

ANNUAL REVIEW 2017



البنك الأردني الكويتي
JORDAN KUWAIT BANK



Dar al-Athar al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different piece of wooden artifact from The al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item featured here LNS 29 W is wooden window shutters or cupboard doors, carved and inlaid with ivory in a pattern of overlapping hexagons. The item was made in Egypt during the 15th century CE. The image is reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.



Public Ltd. Company
Established 25/10/1976

Commercial Register Number 108
Paid-up Capital JD 100 million
(USD 141 million)

Member of "KIPCO" Group - Kuwait

Our Mission...

“ We are a Jordanian banking institution which offers global services assured with high quality and professionalism by taking full advantage of the Bank’s advanced technological capabilities and its staff efficiency to render qualified services to customers. JKB seeks to diversify its customer base to include various Jordanian & Arab economic sectors, in order to achieve a rewarding yield to shareholders, in addition to enhance the national economy development, and society welfare.”

Our Vision...

“ To be one of the pioneer Arab banks through offering distinguished comprehensive banking solutions, in line with the latest developments in banking industry and e-business in the world.”

بِسْمِ
اللَّهِ
الرَّحْمَنِ
الرَّحِيمِ





HIS MAJESTY
KING ABDULLAH II BIN AL-HUSSEIN





HIS HIGHNESS
SHEIKH SABAH AL-AHMAD AL-SABAH
EMIR OF THE STATE OF KUWAIT





HIS ROYAL HIGHNESS
PRINCE HUSSEIN BIN ABDULLAH II
THE CROWN PRINCE



This year, the annual reports of KIPCO Group companies each feature a wooden artifact from Dar al-Athar al-Islamiyyah – one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

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BOARD OF DIRECTORS



BOARD OF DIRECTORS

Chairman

H.E. Mr. Abdel Karim A. Kabariti

Rep.: Al Rawabi United Holding Co. - Kuwait

Vice Chairman

Mr. Faisal Hamad Al-Ayyar

Members

Mr. Masaud Mahmoud Jawhar Hayat

Rep.: Kuwait Projects Co. (Holding) – Kuwait

Mr. Tariq Moh'd Abdul Salam

Mr. Mohammad Adnan AlMadi

Rep.: Social Security Corporation – Jordan

Dr. Yousef Musa Goussous

Rep.: Al Rawabi United Holding Co. - Kuwait

Mr. Mansour Ahmad Louzi

Rep.: Strategy Co. for Investments – Jordan

Mr. Bijan Khosrowshahi

Rep.: Odyssey Reinsurance Co. – U.S.A

H.E. Dr. Marwan Jamil Muasher

Mr. Hani Khalil Hunaidi

Mr. Majed Fayyad Burjak

Dr. Safwan Samih Toqan

Mr. Farouk Aref Al-Aref (Until 15/5/2017)

Board Secretary Mr. Suhail Moh'd Turki

Auditors

Deloitte & Touche (M.E) - Jordan

PricewaterhouseCoopers 'Jordan'

MESSAGE FROM THE CHAIRMAN
GOVERNANCE REPORT 2017
MAJOR FINANCIAL INDICATORS
AND RATIOS 2017 & 2016

MESSAGE FROM THE CHAIRMAN

To The Shareholders,

I am pleased to present to you, in my name and on behalf of my colleagues, members of the Board of Directors, the Annual Report on the Bank's results, achievements and the Consolidated Financial Statements for the year ending on 31/12/2017.

Economic Performance in 2017

It is estimated that the growth of the Global GDP rose to 3% in 2017 from 2.4% in 2016; such change relies fundamentally on the increased growth of more than half of the world economies, particularly that the global investment prosperity during the period from 2016 to 2017 was supported by the adequate financing costs, high profit margins and the improvement in business atmosphere in all the advanced economies, emerging markets as well as the developing economies. With the diminishing economic stagnation, it is expected that the global growth will reach 3.1% in 2018 moderating slightly to an average of 3% in 2019-2020. In the USA, growth reached an estimated 2.3% in 2017 with the support and enhancement of private investment. The growth is expected to reach 2.5% in 2018 and then to an average of 2.1% for the following two years. The Euro-Zone realized significant growth in 2017, reaching around 2.4% with broad improvement across the member countries driven by the global demand and strong growth for domestic demand and imports.

Overall, there is an increase in growth in most developing and advanced economies, yet the escalating trade protectionism, heightened geopolitical risks, potential disturbance in the money markets, and other challenges may adversely impact confidence, trade and the general economic activity.

The National Economy

It was anticipated that the year 2017 would witness significant improvements in the directions of the economic and financial policy being that Jordan has embarked on implementing the economic reform programme in collaboration with the IMF. Yet the general conditions remained difficult overall with limited flexibility; thus the year remained a reflection of the preceding year in almost all aspects, particularly that the regional and international circumstances affecting Jordan remained almost unchanged.

In light of the challenges that faced the Jordanian economy during 2017, it was inevitable for the Government to adopt a precautionary policy to protect and maintain the relative economic, financial and social stability. Mixed results have been realized in this area.

Jordan's security and stability supported overcoming difficulties and consequently a positive economic growth was realized; above 2%. Success was also achieved in dealing with the core national economy; the Jordanian Dinar maintained a stable rate of exchange against the US Dollar, and the Central Bank of Jordan's reserves of foreign currencies, despite its decline, remained adequate to cover exports for six months and the inflation remained stable around 3%.

The Economic Reform Programme anticipated that the budget deficit in 2017 shall be reduced to JD753 million, which has been realized and thus, the financial deficit has declined as a percentage of the GDP from 3.2% in 2016 to 2.6% in 2017, and due to an increase in domestic revenues by JD484 million.

On the negative side, a number of significant indicators showed a decline or inactivity; the economic growth remained low, domestic exports remained unchanged; share prices at Amman Stock Exchange dropped by around 2% and the unemployment rate rose to an unprecedented level of 18.5%. As for the public debt, it rose in absolute numbers from JD26.1 billion to JD27.3 billion; and as a percentage of the GDP from 95.1% to 95.3%.

The Bank's Performance in 2017

The Bank is not only required to take into account the local circumstances, but rather the regional and international circumstances as well, while complying with the best international practices, maintaining the determined ratios and averages, and work towards exceeding them in most cases.

In 2017, the application of IFRS (9) standards took over a substantial portion of the Bank's efforts, whereby and among the joint efforts with KIPCO Group Banks in Kuwait, it was contracted with specialized companies in dealing with the Standard's requirements and determine the necessary variables for calculating the provisions. A model was created against which the risk ratio would be measured to be reflected on the weight of risk for all financial assets. The adoption of the Standard constitutes a challenge to banks due to the impact on the capital adequacy ratios and its profitability, and thus the increased burden on the provisions, which shall be reflected on their lending appetite and the inclination towards being strict in extending facilities. The required additional provisions due to adopting the Standard amounted to around JD47 million; the impact of which on the Financial Statements of 2018 was shown within the disclosure of the Financial Statements of 2017.

During the year, the Bank's Management was engaged in implementing the governance and management of information and related technology instructions issued by the Central Bank of Jordan, which is running well and on schedule.

On the other hand, 2017 witnessed the realization of significant enhancements in e-banking services, whereby a set of new and advanced services were launched, asserting the Bank's leading position. The Information Technology Department, due to a substantial investment allocated thereto, became the main lever for the Bank's services, products and operation management, all paralleled with applying the most stringent security measures to face cyber threats and electronic crimes round the clock.

