2,849,560	7,471,750	24,505,300	2,532,997	37,359,607
Total	382,487,462	295,822,749	295,906,706	86,730,252	1,060,947,169
Comprising of:					
Cash margin	18,471,411	2,774,212	27,599,793	19,794,124	68,639,540
Letters of guarantee	-	-	1,078,987	3,764,737	4,843,724
Real estate	230,727,626	292,972,687	228,365,268	55,512,424	807,578,005
Traded equities	1,705,012	-	22,769,113	2,005,336	26,479,461
Vehicles and machinery	131,583,413	75,850	16,093,545	5,653,631	153,406,439
2016 -					
Low risk	15,064,693	-	10,692,156	15,153,396	40,910,245
Acceptable risk	37,959,881	241,951,959	223,524,278	48,308,780	551,744,898
Watch list	46,162	160,053	37,228,689	652,917	38,087,821
Non performing:					
Substandard	249,277	1,570,815	5,352,664	-	7,172,756
Doubtful	201,904	531,757	308,099	1,188,635	2,230,395
Loss	1,581,661	10,089,055	28,300,908	949,741	40,921,365
Total	55,103,578	254,303,639	305,406,794	66,253,469	681,067,480
Comprising of:					
Cash margin	15,093,721	-	8,689,439	15,262,896	39,046,056
Letters of guarantee	-	-	2,068,851	71,402	2,140,253
Real estate	14,293,495	254,303,639	266,615,634	47,308,152	582,520,920
Traded equities	542,253	-	17,169,230	185,199	17,896,682
Vehicles and machinery	25,174,109	-	10,863,640	3,425,820	39,463,569

- The fair value of collaterals shown does not exceed the balance of individual facilities and financing granted to customers.

Rescheduled Debts:

Rescheduled debts are debts, which have been previously classified as non-performing, credit facilities and financing, then excluded from the non-performing credit facilities and financing because of a rescheduling process, and then classified as watch list. The total of such facilities amounted to JD 46,947,958 as at 31 December 2017, compared to JD 31,288,700 as at 31 December 2016. The balance of rescheduled debts represent the debts which have been rescheduled wether it is still classified as watch list or reclassified as performing

Restructured Debts:
Restructuring process refers to re-organizing the credit facilities and financing standing in respect of adjusting premiums, extending the life of the credit facilities and financing, postponing some premiums or extending the grace period etc, and then classifying such facilities as watch list during 2017. However, the total of such facilities and financing amounts to JD 32,957,301 as at 31 December 2017 compared to JD 2,258,424 as at 31 December 2016 due to restructuring.

3) Bonds and treasury bills

The table below shows the classifications of bonds and treasury bills and their grading according to external rating agencies:

Risk Rating Class	External rating agency	Included in financial assets held at amortized cost
		JD
AA+	S&P	29,765,384
AA	S&P	709,390
AA-	S&P	1,066,008
A+	S&P	4,166,926
A	S&P	9,120,409
A-	S&P	8,511,226
BBB+	S&P	10,826,713
BBB	S&P	2,529,483
BB+	S&P	3,188,348
BB-	S&P	3,587,058
B+	S&P	937,784
Nonrated		47,099,434
Governmental	S&P	496,187,965
Total		617,696,128

4) The Bank's financial assets can be analyzed by the following geographical regions:

	Inside Jordan	Other Middle Eastern countries	Europe	Asia *	America	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	282,485,418	-	-	-	-	-	282,485,418
Balances at banks and financial institutions	4,322,916	60,218,896	135,415,537	38,298,077	87,313,956	508,492	326,075,874
Deposits at banks and financial institutions	3,000,000	5,325,098	-	-	-	-	8,325,098
Direct credit facilities and financing:							
Consumer lending	357,041,832	-	-	-	-	-	357,041,832
Residential mortgages	574,115,232	-	-	-	-	-	574,115,232
Large corporations	891,371,820	-	-	-	-	-	891,371,820
Small and medium enterprises	126,491,262	-	-	-	-	-	126,491,262
Lending to governmental sectors	135,307,843	-	-	-	-	-	135,307,843
Bonds and treasury bills:							
Included in financial assets held at amortized cost	538,721,070	34,709,107	9,890,134	3,545,882	30,829,935	-	617,696,128
Other assets	27,757,157	-	-	-	-	-	27,757,157
Total 2017	2,940,614,550	100,253,101	145,305,671	41,841,959	118,143,891	508,492	3,346,667,664
Total 2016	2,150,267,241	46,036,865	81,475,568	18,407,770	113,188,709	3,583,657	2,411,961,810

