

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS FOR THE
THREE MONTH-PERIOD ENDED
MARCH 31, 2018
TOGETHER WITH THE REVIEW REPORT

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
March 31, 2018

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Review Report

AM/81661

To the Chairman and Members of the Board of Directors
Cairo Amman Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Cairo Amman Bank (A Public Shareholding Limited Company) as of March 31 2018, and the related consolidated condensed interim statements of income, comprehensive income, changes in owners' equity and the consolidated condensed interim cash flows for the three month-period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for preparation and fair presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard IAS (34) relating to Interim Financial Reporting. Our responsibility is to express conclusion on these consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standards IAS (34) relating to interim financial reporting.

Other Matters

1. The fiscal year of the Bank ends on December 31st of each year. However, the accompanying consolidated condensed interim financial information have been prepared for management and Jordan Securities Commission in Amman Stock Exchange purposes.
2. The accompanying consolidated condensed interim financial statements are a translation of the statutory consolidated condensed interim financial statements in the Arabic language to which reference is to be made.

Amman – The Hashemite Kingdom of Jordan
April 30, 2018


Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2018 (Reviewed not Audited) JD	December 31, 2017 JD
ASSETS			
Cash and balances with Central Banks	4	446,547,794	519,193,270
Balances at banks and financial institutions	5	139,299,606	153,418,551
Deposits at banks and financial institutions	6	74,505,859	94,494,903
Financial assets at fair value through profit or loss	7	7,177,215	22,275,220
Financial assets at fair value through other comprehensive	8	51,118,376	32,789,902
Direct credit facilities - net	9	1,579,199,013	1,537,936,749
Financial assets at amortized cost - net	10	430,602,421	325,364,198
Financial assets pledged as collateral		4,053,000	4,589,000
Property and equipment - net		40,789,799	41,393,821
Intangible assets - net		9,180,131	9,945,324
Deferred tax assets		9,365,608	5,743,006
Other assets	11	47,158,437	47,202,803
Total Assets		2,838,997,259	2,794,346,747
LIABILITIES AND EQUITY			
LIABILITIES:			
Banks and financial institutions' deposits		404,721,247	447,289,678
Customers' deposits	12	1,822,824,074	1,749,864,846
Margin accounts		52,884,648	51,267,717
Loans and borrowings	13	139,335,528	114,906,448
Sundry provisions		17,959,992	17,168,406
Income tax provision	14	16,303,991	17,321,461
Deferred tax liabilities		858,113	770,068
Other liabilities	15	41,756,963	48,705,163
Total Liabilities		2,496,644,556	2,447,293,787
EQUITY			
SHAREHOLDERS' EQUITY			
Authorized and Paid up capital		180,000,000	180,000,000
Statutory reserve		69,955,203	69,955,203
General banking risk reserve		5,907,476	16,597,081
Cyclical fluctuations reserve		7,756,997	7,756,997
Fair value reserve - net	16	(9,382,576)	(9,005,364)
Profit for period		6,925,521	-
Retained Earnings		70,915,984	71,279,760
Total Shareholders' Equity		332,078,605	336,583,677
Non-controlling interests		10,274,098	10,469,283
Total Equity		342,352,703	347,052,960
Total Liabilities and Equity		2,838,997,259	2,794,346,747

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED
CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH THE ACCOMPANYING REVIEW REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

	Notes	For the Three-Month Period Ended March 31,	
		2018	2017
		JD	JD
Interest income	17	38,496,378	31,695,383
Interest expense	18	15,301,765	9,738,328
Net interest income		<u>23,194,613</u>	<u>21,957,055</u>
Net commission income		5,097,555	4,982,295
Net interest and commission income		<u>28,292,168</u>	<u>26,939,350</u>
Gain from foreign currencies		1,414,658	931,227
Gain from financial assets at fair value through profit or loss	19	286,219	773,173
Dividends from financial assets at fair value through other comprehensive income		2,083,077	45,100
Other income		1,623,465	1,848,202
Gross profit		<u>33,699,587</u>	<u>30,537,052</u>
Employees' expenses		10,642,487	10,076,310
Depreciation and amortization		2,362,029	2,204,662
Other expenses		7,583,964	7,128,704
Impairment on direct credit facilities		1,786,486	750,000
Sundry provisions		1,017,086	1,090,481
Total expenses		<u>23,392,052</u>	<u>21,250,157</u>
Profit for the period before tax		10,307,535	9,286,895
Income tax	14	3,504,422	2,737,600
Profit for the period		<u>6,803,113</u>	<u>6,549,295</u>
Profit for the period			
Shareholders' Equity		6,925,521	6,663,451
Non-controlling interests		(122,408)	(114,156)
Profit for the period		<u>6,803,113</u>	<u>6,549,295</u>
		JD / Fils	JD / Fils
Basic and diluted earnings per share (Bank's Shareholders)	20	<u>0/038</u>	<u>0/037</u>

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

	For the Three-Month Period Ended March 31,	
	2018	2017
	JD	JD
Profit for the period	6,803,113	6,549,295
Other comprehensive income items:		
Items which will not be reclassified subsequently to the consolidated condensed interim statement of income.		
Net change in fair value reserve (net of tax)	(370,712)	213,433
Total comprehensive income for the period	6,432,401	6,762,728
Total comprehensive income attributable to:		
Shareholders' Equity	6,554,809	6,876,884
Non-controlling interests	(122,408)	(114,156)
Total comprehensive income for the period	6,432,401	6,762,728

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CAIRO-AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(REVIEWED NOT AUDITED)

