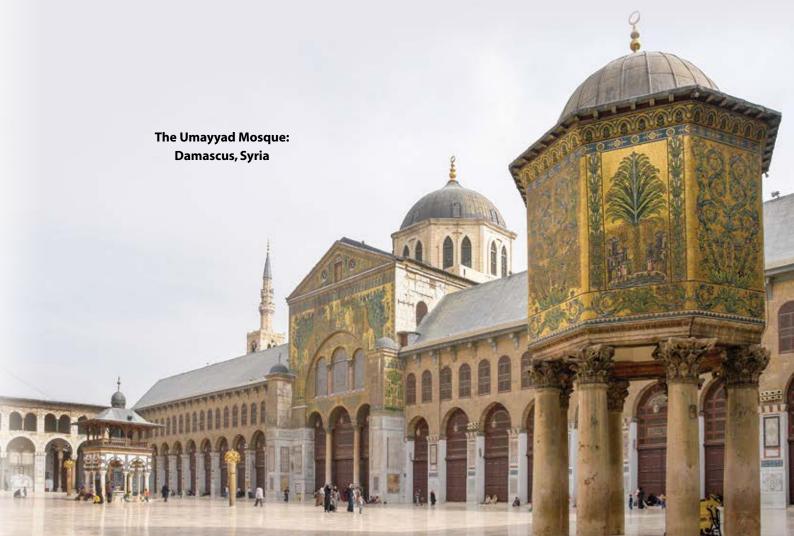


# Masajid

Masajid around the world vary in their architecture patterns but all have major components in common such as domes, minarets, and niches (Mihrab) heading to the Qibla.





Al-Masjid an-Nabawi,

One of the biggest Mosques in the world and the second holy place in Islam, built by Prophet Muhammad PBUH in 1 h (622 AD)

Section of the section of



# البنك الحربي الأسلامي الدولي. ISLAMIC INTERNATIONAL ARAB BANK

(Public Shareholding Limited Company) Amman – Hashemite Kingdom of Jordan

Tel: 569 4901 Fax: 569 4914 P.O. Box 925802, Amman 11190 - Jordan

mmmm

## Our Vision ...

To be the leading Islamic Banking institution in the Arab world

## Our Mission ...

To achieve leadership in our chosen markets in accordance with Islamic Sharia rules as an organization dedicated to deliver highest quality products and the special services to the customer presented through a highly qualified staff in compliance with the best professional and ethical standards within a motivating environment, supported by advanced technologies and efficient distribution channels to achieve high and advanced financial results.

## **Our Core Values ...**

Honesty and decency with ourselves and others.
Pursuit of excellence and fulfillment of our promises.
Adherence to the principles and rules of the Islamic Sharia throughout all our operations.
Belief that there is always a better means and the challenge lies in discovering it.
Commitment to Corporate Governance.

communent to corporate dovernance

Commitment to social responsibility.

King Hussain Mosque The Biggest Mosque in Jordan, located in Amman



His Majesty King Abdullah II Bin Al Hussein



HRH the Crown Prince Hussein Bin Abdullah II



# Table of Contents

Shari'a Supervisory Commitee	13
Sharia Board committee Annual Report	14
Message from the Chairman	17
Message from the General Manager	19
Board of Directors	26
Top Management	27
Auditors' Report and Financial Statements	29



## **Bank's Overview**



Islamic International Arab Bank (Public Shareholding Limited Co,)

Based on the conclusive verse differentiating between permitted and prohibited "Allah has permitted trading and forbidden usury" & our belief in the prominent message of Islam in economy being founded on equity and participation, and having the essential banking, commercial, investment and finance efficiency supported by distinguished banking expertise, IIAB commenced its banking operations on Shawwal 12, 1418 AH, February 9, 1998, Today, the Islamic International Arab Bank is one of the leading Islamic banking institutions in Jordan and the region.

The Bank was established as a public shareholding company in accordance with the Companies' ACT of 1989; IIAB was registered in the Public Shareholding Companies' Register under No. 327 on March 30, 1997. Allah Almighty says in the Holy Qur'an:

## "So ask the people of the message if you do not know"

(Surah Al-Anbya' Verse 7, Surah An-Nahl Verse 43)

## His Eminence Dr, Ahmad Hlayel

Committee Chairman

### **Dr, Ahmad Ayade**

**Committee Executive Member** 

### **His Eminence Shaykh Saed Hejawe**

**Committee Member** 

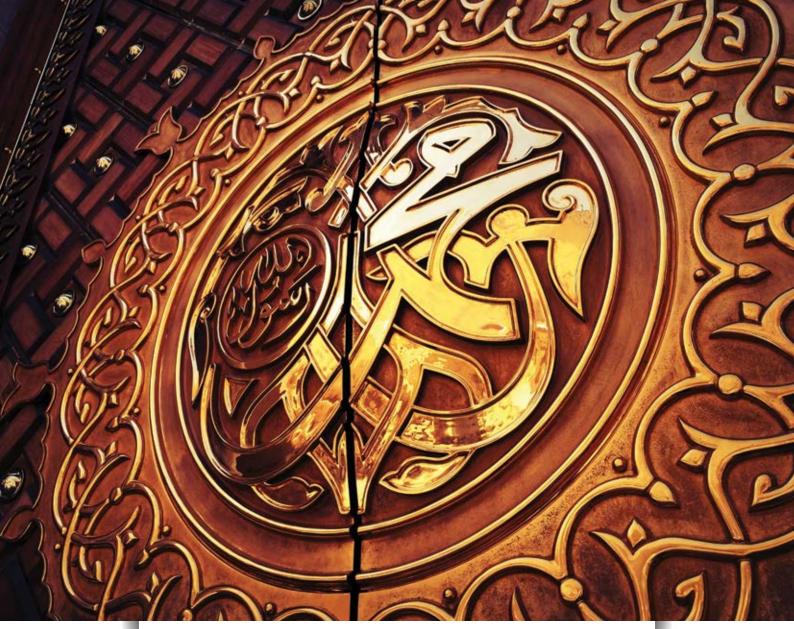
Considering the breadth of the field of Islamic Figh, and in light of the many developments and changes of the modern economy and its complexity, in addition to the need for a good judgment and deep honest diligence to understand the Figh rules to get the Shariah opinion in financial, transactions, and modern banking issues, the necessity of Shariah Supervisory Committee of The Bank emerged based on the Shariah principle: "who works hard and does it right, is rewarded twice and who works hard and does it wrong, is rewarded once".

The Committee performs a significant role in issuing fatwas based on existing Shariah principles or effort that cope with the contemporary need. The committee approves all the contracts and agreements needed by the Bank with other bodies and institutions before they are accredited, sets an array of Shariah-compliant standards to govern the banking operations and offers consultations in issues presented by other relevant bodies.

قال تعالم: (وَإِذْ جَعَلْنَا الْبَيْتَ مَثَابَةً لِّلنَّاسِ وَأَمْنًا وَاتَّخِذُوا مِن مَّقَامِ إِبْرَاهِيمَ مُصَلِّه وَعَهِدْنَا إِلَهٰ إِبْرَاهِيمَ وَإِسْمَاعِيلَ أَن طَهِّرَا بَيْتِهَ لِلطَّائِفِينَ وَالْعَاكِفِينَ وَالرُّحَّمِ السُّجُودِ (٦٢٥) وَإِذْ قَالَ إِبْرَاهِيمَ رَبِّ اجْعَلْ هُذَا بَلَدًا آمنًا وَازْزُقْ أَهْلَهُ مِنَ التَّمَرَاتِ مَنْ آمَنَ مِنْهُم بِاللَّهِ وَالْيَوْمِ الْآخِرِ قَالَ وَمَن كَفَرَ فَأُمَتَّعُهُ قَلِيلًا ثُمَّ أَضْطَرُّهُ إِلَهٰ عَذَابِ النَّارِ وَبِثْسَ الْمَصِيرُ (٦٢٦) وَإِذْ يَرْفَعُ إِبْرَاهِيمُ الْقَوَاعِدَ مِنَ النَّمَرَاتِ مَنْ آمَنَ مِنْهُم بِاللَّهِ وَالْيَوْمِ الْآخِرِ قَالَ وَمَن كَفَرَ إِبْرَاهِيمُ الْقَوَاعِدَ مِنَ الْبَيْتِ وَإِسْمَاعِيلُ رَبَّنَا تَقَبَّلْ مِنَّا إِنَّكَ أَنتَ السَّمِيعُ

(سورة البقرة ١٢٥–١٢٧)





# In the name of Allah, The All-Merciful, The Ever-Merciful Sharia Board committee Annual Report

## For the Financial period ending in 31/12/2017

All praise is due to Allah, the Lord of all that exists, and may peace and blessings be upon our Prophet Muhammad and upon his family and his companions in their entirety.

#### **Dear Shareholders,**

Greetings,

The Sharia Board committee would like to provide you with its annual report for the financial period ending in 31/12/2017 based on the bank statute and according to the commitment signed between us.

The committee has inspected the used principles and contracts related to transactions proposed by the bank during the financial period ending in 31/12/2017, in addition to conducting the due control for expressing opinion whether the bank is committing to the Islamic Sharia provisions and principles as well as Fatwa and guidelines issued by the committee.

The committee conducted inspection that included checking documentation and procedures followed by the bank based on examining each type of transaction. It also planned and implemented control to obtain all information and explanations considered necessary for providing adequate proofs that provide reasonable confirmation that the banks transaction did not breach the Sharia regulations of Islamic investment tools.

Through meetings; the committee continued setting the necessary basis and terms with the required processing in all aspects and matters needed by the nature of banking transactions in light of the developments appeared through practical application and in compatible with the Sharia regulations, with clarifying some new banking issues and indicating their Sharia status.

The committee revised the bank balance sheet as in 31/12/2017, income statement for the period ending in 31/12/2017 and clarifications of financial statements as they provide comprehensive illustration of bank works and required to be submitted to the concerned sections at the bank; and the committee did not find any Sharia breach within what was reviewed.

The committee reviewed the reports prepared by the Internal Sharia Audit Department for Headquarter and branches transaction in addition to the remarks and suggestions provided and procedures undertaken by the executive administration with this regard.

The committee ensured that all investment accounts of the bank are sound and achieving profits as in 31/12/2017, and it approved the case of amortization for estate sale loss (Joint Pot Funding) with the amount of 120,973 JOD of the Investment Risks Fund, and it ensured that no violation nor shortage is committed by HQ.