MESSAGE FROM THE CHAIRMAN

During 2017, the Bank realized good results whereby our efforts were focused on realizing acceptable growth directed towards retail, individual and small enterprises, for their role in supporting the national economy, creating job opportunities and reducing the rate of unemployment. The Bank also proceeded with its leading role in supporting major projects, whereby financing was extended to a number of projects in various vital sectors including real estate, health, infrastructure projects and related industries.

On the level of financial results, the Bank's Total Assets amounted to JD2.832 billion compared with JD2.740 billion at the end of 2016; a growth of 3.4%. Direct credit facilities (net) amounted to JD1.562 billion against JD1.447 billion at the end of 2016, realizing a growth of 8%. Customers deposits amounted to JD1.808 billion compared with JD1.703 billion at the end of 2016; a growth of 6.2%. Non-performing Loans amounted to 4.8% against 7.7% at the end of 2016.

As a result of the Bank's main activities, the Income from Continuous Operations after taxes for the year amounted to JD28.2 million compared with JD30 million from last year. Shareholders' Equity amounted to around JD468 million. Based on the Bank's financial results for 2017, the Board of Directors recommends to the General Assembly the distribution of JD20 million as cash dividends to shareholders, which is equivalent to 20% of the Bank's capital.

In general, the results of the Bank's activities were close to those of last year, despite the growth in total income of around 4%. However, the increase in cost of branching, technology infrastructure, and the provision for the acquired real estate resulted in the reduction of profits for the year by 4.4% compared with 2016. As well as our share of the losses of Untied Financial Investment Co. (discontinued operations) raised the reduction to about 10.2%

The Bank's overall performance places it within the well capitalized banks with high financial soundness. The capital adequacy ratio reached 18.30% and the leverage ratio 12.79% compared with 19.01% and 12.89% respectively as per the instructions of the Central Bank of Jordan. In view of the increase in the Bank's assets, size of dealings among the banks, size of its facilities, its Off-Balance obligations in Jordan and branches abroad, the Central Bank of Jordan decided to consider Jordan Kuwait Bank as one of the six Domestic Systemically Important Banks (D-SIBs). This shall require the Bank to meet various requirements; including maintaining a high capital adequacy ratio, existence of governance management, advanced methods of risk management methodology, provision of credit rating systems, risk-based pricing, and other requirements most of which are currently available at the Bank.

Forecast

Within the unstable regional conditions and the uncertainty prevailing within the business circles, it would be quite difficult to predict the situation in the foreseeable future.

The international rating agencies have attributed an outlook for the Jordanian Economy between stable and negative, whilst the business circles endeavor to see the picture from both sides, as there are potential positive aspects which must be invested in, benefiting therefrom and building on,

while taking into account the potential negative aspects and taking the necessary precautions in the decision making process.

In terms of the positive prospects; it shall be relied on that the government will continue with its commitment to the economic reform programme and to seriously work towards realizing its objectives in significantly reducing the general budget deficit after grants, and to set the debt limit at the current level and then to gradually reduce it during the coming years as a ratio of GDP. Positive forecasts include opening the borders and markets for Jordanian exports; continue with the momentum of income from tourism, maintain expatriate remittances at their current level, and maintain the Central Bank of Jordan's reserve of foreign currencies at its comfortable level, which enhances general confidence, and thus as result raising the rate of economic growth to at least 2.5%.

In terms of the negative prospects, it is expected that the bad regional conditions will continue, foreign aid to be subjected to more reduction, and that unemployment shall remain at its high levels; keeping the economic growth rate low with the deficit in the balance of payment remaining at around 8% of GDP.

Therefore, the current domestic state is quite difficult; the growth engines represented in investment, government capital expenditure and consumer consumption do not give positive indicators. The deceleration involves the industrial, investment and real estate and service sectors. With the adamancy of IMF in dictating an austerity policy that touches on prices, the tax system structure and revoking exemptions, the overall situation needs an exceptional approach where it is inevitable to be self-reliant with the continuous need for foreign aid, which may not seem to be possible at the moment.

We are required to act with a positive attitude during next year and should not confine ourselves with negativity resulting from the difficulties, challenges and the surrounding regional and political conditions. We hope that relief materializes in the region and that would have an impact on the general economy, knowing that such impact shall not be direct nor fast. In all events, we shall not stand idle waiting for conditions to improve, however shall continue to build capacities, enhance achievements, seek tirelessly to look for and identify available and latent opportunities.

In conclusion, I am pleased to extend my profound gratitude to my colleagues, the members of the Board, the Bank's shareholders, and customers for their support and ongoing confidence, as well as to H.E. the Governor of the Central Bank of Jordan, his deputies and all staff members for their efforts and accomplishments in developing and enhancing the stature of the Jordanian Banking Sector. I further extend my gratitude to H.E. the Chairman and members of Jordan Securities Commission. I also extend my appreciation to all the officials and employees at the Bank and its subsidiaries for their appreciated efforts, loyalty and role in the success and development of the Bank.

Abdel Karim Kabariti

Chairman

GOVERNANCE REPORT FOR 2017

Corporate Governance Framework

Jordan Kuwait Bank believes that the existence of good corporate governance leads to good management of the Bank, and helps to achieve the Bank's strategic objectives and safely manage its operations in a manner that safeguards the depositors' interests, and ensures the responsibility towards shareholders and other stakeholders. The Bank bases the management and development of its internal corporate governance according to the legislations of the Companies Law in force, the Corporate Governance instructions issued by the Jordan Securities Commission for the year 2017, and the Corporate Governance instructions for banks No. 9/2016 issued by the Central Bank of Jordan (CBJ), in addition to the provisions and instructions issued by international regulatory authorities pertaining to banking operations and that are in line with the Bank's nature of business and its internal systems.

Jordan Kuwait Bank's Board of Directors affirms its commitment and that of the Bank's executive management and all the employees in implementing the governance instructions. The Bank's adoption of this manual aims to realize the corporate governance principles of fair treatment for all stakeholders; transparency and disclosure of JKB's actual financial and administrative standing; and the relational accountability between the Board of Directors and the executive management, between the Board and shareholders as well as between the Board and various stakeholders. To achieve greater level of disclosure and transparency, the Corporate Governance Manual is annexed to this report and is published on the Bank's website www.jkb.com.

In accordance with the instructions of the Central Bank of Jordan, work has begun on the application of the requirements for the Governance and Management of Information and Technology No. 65/2016 according to COBIT 5 framework.

The Bank's organization and administrative procedures are based on the following principles:

- A board of directors is in place that is effective and responsible.
- A clear strategic direction for business development within clear framework for risk management.
- Sound accounting and information disclosure principles.
- Sound decision making mechanisms.
- Performance evaluation linked to the strategy.
- Human resources development.

Board of Directors (BoD)

The formation of the Board of Directors is governed by the Jordanian Companies Law and the CBJ's Banks Law and Corporate Governance instructions for Banks and the Governance instructions for listed companies for the year 2017 issued by the Jordan Securities Commission.

The main role of the Board of Directors lies in its responsibility of ensuring the soundness of the Bank's operations including its financial standing, and fulfilling its obligations towards all stakeholders. The Board sets the Bank's strategic objectives that meet the interests of the Bank, shareholders, and customers, and has oversight responsibility over the executive management. It is also accountable for ensuring the effectiveness of internal monitoring and control systems and the extent to which the Bank is abiding by the strategic plans and that written policies covering all of the Bank's activities are endorsed and in place.

The Board of Directors is also responsible for the credibility and accuracy of the Bank's financial reports and the information contained in the Annual Report and ensuring the application of appropriate risks policies as well as compliance with all laws in force.