* Excluding Middle East countries

5) An industry sector analysis of the Bank's financial assets is as follows:

Industry sector	Financial	Industrial	Commercial	Real estate	Agriculture	Trading	Transportation	Tourism and Hotels	Services	Construction	Consumer	Public and governmental	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	-	-	-	-	282,485,418	-	282,485,418
Balances at banks and financial institutions	326,075,874	-	-	-	-	-	-	-	-	-	-	-	-	326,075,874
Deposits at banks and financial institutions	8,325,098	-	-	-	-	-	-	-	-	-	-	-	-	8,325,098
Direct credit facilities and financing net	11,117,716	198,611,267	488,447,253	574,115,231	43,175,326	48,661,411	26,848,388	36,939,628	118,050,515	55,294,119	280,141,157	135,307,843	69,618,135	2,084,327,989
Bonds and treasury bills within:														
Financial assets at amortized cost	77,704,090	5,307,079	-	-	-	-	-	-	5,144,553	-	-	529,540,406	-	617,696,128
Other assets	8,456,000	353,591	3,330,082	839,453	336,213	35,926	61,667	80,356	245,167	2,603,559	468,990	5,987,491	4,978,662	27,757,157
Total 2017	431,678,778	204,271,937	491,777,335	574,954,684	43,511,539	48,697,337	26,910,055	37,019,984	123,440,235	57,897,678	280,610,147	953,301,158	74,596,797	3,346,667,664
Total 2016	324,052,559	203,588,452	331,457,250	294,222,002	36,354,707	14,817,130	27,173,821	36,620,056	107,374,213	59,320,849	158,455,556	710,568,617	108,156,596	2,411,961,810

(44/b) Market risk:

Market risks are defined as those risks resulting from price fluctuations in a way that affect the Bank's profitability or equity. This definition includes the change in interest rates.

The Bank uses a conservative policy in market risk management. The Bank controls these risks through the adoption of clear policies in their regard and establishing risk limits for each risk type. Our policy aims to reduce these risks to lowest levels.

1. Interest Rate Risks:

A conservative policy is adopted in managing interest rate risks whereby most of the Bank's assets and liabilities can be re-priced in the short term. This limits the effect of interest rates change on the Bank's profitability and on the price of its assets and investments.

Interest rate risks are managed by the Assets and Liabilities Committee whereby it is provided with regular gap reports of interest rates re-pricing in addition to per currency interest rate price changes sensitivity reports, these reports shows that interest rate risks are within the lowest range.

Currency	Increase in interest rate	Sensitivity of net interest income / (thousands)	Sensitivity on equity (thousands)
		JD	JD
2017 -			
Jordanian Dinar	1%	3,358	3,358
U.S. Dollars	1%	1,084	1,084
Euro	1%	446	446
GBP	1%	(24)	(24)
Yen	1%	149	149
Others	1%	247	247
2016 -			
Jordanian Dinar	1%	3,048	3,048
U.S. Dollars	1%	1,467	1,467
Euro	1%	246	246
GBP	1%	(51)	(51)
Yen	1%	384	384
Others	1%	29	29

- In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.
- Islamic Bank assets and liabilities are not subject to interest rate risks.

2. Currency Risks:

The Bank policy is to fully hedge the currency risk by not maintaining open positions in foreign currencies only within the limits set and according to a clear policy which reduces the sensitivity of the Bank's profitability to currency price changes. Ceilings are placed for open positions for each currency and total currencies, as well as daily evaluations for these positions to reduce the risks of currency exchange rates to minimum.

Analysis is made periodically using a sensitivity model to measure these risks.