	Authorized and Paid up capital	Reserves					Retained Earnings	Profit for the Period	Total Shareholder's Equity	Non-Controlling Interests	Total Equity
		Statutory	General Banking Risk	Cyclical Fluctuations	Fair Value						
For the three-month period ended March 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Balance as of January 1, 2018	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	71,279,760	-	336,583,677	10,469,283	347,052,960	
Effect of the implementation of IFRS 9	-	-	-	-	-	(11,242,648)	-	(11,242,648)	(72,777)	(11,315,425)	
Adjusted Beginning Balance	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	60,037,112	-	325,341,029	10,396,506	335,737,535	
Total comprehensive income for the period	-	-	-	-	(370,712)	-	6,925,521	6,554,809	(122,408)	6,432,401	
Impact of IFRS (9) reclassification	-	-	-	-	-	182,767	-	182,767	-	182,767	
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(6,500)	6,500	-	-	-	-	
Transferred From General Banking Risk Reserve	-	-	(10,689,605)	-	-	10,689,605	-	-	-	-	
Balance as of March 31, 2018	180,000,000	69,955,203	5,907,476	7,756,997	(9,382,576)	70,915,984	6,925,521	332,078,605	10,274,098	342,352,703	
For the three-month period ended March 31, 2017											
Balance as of January 1, 2017	180,000,000	65,836,075	13,982,002	6,816,916	(10,347,484)	70,184,530	-	326,472,039	10,837,973	337,310,012	
Total comprehensive income for the period	-	-	-	-	213,433	-	6,663,451	6,876,884	(114,156)	6,762,728	
Balance as of March 31, 2017	180,000,000	65,836,075	13,982,002	6,816,916	(10,134,051)	70,184,530	6,663,451	333,348,923	10,723,817	344,072,740	

- The retained earnings balance as of March 31, 2018 includes a restricted amount of JD 14,418,475, which resulted from the effect of the early implementation of IFRS (9).
- The retained earnings include deferred tax assets amounting to JD 9,365,608 and is restricted from use as per the Central Bank of Jordan instructions.
- The negative fair value reserve which amounts to JD (9,382,576) cannot be utilized as per the Central Bank of Jordan and the Securities Commission instructions.

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	Notes	For the Three-Month Period Ended March 31,	
		2018 JD	2017 JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxes		10,307,535	9,286,895
Adjustments for:			
Depreciation and amortization		2,362,029	2,204,662
Impairment on direct credit facilities		1,786,486	750,000
Sundry provisions		1,017,086	1,090,481
(Gain) from financial assets at fair value through profit or loss		(62,712)	(783,838)
Loss from sale of property and equipment		830	1,860
Loss (gain) from sale of repossessed assets		39,000	(97,833)
Effect of exchange rate changes on cash and cash equivalents		(1,368,880)	(916,396)
Operating profit before changes in assets		14,081,374	11,535,831
Decrease in deposits at banks and financial institutions		19,750,803	6,082,400
(Increase) in financial assets at fair value through profit or loss		(3,357,821)	(302,928)
(Increase) in direct credit facilities		(56,342,322)	(57,920,431)
Decrease (increase) in other assets		5,366	(17,443,652)
(Increase) decrease in banks and financial institutions deposits (maturing after three months)		4,592,529	(7,362,040)
Increase in customers' deposits		72,959,228	32,768,061
Increase in margin accounts		1,616,931	3,533,409
(Decrease) in other liabilities		(7,165,633)	(258,170)
Net cash Flows from (used in) operating activities before income tax		46,140,455	(29,367,520)
Income tax paid	14	(4,707,305)	(5,740,495)
Sundry provision paid		(225,500)	(3,733,131)
Net cash Flows from (used in) operating activities		41,207,650	(38,841,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through OCI		(770)	(37,223)
Sale of financial assets at fair value through OCI		296,181	50,000
(Purchase) of financial assets at amortized cost		(150,804,740)	(52,072,743)
Maturity and sale of financial assets at amortized cost		45,651,774	115,680,058
(Purchase) of property and equipment		(924,822)	(1,268,317)
Sale of property and equipment		20,997	(501)
(Purchase) of intangible assets		(89,819)	(418,967)
Net cash Flows (used in) from investing activities		(105,851,199)	61,932,307
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loans and borrowings		27,024,381	15,415,681
Repayment of loans and borrowings		(2,595,301)	(14,209,746)
Net cash Flows from financing activities		24,429,080	1,205,935
Effect of exchange rate changes on cash and cash equivalents		1,368,880	916,396
Net (decrease) increase in cash and cash equivalents		(38,845,589)	25,213,492
Cash and cash equivalents, beginning of the period		304,370,814	227,972,605
Cash and cash equivalents, end of the period	21	265,525,225	253,186,097

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL

- Cairo Amman Bank was established as a public shareholding company registered and incorporated in Jordan in 1960 in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964. Its registered head office is in Amman-The Hashemite Kingdom of Jordan.
- The Bank provides its banking services through its main branch located in Amman and 89 branches located in Jordan, and 21 branches in Palestine and 1 in Bahrain, and its subsidiaries.
- The Bank's shares are listed on the Amman Stock Exchange.
- The consolidated condensed interim financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on April 24, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

- The consolidated condensed interim financial statements for the bank as of March 31, 2018 have been prepared in accordance with International Accounting Standard (34) (Interim Financial Reporting) and local laws in force including instructions from Central Bank of Jordan.
- The consolidated condensed interim financial statements are prepared on a historical cost basis except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial derivatives which are stated at fair value as of the date of the consolidated condensed interim financial statements. Moreover, financial assets and liabilities whose change in fair value has been hedged are stated at fair value.
- The consolidated condensed interim financial statements are presented in Jordanian Dinars ("JD"), which is the functional currency of the Bank.
- The consolidated condensed interim financial statements do not contain all information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three-month period ended March 31st, 2018 do not necessarily indicate to the results that may be expected for the financial year ending December 31, 2018 and should be read with the Bank's annual report as of December 31, 2017 and it does not contain the appropriation of profit on current period for the three-month period ended March 31, 2018, which is usually performed at the financial year end.

Changes in accounting policies:

- The accounting policies used in the preparation of the consolidated condensed interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2017. Except for the impact of the implementation of new and revised International Financial Reporting Standards which become effective for the financial periods starting on or after January 1, 2018 as follows:
 - a. **Amendments with no significant impact on the consolidated condensed interim financial statements of the Bank:**

Annual Improvements to IFRSs issued during 2014 – 2016

The improvements include amendments on IFRS 1 and IAS 28 and are effective for annual financial periods beginning on or after January 1, 2018.

Amendments to IFRS 2 *Share Based Payment*

The amendments relate to the classification and measurement of share based payment transactions and are effective for annual financial periods beginning on or after January 1, 2018.