The current Board of Directors was elected by the General Assembly on May 15, 2017 for tenure of four years. The Board of Directors elected H.E. Mr. Abdel Karim Kabariti as Chairman and Mr. Faisal Hamad Al-Ayyar as Vice-chairman.

GOVERNANCE REPORT FOR 2017

Board Members for the Current Term

1- Representative Members

No.	Name	Name of Representative	Executive / Non-Executive	Independent / Non Independent
1	Al Rawabi United Holding Co. Chairman	Mr. Abdel Karim A. Kabariti	Non – Executive	Non – Independent
2	Al Rawabi United Holding Co.	Dr. Yousef Musa Goussous	Non – Executive	Non – Independent
3	Kuwait Projects Co. (Holding)	Mr. Masaud Mahmoud Jawhar Hayat	Non – Executive	Non – Independent
4	Social Security Corporation	Mr. Mohammad Adnan AlMadi	Non – Executive	Non – Independent
5	Strategy Co. for Investments	Mr. Mansour Ahmad Louzi	Non – Executive	Non – Independent
6	Odyssey Reinsurance Co.	Mr. Bijan Khosrowshahi	Non – Executive	Non – Independent

2- Members

No.	Name	Name of Representative	Executive / Non-Executive	Independent / Non Independent
7	Mr. Faisal Hamad Al-Ayyar Vice Chairman	-	Non – Executive	Non – Independent
8	Mr. Tariq Moh'd Abdul Salam	-	Non – Executive	Non – Independent
9	Dr. Marwan Jamil Muasher	-	Non – Executive	Independent
10	Mr. Hani Khalil Hunaidi	-	Non – Executive	Independent
11	Dr. Safwan Samih Toqan	-	Non – Executive	Independent
12	Mr. Majed Fayyad Burjak	-	Non – Executive	Independent
13	Vacant Seat			

Mr. Farouk Aref Al-Aref	Membership ended with the election of a new Board of Directors on 15/5/2017
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Membership of Board of Directors Members in Public Shareholding Companies

Mr. Abdel Karim A. Kabariti	Jordan Dairy Company
Mr. Mansour Ahmad Louzi	United Financial Investments Co.
Mr. Bijan Khosrowshahi	Arab Orient Insurance Co.
Dr. Marwan Jamil Muasher	Masafat For Specialized Transport Co., Ready Mix Concrete & Consturactions Supplies Co.

JSC Governance Officer

Mr. Suhail Moh'd Turki / Board Secretary

Board Committees

In the aim of organizing the Board of Directors' work and to increase its efficiency and effectiveness, the Board of Directors forms different committees from its members that are delegated with authorities and responsibilities to be in line with the Bank's strategies and goals. The committees' compositions, duties and responsibilities have been detailed in the Corporate Governance Manual which is published on the Bank's website and annexed to the Annual Report.

GOVERNANCE REPORT FOR 2017

1- Board Corporate Governance Committee (BCGC) (Governance Committee)

The committee oversees the development of the Corporate Governance Manual, updating it, and monitors its implementation. It ensures that the Bank's organizational structure meets the corporate governance requirements. It also adopts general policies, and raises them to the Board of Directors for approval and supervises their implementation and ensures commitment to the adopted JKB Code of Ethics at the level of BoD and all administrative levels in the Bank. In addition to any other duties included in the Governance instructions for listed companies for the year 2017.

Board Corporate Governance Committee Members

Dr. Marwan J. Muasher, Committee Chair (Independent)

Mr. Abdel Karim A. Kabariti (Non- Independent)

Mr. Hani K. Hunaidi (Independent)

Dr. Safwan S. Toqan (Independent)

2- Board Risk and Compliance Committee (BRCC)

The committee's role is to review the Risk Management's framework and strategy of Risk and Compliance Management; create suitable work environment that helps in identifying and managing risks with significant impact; and stay abreast with the developments that affect the Bank's operations. The committee reviews reports submitted by the Risk Management and Compliance Departments and submits relevant recommendations to the Board of Directors, illustrating the Bank's commitment to the acceptable risk appetite level and its compliance with the regulations and instructions issued by relevant regulators. In addition to any other duties included in the Governance instructions for listed companies for the year 2017.

Board Risk and Compliance Committee Members

Mr. Tariq M. Abdul Salam, Committee Chair (Non- Independent)

Mr. Mansour A. Louzi (Non- Independent)

Mr. Mohammad A. AIMadi (Non- Independent)

Dr. Safwan S. Toqan (Independent)

3- Board Audit Committee (BAC)

The committee shall review and ratify the internal audit plan which includes audit scope and frequency. Review internal audit reports and the reports and observations of regulatory bodies and the external auditor and ensure that the executive management takes the corrective measures. The committee also reviews the Bank's financial statements prior to submission to the Board of Directors and ensures that the Bank has properly observed and complied with international accounting and audit standards. In addition to any other duties included in the Governance instructions for listed companies for the year 2017.

The Board Audit Committee held eight meetings during 2017 and met with the External Auditor once during the period.

Board Audit Committee Members

Mr. Hani K. Hunaidi, Committee Chair (Independent)

Education: Master of Business Administration (MBA), Portland State University –USA, 1980 and Bachelor of Business Administration, American University of Beirut. 1973, Certified Public Accountant (CPA).

Current Position:

- Chairman of the Board of Trustees, Mediterranean Industries
- Chairman of the Board of Trustees, Mediterranean Energy Co.

Previous Positions:

- Chairman, National Ammonia and Chemical Industries (1991- 2009)
- Managing Director, Jordan Kuwait Company for Agriculture and Food Products (1986-1992)
- Project General Manager, Jordan Management and Consultancy Corp. (1984-1986)
- Financial and Administrative Manager, Jordan Securities Corp. (1982-1984)
- Auditor, Touch Ross & Co. (1980-1982)
- Project Senior Accountant, Consolidated Contractor Company (1976-1978)
- Accountant, Safwan Trading & Contracting Co. Kuwait (1973-1974)

Mr. Mohammad A. AIMadi (Non – Independent)

Education: Bachelor degree in Accounting, Yarmouk University, 1992, Master degree in Financing, Jordan University, 1998.

Current Position:

- Head of Internal Audit, Social Security Investment Fund (2003 – Present)

Previous Positions:

- Internal Audit Department, Central Bank of Jordan (1994 – 2003)
- Arab Bank (1993)
- Accounts Audit, Deloitte and Touche (1992 – 1993)

Dr. Safwan S. Toqan (Independent)

Education: Bachelor degree in Business Administration, American University - Beirut, 1966, Master degree in Economics, University of South California – USA, 1976, PhD in Economics, University of South California –USA, 1980.

Current Position: -

Previous Positions:

Member of the 26th Jordanian Senate

- Chairman, Amman Stock Exchange (2012-2013)
- Chairman, Jordan Phosphate Mines Company (2000 – 2004)

GOVERNANCE REPORT FOR 2017

- General Manager, Social Security Corporation (1994 – 1999)
- Secretary General, Ministry of Planning (1989 – 1994)
- Assistant Professor, Yarmouk University (1981 – 1989)
- Lecturer, University of South California – USA (1975 – 1980)
- Central Bank of Jordan (1966 – 1975)

4- Board Nominations & Remuneration Committee (BNRC)

The Committee shall identify eligible persons for board membership and determine members' "independency", provide recommendations to the Board for the appointment of qualified executive management members, implement a formal performance assessment policy for the Board of Directors and executive management and ensure that the Bank has a remuneration policy in place. In addition to any other duties included in the Governance instructions for listed companies for the year 2017.