2017-	change in currency exchange rate	Effect on profit and loss	Sensitivity on equity
		JD	JD
Currency			
USD	1%	158,867	35,691
Euro	1%	(85,968)	-
GBP	1%	(8,958)	-
Yen	1%	151,506	-
Others	1%	768	-

2016-	Change in currency exchange rate	Effect on profit and loss	Sensitivity on equity
		JD	JD
Currency			
USD	1%	(123,356)	39,698
Euro	1%	(297,259)	-
GBP	1%	(38,174)	-
Yen	1%	377,629	-
Others	1%	10,132	-

In case of decrease in currency exchange rate with 1% the effect will be the same in the tables above with an opposite sign.

3. Change in Stock Price Risks

Trading portfolio risk management depends on a policy that is based on diversification of investments. Investments are distributed on a sectoral basis, to include the most stable sectors, and across several financial markets to reduce risks to acceptable levels. Regular monitoring of risks is also conducted through:

- Determining the different investments ceilings
- Determining limits to stop losses per investment and its daily monitoring.
- Regular assessment of the investment portfolio by an independent body (intermediary office).
- Performing sensitivity analysis to measure the extent to which these investments may be impacted should the markets invested in drop, so as to maintain risks within levels acceptable to the Bank.

These risks are managed by the Risks Management Department in cooperation with the Treasury Department and their recommendations are submitted to the Assets and Liabilities Management Committee.

	Change in market index	Effect on profit and losses	Effect on equity
2017-		JD	JD
Financial Market			
Amman Stock Exchange	5%	159,561	504,846
Al-Quds Stock Exchange (Palestine)	5%	23,386	832,710
2016-			
Financial Market			
Amman Stock Exchange	5%	135,921	447,380
Al-Quds Stock Exchange (Palestine)	5%	-	908,269
NASDAQ- USA	5%	43,827	-

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.

Interest rate re-pricing gap

Classification is based on interest re-pricing or maturing, whichever is closer.

	Interest rate re-pricing gap							
	Less than 1 month	1 – 3 months	3 – 6 months	6 months – 1 year	1 – 3 years	3 years or more	Non-interest bearing	Total
2017 -	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at central Bank	45,000,000	-	-	-	-	-	293,311,743	338,311,743
Balances at banks and financial institutions	269,498,367	8,512,777	-	-	-	-	48,064,730	326,075,874
Deposits at banks and financial institutions	-	-	4,261,598	-	4,063,500	-	-	8,325,098
Financial assets at fair value through profit or loss	-	-	-	-	-	-	7,509,280	7,509,280
Direct credit facilities and financing, net	37,585,125	72,185,067	1,480,010,788	63,408,808	171,299,181	240,722,532	19,116,488	2,084,327,989
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	30,877,736	30,877,736
Financial assets held at amortized cost	6,917,828	29,849,659	20,402,767	41,286,082	199,252,440	319,987,352	-	617,696,128
Investments in associates	-	-	-	-	-	-	377,262	377,262
Property and equipment	-	-	-	-	-	-	70,968,060	70,968,060
Intangible assets	-	-	-	-	-	-	20,945,239	20,945,239
Deferred tax assets	-	-	-	-	-	-	4,559,081	4,559,081
Other assets	516,179	2,296,771	960,213	402,200	-	-	58,126,400	62,301,763
Total Assets	359,517,499	112,844,274	1,505,635,366	105,097,090	374,615,121	560,709,884	553,856,019	3,572,275,253
Liabilities								
Banks and financial institution deposits	9,457,057	12,000,000	-	-	3,000,000	-	34,416,863	58,873,920
Customers' deposits	1,030,214,691	401,584,684	294,445,398	363,226,168	28,922,933	-	572,942,047	2,691,335,921
Margin accounts	102,764,589	1,041,663	50,000	1,000,767	-	-	105,231,691	210,088,710
Loans and borrowings	149,167	113,756	565,917	885,771	50,236,463	36,260,921	-	88,211,995
Sundry provisions	-	-	-	-	-	-	234,615	234,615
Income tax liabilities	-	-	-	-	-	-	14,773,872	14,773,872
Other liabilities	-	-	-	-	-	-	50,245,187	50,245,187
Total Liabilities	1,142,585,504	414,740,103	295,061,315	365,112,706	82,159,396	36,260,921	777,844,275	3,113,764,220
Interest rate re-pricing gap	(783,068,005)	(301,895,829)	1,210,574,051	(260,015,616)	292,455,725	524,448,963	(223,988,256)	458,511,033
2016 -								
Total Assets	315,583,261	24,860,553	1,403,125,245	37,521,868	190,562,985	204,522,148	383,564,190	2,559,740,250
Total liabilities	1,107,267,626	224,106,421	110,030,467	153,270,636	31,204,314	47,773,683	575,883,450	2,249,536,597
Interest rate re-pricing gap	(791,684,365)	(199,245,868)	1,293,094,778	(115,748,768)	159,358,671	156,748,465	(192,319,260)	310,203,653