Amendments to IFRS 4 *Insurance Contracts*

The amendments relate to the difference effective dates of IFRS 9 and the forthcoming new insurance contracts standard and are effective for annual periods beginning on or after January 1, 2018.

IFRIC 22 *Foreign Currency Transactions and Advance Considerations*

The interpretation states that when determining the prevailing exchange rate that will be used when an asset, expense, or income (or part of it) is initially recognized or when derecognizing an asset or a non-monetary liability that relates to an advance payment, then the transaction date is the date in which the entity initially recognizes the asset or the non-monetary liability that arose from advance payments.

Amendments to IAS 40 *Investment Property*

The amendments specify when a bank should transfer (reclassify) real estate including real estate under progress or development to and from investment property.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

Amendments to IFRS 15 *Revenue from Contracts with Customers*

The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied.

IFRS 7 *Financial Instruments: Disclosures*

The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied.

B. Amendments effective on the consolidated condensed interim financial statements of the Company**IFRS 9 *Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities as well as derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The final version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The new version of the new standard also includes the requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments replaced the credit loss incurred model in accordance with IAS 39 relating to Financial Instruments: Recognition and Measurement, which was replaced by a model for expected credit losses. The Standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

The Standard was applied retrospectively in accordance with IFRS 9 Financial Instruments and the Bank has not modified the comparative numbers. The impact of the application of the Standard was recognized on January 1, 2018 through retrained earnings on the consolidated condensed interim statement of owner's equity.

In case there is a low credit risk to the financial asset at the date of initial application of IFRS (9), the credit risk relating to the financial asset is considered to have not been changed substantially since its initial recognition.

In accordance with IFRS 9 Financial Instruments, expected credit losses are recognized at early periods in comparison with IAS 39.

The revised version of IFRS 9 (2014) Financial Instruments includes a classification mechanism for financial assets and liabilities. IFRS 9 requires that all financial assets are classified based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

There is no material difference in the classification of financial assets and liabilities arising from implementing IFRS 9 for the year 2014.

The impact of applying IFRS 9 for the year 2014

The impact of implementing the amendments in accounts standards on the consolidated condensed interim financial statements for the bank as of January 1, 2018 was as follows:

	Fair Value according to IAS 39	Fair Value according to IFRS 9	Change
	JD	JD	JD
Balances at banks and financial institutions	152,730,516	153,418,551	(688,035)
Deposits at banks and financial institutions	94,130,467	94,494,903	(364,436)
Financial assets at amortized cost - net	325,008,428	325,364,198	(355,770)
Direct credit facilities - net	1,540,765,987	1,527,526,411	(13,239,576)
Other liabilities	48,705,163	48,922,596	217,433
General banking risks reserve *	16,597,081	5,907,476	10,689,605
(Accumulated Losses) / Retained earnings	71,279,760	(11,242,648)	60,037,112
Deferred Tax Assets	5,743,006	9,365,608	(3,622,602)

* Used from this item.

BASIS OF CONSOLIDATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

- The consolidated condensed interim financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income and expenses between the Bank and subsidiaries are eliminated.
- The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.
- The Bank owns the following subsidiaries as of March 31, 2018:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Operation	Country of Operation	Ownership Date
Al-Watanieh Financial Services Company	5,000,000	100	Investment Brokerage and investment management	Jordan	1992
Al-Watanieh Securities Company	1,600,000	100	Investment Brokerage	Palestine	1995
Tamallak For Financial Leasing Company	5,000,000	100	Finance Leasing	Jordan	2013
Safa Bank	53,175,000	79	Islamic Banking	Palestine	2016
Thimmar for Investment Services *	35,540	100	Investment	Palestine	2016

- The most important financial information for subsidiaries as of March 31, 2018 are:

	Al-Watanieh Financial Services Company (Awraq)		Al-Watanieh Securities Company	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	JD	JD	JD	JD
Total Assets	18,365,258	20,313,871	2,392,764	2,201,694
Total Liabilities	6,343,436	8,550,254	890,607	658,407
Net Assets	12,021,822	11,763,617	1,502,157	1,543,287

	For the Period Ended March 31,		For the Period Ended March 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Revenues	461,662	539,074	41,053	36,740
Total Expenses	164,344	170,115	82,183	79,216

	Tamallak For Financial Leasing Company		Safa Bank	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	JD	JD	JD	JD
Total Assets	30,345,609	28,550,854	91,598,466	90,455,081
Total Liabilities	24,702,095	22,917,924	42,298,262	40,571,632
Net Assets	5,643,514	5,632,930	49,300,204	49,883,449

	For the Period Ended March 31,		For the Period Ended March 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Revenues	299,213	299,774	612,642	211,699
Total Expenses	285,287	107,432	1,195,887	755,623

- * Thimmar For Investment Services is wholly owned by the subsidiary Al-Watanieh Securities Company and Amman Cairo Bank.

- The subsidiaries financial results are consolidated in the consolidated condensed interim statement of income from the date of their acquisition, which is the date on which the control of the Bank on the subsidiary takes place. In addition, the financial results of the disposed subsidiaries are consolidated in the consolidated condensed interim statement of income up to the date of the disposal, which is the date on which the Bank loses control over the subsidiary.
- Non-controlling interest represents the portion that is not owned by the Bank in the owner's equity in the subsidiary companies.

3. USE OF ESTIMATES

Preparation of the accompanying consolidated condensed interim financial statements and the application of accounting policies require from the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, and the financial assets valuation reserve, and in a specific way, it requires the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are 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 arising from the conditions and circumstances of those estimates in the future.