The responsibility of Sharia Control Committee is represented in expressing independent opinion with indicating Islamic Sharia opinion according to Sharia principles and provisions, while the responsibility of implementation according to such principles and committee fatwa lies upon bank administration. Accordingly, we consider the following:

- Contracts, operations and transactions implemented by the bank during the period ending in 31/12/2016 that we reviewed are done according to the Islamic investment tools and Sharia regulations
- Basis of distributing profits and bearing loss by join investment holders and Investment Risks Fund are compatible with the accredited rules and basis followed by us according the Islamic Sharia provisions
- The revenues achieved from doubted resources of being incompatible with the Sharia regulations of Islamic investments were spent in charity

Hope Allah will guide the persons responsible for the bank towards more success and achievement, thanking them for their cooperation and commitment to the Islamic Sharia provisions.

This report is issued on Sunday 4 Jumada I 1439 H corresponding to 21 January 2018.

Prof. Dr. Ahmad Hlayil

**Committee Chairman** 

Prof. Dr. Ahmad Ayadi

**Executive Member** 

Sheikh Saeed Al-Hijjawi

**Committee Member** 



## Chairman's Message



#### **Distinguished Shareholders**

Peace, mercy and blessing of Allah be upon you, and we pray upon the most honored, envoy of mercy to all, our master prophet Mohammed, and upon his progeny and his companions.

On behalf of the Board of Directors and on my behalf I would like to present to you the 20th Annual Report of 2017 renewing my thanks to the blessed efforts of the staff of the Bank and point out to their endless endeavor to achieve the Bank's strategic objectives. I also send a greeting and tribute to excellencies and grace Members of the Shari'a Supervisory Board for their active role in supervising, advising and guidance aimed at keeping the essence of the Bank's work which is in compliance with the rules and principles of Islamic Shari'a.

#### Towards further progress and prosperity

The financial results for 2017 show a growth rate of 26 % compared to the year 2016. The portfolio of finance show a growth rate of 12% compared to the year 2016. Due to customer confidence the value of clients' deposits, including "restricted deposits" show an increase of 5% compared to 2016. The capital adequacy ratio is 16.5% and it exceeds the central bank requirements' at 12%.

Despite the challenges that the Jordanian economy faced due to the surrounding events and the global economic downturn, it has not posed an obstacle to the Bank's continued growth and expansion and increasing its market share in the banking sector.

#### Participation in the real economy

Achieving economic development is a fundamental part of the Bank's objectives as a national Islamic financial institution; the Bank seeks to enhance the financial inclusion to the community by developing and offering its Sharia compliant products in easy terms and reasonable financial costs. The bank also achieved a qualitative leap in financing SMEs by establishing the first Sharia compliant product to finance Startups through joint efforts with the Central Bank of Jordan and the Jordan Loan Guarantee Corp.

The Bank seeks to increase access to its services and enhance the banking experience of its customers through the network of branches and ATMs in all governorates of the Kingdom. The Bank has open new Branch in Irbid, and relocated Mafraq branch to a new location to increase the geographic coverage of the branch and to provide a new banking experience for clients.

At the end of 2017, the bank had 42 branches and 72 ATMs covering all the governorates of the Kingdom.

#### **Human capital**

Year over year the quality of human capital reflects the effectiveness of the Bank's investment in human resources and in line with its strategic objectives. As a result of the Bank's focus on appointing of talents and provide Short and long-term training plans to such competencies , the Bank achieved a high level of harmony and team spirit among all different levels of its administrative cadre to achieve what is in the interest of the bank and shareholders.

### **Towards the future**

The continued growth during the past years and in 2017 supported by strong financial indicators, proofs he Bank's ability to adapt to all economic circumstances, by Allah

## Al Aqsa Mosque

The first Qiblah, and third holiest place in Islam, located in Quds Al Arabia (Jerusalem) the eternal capital of Palestine.

grace firstly, and to the management's transparency and its commitment to the strategic directions of the Board of Directors and the instructions of the regulatory.

At the end, I cannot but thank you again for your confidence in the Executive Management Team of the Bank asking almighty Allah that next year will be a year of generosity and prosperity for Jordan and all Muslim countries. I hope that in presenting this annual report for 2017, we will present the results of the Bank's in transparency and honesty required by the international standards of financial disclosure, affirming our sincerity in keeping the confidence of our clients and keeping their money safe, and achieving them abundant Halal profits by Allah willing.

Allah grants us success

"Mohammed Said" Mohammed Shahin Chairman



Dome of the Rock

Part of the Al Aqsa Mosque in Quds Al Arabia, considered as most famous Muslim Architecture in the world.



#### **Distinguished Shareholders**

Peace, mercy and blessing of Allah be upon you, and we pray upon the most honored, envoy of mercy to all, our master prophet Mohammed, and upon his progeny and his companions.

On behalf of the Executive Management and on my behalf I would like to present to you the 20th Annual Report of the year 2017 renewing my thanks to the Board of Directors of the Bank and the distinguished General Assembly for the trust they have extended to us and to the Bank's staff. I also send a greeting and tribute to excellencies and grace Members of the Shari'a Supervisory Board for their active role in supervising, advising and guidance aimed at keeping the essence of the Bank's work which is in compliance with the rules and principles of Islamic Shari'a.

### **Financial highlights**

The financial results for 2017 show a gross profit of 43.252 million JD with a growth rate of 25.6% compared to the year 2016. The portfolio of finance exceeded 1.277 billion JD with a growth rate of 12.1% compared to the year 2016.

The value of clients' deposits including "restricted deposits" exceeded 1.967 billion JD with an increase of 5% compared to 2016. The capital adequacy ratio reached 16.5%, exceeding the requirements of the Central Bank of

Jordan for minimum capital adequacy ratio set at 12%. These indicators reflect the extent to which the Bank's executive management is in line with the direction of the Board of Directors, the strategic plan, the objectives and the regulatory requirements.

### The year of the Financial Inclusion

The Bank spares no effort to find effective solutions that contribute to achieving economic and sustainable development by enhancing the financial inclusion to cover the largest segment of the people of this society, and out of its belief in its role in carrying Islamic banking assignment which is based on inhabitation and equal opportunities, the Bank developed banking products and solutions that are compliant with Sharia'a to meet the needs of many segments.

The Bank believes that woman is the other half of the society, and that enhancing her financial inclusion will have a positive impact on the economy through helping her access financial solutions that meet her financial needs. To that effect the Bank launched a banking solution for women, thus scoring a major leap in the Islamic banking market

The Bank has strengthened its position through adopting FinTech transformation strategy that includes upgrading of IIABank website, Arabi Islami Connect and ATMs network, which will enhance our clients' experience with our 24 by 7 service. At the end of the year, the bank had 42 branches, 72 ATMs covering all governorates of the Kingdom.

### **Strong global presence**

The Bank demonstrated strong presence in local and international forums due to its active participation in the Islamic banking sector and due to the fruitful relations with the Islamic banking support bodies, the most important of which is the Accounting and Auditing organization for Islamic Financial Institutions (AAOIFI), the General Council for Islamic Banks and Institutions (CIBAFI), and the Islamic Financial Services Council (IFSB), Cooperation with these bodies is coupled by participation in the conferences held by them as well as the exchange of knowledge and experience. The Bank also hosted a number of external delegations to view the Bank's unique experience in retail and SME banking. For these efforts the bank has been awarded prestigious rewards in term of Financial Inclusion, and innovation from recognized entities such as Cambridge group and Union of Arab Banks.

### **Human capital and Talent Management**

The Bank is aware of the importance of human capital and that it is a real competitive advantage in the face of competition and rapid developments in the banking sector both domestically and internationally. The Bank therefore gives care and support to its banking efficiency to keep up with developments in banking practices, Shariah standards and financial technology, where 2491 employees participated in a large number of local and international training courses.

#### Our active social responsibility

The Bank's pioneering role in the banking sector should not make us overlook our responsibility towards our society, and to activate this responsibility, the Bank did not only tailor its banking products to provide financial solutions, but this role extends to provide a positive impact for Society, economy, and environment.

The Bank also contributed to a number of volunteer campaigns during the year, focusing on the holy month of Ramadan and the good and giving seasons in order to combat hunger and poverty and to promote the value of responsibility and the value of contribution by its employees to be a role model in society.

The Bank also sponsored activities aimed at benefiting from the youth's energies and ide as guiding them towards society and the surrounding environment, and furthermore the Bank participated in national and religious events to enhance the n a tional, social and religious role of the Bank.

### **Optimistic vision to the future**

The continued growth enhanced by strong financial indicators demonstrates the soundness and strength of the Bank's financial position and its ability to face any adverse circumstances. The Bank continues its policy of managing assets and liabilities in a prudent manner and within acceptable risks in accordance with the directives of the Central Bank of Jordan which did not reserve any effort to developing the banking and supervisory framework especially for Islamic banks in a way which will enhance the developmental and economic role of these banks.

We would like to thank the Central Bank of Jordan and all of its associates for their endless support and their clearsight that translate the economic guidance of His Majesty King Abdullah II Bin Al Hussein which always gives us hope for a brighter future, Inshallah.

Finally, I cannot but, thank you again for your confidence in the Executive Management Team of the Bank, asking Allah, that next year will be a year of generosity and prosperity for Jordan, and for all other Muslim countries. I hope that we will and in this 2017 annual report present the results of the Bank's work in accordance with the International Financial Reporting Standards with required transparency and honesty, asserting our sincerity in maintaining the confidence of our clients and keeping their money safe, and giving them an abundant Halal profit, Allah willing

Allah grants us success Peace and mercy of Allah be upon you

> **Iyad Ghasoub Asali** General Manager

The Umayyad Mosque- inside view

South State

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Al-Masjid an-Nabawi- inside

660



#### Chairman

"Mohamed Saed" Mohamed Shaheen (From 2017/3/31)

### Vice Chairman

Mr. Mohamed Ghanameh

**Board Members** 

- Mr. Naim Al-Hussaini
- Mr. Basil Mousa
- Mr. Ziad Homsi (From 2017/2/1)

Secretary of the Board of Directors

Dr. Mohsen Abu Awad

## Auditors

- Ernst and Young Jordan
- Deloitte & Touche (Middle East) Jordan
- Sharif Faris Abdul Hamid Sharaf / Chairman (until 2017/3/31)
- Dr. Tariq Al Hammouri / Board Member (until 2017/2/1)



Mosque-Madrassa of Sultan Hassan: one of famous Mosques in Cairo, Egypt



Qolşärif (Kul-Sharif) Mosque,: built in the sixteen century in the memory of Kul Sharif and his students were killed during defending Kazan against Russian Attack in 1552.