Concentration in currency risk:

	US Dollar	Euro	British Pound	Japanese Yen	Other	Total
2017 -	JD	JD	JD	JD	JD	JD
Assets						
Cash and balances at Central Bank	63,515,982	5,689,989	1,690,867	-	8,970,623	79,867,461
Balances at banks and financial institutions	232,543,045	67,987,509	7,041,725	1,233,738	16,782,091	325,588,108
Deposits at banks and financial institutions	5,325,098	-	-	-	-	5,325,098
Financial assets at fair value through profit or loss	3,850,332	-	-	-	-	3,850,332
Direct credit Facilities and financing	181,278,378	395,517	28,196	21,398,133	30,523,715	233,623,939
Financial assets at fair value through OCI	9,837,170	-	-	-	-	9,837,170
Financial assets at amortized cost	159,320,391	2,960,464	974,930	-	-	163,255,785
Other assets	7,343,205	993,769	14,826	16,664	3,132,009	11,500,473
Total Assets	663,013,601	78,027,248	9,750,544	22,648,535	59,408,438	832,848,366
Liabilities						
Banks and financial institution deposits	18,862,893	7,923,868	7,646	2,971,414	5,471,969	35,237,790
Customers' deposits	549,448,857	72,175,579	10,485,519	1,341,749	51,523,102	684,974,806
Margin accounts	77,143,738	6,359,360	141,644	3,145,800	2,289,722	89,080,264
Other liabilities	1,671,377	165,290	11,506	38,952	46,859	1,933,984
Total Liabilities	647,126,865	86,624,097	10,646,315	7,497,915	59,331,652	811,226,844
Net concentration in the financial position	15,886,736	(8,596,849)	(895,771)	15,150,620	76,786	21,621,522
Off balance sheet items	332,427,679	39,129,602	157,346	20,247,501	8,618,502	400,580,630
2016 -						
Total Assets	541,900,341	73,188,976	10,792,863	46,815,641	24,203,620	696,901,441
Total Liabilities	554,235,947	102,914,827	14,610,293	9,052,694	23,190,461	704,004,222
Net concentration in the financial position	(12,335,606)	(29,725,851)	(3,817,430)	37,762,947	1,013,159	(7,102,781)
Off balance sheet items	358,059,369	81,354,953	148,657	-	20,305,123	459,868,102

(44/c) Liquidity Risks

The Bank continuously works to expand its depositors' base and diversify its sources of funds to maintain stability. The Bank is keen to maintain a liquidity level within clear limits that guarantee the reducing of liquidity risks to its lowest possible levels.

The Bank's liquidity risk management policy is also based on maintaining ceiling levels at correspondent banks that guarantee access to cash within acceptable time and costs in the event of an unanticipated request.

To measure the levels of the Bank's liquidity, the maturity schedule is prepared periodically to make sure that the levels of liquidity are within the acceptable level in addition to the calculation of liquidity ratios on a daily basis to ensure compliance with regulatory requirements and internal policies. Moreover, the Bank identifies and measures the effect of stressful scenarios on the Bank's portfolio to ensure the ability to deal with turbulences and volatility of financial market.