Management believes that the estimates used in the consolidated condensed interim financial statements are reasonable and consistent with the estimates used by the Bank's in preparing the consolidated financial statements for the year 2017 except for the following:

Changes in Accounting Policies and Significant Estimates and Judgements

The key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 (Financial Instruments) are summarized below. The comparative financial information has not been restated as per its requirements.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Key changes in the Bank's accounting policy for impairment of financial assets are listed below that requires significant judgment and estimates:

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortized cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. For these assets, 12-month ECL are recognized and interest is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with regulatory requirements. For these assets, lifetime ECL is recognized and treated with the interests calculated on them, according to regulatory instructions. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

Key changes to the Significant Estimates and Judgements

Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria are considered:

1. Specific rating downgrade "One notch downgrade or Two notch downgrade"
2. Facilities restructured during previous twelve months
3. Facilities overdue by specific number of days as at the reporting date

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Bank employs statistical models to analyze the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

Changes to Banks financial risk management objectives and policies:

- i. **Credit Risk Measurement**
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.
- ii. **Credit risk grading**
The Bank uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.
- iii. **Credit quality assessments**
Pursuant to the adoption of IFRS 9, the Bank has mapped its internal credit rating scale to an approve rating scale as of 31 March 2018.

In our opinion, the estimates used within our consolidated condensed interim financial statements are reasonable.

4. CASH AND BALANCES WITH CENTRAL BANKS

- The Statutory cash reserve held at the Central Banks amounted to JD 96,860,509 as of March 31, 2018 (against JD 93,057,652 as of December 31, 2017).
- Apart from the statutory reserve held at the Central Banks, the restricted cash balances amounted to JD 9,358,800 as of March 31, 2018 and December 31, 2017 respectively.
- There are no balances which mature in more than three months as of March 31, 2018 and December 31, 2017.

5. BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	3,620,028	864,923	66,804,814	17,570,330	70,424,842	18,435,253
Deposits that mature within 3 months or less	30,465,020	69,887,100	39,167,615	65,096,198	69,632,635	134,983,298
Provision for credit losses	-	-	-	-	(757,871)	-
Total assets	34,085,048	70,752,023	105,972,429	82,666,528	139,299,606	153,418,551

- Non-interest bearing balances at banks and financial institutions amounted to JD 70,424,843 as of March 31, 2018 (JD 18,435,253 as of December 31, 2017).
- There are no restricted balances as of March 31, 2018 and December 31, 2017.

- The movement on the expected provision for expected credit loss for balances at banks and financial institutions is as follows:

	March 31, 2018 (Reviewed not audited)			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS 9 implementation	302,245	385,790	-	688,035
Adjusted balance as of January 1, 2018	302,245	385,790	-	688,035
Net expected credit loss for the period	(80,297)	150,133	-	69,836
Balance at the end of the period	221,948	535,923	-	757,871

6. DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Deposit maturing within:		
More than 3 to 6 months	18,000,000	3,545,000
More than 6 to 9 months	-	34,438,353
More than 1 year	56,744,100	56,511,550
Provision for credit losses	(238,241)	-
Total	74,505,859	94,494,903

- There are no restricted balances as of March 31, 2018 and December 31, 2017.
- The movement on the expected provision for expected credit loss for deposits at banks and financial institutions is as follows:

	March 31, 2018 (Reviewed not audited)			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS 9 implementation	214,302	150,134	-	364,436
Adjusted balance as of January 1, 2018	214,302	150,134	-	364,436
Net expected credit loss for the period	23,939	(150,134)	-	(126,195)
Balance at the end of the period	238,241	-	-	238,241

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Quoted Equities	7,153,572	22,275,220
Investment Funds	23,643	-
	7,177,215	22,275,220

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Quoted Investments		
Quoted Equities	48,683,714	30,356,340
Total quoted investments	<u>48,683,714</u>	<u>30,356,340</u>
Unquoted Investments		
Unquoted Equities	2,434,662	2,433,562
Total unquoted investments	<u>2,434,662</u>	<u>2,433,562</u>
Total	<u>51,118,376</u>	<u>32,789,902</u>

- Cash dividends were distributed on investments in the amount of JD 2,083,077 for the period ended March 31, 2018 (JD 45,100 for the Year ended March 31, 2017).

9. DIRECT CREDIT FACILITIES, NET

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Consumer lending		
Overdrafts	17,039,985	14,728,712
Loans and bills *	695,993,954	669,547,712
Credit cards	14,037,269	12,105,757
Other	6,633,588	6,414,174
Residential mortgages	202,766,009	200,985,070
Corporate lending		
Overdrafts	113,041,084	89,583,243
Loans and bills *	264,213,684	261,654,297
SMEs		
Overdrafts	19,602,866	18,052,190
Loans and bills *	103,621,639	95,987,720
Government and public sectors	216,673,896	228,071,091
Total	<u>1,653,623,974</u>	<u>1,597,129,966</u>
<u>Less: Suspended interest</u>	(10,691,665)	(10,530,187)
<u>Less: Provision for impairment on direct credit facilities</u>	(63,733,296)	(48,663,030)
Direct credit facilities, net	<u>1,579,199,013</u>	<u>1,537,936,749</u>

- * Net after deducting interest and commission received in advance of JD 4,771,339 as of March 31, 2018 (JD 5,120,656 as of December 31, 2017).
- As of March 31, 2018 non-performing credit facilities amounted to JD 71,657,365 (December 31, 2017: JD 71,150,725), representing 4.3% (December 31, 2017: 4.45%) of gross facilities granted.
- As of March 31, 2018, non-performing credit facilities, after deducting suspended interest, amounted to JD 61,060,574 (December 31, 2017: JD 60,662,281), representing 3.69% (December 31, 2017: 3.66%) of gross credit facilities granted after excluding the suspended interest.

- As of March 31, 2018, credit facilities granted to the Government of Jordan amounted to JD 89,598,206 (December 31, 2017: JD 90,637,784), representing 5.4% (December 31, 2017: 5.68%) of gross credit facilities granted.
- As of March 31, 2018 credit facilities granted to the public sector in Palestine amounted to JD 37,816,911 (December 31, 2017: JD 63,669,699), representing 2.28% (December 31, 2017: 3.99%) of gross credit facilities granted.