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# Top Management

Mr. Iyad Asali General Manager

- Dr. Mohsen Abu Awad Chief Business and Investment Officer
- Dr. Nayef Abu Dhaim Chief Support and Operations Officer
- Mr. Yousif Al-Badri Chief Credit Officer
- Mr. Abbas Marei Chief Finance Officer
- Mr. Abdul-karim Al-Sukari Head of Risk Division

- Mr. Akef Hamam Head of Human Resources Division
- Mr. "Hussam Al-deen" Salah Legal Consultant/ Head of Legal Department
- Mr. Hamdi Al Mahmoud Head of Audit division
- Mr. "Mohammed Bashar" Al-Sarraj Head of Regulatory Compliance Dept.
- Dr. Omar Al Shareef Internal Sharia Audit Manager/ Sharia Board Secretary



# Auditor's Report and Financial Statements For the Period Ending on 31/12/2017

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Sabancı Central Mosque: Adana, Turkey



Putra Mosque: Malaysia

# Table of Contents

Independent Auditor's Report	32
Statement of Financial Position	37
Statement of Income	38
Statement of Comprehensive Income	39
Statement of Changes in Shareholders' Equity	40
Statement of Cash Flows	41
Statement of Sources and Uses of AI – Qard AI - Hasan Fund	42
Statement of Changes in Restricted Investments	43
Statement of Changes in Restricted Wakalah Investment	44
Notes to the Financial Statements	45

# Independent Auditor's Report

# Deloitte.



In the Name of Allah, the Beneficent, the Merciful

### **Independent Auditor's Report**

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

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

#### Opinion

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

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

#### **Basis for Opinion**

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

#### Other matters

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

# **Deloitte.**



#### Key Audit Matters

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

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

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

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

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

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

#### Scope of Audit to Address the Risk

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

#### Scope of Audit to Address the Risk

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

# Deloitte.



### **Other Information**

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Islamic Accounting Standards that issued by the Accounting and Auditing Organization for Islamic Financial Institutions, which are consistent with the Bank's Articles of Association and aligned with the Sharia rules and principles determined by Sharia Supervisory Board of the Bank, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Islamic Accounting Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- 3 -

# **Deloitte**.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Amman – Jordan

January 25, 2018 Ernst & Young -Jordan Deloitte & Touche(M.E.) - Jordan 4 -

# Qasr Amra's inside Carvings.



# **STATEMENT OF FINANCIAL POSITION**

		December 31,		
ASSETS	Note	2017	2016	
		Dſ	JD	
Cash and balances at the Central Bank	4	588,819,337	642,618,706	
Balances at banks and financial institutions	5	21,546,641	22,343,142	
Deferred sales receivables and other receivables – Net	6	701,820,133	613,132,971	
Deferred sales receivables through statement of income	7	-	-	
Ijara muntahia bittamaleek assets – Net	8	620,283,994	568,938,389	
Financing investments	9	-	255,367	
Financial assets at fair value through shareholders' equity - Self	10	5,498,759	5,519,852	
Financial assets at fair value through joint investment accounts holder's equity	11	198,366	-	
Financial assets at amortized cost – Net	12	38,096,056	33,857,822	
Investments in real estates	13	21,508,775	21,023,966	
Al – Qard Al - Hasan loans – Net		27,695,418	18,958,319	
Property and equipment – Net	14	18,758,098	19,829,354	
Intangible assets – Net	15	473,854	495,065	
Deferred tax assets	21/c	2,678,427	2,606,134	
Other assets	16	4,701,307	20,238,624	
TOTAL ASSETS		2,052,079,165	1,969,817,711	
LIABILITIES				
Banks and financial institutions accounts	17	257,629	113,743	
Customers' current accounts	18	706,073,699	715,422,218	
Cash margin	19	35,652,339	28,738,283	
Other provisions	20	2,745,846	2,462,395	
Provision for income tax	(21/a)	12,003,114	10,204,258	
Deferred tax liabilities	(21/c)	227,174	234,557	
Other liabilities	22	29,378,103	37,266,915	
TOTAL LIABILITIES		786,337,904	794,442,369	
Joint Investment Accounts Holders' Equity			731712,303	
Unrestricted investment accounts	23	1 061 579 579	993,700,279	
Total Joint Investment Accounts Holder's Equity	25	1,061,579,579	993,700,279	
INVESTMENT RISKS FUND		1,061,579,579	993,700,279	
Investment Risks Fund	24	76 092 672	22 506 912	
Provision for income tax on Investment Risks Fund	24 24	26,983,673	23,596,813	
	24	2,594,950	2,279,185	
		29,578,623	25,875,998	
SHAREHOLDERS'EQUITY				
Paid-up capital	25	100,000,000	100,000,000	
Statutory reserve	26	25,735,842	21,383,327	
Voluntary reserve	26	4,262,322	4,262,322	
General banking risks reserve	26	882,000	882,000	
Fair value reserve - net	27	421,895	435,605	
Retained earnings	28	43,281,000	28,835,811	
Total Shareholders' Equity		174,583,059	155,799,065	
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		2,052,079,165	1,969,817,711	
Restricted investments		131,706,967	118,177,657	
		32,320,657	17,679,879	

### **STATEMENT OF INCOME**

# Statement (B)

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

# STATEMENT OF COMPREHENSIVE INCOME

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

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement (D)

	Note	Paid-up	Rese	rves	General	Fair Value	Retained	Total
	Note	Capital	Statutory	Voluntary	Banking Reserve **	Reserve Net (self)	Earnings *	IOLAI
		JD	JD	JD	JD	JD	JD	D
For the Year Ended December 31, 2017								
Balance at the beginning of the year		100,000,000	21,383,327	4,262,322	882,000	435,605	28,835,811	155,799,065
Income for the year		-		-	-	-	28,797,704	28,797,704
Net change in the fair value reserve after tax	27	-	-	-	-	(13,710)	-	(13,710)
Total comprehensive income		-	-	-	-	(13,710)	28,797,704	28,783,994
Transfer to reserves		-	4,352,515	-	-	-	(4,352,515)	-
Distributed dividends ***		-	-	-	-	-	(10,000,000)	(10,000,000)
Balance at the End of the Year		100,000,000	25,735,842	4,262,322	882,000	421,895	43,281,000	174,583,059

For the Year Ended December 31, 2016								
Balance at the beginning of the year		100,000,000	17,919,041	4,262,322	882,000	427,355	16,377,182	139,867,900
Income for the year		-	-	-	-	-	23,012,915	23,012,915
Net change in the fair value reserve after tax	27	-	-	-	-	8,250	-	8,250
Total comprehensive income		-	-	-	-	8,250	23,012,915	23,021,165
Transfer to reserves		-	3,464,286	-	-	-	(3,464,286)	-
Distributed dividends		-	-	-	-	-	(7,090,000)	(7,090,000)
Balance at the End of the Year		100,000,000	21,383,327	4,262,322	882,000	435,605	28,835,811	155,799,065

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

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

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

# STATEMENT OF CASH FLOWS

# Statement (E)

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



Hassan II Mosque from inside: Casablanca, Morocco  $\overline{}$ 

# STATEMENT OF SOURCES AND USES OF AI - QARD AI - HASAN FUND List A

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

# STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS

	International Murabaha	ljara muntahia bittamaleek Assets *	Local Murabaha (Real Estate Financing) *	Cash Balances	Total
For the Year Ended December 31, <b>2017</b>					
	Dſ	JD	D	D	D
Investments at the beginning of the year	111,865,461	196,000	30,568	6,085,628	118,177,657
Add: Deposits	59,097,891	-	-	-	59,097,891
Less: Withdrawals	(45,347,412)	(198,806)	(31,856)	(1,081,645)	(46,659,719)
Bank's fees as Mudarib	(247,126)	(1,304)	(599)	-	(249,029)
Add: Investment gains	1,334,170	4,110	1,887	-	1,340,167
Investments at the End of the Year	126,702,984	-	-	5,003,983	131,706,967
Revenues received in advance	-	-	-	-	-
ljara depreciation provision	-	-	-	-	-
Investments' risks provision	-	-	-	-	-
Revenues for distribution	877	-	-	-	877
Total	877	-	-	-	877

	International Murabaha	ljara muntahia bittamaleek Assets *	Local Murabaha (Real Estate Financing) *	Cash Balances	Total
For the Year Ended December 31, 2016					
	JD	Dſ	D	JD	JD
Investments at the beginning of the year	116,805,777	269,000	101,088	6,771,743	123,947,608
Add: Deposits	35,173,889	-	-	-	35,173,889
Less:Withdrawals	(40,580,774)	(76,847)	(74,810)	(686,115)	(41,418,546)
Bank's fees as Mudarib	(104,642)	(1,618)	(1,805)	-	(108,065)
Add: Investment gains	571,211	5,465	6,095	-	582,771
Investments at the End of the Year	111,865,461	196,000	30,568	6,085,628	118,177,657
Revenues received in advance	-	-	3,343	-	3,343
ljara depreciation provision	-	97,531	-	-	97,531
Investments' risks provision	-	-	260,639	-	260,639
Revenues for distribution	382	-	2,885	-	3,267
Total	382	97,531	266,867	-	364,780

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

	Local Murabaha	Cash Balances	Total
For the Year Ended December 31, 2017			
	Dſ	D	Dſ
Investments at the beginning of the year	15,240,490	2,439,389	17,679,879
Add: Deposits	18,252,060	6,727,848	24,979,908
Less:Withdrawals	(10,339,130)	-	(10,339,130)
Add: Investments' gains	647,294	-	647,294
Less: Bank's fees as Agent as Wakeel	(201,631)	-	(201,631)
Less: Client's share	(445,663)	-	(445,663)
Investments at the End of the Year	23,153,420	9,167,237	32,320,657
Revenue received in advance	1,634,864	-	1,634,864
	1,634,864	-	1,634,864

	Local Murabaha	Cash Balances	Total
For the Year Ended December 31, 2016			
	JD	JD	JD
Investments at the beginning of the year	5,981,628	2,898,748	8,880,376
Add: Deposits	16,302,478	-	16,302,478
Less: Withdrawals	(7,043,616)	(459,359)	(7,502,975)
Add: Investments' gains	347,683	-	347,683
Less: Bank's fees as Agent as Wakeel	(112,506)	-	(112,506)
Less: Client's share	(235,177)	-	(235,177)
Investments at the End of the Year	15,240,490	2,439,389	17,679,879
Revenue received in advance	704,966	-	704,966
	704,966		704,966

List C

### 1. General

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

# 2. Significant Accounting Policies

### **Bases of Financial Statements Preparation**

- The Bank's financial statements have been prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions and local laws in force, and the instructions of the Central Bank of Jordan. In case that there are no standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions relating to the financial statements' items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari'a Standards, pending the promulgation of Islamic Standards therefor.
- The financial statements are prepared on the historical cost basis except for financial assets at fair value through shareholders' equity and sales receivables through the statement of income, which are recognized at fair value at the date of the financial statements.
- The financial statements have been presented in Jordanian Dinar, which is the functional currency at the Bank.
- The Bank adopted the principle of mixing owner's equity with the accounts of the holders of joint investment as from the beginning of May 2013, maintaining the existing investments financed by the holders of equity (self) until maturity.
- Amounts are deducted from the Investment Risks Fund to cover the impairment in receivables and financings, the impairment in investments in real estate, and any other investments financed from the joint investments accounts.
- The general banking risk reserve cannot be utilized without prior approval of the Central Bank of Jordan.
- In case of revoking an Ijara (lease to own) contract, the real estate's resulting from the revoking will be presented within investment in real state portfolio according to the investment policy.
- The accounting policies adopted in preparing the financial statements for the year ended December 31, 2017 are consistent with those adopted in preparing the financial statements for the year ended December 31, 2016.