Board Nominations & Remuneration Committee Members

Dr. Safwan S. Toqan, Committee Chair (Independent)

Mr. Masaud M. Hayat (Non – Independent)

Dr. Marwan J. Muasher (Independent)

Mr. Hani K. Hunaidi (Independent)

Mr. Majed F. Burjak (Independent)

5- Board Credit Committee (BCC)

The Committee's Role includes:

Grant, modify, renew and restructure of credit facilities that exceed the authorities of the Management Credit Committee, headed by the General Manager, within the limits set by the Board of Directors. The Board of Directors shall take the decisions in matters exceeding the Committee's authorities.

The Committee's authority is limited to taking the right decision regarding the facilities that have been recommended for approval by the Management Credit Committee.

The Board of Directors may delegate to the Management Credit Committee some or all of this Committee's authorities; in respect of modifying the terms or restructuring of facilities.

Board Credit Committee Members

Mr. Abdel Karim A. Kabariti, Committee Chair (Non – Independent)

Mr. Farouk A. Al-Aref (Non – Independent) - Until 15/5/2017

Dr. Yousef M. Goussous (Non – Independent)

Mr. Mansour A. Louzi (Non – Independent)

Mr. Majed F. Burjak (Independent)

Mr. Masaud M. Hayat (Non – Independent) – As of 15/5/2017

6- Board Management and Investment Committee (BMIC)

The Committee reviews and takes appropriate decisions on:

First: Management issues:

Administrative expenses, procurement contracts, bids, supplies, donations, and generally all commitments and contracts in excess of the powers entrusted to the senior executive management as identified within the Authority Matrix and powers endorsed by the Board of Directors, and take the managerial and financial decisions in their regard.

Approve requests/offers for the sale of Bank owned properties beyond the limits entrusted to the Senior Executive Management as stipulated in the approved Authority Matrix.

Approve Bank owned real estates' pricing annually or when required.

Second: Investment issues:

Take decisions with regards to proposals and requests submitted by the Management Investment Committee on matters beyond its authority as stipulated in the approved Authority Matrix annexed to the approved investment policy. This includes the following:

- Bank investments in Jordanian Dinar in money market and capital market instruments.

- The Bank's investments in foreign currencies in money market, capital market tools and currency exchange operations.

The Board of Directors shall decide on any of the items listed above if they exceed the authority of the Committee.

Management and Investment Committee Members

Mr. Abdel Karim A. Kabariti, Committee Chair (Non – Independent)

Mr. Farouk A. Al-Aref (Non – Independent) – Until 15/5/2017

Dr. Yousef M. Goussous (Non – Independent)

Mr. Mansour A. Louzi (Non – Independent)

Mr. Majed F. Burjak (Independent)

Mr. Masaud M. Hayat (Non – Independent) – As of 15/5/2017

GOVERNANCE REPORT FOR 2017

7- Board Information Technology Governance Committee (BITGC)

The Committee is responsible for approving the Information Technology strategic objectives and appropriate organizational structures, including Steering Committees at Executive Management Level, to ensure the achievement of the Bank's strategic objectives, and realizing the best value-added of IT projects and investments resources while utilizing the tools and standards to monitor and ascertain the extent of achievement. The Committee shall oversee and be apprised of the progress of IT operations, resources and projects to ensure its adequacy and its effective contribution in achieving the Bank's business requirements.

Information Technology Governance Committee Members (BITGC)

- Mr. Majed F. Burjak, Committee Chair (Independent)
 Mr. Mansour A. Louzi (Non – Independent)
 Dr. Marwan J. Muasher (Independent)
 Mr. Hani K. Hunaidi (Independent)
 Mr. Mohammad A. AlMadi (Non – Independent)

Board Members' Remuneration

Every Board member receives the sum of JD5,000 (USD7,052) per year as Board membership allowance, in addition to allowances in lieu of travel, transportation and Board committees' membership.

Board and Committees Meetings during 2017

The following table shows the number of Board meetings and Board committees' meetings, and the number of meetings attended by each member during the year 2017, noting that Board of Director Members attended the General Assembly of Shareholders that was held on 15/5/2017.

Total number of meetings held during the year 2017	BOD	BCGC	BRCC	BAC	BNRC	BITGC	BCC	BMIC
	6	1	4	8	1	2	47	37
Board members	Number of meetings attended							
H.E. Mr. Abdel Karim A. Kabariti / Chairman	6	1					47	37
Mr. Faisal H. Al Ayyar / Vice Chairman	4							
Mr. Masaud Jawhar Hayat *	5				0		26/29	20/20
Mr. Tariq M. Abdul Salam	4		2					
Mr. Mohammad A. AlMadi	6		3	7		1		
Dr. Yousef M. Goussous	5						47	37
Mr. Mansour A. Louzi	6		4			2	47	37
Mr. Bijan Khosrowshahi	4							
Dr. Marwan J. Muasher	3	0			0	1		
Mr. Hani K. Hunaidi	5	1		7	1	1		
Mr. Majed F. Burjak	6				1	2	47	37
Dr. Safwan S. Toqan	6	1	4	7	1			
Mr. Farouk A. Al-Aref **	1/1						18/18	17/17

*Member of BCC and BMIC as of 15/5/2017

**Board Member and Member of BCC and BMIC until 15/5/2017

Executive Management

Mr. "Moh'd Yaser" M. Al-Asmar

General Manager

Mr. Tawfiq A. Mukahal

Deputy General Manager, Head of Banking Group

Mr. William J. Dababneh

Head of Treasury, Investment & Intl. Relations

Mrs. Hiyam S. Habash

Head of Finance

Mr. Haethum S. Buttikhi

Head of Retail & Private Banking

Mr. Abdel Kareem M. Friehat

Head of Operations & Information Technology

Mr. Zuhdi B. Al-Jayousi

Head of Corporate Credit

Mr. Ibrahim E. Kashet

Head of Legal Affairs

Mr. Ibraheem S. Al-Hanash

Regional Head – Palestine Branches

Mr. Ibraheem F. Taani

Head of Internal Audit Dept.

Mr. Moh'd J. Azem Hammad

Head of Risk Dept./ Acting Head of Compliance

Mr. Abdallah I. Mismar

Head of Administrative Affairs Dept.

Mr. Daoud A. Issa

Head of Human Resources Dept.

Mr. Ibrahim F. Bisha

Co-Head, Treasury, Investment & Intl. Relations

Dr. Makram A. Qutob

Co-Head, Corporate Credit

Members of Executive Management who resigned during 2017:

Mr. Shaher E. Suleiman, Head of Support Group until 14/5/2017

Mr. Sa'ed M. Tu'meh, Human Resources Dept., until 30/3/2017

Remuneration and Rewards Policy

JKB has a comprehensive remuneration and rewards policy that closely integrates with the approved performance evaluation policies. Staff annual raises and rewards are based on achievement which meets the Bank's interests and its sustainable progress in all areas. The policy also assures the independence of control units in such a way that staff salaries and rewards are not determined by the Bank's profit levels.

The remuneration and rewards policy sets the basis for annual salary raises, effect of promotion on salary, types and conditions of allowances paid to employees, and the structure of the salary scale and its review process, for the purposes of maintaining a competitive and fair work environment.

The salaries, transportation allowance and other expenses paid to the Bank's executives during the year 2017 were declared in the disclosure statement as required by article (4) of the disclosure regulations issued by the Jordan Securities Commission, and in the notes to the consolidated financial statements included in this report.