The treasury department manages funds in line with the Bank's liquidity policy that was endorsed by the Assets and Liabilities Management Committee and submits regular reports to the Committee. Moreover, the risk management department monitors the liquidity levels and ensure adherence to the Bank's internal policies.

a) The table below summarizes the maturities liabilities as of the date of the consolidated financial statements using contractual, undiscounted amounts:

	Less than 1 month	1 – 3 months	3 – 6 months	6 months – 1 year	1 – 3 years	3 or more years	No specific maturity	Total
2017 -	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institution deposits	43,917,396	12,039,035	-	-	3,264,167	-	-	59,220,598
Customers' deposits	1,028,393,740	557,376,558	422,991,020	467,440,106	236,546,375	-	-	2,712,747,799
Margin accounts	56,572,130	9,532,131	14,094,202	14,352,916	22,469,837	109,075,657	-	226,096,873
Loans and borrowings	465,576	114,442	722,710	909,912	53,884,552	40,050,711	-	96,147,903
Sundry provisions	-	-	-	-	-	-	234,615	234,615
Income tax liabilities	-	-	-	-	-	-	14,773,872	14,773,872
Other liabilities	-	-	-	-	-	-	50,245,187	50,245,187
Total Liabilities	1,129,348,842	579,062,166	437,807,932	482,702,934	316,164,931	149,126,368	65,253,674	3,159,466,847
Total assets (according to expected maturities)	982,264,796	174,632,625	207,959,684	226,295,242	539,141,221	1,273,595,955	168,385,530	3,572,275,253
2016 -								
Liabilities								
Banks and financial institution deposits	94,964,819	28,234,155	-	-	-	-	-	123,198,974
Customers' deposits	1,117,922,226	254,344,811	155,733,526	188,608,118	153,335,547	-	-	1,869,944,230
Margin accounts	33,145,719	13,719,600	14,991,092	15,447,678	19,871,546	91,290,168	-	188,465,803
Loans and borrowings	-	-	756,310	668,459	8,038,131	57,154,079	-	66,616,979
Sundry provisions	-	-	-	-	-	-	42,516	42,516
Income tax liabilities	-	-	-	-	-	-	10,595,594	10,595,594
Other liabilities	-	-	-	-	-	-	25,984,239	25,984,239
Total Liabilities	1,246,032,766	296,298,566	171,480,928	204,724,255	181,245,224	148,444,247	36,622,349	2,284,848,335
Total assets (according to expected maturities)	790,564,206	130,552,059	158,255,848	157,747,475	338,039,492	823,616,555	160,964,815	2,559,740,250

b) Off balance sheet items:

	Less than 1 year	1 – 5 years	5 years or more	Total
	JD	JD	JD	JD
2017 -				
Acceptances and letters of credit	376,197,669	1,772,500	-	377,970,169
Irrevocable commitments to extend credit	212,326,848	-	-	212,326,848
Letters of guarantee	165,916,765	12,289,300	216,923	178,422,988
Total	754,441,282	14,061,800	216,923	768,720,005
2016 -				
Acceptances and letters of credit	434,972,376	3,713	-	434,976,089
Irrevocable commitments to extend credit	186,011,713	-	-	186,011,713
Letters of guarantee	151,910,436	15,435,789	216,923	167,563,148
Total	772,894,525	15,439,502	216,923	788,550,950

Compliance Risks
Compliance risk management continuously reviews any new legal or regulatory requirements that should be followed by the Bank and ensures their full implementation, In addition to coordinate between the Bank departments and regulatory authorities inside and outside Jordan.

The unit developed a plan for all of the Bank departments and the subsidiary to measure the adherence in following CBJ circulars and regulators instructions in addition to identify, resolve and to reduce non-compliance risks and submit reports to the upper management and to the risk management committee.

The unit has developed procedures in accordance with the laws, regulations and instructions issued by the Central Bank of Jordan and the various regulatory authorities.

The Unit coordinates with the internal audit department regularly and reviews all work policies and internal procedures to ensure compatibility with requirements set by regulators. The Unit also submits reports related to compliance to upper management and to the Risk Committee.

The unit reviews all policies and procedures followed by the Bank to ensure its compliance with the regulatory requirements. Moreover, the unit follows up with all reports received from the Central Bank of Jordan and the external auditor in order to make the needed adjustments.