### **Sectors' Information**

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

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

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

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

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

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

#### Zakah

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

#### **Deferred Sales Receivables**

#### **Murabaha Contracts**

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

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

#### Al Ju'alah

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

#### Al Istisna'

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

- Cost of Istisna' includes direct and indirect costs related to Istisna' contracts. Such costs do not include general and administrative, marketing expenses and costs of research and development.
- The costs of Istisna' process and the costs prior to signing the contract are recorded in the financial year under the item Istisna' under process at the amounts disbursed by the Bank. The invoices sent to Al Mustasnee (the buyer) by the Bank are recorded under Istisna' receivables account and deducted from the account of Istisna' under process in the statement of financial position.
- Istisna' revenue is recorded upon concluding the contract either through completion of execution or expiry of the contract, whichever is earlier.
- In the event that Al Mustasnee (the buyer) does not fully pay the agreed upon price and reach an agreement to pay in installments during the contract execution or after its completion, deferred profits are recorded and deducted from the balance of Istisna' receivables account in the Bank's statement of financial position. This is carried out whether the method followed in recording Istisna' revenues is the percentage of completion method or the completed contract method. Moreover, the deferred profits distribution is made over the future financial years whereby a share of the profits is allocated for each financial year, whether the settlement is made by cash or not.
- In the event that the Bank retains the manufactured item for any reason, such assets are measured at the expected cash value to be realized or at cost, whichever is lower. The difference (if any) is recorded as a loss in the statement of income in the financial year in which it is realized.

#### **Assets Available for Deferred Payment Sale**

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

#### **Financing Investments**

#### **Mudaraba Financing**

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

- Mudaraba finance is recorded upon delivering the capital to Al Mudarib or putting it under his control. The provided capital is measured by the paid amount or at fair value if in-kind. If a difference results from the valuation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the statement of income. At the end of the financial year, the amount the Bank redeems from the Mudaraba capital is deducted.

- The Bank's share of the gains (losses) arising and expiring during a financial year is recorded after the settlement of the Mudaraba process. In events where Mudaraba process continues for more than a financial year, the Bank's share of the profits is recorded upon realization of the profits by accounting for them, in whole or any part thereof, in the financial year in which the profits occur to the extent of distributed profits. Moreover, losses for that year are recorded to the extent of losses by which the Mudaraba capital is reduced.
- If losses are incurred due to Mudareb infringement or default, such losses are recorded as receivables debited to Mudareb's account.

#### **Musharaka Financing**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Ijara (Lease to Own)

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

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

### **Investment in Real Estate**

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

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

The cost or fair value model is applied as follows:

#### - Cost Model:

Investments in real estate are recorded at cost less accumulated depreciation and impairment (if any). In the event that the Bank decides to apply this model, it has to apply it to all investments in real estate.

#### - Fair Value Model:

Investments are measured at fair value, and the increase in value is recorded in the fair value reserve. Moreover, any decrease in fair value is deducted from previously recorded increase. If there is no increase in the previously recorded value, the difference is recognized in the statement of income. Furthermore, if the Bank decides to apply this model, it has to apply it to all investments in real estate.

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

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

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

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

#### **Provisions**

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

#### **Investment Risk Fund**

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

#### **Fair Value of Financial Assets**

- The closing prices (purchase/sale) at the date of the financial statements in an active market represent the fair value of financial instruments that have market prices. If there are no actual prices, there is no active trading for certain financial instruments, or there is no active market, then their fair value is estimated by comparison with the current market value of a highly similar financial instrument.

- The objective of the measurement methods is to obtain a fair value that reflects the market and takes into consideration the market factors and any expected risks or benefits upon estimating the value of financial assets. Moreover, financial assets, the fair value of which cannot be measured reliably, are stated at cost after deducting any impairment in their value.

### **Impairment of Financial Assets**

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

#### **Property and Equipment**

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

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

- The useful lives of property and equipment are reviewed at the end of each financial year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimates.
- When the recoverable amount of any property and equipment is less than their net carrying value, their value is reduced to the recoverable amount, and the impairment loss is taken to the statement of income.

#### **Intangible Assets**

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

### **End- of- Service Indemnity Provision**

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

#### **Income Tax**

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

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

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

#### **Accounts Managed by Wakalah**

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

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

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

#### **Recognition Date of Financial Assets**

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

#### **Foreign Currencies**

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

### **Cash and Cash Equivalents**

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

### 3. Accounting Estimates

- Preparation of the financial statements and application of accounting policies require the Bank's Management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's Management is required to make significant judgments for estimating the amounts and timing of future cash flows. Moreover, the said assessments are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the financial statements are reasonable.
- A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- A provision for impairment in the facilities self-financed by the Bank is taken based on assumptions approved by the Bank's Management in respect of estimating the provision. Moreover, the results of these bases and assumptions are compared with the provision to be taken by virtue of the instructions of the Central Bank of Jordan. The more stringent results are approved in compliance with the Islamic Accounting and Auditing Organization of Financial Institutions.
- The financial year is charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards; and the necessary tax provision is calculated.

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

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

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

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

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

# 4. Cash and Balances at the Central Bank

The details of this item are as following:

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

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

### 5. Balances at Banks and Financial Institutions

The details of this item are as following:

	Local Banks and Financial Institutions		5	Banks and nstitutions	Total		
	December 31,		December 31,		December 31,		
	<b>2017</b> 2016		2017	<b>2017</b> 2016		2016	
	Dſ	JD	Dſ	D	۵ſ	JD	
Current and call accounts	16,502,514	17,791,150	5,044,127	4,551,992	21,546,641	22,343,142	
	16,502,514	17,791,150	5,044,127	4,551,992	21,546,641	22,343,142	

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

# 6. Deferred Sales Receivables and other Receivables - Net

The details of this item are as follows:

	Joint		S	elf	Total		
	Decem	ber 31,	Decen	December 31,		ber 31,	
	2017	2016	2017	<b>2017</b> 2016		2016	
	JD	JD	JD	JD	JD	JD	
Individuals (retail)							
Murabaha to purchase order	236,475,444	191,851,793	-	-	236,475,444	191,851,793	
Ju'alah guarantees	3,261,533	1,929,597	-	-	3,261,533	1,929,597	
Receivables – Ijara muntahia bittamaleek	1,006,396	845,823	-	-	1,006,396	845,823	
Real estate finances	142,998,279	118,423,940	-	-	142,998,279	118,423,940	
Large companies							
International Murabaha	148,314,301	129,824,536	460,117	453,881	148,774,418	130,278,41	
Murabaha to purchase order	189,178,642	164,286,119	3,356,003	3,565,743	192,534,645	167,851,862	
Receivables – Ijara muntahia bittamaleek	1,291,047	1,539,708	-	-	1,291,047	1,539,708	
Small and Medium Companies							
Murabaha to purchase order	50,938,587	67,534,040	-	-	50,938,587	67,534,040	
Deferred payment sale	-	40,621	-	-	-	40,621	
Ju'alah guarantees	9,785	6,307	-	-	9,785	6,307	
Receivables – Ijara muntahia bittamaleek	540,065	748,400	8,585	16,468	548,650	764,868	
Total	774,014,079	677,030,884	3,824,705	4,036,092	777,838,784	681,066,970	
Less: Deferred revenue	60,789,048	55,212,370	1,169	3,083	60,790,217	55,215,453	
Impairment provision	10,808,780	8,325,938	3,492,223	3,497,350	14,301,003	11,823,288	
Revenues in suspense	911,067	880,159	16,364	15,105	927,431	895,264	
Net Deferred Sales Receivables and Other Receivables	701,505,184	612,612,417	314,949	520,554	701,820,133	613,132,97	

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

	Deferred Sale Receivables	erred Sale Receivables Deferred Revenue	
	Dſ	Dſ	Dſ
Balance at the beginning of the year	40,621	11,648	-
Additions	-	-	-
Disposals	40,621	11,648	-
Balance at the End of the Year	-	-	-

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

The following is the movement on the provision for impairment:

2017	Individuals	Large Companies	Small and Medium Companies	Total
	Dſ	D	JD	Dſ
Balance at the beginning of the year	139,886	3,506,664	89,858	3,736,408
Deducted from the profits	-	91,000	-	91,000
Used during the year (written-off)	-	-	-	-
Settlements during the year	93,816	(142,854)	49,038	-
Balance at the End of the Year	233,702	3,454,810	138,896	3,827,408
Provision for impairment of non- performing sales receivables on a single client basis	231,656	3,448,773	138,875	3,819,304
Provision for impairment of under watch-list sales receivables on a single client basis	2,046	6,037	21	8,104
Balance at the End of the Year	233,702	3,454,810	138,896	3,827,408
2016	Individuals	Large Companies	Small and Medium Companies	Total
	D	JD	JD	Dſ
Balance at the beginning of the year	89,029	4,826,426	-	4,915,455
Deducted from the profits	-	53,000	-	53,000
Used during the year (written-off)	-	(1,232,047)	-	(1,232,047)
Settlements during the year	50,857	(140,715)	89,858	-
Balance at the End of the Year	139,886	3,506,664	89,858	3,736,408
Provision for impairment of non- performing sales receivables on a single client basis	139,162	3,502,160	85,437	3,726,759
Provision for impairment of under watch-list sales receivables on a single client basis	724	4,504	4,421	9,649
Balance at the End of the Year	139,886	3,506,664	89,858	3,736,408

- The total general banking risks reserve for receivables and self-financing amounted to JD 882,000 as at December 31,2017 (JD 882,000 as at December 31,2016).

- The total provisions prepared for debts calculated on the single client basis have been disclosed.