Direct credit facilities impairment provision:

The movement of the provision for impairment of credit facilities during the period / year is as follows:

	(Reviewed not audited) March 31, 2018			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance as of January 1, 2018	-	1,477,957	47,185,073	48,663,030
Impact of IFRS 9 Implementation	9,702,469	3,537,107	-	13,239,576
Adjusted balance as of January 1, 2018	9,702,469	5,015,064	47,185,073	61,902,606
Transferred to stage (1) during the period	524,789	180,610	-	705,399
Transferred to stage (2) during the period	(180,610)	(249,811)	-	(430,421)
Transferred to stage (3) during the period	-	-	1,565,504	1,565,504
Used from provision during the period (written off)	-	-	(14,957)	(14,957)
Valuation differences	-	-	5,165	5,165
Net direct credit facilities loss as at the end of the period	<u>10,046,648</u>	<u>4,945,863</u>	<u>48,740,785</u>	<u>63,733,296</u>

The movement of the provision for impairment of credit facilities is as follows:

	December 31, 2017 JD
Beginning balance of the period/year	47,675,336
Charge during the period/year	3,792,546
Amount used from provision within the period/year (written off debts)	(2,983,669)
Revaluation differences	178,817
Balance at the end of the period/year	<u>48,663,030</u>

Interest in suspense

The movement of interest in suspense is as follows:

	March 31, 2018 JD	December 31, 2017 JD
Beginning balance of the period/ year	10,530,187	10,794,925
<u>Add:</u> Suspended interest during the period/year	263,412	1,273,903
<u>Less:</u> Amount transferred to income	(70,540)	(901,482)
Written off interest in suspense	(31,394)	(637,159)
Balance at the end of the period/year	<u>10,691,665</u>	<u>10,530,187</u>

10. FINANCIAL ASSETS OF AMORTIZED COST - NET

This item consists of the following:

	March 31, 2018 JD	December 31, 2017 JD
Quoted Investments		
Foreign Treasury bills	4,378,414	3,921,210
Corporate debt securities	17,411,988	17,272,992
Total quoted investments	<u>21,790,402</u>	<u>21,194,202</u>
Unquoted Investments		
Treasury bills	86,123,260	59,869,256
Government treasury bonds	284,757,629	213,360,406
Governmental debt securities	3,098,273	656,734
Corporate debt securities	35,283,600	30,283,600
Total unquoted investments	<u>409,262,762</u>	<u>304,169,996</u>
Total financial assets at amortized cost	<u>431,053,164</u>	<u>325,364,198</u>
Provision for Impairment	<u>(450,743)</u>	<u>-</u>
	<u>430,602,421</u>	<u>325,364,198</u>
Analysis of debt instruments		
Fixed rate	431,053,164	325,364,198
Floating rate	-	-
Total	<u>431,053,164</u>	<u>325,364,198</u>

** The movement on the expected credit loss during the period / year was as follows:
The comparative numbers for the year ended December 31, 2017 for the impairment of financial assets at amortized cost in accordance with IAS 39 Financial Instruments: Recognition and Measurement show the beginning balances of the expected credit loss provision in accordance with IFRS 9:

	March 31, 2018 (Reviewed not audited)			
	Stage (1) JD	Stage (2) JD	Stage (3) JD	Total JD
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS 9 Implementation	355,770	-	-	355,770
Adjusted balance as of January 1, 2018	355,770	-	-	355,770
Net expected credit loss for the period	94,973	-	-	94,973
Balance at the end of the period	<u>450,743</u>	<u>-</u>	<u>-</u>	<u>450,743</u>

11. OTHER ASSETS

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Accrued interest revenues	9,297,030	10,583,723
Prepaid expenses	10,442,056	7,478,829
Reposessed assets - net *	12,372,044	12,818,968
Accounts receivable - net	2,914,449	2,517,324
Clearing checks	7,925,428	10,662,124
Settlement Guarantee Fund	210,421	25,000
Refundable deposits	570,173	570,201
Deposit at Visa International	1,999,401	1,999,401
Others	1,427,435	547,233
Total	47,158,437	47,202,803

- * As per the Central Bank of Jordan instructions the reposessed assets should be sold within two years of repossession, and can be extended under specific circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has recognized a provision for the reposessed assets which is being held for more than four years in accordance to the Central Bank of Jordan instructions number 10/1/4076 dated March 27, 2014 and 10/1/7096 dated June 8, 2014. A gradual provision has been booked for the value of reposessed assets against debts which are being held for more than 4 years. As per the Central Bank of Jordan circular No. 10/1/16607 dated January 17, 2017 and in light of IFRS (9) adoption and its direct impact on the consolidation condensed interim financial statements of the Bank, it was decided to discontinue the circular rules mentioned above for the year 2018 as to continue on booking provisions in the year 2019.

12. CUSTOMERS' DEPOSITS

This item consists of the following:

	March 31, 2018	December 31, 2017
	JD	JD
Current accounts and demand deposits	450,306,131	446,650,922
Saving deposits	468,442,475	464,588,997
Time and notice deposits	904,047,108	838,554,027
Certificates of Deposits	28,360	70,900
Total	1,822,824,074	1,749,864,846

- Jordanian Government and Public Sectors deposits inside Jordan amounted to JD 269,543,492 as of March 31, 2018 representing 14.79% of gross customers' deposits (JD 244,216,056 as of December 31, 2017 representing 13.96% of gross customers' deposits).
- There are no restricted deposits as of March 31, 2018 and December 31, 2017.
- Non-interest bearing deposits amounted to JD 633,270,454 as of March 31, 2018 (December 31, 2017: JD 641,654,320) representing 34.74% (December 31, 2017: 36.67%) of gross deposits.