Control Environment

Internal Controls

JKB's Board of Directors and executive management are responsible for developing and maintaining the existence of internal control systems and procedures that are capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Bank.
- Effectiveness and efficiency of the Bank's operational activities.
- Effectiveness of measures and procedures set to safeguard the Bank's assets and properties.
- Compatibility with policies pertinent to internal operational procedures as well as laws, legislations and regulations in force.

The Bank believes in the importance of an effective internal monitoring and control system given that it is one of the key elements of sound management and the basis for safeguarding the safety and quality of the Bank's transactions. Hence the Bank has adopted a number of internal monitoring and control systems which their development, implementation, follow-up and update are the responsibility of the executive management. JKB's management continuously monitors and assesses the efficiency and effectiveness of these systems and their ability to achieve desired objectives. It also oversees their continuous development and enhancement.

In this context, the Board of Directors adopted an internal monitoring and control policy that covered all aspects pertinent to internal control systems in terms of definition, components, implementation and the responsibility of the Board of Directors and the Executive Management towards them.

Internal Audit

The philosophy of Internal Audit (IA) was based on its task to provide independent and objective assurance and consulting services to the Bank. IA objectives were designed to add value and improve the Bank's operations and help the management to accomplish its objectives by applying a systematic and disciplined approach to assess and improve the effectiveness of risk management, internal controls, and governance.

The Internal Audit Department is administratively subordinated to the Board Audit Committee (BAC). It reports to the BAC on the results of audit engagements.

The Internal Audit Charter was established according to best international standards for the professional practice of internal auditing and it defined the following:

- IA activity is independent and has no executive tasks.
- IA activity has direct authorized / unrestricted access to the Bank's and subsidiaries' records, personnel and physical properties relevant to the performance of engagements assigned to it.
- IA activity shall be provided with appropriate and sufficient number of competent resources (academically & professionally qualified staff) in addition to training courses both locally and abroad.
- IA activity provides reasonable assurance regarding the efficiency and effectiveness of the Bank's Internal Control Systems (ICS) and its ability to achieve the following objectives:
 - Reliability and integrity of financial and operational information.
 - Efficiency of operations.
 - Compliance with laws and regulations in force.
 - Safeguarding of the Bank's assets and properties.
 - Business continuity under all circumstances.
 - Improve and develop ICS, risk management, and governance processes.
 - Improve and develop operations (processes) and products to achieve the Bank's objectives.

A code of business conduct for Internal Audit staff members was prepared according to best international practice. The code emphasizes the principles of integrity, objectivity, confidentiality and efficiency that an auditor must have.

The scope of IA activity covers all the Bank's auditable business centers, activities and operations, including branches abroad and subsidiaries, and any outsourced activities if necessary, in a way that enables the management to assess the adequacy and effectiveness of ICS, risk management and governance processes, and achieve all engagements and responsibilities assigned to it. The IA also performs many other tasks the most significant of which are:

- Conduct accepted periodical engagements (assurance reviews) as per approved risk based audit plan prioritization on the approved internal audit strategic plan by BAC.

GOVERNANCE REPORT FOR 2017

- Conduct any special review or consulting engagements based on the directives of the Chairman, BAC, the executive management, the Head of Internal Audit, or the monitoring bodies, according to best international standards for the professional practice of internal auditing.

The quality assurance concept was introduced to provide all stakeholders with reasonable assurance about audit function in term of conformance with the common international standards at both local and international levels.

Risk Management Function

Various risks to which the Bank is exposed are managed by an independent risk management department that reports directly to the Board's Risk and Compliance Committee.

The Risk Management Function at the Bank is based on three main pillars as follows:

- Full understanding and awareness by the Board of Directors, top executive management, and the Bank employees of the types of potential risks in the Bank's operations.
- Availability of appropriate strategy, policies, and procedures to manage risk, which reveal the magnitude of risk that the Bank can address, in a manner that ensures financial strength.
- Availability of systems that help in managing various forms of risk that the Bank may face.

The Risk Management Department's objectives are as follows:

- Achieve financial strength, which reflects positively on the Bank's credit rating.
- Transparently highlight risks and ensure their clarity and understanding.
- Set recommendations to identify the size and type of acceptable main risks by the Board of Directors, assuring that current risks are compatible with those that have been planned for.
- The Bank's compatibility with the Basel accords and all legislations that govern and regulate risk management in banks.

The process of identifying, evaluating, and managing risks is considered a joint responsibility, starting with each of the Bank's units which are considered the first line of defense. The Risk Management Department evaluates and monitors risks and recommends ways of mitigating them, submitting the necessary reports to the Board Risk and Compliance Committee whereby it is considered the second line of defense, followed by the role of internal audit which is considered the third line of defense.

In turn, the Risk Management Department is responsible for its abovementioned role within a documented organizational structure approved by the Board Risk and Compliance Committee regarding credit, market, and operational risk, information security, business continuity, and liquidity (within the assets and liabilities framework) and conformity to the Basel accords. Furthermore, the Risk Management Department is represented in different committees that manage the Bank's operations for issues related to the risk management.

The functions of the Risk Management Department are summarized as follows:

- Review the risk management framework at the Bank prior to Board approval.
- Implement the risk management strategy in addition to developing policies and procedures for managing all types of risk.
- Develop methodologies to identify, measure, and control all types of risks.
- Submit reports to the Board through the Risk Management and Compliance Committee, with a copy to the top management, including information about the actual risk profile for all the Bank's activities, compared to the risk appetite document, and follow up on addressing deviations.
- Verify the integration of risk measurement mechanisms with management information systems in use.
- Study and analyze all types of risk faced by the Bank.
- Submit recommendations to the Board Risk Management and Compliance Committee about the Bank's exposure to risk, recording exceptional cases against the risk management policy.
- Provide the necessary information regarding the Bank's risks for disclosure purposes.
- The Risk Management Department conducts awareness programs to the Bank employees about risk management concept.
- Assess the Bank's capital adequacy, along with the Bank's risks and stress testing, as part of the internal capital adequacy assessment process, and submitting it to the Board Risk and Compliance Committee, to be approved by the Board of Directors.

Compliance Control Function

The Bank may be subject to legal sanctions or material losses or reputational risk due to non-compliance with all applicable laws and regulations, instructions and code of conduct, standards and sound banking practices issued by local and international regulatory authorities.

The Bank acknowledges the importance of compliance control, hence adopted the following:

- 1- BoD approved compliance policy to monitor the Bank's compliance with the laws, regulations, and instructions issued by the regulatory authorities, best practices and industry standards through programs and procedures based on the risk based approach principle.
- 2- The Board of Directors takes the necessary measures to enhance the values of integrity and sound professional conduct within the Bank in a manner that complies with the applied laws, regulations, instructions and standards, and constitutes a primary goal to be achieved.
- 3- Compliance function is managed through an independent department, which submits periodical reports to the Board Risk and Compliance Committee. The Compliance Department's scope of work covers all of the Bank's departments and branches in Jordan and abroad as well as its subsidiaries.

GOVERNANCE REPORT FOR 2017

4- Monitoring non-compliance risks through a database containing all the laws and regulations issued by domestic and international regulatory authorities that is updated with the latest regulatory and legislative developments.