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

# **Revenue in Suspense**

The following is the movement on the revenue in suspense:

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

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

# 7. Deferred Sales Receivables through the Statement of Income

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

### 8. Ijara muntahia bittamaleek Assets - Net

The details of this item are as follows:

		Joint			Self			Total	
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
December 31, 2017									
ljara muntahia bittamaleek Assets-Real Estate	774,181,293	(160,111,940)	614,069,353	1,338,000	(974,385)	363,615	775,519,293	(161,086,325)	614,432,968
ljara muntahia bittamaleek Assets– Machinery	12,968,133	(7,127,951)	5,840,182		-	-	12,968,133	(7,127,951)	5,840,182
ljara muntahia bittamaleek Assets – Vehicles	44,200	(33,356)	10,844	-	-	-	44,200	(33,356)	10,844
Total	787,193,626	(167,273,247)	619,920,379	1,338,000	(974,385)	363,615	788,531,626	(168,247,632)	620,283,994

December 31, 2016									
ljara muntahia bittamaleek Assets-Real Estate	692,282,017	(129,913,393)	562,368,624	1,338,000	(950,272)	387,728	693,620,017	(130,863,665)	562,756,352
ljara muntahia bittamaleek Assets- Machinery	11,515,900	(6,118,014)	5,397,886	-	-	-	11,515,900	(6,118,014)	5,397,886
ljara muntahia bittamaleek Assets – Vehicles	3,437,040	(2,652,889)	784,151	-	-	-	3,437,040	(2,652,889)	784,151
Total	707,234,957	(138,684,296)	568,550,661	1,338,000	(950,272)	387,728	708,572,957	(139,634,568)	568,938,389

- Total due Ijara installments amounted to JD 2,846,093 as at December 31, 2017 (JD 3,150,399 as at December 31, 2016). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

- Non-performing Ijara muntahia bittamaleek amounted to 816,682 JD i.e., %0/1 of the balance of Ijara lease-to-own as at December 31, 2017 (JD 1,823,186 i.e., 0.3% as at December 31, 2016).

- Non-performing Ijara muntahia bittamaleek after deducting revenue in suspense amounted to JD 335,017 i.e. %0/1 of the balance of Ijara muntahia bittamaleek as at December 31, 2017 (JD 1,326,034 - i.e. 0.2% as at December 31, 2016).

# 9. Financing Investments

The details of this item are as follows:

	Joint			
	December 31,			
	2017	2016		
	D	Dſ		
Large companies				
Mudaraba	-	255,367		
Net Financing Investments	-	255,367		

- Non-performing deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and AI - Qard AI - Hasan amounted to JD 21,640,418 - i.e. 1/5% of the balance of deferred sales receivables and other receivables, financings, Ijara muntahia bittamaleek and AI - Qard AI - Hasan for the year (JD 13,845,455 - i.e. 1.1% of the balance granted at the end of the previous year).

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

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

The details of this item are as follows:

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

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

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

The details of this item are as follows:

	Joint		
	December 31,		
	2017	2016	
	Dſ	Dſ	
Financial Assets unquoted in the market			
Corporate shares	198,366	-	
Total	198,366		

- Represents the bank's share in establishing (Jordan Payment and clearing Company).

- Financial assets, which carried at cost because its impractical to identify its fair value (under establishment), amounted to JD 198,366 (Nil for the year 2016).

# 12. Financial Assets at Amortized Costs – Net

The details of this item are as follows:

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

- The above assets have fixed and determinable payments and mature within the period from 2018 until the end of the year 2025.

- No impairment provisions for the financial assets at amortized cost were taken.

### **13. Investments in Real Estates**

The details of this item are as follows:

Investment in Real Estate for the purpose of utilization:

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

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

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

2017	Balance at the Beginning of the Year	Additions/Transfers during the Year	Sales during the Year	Balance at the End of the Year
	D	D	Dſ	JD
Investments in real estate	26,303,595	2,832,128	(1,211,267)	27,924,456
Accumulated depreciation	(1,148,611)	(802,693)	51,798	(1,899,506)
Total	25,154,984	2,029,435	(1,159,469)	26,024,950
Real estate impairment provision	(4,131,018)	(421,504)	36,347	(4,516,175)
Net	21,023,966	1,607,931	(1,123,122)	21,508,775
	Balance at the	Additions/Transfers	Color during	Balawaa at tha Faal of
2016	Beginning of the year	during the year *	Sales during the year	Balance at the End of the year
2016			5	
2016 Investments in real estate	Beginning of the year	during the year *	the year	the year
	Beginning of the year JD	during the year *	the year JD	the year JD
Investments in real estate	Beginning of the year JD 23,350,821	during the year * JD 4,385,160	the year JD (1,432,386)	the year JD 26,303,595
Investments in real estate Accumulated depreciation	Beginning of the year           JD           23,350,821           (423,217)	during the year * JD 4,385,160 (750,425)	the year JD (1,432,386) 25,031	the year JD 26,303,595 (1,148,611)

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

# 14. Property and Equipment - Net

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
2017	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	7,152,508	4,818,668	6,819,529	279,208	5,450,796	11,219,877	35,740,586
Additions / Capitalization	-	-	386,069	-	835,712	469,379	1,691,160
Disposals	-	-	(358,546)	-	(165,901)	-	(524,447)
Balance at the End of the Year	7,152,508	4,818,668	6,847,052	279,208	6,120,607	11,689,256	36,907,299
Accumulated Depreciation:							
Accumulated depreciation at the beginning of the year	-	1,287,750	3,839,310	227,060	3,875,988	7,645,312	16,875,420
Depreciation of the year	-	100,969	676,773	24,771	860,721	1,247,132	2,910,366
Disposals	-	-	(331,886)	-	(156,051)	-	(487,937)
Accumulated depreciation at the end of the year	-	1,388,719	4,184,197	251,831	4,580,658	8,892,444	19,297,849
Net Book Value for Property and Equipment	7,152,508	3,429,949	2,662,855	27,377	1,539,949	2,796,812	17,609,450
Projects under Process	-	44,172	22,135	-	1,082,341	-	1,148,648
Net Property and Equipment at the End of The Year	7,152,508	3,474,121	2,684,990	27,377	2,622,290	2,796,812	18,758,098

2016							
Cost:							
Balance at the beginning of the year	7,152,508	4,796,693	6,886,906	257,308	5,666,239	11,005,480	35,765,134
Additions / Capitalization	-	-	460,951	21,900	1,148,148	214,397	1,845,396
Disposals	-	-	(528,328)	-	(1,363,591)	-	(1,891,919)
Adjustments during the year		21,975	-	-	-	-	21,975
Balance at the End of the Year	7,152,508	4,818,668	6,819,529	279,208	5,450,796	11,219,877	35,740,586
Accumulated Depreciation:							
Accumulated depreciation at the beginning of the year	-	1,164,806	3,639,268	190,618	4,353,922	6,292,629	15,641,243
Depreciation of the year	-	100,969	705,590	36,442	857,417	1,352,683	3,053,101
Disposals	-	-	(505,548)	-	(1,335,351)	-	(1,840,899)
Adjustments during the year		21,975	-	-	-	-	21,975
Accumulated depreciation at the end of the year	-	1,287,750	3,839,310	227,060	3,875,988	7,645,312	16,875,420
Net Book Value for Property and Equipment	7,152,508	3,530,918	2,980,219	52,148	1,574,808	3,574,565	18,865,166
Projects under Process	-	44,154	-	-	787,490	132,544	964,188
Net Property and Equipment at the End of The Year	7,152,508	3,575,072	2,980,219	52,148	2,362,298	3,707,109	19,829,354
Annual depreciation rates %	-	2	2-15	20	25	15	

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

# 15. Intangible Assets – Net

The details of this item are as follows:

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

### **16. Other Assets**

The details of this item are as follows:

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

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

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

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

\* This balance represents the balance of assets seized by the Bank against distressed settlement of bad debts. The Bank is prohibited from disposing these assets for one year from the date of registration of the real estate in its name.

- The Central Bank instructions require the disposal of assets seized by the Bank during a duration not more than two years from the date of disposal. The Central Bank can in exceptional cases make the duration longer for no more than two executive years.

# 17. Banks and Financial Institutions Accounts

The details of this item are as follows:

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

# **18. Customers' Current Accounts**

The details of this item are as follows:

	December 31, 2017					
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total	
	Dſ	Dſ	D	JD	D	
Current accounts	548,572,457	43,501,500	109,301,605	4,698,137	706,073,699	
Total	548,572,547	43,501,500	109,301,605	4,698,137	706,073,699	
	December 31, 2016					
			December 31, 2016			
	Individuals	Large Companies	December 31, 2016 Small and Medium Companies	Government and Public Sector	Total	
	Individuals	Large Companies	Small and Medium		Total	
Current accounts			Small and Medium Companies	Public Sector		

- The deposits of the Government of Jordan and public sector inside the Kingdom amounted to JD 4,698,137 as at December 31,2017- i.e. 0/66% of the total customers' current accounts (JD 3,363,003 as at December 31,2016 i.e. 0.47%).

- Restricted deposits amounted to JD 4,828,492 as at December 31, 2017 - i.e. 0/68% of the total customers' current accounts (JD 4,881,748 as at December 31, 2016 - i.e. 0.68%).

- Dormant accounts amounted to JD 9,336,289 as at December 31, 2017 (JD 8,843,836 as at December 31, 2016).

### 19. Cash Margins

The details of this item are as follows:

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

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

# **20. Other Provisions**

The movement on the other provisions is as follows:

	Balance at the Beginning of the Year	Provision for the Year	Paid during the Year	Balance at the End of the Year
2017	Dſ	JD	Dſ	JD
Provision for end-of-service indemnity	2,430,895	364,912	93,528	2,702,279
Provision for lawsuits against the Bank	31,500	26,836	14,769	43,567
Total	2,462,395	391,748	108,297	2,745,846
	Balance At The Beginning Of The Year	Provision For The Year	Paid During The Year	Balance At The End Of The Year
2016	Dſ	JD	Dſ	JD
Provision for end-of-service indemnity	2,241,647	328,213	138,965	2,430,895
Provision for lawsuits against the Bank	27,000	4,500	-	31,500
Total	2,268,647	332,713	138,965	2,462,395

# 21. Provision for Income Tax

### a. Provision for Income Tax

The movement on the income tax provision is as follows:

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

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

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

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

- The accrued income tax for the year ended December 31, 2017 was calculated in accordance with the Income Tax Law in force.
- In the opinion of the Management and the tax consultant, no further provisions are required for the year ended December 31,2017.