13. LOANS AND BORROWINGS

This item consists of the following:

	No. Of Installments		Payable Every	Maturity Date	Collaterals	Interest Rate %
	Amount	Total				
	JD				JD	
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	None	4.845% -
Amounts borrowed from French Development Agency	2,658,750	20	17	Semi - annually	None	4.895%
Amounts borrowed from Central Bank of Jordan *	9,025,000	10	9	Semi- annually	None	3.358%
Amounts borrowed from Central Bank of Jordan **	30,001,872	156	156	At maturity /per loan	Treasury Bills	2.5%
Amounts borrowed from Central Bank of Jordan *	2,232,042	14	14	Semi- annually	None	1%-2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	4,051,430	14	13	Semi- annually	None	2.5%
Amounts borrowed from Central Bank of Jordan *	4,100,000	20	20	Semi- annually	None	1.75%- 3.25%
Amounts borrowed from Jordan Mortgage Refinance Corporation ***	30,000,000	20	20	At maturity/per loan	None	2.39%
Amounts borrowed from Jordan Mortgage Refinance Corporation ***	5,000,000	1	1	At maturity	None	4.4%
Amounts borrowed from Jordan Mortgage Refinance Corporation ***	10,000,000	1	1	At maturity	None	5.75%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	None	5.9%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	6,068,571	7	6	Semi- annually	None	3.0%
Bank Al-Etihad	2,000,000	6	6	Quarterly	None	4.8%
Bank Al-Etihad	1,000,000	6	6	Quarterly	None	6.0%
Societe Generale Banque de Jordanie	911,111	45	44	Monthly	None	6.0%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	14,180,000	7	7	Semi- annually	None	7.25%
Amounts borrowed from International Markets Financial (IMF)	1,074,224	1	1	-	None	5%
Total	139,335,528					

No. of instalments

December 31, 2017 (Audited)

	Amount	Total	Outstanding	Payable Every	Maturity Date	Collaterals	Interest Rate
	JD					JD	
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	2,658,750	20	15	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi- annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan**	28,186,840	71	140	At maturity / Per Loan	2017-2022	Treasury Bills	1%-2.5%
Amounts borrowed from Central Bank of Jordan*	2,232,042	14	13	Semi- annually	2028	None	2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	5,064,286	14	5	Semi- annually	2020	None	1.75%-3.25%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.39%
Jordan Mortgage Refinance Company ***	30,000,000	20	1	At maturity / Per Loan	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	-	None	None	-
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	2039	None	3.0%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,080,000	7	7	Semi- annually	2021	None	4.8%
Bank Al-Ethihad	2,000,000	6	6	Quarterly	2021	None	6.0%
Societe Generale Banque de Jordanie	977,778	45	44	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	114,906,448						

* The borrowed funds from the Central Bank of Jordan were re-lent to SME's on an average interest rate of 8.5%. In addition, the repayment starts after 5 years of granting date.

** The borrowed amount from the Central Bank of Jordan for industrial, energy, tourism, agriculture and tourism financing loans were re-lent on an average interest rate of 4.5%.

*** Residential loans acquired from Jordan Mortgage Refinance Company amounted to 29,578,514 as of December 31, 2017 these loans were to refinance mortgage loans at a fixed rate of 7.1%

14. INCOME TAX PROVISION

A. Income Tax provision

The movement on the income tax provision was as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Balance at the beginning of the period/year	17,321,461	20,892,898
Income tax paid	(4,707,305)	(16,468,215)
Income tax payable	3,689,835	12,896,778
Balance at the end of the period/year	<u>16,303,991</u>	<u>17,321,461</u>

Income tax appearing in the statement of income represents following:

	For the Three-Month Period Ended March 31,	
	2018	2017
	JD	JD
Income tax for the period	3,689,835	2,737,600
Deferred Tax Assets	(185,413)	-
Income tax payable on period profit	<u>3,504,422</u>	<u>2,737,600</u>

- The statutory tax rate on banks in Jordan is 35% and the statutory tax rates on foreign branches and subsidiaries range between 0% to 31%. Banks in Palestine are subject to an income tax rate of 15% plus VAT of 16%.
- The Bank reached a final settlement with the Income and Sales Tax Department for the year ended 2015 for the Bank's branches in Jordan. The Income and Sales Tax Department did not review 2016 records up to the date of these consolidated condensed interim financial statements.
- A final settlement was reached with the tax authorities for Palestine branches until 2016.
- Al-Watanieh Financial Services Company reached a final settlement with the Income and Sales Tax Department up to the year 2009. The Income and Sales Tax Department has reviewed 2010 and 2011 records and estimated the tax payable for these years at JD 318,664 for the amount paid. This decision was objected by the company in the specialized courts where a decision was issued by the Court of First Instance in June 2016 to annul a claim, consider it voided and return it in order to be corrected to the Sales and Tax Department. This decision has been confirmed during the appeal stage in October 2016. Based on court's decision, the Income Tax Department reissued certificates with the same amounts. As a result, the company appealed against the decision, for which an objection was issued in June 2017 and therefore the appeal was filed before the courts which ended in July 2017. The court is still awaiting to correct the legal procedures, even though the legal period available after submitting the statements has passed by 4 years. The sales and Income Tax Department reviewed the company's records for the years 2012, 2013 and 2014 and estimated the tax payable for these years was JD 1,222,807 for the exceeding of paid amounts. The company had filed an appeal at specialized courts and no court decision has been made until this day. The Sales and Income Tax Department has not reviewed the accounts for the year 2015 and 2016 up to the date of these consolidated condensed interim financial statement.

- Al-Watanieh Securities Company - Palestine has reached a final settlement with the Income and Sales Tax Department up to the year 2015 the income and sales tax department did not review 2016 records up to the date of these consolidated condensed interim financial statements.
- Tamallak for Financial Leasing Company had reached a final settlement with the Income and sales tax Department for the year ended 2015. Furthermore, they have submitted their estimation of the year 2016 and paid income taxes payable but the Income Tax Department had not reviewed 2016 records, up to the date of these consolidated condensed interim financial statements.
- In the opinion of the Bank's management, income tax provision as of March 31, 2018 is sufficient to meet any future tax obligation.