Operational Risks
The Unit implements a comprehensive system at the level of the Bank to identify the operational risks that arise from the Bank operations including the reputation risk and the best practices to limit the effect of those risks. The Unit reviews controls and procedures regularly and in coordination with the internal audit department to assess the compliance with those procedures.

In coordination with all Bank departments, the unit gathers data related to losses resulted from operational risks to prepare more effective way in forecasting these risks in the future.

The Unit implements a comprehensive policy for data and assets security based on the best international practices. The employees of the Unit follow up on the implementation of the plan especially with the internal audit and the IT department.

To ensure mitigation of operational risks on the activities of the Bank, a business continuity policy and an emergency plan are being developed; the objective is to secure a substitute location that is fully equipped for use during emergencies or catastrophes which may preclude accessing the bank's main branch.

Anti-Money Laundering
The anti-money laundering procedures and terrorist funding were amended according to the Central Bank of Jordan instructions and the standards and policies of the Financial Action Task Force (FATF).

The Bank ensures that employees of the Bank are well trained on how to comply with the AML policies and the best practices to defy anti-money laundering.

The bank has implemented an automated system (AML profiling) which analysis the customers' financial transactions and detects the unused or suspicious transactions.

The Bank seeks continuously to develop the unit employees by sending them to specialized courses and motivate employees to get professional qualifications in this subject.

Corporate Governance

The corporate governance guide provided a reference to manage the operations and risks of the Bank.

- Establishment of specialized committees in the Board to monitor the performance of the management on a continuous basis to ensure compliance with the Bank's policies and future plans.
- Improving the Board with new qualified Board members.
- Emphasizing the governance principles through transparency of the relationship between the Board members and the Bank where the Board is now fully aware of all the relationships that connect the Board members with the Bank and its compliance with the banks' internal policies and regulatory bodies instructions.

The Board and the management seeks to implement the best practices in the field of corporate governance and those compatible with the Bank's strategy and goals and to protect the shareholders' rights.

(45) SEGMENT INFORMATION

1. Information on the Bank's Operations Segments

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

- **Consumer banking**: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and financing and other services.

- **Small and medium enterprises:** Principally handling loans and other credit facilities and financing and deposit and current accounts for SMEs and institutional customers.

- **Corporate banking**: Principally handling loans and other credit facilities and financing and deposit and current accounts for corporate and institutional customers.

- **Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations.

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

	Consumers	Corporate	Treasury	Others	Total 2017	Total 2016
	JD	JD	JD	JD	JD	JD
Total income	69,302,528	111,870,137	38,298,699	551,785	220,023,149	146,531,208
Impairment loss on credit facilities and financing	(1,857,949)	(13,371,336)	-	-	(15,229,285)	(8,093,535)
Segment results	25,998,043	76,884,912	28,448,958	551,785	131,883,698	92,672,773
Unallocated expenses					(79,756,054)	(50,944,588)
Operating profit					52,127,644	41,728,185
Banks' share of profit from investments in associates					16,900	-
Profit before tax					52,144,544	41,728,185
Income tax					(17,345,461)	(12,492,363)
Profit for the year					34,799,083	29,235,822
<u>Other information</u>						
Segment assets	793,430,503	1,280,564,373	1,205,926,480	-	3,279,921,356	2,457,838,548
Unallocated assets	-	-	-	292,353,897	292,353,897	101,901,702
Total Assets	793,430,503	1,280,564,373	1,205,926,480	292,353,897	3,572,275,253	2,559,740,250
Segment liabilities	1,823,641,042	993,277,897	231,642,128	-	3,048,561,067	2,212,914,248
Unallocated liabilities	-	-	-	65,203,153	65,203,153	36,622,349
Total Liabilities	1,823,641,042	993,277,897	231,642,128	65,203,153	3,113,764,220	2,249,536,597
Capital expenditure					11,177,622	11,917,335
Depreciation and amortization					10,332,667	6,531,059

2. Geographical Information

This sector represents the geographical distribution of the Banks' operations. The Bank mainly performs its operations inside the Kingdom, which represent the local operations and its subsidiaries inside Jordan.