With regards to combating money laundering operations and financing terrorism, the Bank follows approved policies and procedures by the Board of Directors and that comply with the instructions issued by the Central Bank of Jordan and the best international practices in this regard so as to reduce the risks of such operations through identifying procedures for dealing with financial operations, taking due diligence in Knowing the customers, making sure of their personal identification, legal status and the beneficiary of such transactions through adopting the following principles:

- Update the Anti Money Laundering policy to keep up with the latest regulatory and legislative developments.
- Adopt the risk based rating approach to classify the clients.
- Use an automated system to combat money laundering and financing terrorism.
- Participate in providing adequate training for the Bank's employees enabling them to deal with any suspicious transactions.

Code of Conduct

The Bank adopted a code of conduct that was endorsed by the Board of Directors. JKB employees across the various administrative levels as well as the Board of Directors have pledged to commit to it.

The Code defined the ethics, values and principles of the Bank employees in four main areas which are: integrity, compliance with laws, transparency and loyalty to the Bank.

Whistle Blowing Policy

JKB maintains a policy and procedures pertinent to whistle blowing. The policy aims to promote a culture of openness and to demonstrate the shared responsibility of preserving work ethics. Procedures that deal with this policy were distributed among all Bank employees to follow. The procedures clarify accountability lines for reporting issues related to unusual and/or suspected behavior that must be reported. Monitoring of Whistle Blowing Policy Implementation is carried out by the Board Risk and Compliance Committee.

Customer Complaints Processing Unit

In compliance with the Central Bank of Jordan's instructions to deal with customers fairly and transparently, the Customer Complaints Processing Unit within the Compliance Department receives and deals directly with customer complaints submitted through all available channels, including telephone calls, email messages, traditional mail, and complaints boxes at the branches. All complaints received are addressed and responded to in writing. Instructions are also sent to employees regarding

these complaints, clarifying work procedures to some staff members wherever required. The Customer Complaints Processing Unit submits periodical reports to the Bank's top management, including a description of complaints received and how they were handled and solved. The unit also submits periodical reports to CBJ.

During the year, the Customer Complaints Processing Unit received 113 complaints related to various issues: (1 on e-services, 1 on interest rates/ returns, 43 on professional conduct, 17 on credit cards, 39 on contracts terms and conditions, 4 on work environment, and 1 on transactions). All lodged complaints were dealt with and responded to within the determined period, noting that 67 of the complaints received were found non-legitimate and resulting from the customers' lack of knowledge on the procedures and instructions related to the subject of the complaint or due to the absence of actual violations by the Bank. Certain business procedures were explained and clarified to the employees and were instructed to abide by the approved business code of conduct.

Relation with Shareholders

The Bank develops positive relations, based on transparency, with all its shareholders. In this regard, the Bank spares no effort to encourage all shareholders, particularly minority shareholders, to attend the General Assembly meetings and cast their votes. The Bank has a wide shareholder base of 13,697 as of 31/12/2017. The main source of information for shareholders is the Annual Report which includes the Chairman's report, the audited consolidated financial statements, the Corporate Governance Manual, and Bank's achievements for the previous year and the business plan for the following year. Additionally, the reviewed (un-audited) quarterly and semi-annual financial statements are disclosed.

The complete financial statements and the Board of Directors' report are filed at the Jordan Securities Commission (JSC) and the Amman Stock Exchange, with a copy submitted to the Companies Controller. These reports are published on JKB's website (www.jkb.com) which also provides extensive information about JKB services, products, news and press releases. The Bank is committed to disclose any material information, should it occur, in accordance with the JSC instructions.

Abdel Karim Kabariti
Chairman



MAJOR FINANCIAL INDICATORS AND RATIOS 2017 & 2016

Amounts in thousands JD

	2017	2016
Major Operating Results		
Net Interest and Commission	105,886	102,112
Gross Income	123,411	118,845
Income from Continuous Operations before taxes	42,313	42,861
Income from Continuous Operations after taxes	28,185	29,486
Net income after taxes and non-controlling interest	26,956	29,747
Earning per Share	0.270	0.297
Major Financial Position Items		
Total Assets	2,832,207	2,739,985
Direct Credit Facilities - Net	1,562,287	1,446,911
Customers Deposits and Cash Margins	1,904,489	1,791,361
Total Equity - Bank Shareholders	468,411	459,693
Off the Financial Position Items	500,799	459,512
Major Financial Ratios	2017	2016
Return on Average Assets	0.97%	1.07%
Return on Average Owners' Equity	5.77%	6.53%
Capital Adequacy Ratio	18.30%	19.01%
Financial Leverage Ratio	12.79%	12.89%
Efficiency Indicators		
G&A Expenses/Net Interest and Commission	55.20%	51.94%
G&A Expenses/Gross Income	47.36%	44.62%
Assets Quality Indicators		
Non Performing Loans/Gross Credit Facilities	5.52%	8.59%
Non Performing Loans Coverage Ratio	60.80%	60.54%

**JKB ACTIVITIES &
ACHIEVEMENTS IN 2017**

2018 BUSINESS PLAN

JKB Activities and Achievements in 2017

Following is a brief about the achievements of the Bank's departments in 2017:

The Banking Group

Credit Facilities

Despite the new phase of weak economic growth that the Kingdom is witnessing at this time and as a result of continuing political and security uncertainty in the region, in addition to a number of increases in 2017 on interest rates, which greatly affected growth opportunities, the Credit Facilities Department was able to realize the required growth in the total direct credit facilities, which rose by 8% reaching around JD1,562 million at the end of 2017 compared with JD1,447 million in 2016.

Notwithstanding the difficulties facing the banking industry locally and regionally, the Bank continued, in its leading role, in enhancing growth in various economic sectors including small and medium enterprises.

The Bank's Management believes in the role played by the micro, small and medium productive projects in supporting the national economy; creating job opportunities and reducing unemployment rates, and within its efforts to reach the largest segment, a credit portfolio of around JD10 million has been allocated to be loaned to micro financing companies throughout the Kingdom at competitive interest rates to re-lend to their broad customer base.

The Bank continued with its leading role in supporting major projects, whereby the Bank expanded in the financing of mega projects within various sectors including real estate, health, infrastructure projects and related industries. The most prominent financing project was the syndicated loan, managed and financed by the Bank, towards Al Abdali Clemenceau Hospital, which will be the largest and most advanced private hospital in the Kingdom. Furthermore, the Bank maintained its leading role in financing renewable energy projects and creating financing solutions for this important sector. The Bank expanded its base of relations with international development banks so as to increase financing opportunities towards renewable energy projects that would in turn benefit the national economy.

As for indirect credit facilities, the Bank maintained good ratios of revenues realized therefrom; with the issuance and financing of Letters of Credit and Bills for Collection constituting the most part thereof, while continuing to maintain the Bank's share of bank guarantees.

As we commence with 2018 with more challenges facing the banking sector; as banks shall be required to apply the IFRS(9) standard, which shall affect the banks' lending capability, yet the Bank, with its experienced leadership and the ongoing support of its workforce, has developed important strategies that would continue with the enhancement of the required assets, maintaining the Bank's market share, and realizing the profits coupled with mitigating risks.

Retail and Consumer Products

The Retail and Consumer Credit Department maintained its growth and realized good results in 2017 whereby it achieved an overall growth rate of 24.6%. The realized results were distributed over all types of retail products, consumer and small enterprises as well as lending to the Private Banking Unit's customers.

The Department continued with its positive performance in financing small enterprises; where this segment realized considerable growth. The volume of loans covered under the umbrella of the loan guarantee corporations was enhanced, and financing was directed towards alternative energy projects benefiting from the medium term lending programme provided by the Central Bank of Jordan.

As for the financing of the customers of the Private Banking Unit, the Department achieved the targeted growth and the extended credit facilities were distributed among the Bank's Branches in both Jordan and Cyprus.