### C. Deferred Tax Assets / Liabilities - Self - Joint

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

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

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

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

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

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

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

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

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

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

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

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

# 22. Other Liabilities

The details of this item are as follows:

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

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

### 23. Unrestricted Investment Accounts

The details of this item are as follows:

	December 31, 2017				
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving accounts	241,101,112	443,217	3,023,277	47,146	244,614,752
Time deposits *	627,686,284	75,672,225	55,824,618	39,013,403	798,196,530
Total	868,787,396	76,115,442	58,847,895	39,060,549	1,042,811,282
Depositors' share of the investment returns	14,403,029	2,444,867	1,170,914	749,487	18,768,297
Total Joint Investment Accounts	883,190,425	78,560,309	60,018,809	39,810,036	1,061,579,579
			December 31, 201	6	
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
Saving accounts	251,566,602	782,555	4,167,671	44,404	256,561,232
Time deposits *	540,542,001	96,413,992	53,212,712	30,126,590	720,295,295
Total	792,108,603	97,196,547	57,380,383	30,170,994	976,856,527
Depositors' share of the investment returns	13,152,195	2,647,475	385,659	658,423	16,843,752
Total Joint Investment Accounts	805,260,798	99,844,022	57,766,042	30,829,417	993,700,279

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

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

### 24. Investment Risk Fund

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

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

The Fund's income tax item represents the following:

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

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

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

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

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

- The remaining balance represents the undistributed portion over the joint investments accounts.

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

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

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

#### c. Mutual Insurance Fund

The movement on the mutual insurance fund is as follows:

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

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

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

- The Balance of Income tax of Mutual Insurance Fund is included in other liabilities (Note 22).

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

### 25. Paid-up Capital

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

#### **26.** Reserves

#### **Statutory Reserve**

The accumulated amounts in this account are appropriated from the annual net income before tax at 10% in accordance with the Banks Law. This reserve may not be distributed to shareholders.

#### **Voluntary Reserve**

The accumulated amounts in this account represent appropriations from annual net income before tax during the previous years at a rate not exceeding 20%. This reserve is used for the purposes determined by the Board of Directors. Moreover, the General Assembly is entitled to distribute it in whole or in part as dividends to shareholders.

#### **General Banking Risk Reserve**

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

- The restricted reserves are as follows:

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

#### **Proposed Dividends to Shareholders**

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

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

## 27. Fair Value Reserve – Net

The details of this item are as follows:

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

The movement on the fair value reserve was as follows:

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

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

## 28. Retained Earnings

The details of this item are as follows:

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

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

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

## 29. Deferred Sales Revenue

The details of this item are as follows:

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

## 30. Revenue from Financing Investments

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Large companies:		
Mudaraba	7,664	181,702
	7,664	181,702

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

	Joint		Self	
	2017	2016	2017	2016
	Dſ	JD	D	JD
Islamic Sukuk	1,141,294	554,049	-	3,427
	1,141,294	554,049		3,427

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

The details of this item are as follows:

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

## 33. Revenue from Ijara muntahia bittamaleek Assets

The details of this item are as follows:

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

## 34. Ju'alah commissions

	Joint	
	2017	2016
	Dſ	JD
Bargaining commissions	397,339	195,410
Total	397,339	195,410

## **35. Unrestricted Investment Accounts Share**

The details of this item are as follows:

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

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

The details of this item are as follows:

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

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

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

## 38. Bank's Share in Restricted Investment Profit as Mudarib and Wakeel

a- Bank's Share from Restricted Investment Revenue as Mudarib:

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

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

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

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

## 39. Gains (Loss) from Foreign Currencies

	JC	vint	S	elf
	2017	2016	2017	2016
	D	D	D	Dſ
Resulting from trading / dealing	-	-	2,183,566	1,641,434
Resulting from revaluation	-	3,321	(18,234)	-
Total		3,321	2,165,332	1,641,434

## 40. Banking Services Revenue

The details of this item are as follows:

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

## 41. Other Revenue

The details of this item are as follows:

	2017	2016
	۵ſ	Dſ
Revenue from customers services (post, telephone, custody)	325,897	318,598
Other income	30,453	25,572
Total	356,350	344,170

## 42. Employees' Expenses

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

## 43. Other Expenses

The details of this item are as follows:

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

## 44. Earnings Per Share

The details of this item are as follows:

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

## 45. Cash and Cash Equivalent

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

## 46. Balances and Transactions with Related Parties

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

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

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

- The lowest Murabaha rate that the Bank received was (3%), and the highest Murabaha rate was (5.4%). Meanwhile, the lowest dividends distribution rate in JD was 2.879%, and the highest rate of dividends distribution was 2.948%.

- All financings granted to related parties are performing, and consequently, no related provisions have been booked.

\* The Central Bank of Jordan Circular No. 4676/2/10 regarding the definition of Executive Management has been implemented.

### 47. Risk Management

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

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

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

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

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

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

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

#### 2. Liquidity Risk

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

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

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

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

#### 3. Market Risk

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

The essential tools in measuring and managing market risk include:

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

#### 4. Capital Market Risk

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

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

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

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

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

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

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

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

#### 7. Other Risks

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

## 48/a. Credit Risk

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

	Joi	nt	Se	lf	Tot	tal
	Deceml	oer 31,	Deceml	oer 31,	Decem	ber 31,
	2017	2016	2017	2016	2017	2016
	JD	D	D	JD	JD	JD
Statement of financial position items:						
Balances at Central Bank	555,592,830	618,072,771	-	-	555,592,830	618,072,771
Balances with banks and financial institutions	21,546,641	22,343,142	-	-	21,546,641	22,343,142
Deferred Sales Receivables and Other Receivables:						
For Individuals	707,356,174	620,808,543	26,155,762	17,410,684	733,511,936	638,219,227
Real estate financings	122,299,379	100,749,517	-	-	122,299,379	100,749,517
For companies:						
Large companies	401,738,884	351,457,709	1,689,719	1,793,614	403,428,603	353,251,323
Small and Medium companies	90,031,126	108,147,309	528,501	662,303	90,559,627	108,809,612
Financing Investments:						
Musharaka:						
For individuals	-	-	-	-	-	-
Real estate financings	-	-	-	-	-	-
Mudaraba:						
For companies						
Large companies	-	255,367	-	-	-	255,367
Sukuk:						
Within financial assets at amortized cost	38,096,056	33,857,822	-	-	38,096,056	33,857,822
Other assets						
Accrued revenue	464,444	249,048	-	-	464,444	249,048
Prepaid expenses	-	-	1,505,817	1,174,022	1,505,817	1,174,022
Off – Statement of Financial Position:						
Letters of guarantee	-	-	56,512,028	55,021,259	56,512,028	55,021,259
Letters of credit	-	-	25,781,677	23,961,187	25,781,677	23,961,187
Acceptances	-	-	5,882,171	9,773,365	5,882,171	9,773,365
Unutilized ceilings	165,101,101	142,376,144	13,913,032	11,185,354	179,014,133	153,561,498
Total	2,102,226,635	1,998,317,372	131,968,707	120,981,788	2,234,195,342	2,119,299,16

December 31, 2017     Inc       Low risk     1,       Low risk     28       Acceptable risk     78       From which post due     1,       Up to 30 days     1,       From 31 to 60 days     7,       Non-performing:     2       Sub-standard     2       Doubrful     2       problematic     8       Total     74       Deferred revenue     32,       Deferred revenue     32,	Individuals JD <b>1,471,347</b> 728,162,235												
isk btable risk which post due 3 days 31 to 60 days 31 to 60 days al to 60 days al bful bful bful al revenue red revenue	JD 471,347 3,162,235	Real Estate	Large Companies	Medium Companies	Banks and other Financial Institutions	Government and Public Sector	Total	Individuals	Government and Real Estate	Large Companies	Medium Companies	Total	Total
isk dable risk which post due 30 days 31 to 60 days 11ist Derforming: standard brful brful al red revenue red revenue	471,347 3,162,235	q	q	q	q	q	q	q	q	q	q	q	q
vitable risk which post due 30 days 31 to 60 days 31 to 60 days 1 list 2erforming: standard biful biful al biful al red revenue red revenue	1,162,235	186,672	5,926,552	2,843,311		579,618,571	590,046,453			72,981		72,981	590,119,434
which post due 30 days 31 to 60 days 32 to 60 days 33 to 60 days 33 to 60 days 33 to 60 days 34 to 60 days 35 to 60 days 36 to 60 days 37 to 60 days 36 to 6		139,884,764	395,725,755	86,051,877	35,956,824		1,385,781,455	26,650,070	82,938	2,178,682	528,241	29,439,931	1,415,221,386
30 days 31 to 60 days niist performing: performing: brful beful lematic al red revenue red revenue													
31 to 60 days 11 list Derforming: standard btful lematic al red revenue red revenue	1,143,358	35,526	116,639	10,764			1,306,287						1,306,287
n list berforming: standard bfful lematic al red revenue red revenue	7,793,713	35,959	626,417	53,683	•	-	8,509,772	13,208	•	568	179	13,955	8,523,727
erforming: standard brful olematic al red revenue red revenue	837,514	2,304,064	1,116,924	1,878,080			6,136,582	10,999		400,234	102	411,335	6,547,917
standard btful btematic al red revenue red revenue vues in suspense													
btful Jematic al red revenue red suspense	210,524	53,152	1,573,100	505,611			2,342,387	24,046			2,150	26, 196	2,368,583
alematic al red revenue uues in suspense	225,632	11,842	5,454,224	2,243,820		•	7,935,518	44,747			32,055	76,802	8,012,320
al red revenue nues in suspense	817,814	486,300	3,643,421	2,628,440		•	7,575,975	162,863	•	3,416,007	104,670	3,683,540	11,259,515
red revenue nues in suspense	740,662,137	142,998,279	414,183,032	96,215,586	35,956,824	579,618,571	2,009,634,429	26,905,933	82,938	6,068,472	667,397	33,724,740	2,043,359,169
	32,008,832	20,193,902	5,921,133	2,665,181	-	-	60,789,048	•	-	1,169		1,169	60,790,217
	144,429	47,781	336,001	382,856			911,067			16,364		16,364	927,431
Provision for impairment 1,	1,152,702	457,217	6,062,438	3,136,423			10,808,780	233,702		3,454,810	138,896	3,827,408	14,636,188
Net 707	707,356,174	122,299,379	401,863,460	90,031,126	35,956,824	579,618,571	1,937,125,534	26,672,231	82,938	2,596,129	528,501	29,879,799	1,967,005,333
December 31, 2016													
Low risk 1,	1,116,354	466,680	4,900,700	3,277,968		637,736,340	647,498,042	,					647,498,042
Acceptable risk 644	644,997,051	115,704,151	350,383,325	105,071,859	36,734,668		1,252,891,054	17,979,089	53.805	1,920,146	625,206	20,578,246	1,273,469,300
From which post due													
Up to 30 days	452,513	10,758	478,971	181,580			1,123,822			-		1	1,123,822
From 31 to 60 days	1,644,457	165,220	1,038,195	294,927	-	-	3,142,799	3,484	-	803	31,546	35,833	3,178,632
Watch list 3	340,249	1,525,271	1,665,178	2,196,234			5,726,932	4,128		298,631	9,972	312,731	6,039,663
Non-performing:													
Sub-standard 2	263,389	20,199	7,447	257,836			548,871	12,000			3,000	15,000	563,871
Doubtful 1	149,865	59,643	84,104	318,680			612,292	22,185		136,917	5,613	164,715	777,007
problematic 7	779,816	472,018	4,441,162	3,122,887			8,815,883	104,977		3,506,893	76,824	3,688,694	12,504,577
<b>Total</b> 649	649,743,694	118,423,940	362,999,082	114,721,971	36,734,668	637,736,340	1,920,359,695	18,125,863	53,805	5,863,390	752,161	24,795,219	1,945,154,914
Less:													
Deferred revenue 27	27,841,676	17,256,533	6,514,319	3,599,842			55,212,370		1	3,083		3,083	55,215,453
Revenues in suspense 1	120,520	45,436	319,093	395,110			880,159	,		15,105		15,105	895,264
Provision for impairment 9	972,955	372,454	4,400,819	2,579,710			8,325,938	139,886		3,506,664	89,858	3,736,408	12,062,346
<b>Net</b> 62(	620,808,543	100,749,517	351,764,851	108,147,309	36,734,668	637,736,340	1,855,941,228	17,985,977	53,805	2,338,538	662,303	21,040,623	1,876,981,851