15. OTHER LIABILITIES

This item consists of the following:

	<u>March 31,</u> JD	<u>December 31,</u> JD
Accrued interest expense	8,702,613	8,544,624
Unearned Revenue	422,881	461,644
Accounts payable	4,161,633	5,989,197
Accrued expenses	8,631,541	9,551,022
Temporary deposits	13,245,762	15,480,984
Checks and withdrawals	4,320,296	5,358,022
Provision for the expected credit loss off the consolidated condensed interim financial position items*	217,433	
Others	2,054,804	3,319,670
	<u>41,756,963</u>	<u>48,705,163</u>

- * The movement on the expected credit loss for the other liabilities for the period / year was as follows:

	March 31, 2018 (Reviewed not audited)			
	Stage (1) JD	Stage (2) JD	Stage (3) JD	Total JD
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS 9 implementation	114,817	74,286	28,330	217,433
Adjusted balance as of January 1, 2018	114,817	74,286	28,330	217,433
Net expected credit loss for the period	-	-	-	-
Balance at the end of the period	<u>114,817</u>	<u>74,286</u>	<u>28,330</u>	<u>217,433</u>

16. FAIR VALUE RESERVE (NET)

The movement is as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Beginning balance of period/year	(9,005,364)	(10,347,484)
Unrealized (loss) Gain	(179,333)	1,612,246
(Gain) from sale of financial assets at fair value	(6,500)	(53,133)
Deferred tax assets	(201,747)	(532,294)
Deferred tax liabilities	10,368	315,301
Ending balance of the period/year	<u>(9,382,576)</u>	<u>(9,005,364)</u>

17. INTEREST INCOME

This item consists of the following:

	For the Three-Month Period Ended March 31,	
	2018	2017
	JD	JD
Direct credit facilities		
Overdrafts	4,580,991	3,638,590
Loans and bills	26,159,769	22,274,933
Credit cards	687,427	567,553
Balances at Central Banks	1,884,959	868,218
Balances and deposits at banks and financial Institutions	1,540,028	1,823,371
Financial assets at amortized cost	3,580,343	2,460,670
Other	62,861	62,048
Total	<u>38,496,378</u>	<u>31,695,383</u>

18. INTEREST EXPENSE

This item consists of the following:

	For the Three-Month Period Ended March 31,	
	2018	2017
	JD	JD
Banks and financial institutions deposits	2,391,478	1,471,497
Customers' deposits:		
Current accounts and demand deposits	481,925	98,447
Saving accounts	1,106,665	809,190
Time and notice deposits	8,772,561	5,350,623
Certificate of Deposit	237	328
Margin accounts	170,213	340,451
Loans and borrowings	1,404,081	825,174
Deposits guarantee fees	974,605	842,618
Total	<u>15,301,765</u>	<u>9,738,328</u>

19. GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	Realized (loss)	Unrealized Gains	Dividends	Total
	JD	JD	JD	JD
March 31, 2018				
Equity instruments	(20,637)	62,486	244,144	285,993
Bonds	-	-	-	-
Investment funds	-	226	-	226
Total	<u>(20,637)</u>	<u>62,712</u>	<u>244,144</u>	<u>286,219</u>
March 31, 2017				
Equity instruments	-	728,898	-	728,898
Bonds	-	4,104	-	4,104
Investment funds	-	40,171	-	40,171
Total	<u>-</u>	<u>773,173</u>	<u>-</u>	<u>773,173</u>

20. EARNINGS PER SHARE

This item consists of the following:

	For the Three-Month Period Ended March 31,	
	2018	2017
	JD	JD
Profit for the period attributable to shareholders	6,925,521	6,663,451
Weighted average number of shares	180,000,000	180,000,000
	<u>(JD/Fils)</u>	<u>(JD/Fils)</u>
Basic and diluted earnings per share – (Bank's Shareholders)*	<u>0/038</u>	<u>0/037</u>

21. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

This item consists of the following:

	March 31,	
	2018	2017
	JD	JD
Cash and balances with Central Banks maturing within three months	446,547,794	407,942,781
<u>Add:</u> Balances at banks and financial institutions maturing within three months	140,057,478	203,029,708
<u>Less:</u> Banks and financial institutions' deposits maturing within three months	311,721,247	349,561,992
Restricted balances	9,358,800	8,224,400
Total	<u>265,525,225</u>	<u>253,186,097</u>

22. RELATED PARTY TRANSACTIONS

The accompanying consolidated condensed interim financial statements consist of the Bank and the following subsidiaries:

Company Name	Ownership %	Paid up capital of subsidiaries	
		March 31, 2018 JD	December 31, 2017 JD
Al-Watanieh Financial Services Company	100	5,000,000	5,000,000
Al-Watanieh Securities Company	100	1,600,000	1,600,000
Tamallak For Financial Leasing Company	100	5,000,000	5,000,000
Safa Bank	79	53,175,000	53,175,000
Thimmar Company for Investment Services	100	70,900	70,900

The Bank entered into transactions with subsidiaries, major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the credit facilities to related parties are performing facilities and are free of any provision for credit losses.

The following related party transactions took place during the period:

	Related Party			Total	
	Board of Directors and Relatives of Board Members	Executive Management	Others *	March 31, 2018	December 31, 2017
	JD	JD	JD	JD	JD
Items within the statements of financial position:					
Direct credit facilities	12,461,881	4,856,932	19,092,175	36,410,988	49,288,884
Deposits at the Bank	18,497,779	1,707,058	9,039,231	29,244,068	32,273,427
Margin accounts	167,488	12,811	67,775	248,074	887,299
Off balance items:					
Indirect credit facilities	2,873,181	-	252,527	3,125,708	3,390,734
				For the three-month period ended March 31,	
				2018	2017
				JD	JD
Income statements items					
Interest and commission income	1,191,068	32,458	1,683,445	2,906,971	1,256,166
Interest and commission expense	69,059	7,422	54,415	130,896	396,203

* Other related parties include the Bank employees and their relatives to the third degree.

- Credit interest rates on credit facilities in Jordanian Dinar range between 4 % - 9. 5%.
- Credit interest rates on credit facilities in foreign currency range between 4% - 4.75%.
- Debit interest rates on deposits in Jordanian Dinar range between 0% - 5.5%.
- Debit interest rates on deposits in foreign currency range between 0% - 3.5%.

Salaries, bonuses and other benefits for key management Personnel amounted to JD 698,004 as of March 31, 2018 (JD 732,036 as of March 31, 2017).

23. SEGMENTAL INFORMATION

1. Primary segment information

For management purposes the Bank is organized into three major business segments in accordance with the reports sent to chief operating decision maker of the bank.

Retail banking - Mainly handles individual customers' deposits, and granting credit facilities, credit cards facilities and other facilities.

Corporate banking - Mainly handles loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury - Mainly provides money market, trading and treasury services, as well as the management of the Bank's funding operations.