As for the Private Banking Unit (PBU), it continued realizing the targeted growth rates during 2017; whereby it expanded its customers' base by attracting new customers, and growing its investment portfolios by 27% compared to 2016. The PBU provided studies and researches from the largest international financial and consultancy institutions with the aim of diversifying the investment opportunities for customers in various investment products available in the international and regional money markets, hence minimizing the risk of fluctuating interest and exchange rates. The PBU also realized good returns for its customers that exceeded the successive increases in interest rates during 2017.

Continuing on the Bank's strategy to re-structure and develop the cards products, the Bank introduced the highest categories of MasterCard credit cards to the cards products portfolio. For additional peace of mind and security while shopping online, all MasterCard credit cardholders were automatically registered to the MasterCard SecureCode service.

In the area of FinTech, the Bank expanded its collaboration with financial solutions companies by creating specialized work units so as to serve such companies and provide a better environment for collaboration with this new sector. The Bank signed agreements with four of the five mobile payment service providers in addition to three bill payment service providers making Jordan Kuwait Bank their settlement bank.

As for the Contact Center, the Bank enhanced the services it offers and increased its staff members to better serve the Bank's customers. The Contact Center was relocated to a new location in preparation for the enhancement of the interactive services it will offer to improve and develop the customers' experience.

With regards to electronic delivery channels, the Bank's ATM network was expanded with the installation of 7 ATM's and 3 Interactive Teller Machines (ITM). As for branches, the Branches Administration Department also expanded the branch geographical distribution; whereby two new branches were opened namely: Al Sakhra Al Musharrafah

JKB Activities and Achievements in 2017

Street Branch and Jerash Branch. Additionally, several branches were relocated to better and more vital locations namely: Abdoun Branch, City Mall Branch, New Zarqa Branch, Wadi Saqra Branch, Muqablain Branch and Mecca Street Branch.

The Bancassurance Unit continued to provide insurance services to customers through the largest insurance companies in the Kingdom. The number of licensed staff members undertaking general insurance and life insurance activities at the Head Office and Branches reached 181 employees and managers. During 2017 a new division was created to follow-up and renew insurance policies; Noting that the renewal rate for the year 2017 was 59%. The Bancassurance activities recorded a growth rate of 25.5% in 2017 compared with 2016.

Treasury, Investment and International Relations

During 2017, the Treasury, Investment and International Relations Department managed to achieve good growth and performance levels in all its investment activities, thus maintaining its distinguished position and competitive edge within the Jordanian banking sector. This growth was in line with the economic recovery that have been seen in international markets and the increase of available investment opportunities, despite the continuing heightened risks associated with the domestic and foreign investment activities.

The reasons behind achieving these results were the department's full commitment to the investment policy and the guidelines of the specialized managerial committees, in addition to the department's continuous follow up on all economic and financial developments in the local and international markets.

Assets and Liabilities Management

In the area of asset and liability management, the Department maintained good performance levels during 2017 by following a variety of investment policies that were consistent with ALCO's guidelines and the Bank's strategy that aims to enhance the quality, return and diversity of assets. In addition, it aims at diversifying sources of fund in local and foreign currencies to be consistent with the assets quality. The department has also managed to reduce risks associated with assets and liabilities such as market risk, credit risk and operational risk and to maintain adequate liquidity ratios to provide safety and protection in order to face future challenges. All these factors have contributed towards maintaining acceptable risk ratios and improving profitability.

Furthermore, the year 2017 witnessed an increase in the US Dollars interest rates where the Federal Reserve raised the interest rate three times during the year by 75 basis points, expressing its confidence that the US economy is still on solid ground after eight years since the end of the global financial crisis. The Federal Reserve also expected the labor market and the economy to improve and sent signals to the markets that there will be three other interest rate hikes during 2018. As for interest rate on the Jordanian

Dinar, the Central Bank of Jordan raised the interest rate simultaneously with the Federal Reserve interest rate increases in order to maintain the attractiveness of the Jordanian Dinar.

Despite these changes, the Department has successfully managed the money market portfolio through diversifying sources of financing locally and internationally at an acceptable cost, as well as employing the liquidity surplus efficiently to achieve the best returns while maintaining the investment ratios set by the investment policy and the instructions of the Central Bank of Jordan.

Equities and Bonds Market

The Department managed the Bank's capital portfolios, consisting of local and foreign equities and bonds, with high efficiency and achieved good growth rates despite the increases in US Dollar and Jordanian Dinar interest rates, which often adversely affect the performance of the capital portfolios, and despite the increase of risks associated with investment activities due to the regional instability.

Furthermore, and based on the studies carried out by the Department in coordination with the Bank's specialized committees regarding the expected interest rates hikes, new investments in bonds were directed towards short term investment portfolios that comply with short term liabilities to mitigate the interest rate risks and to benefit from the expected interest rates hikes. The bond portfolios of the bank achieved growth in both realized and unrealized income due to improved prices.

As for the equities portfolio, the Department managed to reduce the effects of falling prices and low trading volumes through the ideal distribution of equities by geographic regions and by business sector. Furthermore, the Bank achieved good growth in cash dividends distributed by the corporates listed in the portfolio.

The Department always seeks to maintain the quality of the investment portfolios of the Bank through the selection of equities and bonds with good returns, acceptable risks and high liquidity, based on studies and analysis for interest rate trends, as well as choosing the appropriate timing to enter into these investments.

Investment Services

The Department continued to provide its investment and advisory services to the Bank's customers despite the weakness in the financial market, where it continued to provide the registrar, custodian, paying agent and issuance trustee services for a number of corporates' Bonds issues. Jordan Kuwait Bank is among the pioneers in providing these investment services due to the great experience it has gained through working with many public and private companies in the field of bond issuing.

The Department also continued to provide the investment trustee service to the two local mutual funds, the Jordan Securities Fund of the Housing Bank and the Horizon Fund of Capital Bank.

JKB Activities and Achievements in 2017

International Relations

The Department continued its efforts to strengthen and sustain business relations with banks and financial institutions in Jordan and abroad, particularly in respect of trade finance and bank remittances, by holding meetings with their officials to explore the opportunities of cooperation and to attract their business activities in Jordan.

The Department also opened a new US dollars account with JP Morgan Chase – USA in addition to the two main accounts currently in place to strengthen the Bank's presence worldwide in a way that serves the interests of customers by providing them with high quality services at a competitive cost. It also supports the Bank's bright image in the banking sector, and its role in providing innovative banking services to keep pace with developments in the banking industry.

The Department has also been able to achieve high growth rates in its revenues from profit sharing schemes signed with correspondent banks through the proper management of its correspondent-banking network.

Liquidity Management

The Department managed to maintain a good liquidity ratio by making the investment portfolio comprise of financial instruments (equities and bonds) characterized by rapid exchange into cash with the least possible losses. This involves using short-term financial instruments issued by Governments, institutions and large corporates that have significant commercial activity.

The liquidity ratio is determined by matching between the Bank's assets and liabilities, taking into consideration compliance with the legal liquidity ratio set by the Central Bank of Jordan, as well as operating within the Liquidity Contingency Plan, when needed.

Dealing in Foreign Currencies

During 2017, the Department managed to achieve high levels of foreign currency exchange commissions despite the price fluctuations in the international markets and the intensifying competition among banks in this field. The Department managed to achieve these results by capitalizing on its relations with correspondent banks in addition to using modern technologies to execute foreign exchange deals at a faster and more competitive pricing.