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

	Accepted bank guarantees	Vehicles and equipment	Listed shares	Real estate	Cash margins	Of which:	Total	Problematic	Doubtful	Sub-standard	Non-performing:	Watch list	Acceptable risk	Low risk	Collaterals against:	2016		Accepted bank guarantees	Vehicles and equipment	Listed shares	Real estate	Cash margins	Of which:	Total	Problematic	Doubtful	Sub-standard	Non-performing:	Watch list	Acceptable risk	Low risk	Collaterals against:		2017	
80 01 4 45 4	ı	65,823,083		22,975,017	1,116,354		89,914,454	3,671,278	88,667	337,174		170,346	84,530,635	1,116,354			90,546,683		64,213,643		24,861,693	1,471,347		90,546,683	5,220,136	237,825	316,375		1,385,972	81,915,028	1,471,347		ar	Individuals	
טע בסס בבט	466,680	2,316,089		23,805,790	•		26,588,559	167,111	17,901	3,359		1,727,725	24,205,783	466,680			21,925,975	186,672	1,855,416		19,883,887			21,925,975	161,773	11,423			1,673,087	19,893,020	186,672		ar	Real Estate	
81 608 067	I	17,518,254		59,189,113	4,900,700		81,608,067	2,293,863	3,744	1		1,918,482	72,491,278	4,900,700			91,354,398		16,291,205		69, 136, 641	5,926,552		91,345,398	1,121,453	1,220,408	1,811,321		846,000	80,428,664	5,926,552		ar	Large Companies	Joint
16 601 744	23,667	4,173,591		9,150,185	3,254,301		16,601,744	1,401,732	228,111	62,362		464,704	11,166,867	3,277,968			14,478,705	62,508	3,951,348		7,684,046	2,780,803		14,478,705	890,201	176,264	240,887		466,220	9,861,822	2,843,311		JD	Medium Companies	
V CO C 17 V IC	490,347	89,831,017		115,120,105	9,271,355		214,712,824	7,533,984	338,423	402,895		4,281,257	192,394,563	9,761,702			218,305,761	249,180	86,311,612		121,566,267	10,178,702		218,305,761	7,393,563	1,645,920	2,368,583		4,371,279	192,098,534	10,427,882		ar	Total	
	I				ı		•																										JD	Individuals	
	T						•																										ar	Real Estate	
1 750 771				1,758,261			1,758,261	1,459,637				298,624					1,012,856				939,875	72,981		1,012,856	615,810				324,065		72,981		ar	Large Companies	Self
							•																										JD	Medium Companies	
1 750 761	ı			1,758,261	•		1,758,261	1,459,637	•	1		298,624					1,012,856				939,875	72,981		1,012,856	615,810				324,065		72,981		ar	Total	
716 J71 005	490,347	89,831,017	•	1 16,878,366	9,271,355		216,471,085	8,993,621	338,423	402,895		4,579,881	192,394,563	9,761,702			219,318,617	249,180	86,311,612		122,506,142	10,251,683		219,318,617	8,009,373	1,645,920	2,368,583		4,695,344	192,098,534	10,500,863		ar	Total	

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

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

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

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

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

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

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

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

Item Sector	Finance	Industrial	Trade	Real Estate	Agriculture	Shares	Individual (Retail)	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	555,592,830	555,592,830
Balances at banks and financial institutions	21,546,641	-	-	-	-	-	-	-	21,546,641
Deferred sales Receivables, other receivables, and Financings	1,258,777	71,364,286	387,287,201	122,299,379	32,317,228	1,760,738	733,511,936	-	1,349,799,545
Sukuk:									
Within financial assets at amortized cost	14,273,074	-	-	-	-	-	-	23,822,982	38,096,056
Other assets	-	-	-	-	-	-	-	-	-
Accrued revenues	137,109	-	124,576	-	-	-	-	202,759	464,444
Prepaid expenses	161,417	-	744,993	-	-	-	516,469	82,938	1,505,817
Total / 2017	37,377,018	71,364,286	388,156,770	122,299,379	32,317,228	1,760,738	734,028,405	579,701,509	1,967,005,33
Total / 2016	38,439,057	64,849,639	369,970,883	100,749,517	25,071,129	1,946,059	638,219,227	637,736,340	1,876,981,851

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

#### 48. B- Market Risk

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

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

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

- Rate of return risks arise from the increase in long-term fixed rates in the market, which do not correspond immediately with the emerging changes in the high return index. The necessary steps must be taken to ensure availability of administrative measures related to renewal, measurement and follow-up of the average return risk. Moreover, reports should be prepared on rate of return risks. They should also be monitored, and the soundness of their structure should be verified.
- The Bank is exposed to the average return risks due to a gap in the amounts of assets and liabilities as per the multiple maturity times or due to re-pricing of the average return over the subsequent transactions during a specific period. The Bank manages such risks by determining the future profit rates in accordance with the projections of market conditions and developing new instruments that are Shari'a compliant through the Bank's risk management strategy.

- 1- Obtaining the best possible returns available in the market based on the International Market Index (Libor) as a standard and benchmark for both the portfolio and investments managed by the Bank.
- 2- Observing the risks arising from these investments based on the diversity option and countries, institutions, and regions; and ensuring mitigation of the risk effects arising from managing investments.
- 3- Complying with management of investments by matching the Bank's liabilities, represented by deposits, and assets in foreign currencies comprised of investments in foreign currencies. Accordingly, time restricted deposits are invested on a short-term investment basis while the long- term deposits are invested on a medium- or long- term investment basis.

#### 2. Foreign Exchange Risk

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

2017	Change in Currency Exchange Rate	Effect on Profit and Loss	Effect on Shareholders' Equity
	(%)	Dſ	Dſ
Total currencies	5%	161,478	-
2016	Change in Currency Exchange Rate	Effect on Profit and Loss	Effect on Shareholders' Equity
	(%)	D	JD
Total currencies	5%	2,936	

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

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

2017	Change in the Index	Effect on Profit and Loss	Effect on Shareholders' Equity
Indicator	(%)	D	Dſ
Financial Markets	5%	-	274,938
2016	Change in the Index	Effect on Profit and Loss	Effect on Shareholders' Equity
Indicator	(%)	JD	D
Financial Markets	5%	-	275,993

#### 4. Commodities' Risks

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

#### **Concentration of Foreign Currency Risk**

#### (to the nearest 000 JDs)

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

December 31, 2016						
Total Assets	170,213	17,999	4,309	494	8,127	201,142
Total Liabilities	170,105	18,137	4,310	493	7,655	200,700
Net Concentration on- Statement of Financial Position	108	(138)	(1)	1	472	442
Contingent Liabilities off- Statement of Financial Position	30,501	3,100	-	33	803	34,437

## 48. C- Liquidity Risk

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

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

(to the nearest 000JDs)

December 31, 2017	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without maturity	Total
Liabilities								
Banks and financial institutions accounts	258	-	-	-	-	-	-	258
Customers' current accounts	263,765	106,402	85,220	64,038	186,649	-	-	706,074
Cash margins	17,295	4,268	3,617	10,647	-	-	-	35,827
Other provisions	-	-	-	-	-	-	2,746	2,746
Income tax provision	3,123	-	8,880	-	-	-	-	12,003
Other liabilities	17,009	582	5,588	-	-	-	227	23,406
Investment risk fund	655	-	1,940	-	-	-	26,984	29,579
Joint investment accounts	224,739	224,503	162,902	387,956	67,503	-	-	1,067,603
Total	526,844	335,755	268,147	462,641	254,152	-	29,957	1,877,496
Total Assets (according to expected maturities)	688,048	239,424	106,209	149,987	399,822	417,500	51,089	2,052,079
December 31, 2016	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without maturity	Total
Liabilities								
Banks and financial institutions accounts	114	-	-	-	-	-	-	114
Customers' current accounts	267,072	107,255	85,792	64,330	190,973	-	-	715,422
Cash margins	11,291	6,553	2,838	8,284	-	-	-	28,966
Other provisions	-	-	-	-	-	-	2,462	2,462
Income tax provision	2,478	-	7,590	136,	-	-	-	10,204
Other liabilities	21,123	587	9,455	-	-	-	235	31,400
Investment Risks Fund	596	-	1,683	-	-	-	23,597	25,876
investment hisks i unu	070							
Joint investment accounts	190,114	167,040	144,555	425,639	72,227	-	-	999,575
		167,040 281,435	144,555 251,913	425,639 498,389	72,227 263,200	-	- 26,294	999,575 1,814,019