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

					March 31,	
	Retail Banking	Corporate Banking	Treasury	Others	2018	2017
	JD	JD	JD	JD	JD	JD
Gross income	24,357,387	12,896,665	10,941,103	527,244	48,722,399	40,275,380
Allowance for credit losses	1,978,856	(192,370)	-	-	1,786,486	(750,000)
Sundry provisions	-	-	(519,750)	-	(519,750)	(520,000)
Segment result	16,307,405	8,129,284	6,429,417	527,244	31,393,350	29,267,052
Unallocated costs					21,085,815	19,980,157
Profit before tax					10,307,535	9,286,895
Income tax					(3,504,422)	(2,737,600)
Profit for the period					6,803,113	6,549,295
Other information						
Capital expenditure					1,014,641	1,687,284
Depreciation and amortization					2,362,029	2,204,662
					March 31, 2018	December 31, 2017
					JD	JD
Total segment assets	896,616,169	695,876,416	1,148,170,194	98,334,480	2,838,997,259	2,794,346,747
Total segment liabilities	962,383,162	758,616,696	699,623,752	75,734,650	2,496,644,556	2,447,293,787

2. Geographical Information

This item represents the geographical distribution of the Bank's operations, the Bank's main activities are located in Jordan which represents local operation as well as international operations in the Middle East, Europe, Asia, America and Low East.

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

	Inside Jordan		Outside Jordan		Total	
	March 31,		March 31,		March 31,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total Revenue	35,878,102	32,161,164	12,844,297	8,114,216	48,722,399	40,275,380
Capital expenditure	432,884	1,222,665	581,757	464,619	1,014,641	1,687,284
	Inside Jordan		Outside Jordan		Total	
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	2,140,615,041	2,120,123,419	698,382,218	674,223,328	2,838,997,259	2,794,346,747

24. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments and contingent liabilities:

	March 31, 2018	December 31, 2017
	JD	JD
Letters of credit:		
Outward	33,007,860	49,861,134
Acceptances	17,667,230	949,305
Letters of guarantee:		
Payments	18,533,133	18,206,891
Performance	17,892,098	16,595,948
Other	15,428,415	16,347,831
Irrevocable commitments to extend credit	116,597,325	116,648,187
	<u>219,126,061</u>	<u>218,609,296</u>

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

	March 31, 2018	December 31, 2017
	JD	JD
Contracts to purchase property and equipment	<u>1,595,607</u>	<u>1,595,607</u>

25. LITIGATION RAISED AGAINST THE BANK

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 44,411,425 as of March 31, 2018 (December 31, 2017: JD 44,321,010) In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient.

Provision for legal cases amounted to JD 4,281,798 as of March 31, 2018 (December 31, 2017: JD 4,287,503).

26. STATUTORY RESERVES

The Bank has not deducted any statutory reserves according to Companies' Law since these are interim financial statements.

27. FAIR VALUE HIERARCHY

- a. The fair values for financial assets and financial liabilities of the Bank are determined at fair value on an ongoing basis.
- Some of the Financial Assets and Financial Liabilities of the Bank are valued at fair value of each reporting period. The following table provides information on how fair value is determined for financial assets and financial liabilities (Valuation Methods and Inputs Used).

	Fair Value		Fair Value Level	Valuation Method and Inputs Used	Intangible, Significant Inputs	Relationship between Intangible, Significant Inputs and Fair Value
	March 31, 2018 JD	December 31, 2017 JD				
Financial Assets/ Financial Liabilities						
Financial Assets at Fair Value						
Financial Assets at Fair Value through Income Statement						
Equity Securities	7,177,215	22,275,220	Level I	Prices issued in market values	N/A	N/A
Total	<u>7,177,215</u>	<u>22,275,220</u>				
Financial Assets at Fair Value in Other Comprehensive Income						
Quoted shares	48,683,714	30,356,340	Level I	Prices issued in market values	N/A	N/A
Unquoted shares	2,434,662	2,433,562	Level II	Comparing the market value with a similar financial instrument	N/A	N/A
Total	<u>51,118,376</u>	<u>32,789,902</u>				
Financial Assets at Fair Value	<u>58,295,591</u>	<u>55,065,122</u>				

There were no transfers between First Level and Second Level during the three-month period ending March 31, 2018.

b. The fair value for financial assets and financial liabilities of the Bank that are undetermined at fair value on an ongoing basis.

Except as stated in the table below we believe that the book value of Financial Assets and Financial Liabilities that is shown in the interim consolidated condensed financial statements are approximately equal to its fair value due either to its short-term maturity or that interest rates are re-priced during the period.

	March 31, 2018		December 31, 2017		Fair Value Level
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD			
Financial Assets with undetermined Fair Value					
Balances at Central banks	376,938,387	376,938,387	440,508,243	440,508,243	Second Level
Balances at Banks and Financial Institutions	139,299,606	139,299,606	153,418,551	153,418,551	Second Level
Deposits at Banks and Financial Institutions	74,505,859	74,505,859	94,494,903	94,494,903	Second Level
Loans and Borrowings	1,579,199,013	1,579,199,013	1,537,936,749	1,537,936,749	Second Level
Financial Assets at Amortized Cost	430,602,421	430,602,421	325,364,198	325,364,198	First and Second Level
Financial assets pledged as collateral	4,053,000	4,053,000	4,589,000	4,589,000	Second Level
Total Financial Assets with undetermined Fair Value	2,604,598,286	2,604,598,286	2,556,311,644	2,556,311,644	
Financial Liabilities with undetermined Fair Value					
Banks and Financial Institutions Deposits	1,822,824,074	1,822,824,074	1,749,864,846	1,749,864,846	Second Level
Customer Deposits	52,884,648	52,884,648	51,267,717	51,267,717	Second Level
Margin Accounts	139,335,528	139,335,528	114,906,448	114,906,448	Second Level
Total Financial Liabilities with undetermined Fair Value	2,419,765,497	2,419,765,497	2,363,328,689	2,363,328,689	

For the above items, the fair values of financial assets and liabilities have been determined in accordance with the pricing models agreed upon, which reflect the credit risk of the parties they deal with.