The following table shows the distribution of the Bank's operating income and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total income	211,811,157	142,810,410	8,211,992	3,720,798	220,023,149	146,531,208
Total assets	3,145,249,879	2,276,963,547	427,025,374	282,776,703	3,572,275,253	2,559,740,250
Capital expenditure	11,177,622	11,917,335	-	-	11,177,622	11,917,335

(46) CAPITAL MANAGEMENT

In addition to subscribed capital, the capital includes the statutory reserve, voluntary reserve, share premium, retained earnings, cumulative change in fair value, general banking risk reserve, other reserves and treasury stocks.

The Bank is committed to applying the requirements set forth by regulators concerning capital adequacy as follows:

1. Central Bank of Jordan instructions that capital adequacy ratio does not go below 12%.
2. Comply with the minimum limit set for the paid capital for Jordanian banks such that it is not less than JD 100 million.
3. The Bank's investments in stocks and shares which should not exceed 50% of the subscribed capital.
4. The ratio of credit limits (credit concentration) to regulatory capital.
5. Banks and Companies Laws related to the deduction of the legal reserve at a rate of 10% of the Bank's profit before tax.

The Bank is diligent to observe these requirements as well as any relevant law, regulations or instructions.

	2017	2016
	JD	JD
Common Equity Tier 1		
Paid in capital	160,000,000	125,000,000
Retained earnings	27,243,353	22,555,974
The cumulative change in fair value	1,191,589	1,555,417
Share premium	80,213,173	71,463,173
Statutory reserve	42,668,849	37,340,305
Voluntary reserve	29,271,414	24,932,207
Non – controlling interest	23,424,090	2,142
Total Common Equity Tier 1 before regulatory adjustments	**364,012,468**	**282,849,218**
Regulatory adjustments (propositions of the capital)		
Goodwill and intangible assets	20,945,239	5,891,223
Mutual investment in the capital of banking, financial and insurance entities (within the CET1)	10,634,695	11,028,865
Deferred tax assets resulting from investments within Tier 1 (10%)	4,559,081	1,602,674
Common Equity Tier 1 net capital	**327,873,453**	**264,326,456**
Additional capital		
Non-controlling interests allowed to be recognized	4,133,663	378
Total Tier 1 Capital	**332,007,116**	**264,326,834**
Tier 2 Capital		
General banking risk reserve	14,034,670	14,730,577
Non- controlling interests allowed to be recognized	5,511,551	504
Total Supporting Capital	19,546,221	14,731,081
Total regulatory capital	**351,553,337**	**279,057,915**
Total risk weighted assets	**2,453,640,261**	**2,053,197,360**
Capital adequacy ratio (%)	14.33%	13.59%
Primary capital ratio (%)	13.36%	12.87%
Supporting capital ratio (%)	0.80%	0.72%
Leverage ratio		
First tranche of capital ratio	332,007,116	264,326,834
Total assets within and outside the budget after executions of items deducted from the first tranche	4,116,539,392	3,184,567,127
Leverage ratio	8.07%	8.30%

Capital adequacy ratio for 2017 and 2016 was calculated based on Basel III regulations.

(47) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2017 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Bank	338,311,743	-	338,311,743
Balances at banks and financial institutions	326,075,874	-	326,075,874
Deposits at banks and financial institutions	4,261,598	4,063,500	8,325,098
Direct credit facilities and financing, net	796,417,355	1,287,910,634	2,084,327,989
Financial assets at fair value through profit or loss	7,509,280	-	7,509,280
Financial assets at fair value through other comprehensive income	-	30,877,736	30,877,736
Financial assets at amortized cost	98,453,408	519,242,720	617,696,128
Investments in associates	-	377,262	377,262
Property and equipment	3,718,791	67,249,269	70,968,060
Intangible assets	2,174,925	18,770,314	20,945,239
Deferred tax assets	3,661,696	897,385	4,559,081
Other assets	60,778,153	1,523,610	62,301,763
Total Assets	1,641,362,823	1,930,912,430	3,572,275,253
Liabilities			
Banks and financial institution deposits	55,873,920	3,000,000	58,873,920
Customers' deposits	2,208,739,069	482,596,852	2,691,335,921
Margin accounts	80,991,592	129,097,118	210,088,710
Loans and borrowings	1,870,611	86,341,384	88,211,995
Sundry provisions	234,615	-	234,615
Income tax liabilities	14,773,872	-	14,773,872
Other liabilities	46,094,757	4,150,430	50,245,187
Total Liabilities	2,408,578,436	705,185,784	3,113,764,220
Net	(767,215,613)	1,225,726,646	458,511,033