#### Second: Off-Statement of Financial Position Items

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

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

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

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

#### Individual (Retail) Banking

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

#### **Companies Banking**

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

#### Treasury

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

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

					То	tal
					Decem	ıber 31,
	Retail	Companies	Treasury	Others	2017	2016
	JD	JD	JD	JD	JD	Dſ
Gross income (Joint and Self)	43,384	37,543	3,949	19	84,895	72,707
Share of Investment Risks Fund	-	(9,206)	-	-	(9,206)	(8,118)
Impairment in value of sales receivables and other receivables - self	-	(91)	-	-	(91)	(53)
Business Sector Results	43,384	28,246	3,949	19	75,598	64,536
Undistributed expenses	(11,909)	(3,725)	(266)	(16,173)	(32,073)	(29,893)
Income before Tax	31,475	24,521	3,683	(16,154)	43,525	34,643
Income tax	(10,650)	(8,297)	(1,246)	5,466	(14,727)	(11,630)
Income for the Year	20,825	16,224	2,437	(10,688)	28,798	23,013
Segment's assets Joint	829,567	404,685	769,814		2,004,066	1,905,62
Undistributed assets to the sector	-	-	-	48,013	48,013	64,193
Total Segment's Assets	829,567	404,685	769,814	48,013	2,052,079	1,969,81
Segment's Liabilities Joint Investment Equity and Risks Fund	1,440,773	389,516	258	-	1,830,547	1,761,56
Undistributed Liabilities to the Sectors Joint Investment Equity and Risks Fund	-	_	-	46,949	46,949	52,453
Total Segment's Liabilities	1,440,773	389,516	258	46,949	1,877,496	1,814,01

					2017	2016
					D	JD
Capital expenses	-	-	-	2,074	2,074	1,871
Depreciation and Amortization	1,827	6	1	1,296	3,130	3,668

#### **b. Information on the Geographical Distribution**

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

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

					(to the r	nearest 000 JDs)
	Inside the Kingdom		Outside the Kingdom		Total	
	2017	2016	2017	2016	2017	2016
Gross income	81,277	71,020	3,618	1,687	84,895	72,707
Total assets	1,869,840	1,813,085	182,239	156,733	2,052,079	1,969,818
Capital expenditures	2,074	1,781	-	-	2,074	1,781

#### **50. Capital Management**

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

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

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

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

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

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

## 51. Assets and Liabilities Maturities Analysis

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

			(000 JE
	Up to 1 Year	Over 1 Year	Total
December 31, 2017	۵ſ	Dſ	Dſ
Assets:			
Cash and balances at Central Banks	588,819	-	588,819
Balances at banks and financial institutions	21,547	-	21,547
Deferred sales receivables and other receivables – Net	431,387	270,433	701,820
Deferred sales receivables through the statement of income	-	-	-
Financing investments - Net	-	-	-
Financial assets at fair value through shareholders' equity - self	-	5,499	5,499
Financial assets at fair value through joint investment	-	198	198
Financial assets at amortized cost	10,799	27,297	38,096
ljara muntahia bittamaleek assets – Net	102,585	517,699	620,284
Investments in real estate	-	21,509	21,509
Qard Hasan loans	26,414	1,281	27,695
Property and equipment - Net	-	18,758	18,758
Intangible assets	119	355	474
Deferred tax assets	12	2,666	2,678
Other assets	1,986	2,716	4,702
Total Assets	1,183,668	868,411	2,052,079
Liabilities and Joint Investment Accounts' Holders			
Banks and financial institutions accounts	258	-	258
Customers' current and call account	519,425	186,649	706,074
Cash margins	35,827	-	35,827
Other provisions	-	2,746	2,746
Income tax provision	12,003	-	12,003
Other liabilities	23,179	227	23,406
Joint investment accounts	1,000,100	67,503	1,067,603
Investment Risks Fund	-	26,984	26,984
Income tax provision for the Investment Risks Fund	2,595	-	2,595
Total Liabilities and Joint Investment Accounts Holders	1,593,387	284,109	1,877,496
Net	(409,719)	584,302	174,583

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

#### 52. Fair Value Measurement

The standard requires determining the level and disclosure of the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

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

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

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

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

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

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

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

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

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

Credit Commitments and Obligations

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

#### 54. Lawsuits against the Bank

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

## 55. New Islamic Standards

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

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

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

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

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

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

### **56.** Comparative Figures

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

Al Shareef Hussain bin Ali : Aqaba, Jordan

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## Faisal Mosque: Islamabad, Pakistan



## Agenda of the 20th Ordinary General Assembly Meeting of the Shareholders of Islamic International Arab Bank

#### 10 Rajab, 1439

#### **Corresponding to 28 April 2018**

- 1- Address the outcomes of the previous 19th General Assembly Meeting.
- 2- Address the Board of Directors' Report for 2017 and the Company's business plan for the coming year.
- 3- Attend the Bank's Auditors' Report for the financial year 2017.
- 4- Address the Bank's Accounts and Balance Sheet for the financial year 2017.
- 5- Approval of the General Assembly to allocate the realized dividends for 2017.
- 6- Subrogation and release of the Board of Directors for the said year.
- 7-
- 8- Elect the Bank's auditors for the financial year 2018 and determine their fees.
- 9- Any other matters proposed to be discussed by the General Assembly which are within the authority of the Ordinary General Assembly Meeting, provided that such proposal shall have the approval of a number of shareholders representing not less than 10% of the shares represented in the meeting.

Sultan Ahmed Mosque: Istanbul, Turkey

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El Sahaba Mosque: Sharm el sheikh, Egypt

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The Ubudiah Mosque: Kuala Kangsar, Malaysia munin



## **Branches and ATMs**

### Capital's Governorate

- Gardens Branch Phone: 06 5694623 Fax:06 5675802
- Amman Branch Phone: 06 4643270 Fax:06 4643267
- Wehdat Branch Phone: 06 4777801 Fax:06 4777817
- Marka Branch
   Phone: 06 4886650 Fax:06 4885355
- Bayader Wadi Seer Branch Phone: 06 5813600 Fax:06 5819478
- Jabal Hussein Branch Phone: 06 5657760 Fax:06 5657761
- Jubeiha Branch Phone: 06 5343569 Fax:06 5343469
- Sweifieh Branch Phone: 06 5826669 Fax:06 5856160
- Shmeisani Branch Phone: 06 5651110 Fax:06 5663995
- Yasameen Branch Phone: 06 4202126 Fax:06 4202927
- Khalda Branch Phone: 06 5511446 Fax:06 5511878
- Abu Alanda Branch Phone: 06 4164426 Fax:06 4164473
- North Hashimi Branch
   Phone: 06 5061993 Fax:06 5063071
- Nuzha Branch
   Phone: 06 5684341 Fax:06 5684170
- Tareq Branch Phone: 06 5066463 Fax:06 5050384
- Marj Al Hamam Branch
   Phone: 06 5715607 Fax:06 5715624
- City Mall Branch Phone: 06 5851629 Fax:06 5852145

- Madina Munawara Branch Phone: 06 5524978 Fax:06 5529548
- Abu Nsair Branch Phone: 06 5238390 Fax:06 5238310
- Huriya Branch
   Phone: 06 4201580 Fax:06 4201508
- Al Khalidi Branch
   Phone: 06 4615495 Fax:06 4615274
- Izmir Mall Branch
   Phone: 06 4902622 Fax:06 4902608

## Central Governorates

- Zarka Branch
   Phone: 05 3989094 Fax:05 3989096
- Zarka University Branch Phone: 05 3821022 Fax:05 3821026
- Ruseifa Branch Phone: 05 3748474 Fax:05 3755591
- New Zarka Branch Phone: 05 3854240 Fax:05 3854354
- North Mountain Ruseifa Branch Phone: 05 3752664 Fax:05 3752665
- Madaba Branch
   Phone: 05 3248970 Fax:05 3248975
- Salt Branch
   Phone: 05 3532316 Fax:05 3532318
- Dair Alla Branch Phone: 05 3570009 Fax:05 3570014

## North Governorates

Irbed Branch

Phone: 02 7276587 Fax:02 7276904

Hashimi Irbed Branch Phone: 02 7252326 Fax:02 7252136

- Al Qaselah Irbed Branch Phone: 02 7279511 Fax:02 7279582
- Arabella Mall Branch Phone: 02 7251929 Fax:02 7251749
- Mafraq Branch Phone: 02 6232199 Fax:02 6230399
- Ajloun Branch Phone: 02 6422624 Fax:02 6422623
- Jerash Branch Phone: 02 6342545 Fax:02 6342543

#### South Governorates

- Aqaba Branch Phone: 03 2019495 Fax:03 2035851
- Karak Branch Phone: 03 2381703 Fax:03 2381713
- Mu'ta Branch Phone: 03 2360832 Fax:03 2360827
- Tafileh Branch Phone: 03 2241165 Fax:03 2241229
- Ma'an Branch Phone: 03 2136869 Fax:03 2136870

## Location of ATMs Network

#### Capital's Governorate

- Gardens Branch
- Amman Branch
- Wehdat Branch
- Marka Branch
- Bayader Wadi Seer Branch
- Jabal Hussein Branch
- Jubeiha Branch
- Sweifieh Branch
- Shmeisani Branch
- Yasameen Branch
- Khalda Branch
- Abu Alanda Branch
- North Hashimi Branch
- Nuzha Branch
- Tareq Branch
- Marj Al Hamam Branch
- City Mall Branch
- Madina Munawara Branch
- Abu Nsair Branch
- Huriya Branch
- Al Khalidi Branch
- Izmir Mall Branch

- Outside the Bank's Branches (Amman)
- Customs Department- Abdali
- Professional Associations Complex- Shmeisani
- University of Islamic Sciences- Tabarbour
- Leaders Center- Dabouq
- Greater Amman Municipality- Ras AI Ein
- Haboub Supermarket- Jabal Amman
- Orange Pharmacy- Jamal Abdel Nasser Square
- AbuSheikha Exchange- AL Wehdat
- Supreme Judge Department- Tlaa' Al-Ali
- Ministry of Islamic Awqaf Trust Affairs- Abdali
- Abu Sheikha Exchange- Al Abdali
- Ibn Al-Nafees Pharmacy Al Ashrafiyeh
- Abu Shaeerah Complex- Jabal Alnasser
- King Hussein Business Park
- General Ifta'a Department- Jordan Street
- Al istishari Hospital Wadi Saqrah Street
- Pharmacy One Abdoon Street
- Tatal Station Makah Street
- Go Gas Shmeisani Street
- Pharmacy One Makah Street
- Malaki Makah Street

#### Central Governorates

- Zarka Branch
- New Zarka Branch
- Zarka University Branch
- North Mountain Ruseifa Branch
- Ruseifa Branch
- Madaba Branch
- Salt Branch
- Dair Alla Branch

#### North Governorates

- Irbed Branch
- Hashimi Irbed Branch
- Arabella Mall Branch
- Mafraq Branch
- Ajloun Branch
- Jerash Branch

#### South Governorates

- Aqaba Branch
- Karak Branch
- Mu'ta Branch
- Tafileh Branch
- Ma'an Branch

Hassanal Bolkiah Mosque: Begawan, Brunei



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