2016 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Bank	281,844,459	-	281,844,459
Balances at banks and financial institutions	258,889,861	-	258,889,861
Direct credit facilities and financing, net	593,400,599	792,265,489	1,385,666,088
Financial assets at fair value through profit or loss	5,548,783	17,751,799	23,300,582
Financial assets at fair value through other comprehensive income	-	28,527,354	28,527,354
Financial assets at amortized cost	102,276,870	377,333,334	479,610,204
Property and equipment	4,634,205	39,636,767	44,270,972
Intangible assets	2,795,748	3,095,475	5,891,223
Deferred tax assets	1,602,674	-	1,602,674
Other assets	50,136,833	-	50,136,833
Total Assets	1,301,130,032	1,258,610,218	2,559,740,250
Liabilities			
Banks and financial institution deposits	123,107,908	-	123,107,908
Customers' deposits	1,710,111,689	146,661,917	1,856,773,606
Margin accounts	75,793,094	100,370,394	176,163,488
Loans and borrowings	1,407,275	55,461,971	56,869,246
Sundry provisions	42,516	-	42,516
Income tax liabilities	10,595,594	-	10,595,594
Other liabilities	25,984,239	-	25,984,239
Total Liabilities	1,947,042,315	302,494,282	2,249,536,597
Net	(645,912,283)	956,115,936	310,203,653

(48) CONTINGENT LIABILITIES AND COMMITMENTS

a) The total outstanding commitments and contingent liabilities are as follows:

	2017	2016
	JD	JD
Letters of credit	195,853,744	306,060,942
Acceptances	182,116,425	128,915,147
Letters of guarantee-		
Payments	48,260,272	67,901,496
Performance	71,307,780	67,488,560
Other	58,854,936	32,173,092
Irrevocable commitments to extend credit	212,326,848	186,011,713
Total	768,720,005	788,550,950

b) The contractual commitments of the Bank are as follows:

	2017	2016
	JD	JD
Contracts to purchase property and equipment	1,898,007	2,535,368
Contracts to purchase intangible assets	1,505,882	987,324

(49) LAWSUITS

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 3,497,551 and JD 948,611 as of 31 December 2017 and 2016 respectively.

According to the Bank's lawyer and the Bank's management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided which amounted to JD 210,797 and JD 42,516 as at 31 December 2017 and 2016 respectively.

The banks management and legal counsel estimate the provision for these issues are sufficient.

(50) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques that use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2017	JD	JD	JD	JD
Financial assets-				
Financial assets at fair value through OCI	26,751,131	-	4,126,605	30,877,736
Financial assets at fair value through profit or loss	3,658,948	3,850,332	-	7,509,280
Total	30,410,079	3,850,332	4,126,605	38,387,016
2016				
Financial assets-				
Financial assets at fair value through OCI	27,112,965	334,113	1,080,276	28,527,354
Financial assets at fair value through profit or loss	21,346,761	1,953,821	-	23,300,582
Total	48,459,726	2,287,934	1,080,276	51,827,936

(51) NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9 Financial Instruments

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

The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

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

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. The Bank expects based on preliminary figures an increase in the loss allowance ranging between JD 18 million to JD 20 million resulting in an equal negative impact on equity, as well as it might affect the deferred taxes. In addition, the Bank will implement changes in classification of certain financial instruments. Central Bank of Jordan instructions allowed using general risk reserve balance amounting to JD 14 million to cover part of the increase of the allowance.

(a) Classification and measurement

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

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

(b) Impairment

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

Incurred Loss versus Expected Loss Methodology

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

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

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

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

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

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

IFRS 16 Leases

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

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

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

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

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.
The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Transfers of Investment Property (Amendments to IAS 40)

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

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

(52) COMPARATIVE FIGURES

Some of 2016 balances were reclassified to correspond with 2017 presentation.