Customers' Services

The Department continued to provide its distinguished investment services that meet the various investment needs of customers in the fields of trading in spot, forward and SWAP services that is used to hedge against the risks of foreign currencies and commodities prices fluctuations. The Department continuously seeks to develop its services to suit customers' trends and meet their requirements as well as enhancing competitiveness and profitability of the Bank.

Risk Management Department

The Risk management Department carries out its functions in line with the instructions of the regulatory authorities under which the Bank's branches operate in different countries, as well as the recommendations issued by Basel Accords and that are suitable for the Bank's environment with regards to the best international practices in risk management, translating the risk management's strategy that emanates from the Bank's general strategy; which is approved by the Board of Directors. The Department's most significant achievements are as follows:

Information Security and Business Continuity

In parallel with the Bank's strategy to consolidating the automation of its operations and e-services, the Bank is also consolidating the information security activities and the cyber risk management. The Bank complied with the Payments Card Industry Data Security Standard (PCI DSS) Compliance Certification on version 3.2 and obtained the official certification. This came as a result of the extensive efforts of the Risk Management, Information Technology and Cards Operations Departments. The Risk Management Department managed and monitored the implementation of the PCI-DSS project to be compliant with security standards for safeguarding the Bank's Cardholders' Data in line with the instructions of the Central Bank of Jordan pertaining to "Fairness and Transparency". Work was also carried out to comply with SWIFT Customer Security Program (CSP), as well as participate in implementing risk management requirements to comply with the Central Bank of Jordan's IT Governance (COBIT 5.0) regulation.

A cyber security assessment was carried out at the Bank by an external consultant, the effort was carried out within the Banks of KIPCO group. A new and internationally advanced Security Information and Event Management System (SIEM) was acquired and implemented at the Bank (SPLUNK). All systems, applications, and network devices were connected to the SIEM solution. The SIEM solution is used to collect all security and operational events and generate the required security alerts along with monitoring and regulatory reports. This contributed towards identifying and assessing information security risks and placing the appropriate solutions. Moreover, the "Employee Information Security Policies and Procedures Guide" has been documented, approved and circulated to all staff, accompanied with an Information Security Awareness program to educate employees in this regard.

The Department carried out all necessary Vulnerability Assessments (both internally and externally) along with regular Penetration Tests, and followed-up on the remediation of any discovered vulnerabilities. It also reassessed all departments needs for IT Resources; set-up clear procedures for the use thereof at the Bank and studied all new requests. The Department reviewed all employees' privileges on operating systems, network devices, databases and applications and followed-up on any necessary remedial actions.

JKB Activities and Achievements in 2017

In line with the continuous development of the Bank's activities and the consequent new products and technologies, the Department conducted the required risk assessments for many new and current products and systems at the Bank and followed-up on the implementation of its recommendations in their regard.

With regards to Business Continuity Management, the Department conducted the necessary Risks Assessments at the Bank, and reviewed the Business Impact Analysis, and accordingly updated the Bank's Master Business Continuity Plan and the Departmental Sub-Plans. Several Business Continuity and Disaster Recovery Plans tests were carried out at the Bank to ensure their efficiency, including the payment and clearing systems at the disaster recovery site as per the Central Bank of Jordan's instructions.

Credit Risks

In line with applying the requirements of the International Financial Reporting Standard IFRS 9, and the best international practices for credit risk management, the Department worked with a specialized team from various departments at the Bank in collaboration with expert firms namely: Moody's and EY, and under the umbrella of KIPCO Group Banks, so as to meet the standard's quantitative and qualitative requirements; whether from the modelling and calculation processes, to the documentation of policies and procedures and consequently the change this brings in carrying out the business.

The Bank continued, with mutual efforts between the Risk Management and Credit Facilities Departments, to support the implementation of the internal credit rating system (Moody's), as well as a credit scoring system for retail customers in line with the Bank's strategy to expand in the retail sector while simultaneously strengthening Risk Management in this sector.

The Department supervised the 2nd phase of the Bank's compliance with the necessary technical and information requirements in order to continue operating the Credit Bureau through CRIF Jordan, and provide them with the required data and facilitate the inquiries from the Bank's various departments about different credit applicants.

The Department worked, specifically in the credit granting process, as an independent function which studies and reviews credit applications in line with the Bank's credit policy and in compliance with various Basel Accords. Moreover, the Department continues to prepare control and analysis reports about the Bank's credit portfolio and carry out improvements, either to be used within the Bank or to be forwarded to the parent company KIPCO.

Operational Risks

Within the framework of managing the Bank's operational risks, through identifying, assessing, controlling and attempting to mitigate such risks using the Care Web System, the Department continued to hold new workshops with the organizational centers at the Bank in order to carry out control and risk self-assessment for potential risks in operations and the procedures required to control

them. During risk self-assessment workshops, Key Risk Indicators are improved and monitored. The Department supports the historical database of losses and submits recommendations to avoid recurrence of such incidents. Various necessary reports are drawn-up to manage the Bank's operational risk.

The Department participated in many committees which are concerned with improving the Bank's control environment, the most important of which was when the Department, within the Bank's Authority Review Committee, participated in putting together and reviewing The Authorities Manual across all centers for the new banking system and other systems, in order to ascertain that it has clear segregation of functions, responsibilities and authorities.

The Operational Risk Department reviewed and gave its opinion on the policies, procedures, forms and any new products or external agreements that are presented to it so as to illustrate any potential operational risks and to assess the adequacy of the controls in their regard.

Market Risks

Within the framework of identifying, measuring and controlling market risks at the Bank, the Department prepared various reports to meet control requirements in addition to periodic internal analytical purposes, whether daily, monthly or quarterly, including various disclosures required. Also new and improved reports were added, where such reports monitor the limits within various policies, noting that such policies have been reviewed and modified in response to the development occurring in the global and regional markets as well as the surrounding economic conditions which are monitored on daily basis, over and above drawing-up the periodic reports required by the parent company KIPCO.

The Department studied the applications and investment opportunities in which the Bank intends to employ its funds before making the decision within the specific authorities. Furthermore, it carried out a number of studies concerning Basel Accords on market risks or any other instructions in that regard, eg, IFRS 9, recovery plan for Cyprus Branch and others.

Basel

The Department considered and set-up the necessary plans to satisfy the requirements of the Central Bank of Jordan's regulations for banks of systematically important banks. It has also complied with the new stress tests instructions in terms of drawing up the necessary policy and managing the specialized work group for setting up various new scenarios and carry out the required tests. It also supervised the preparation of those for Palestine as per the instructions of the Palestinian Monetary Authority.

The Department reviewed the various policies required under Basel Accords within the continuous improvement of the Department's activities in compliance with the surrounding developments. Within the framework of satisfying the requirements of Pillar II of Basel 2, the Department conducted the internal assessment of the capital adequacy and supervised the assessment at Branches in Palestine. It has also calculated the capital adequacy ratios as per

JKB Activities and Achievements in 2017



the Central Bank of Jordan's instructions regarding Basel III Accords, and supervised the calculation thereof as per Basel II Accords for the branches operating in Palestine. It further calculated the liquidity coverage ratio, and hence prepared itself for any instructions that might be issued by the Central Bank of Jordan in this regard. The Department continued preparing various financial analyses including the comparative analytical studies for the banking sector and other analytical studies requested by the Bank's Management.

The Risk Management Department participated in many work groups and committees at the level of The Central Bank of Jordan and the Association of Banks in Jordan. The Risk Management Department exercises its continuous role in spreading awareness about the importance of risk management through lectures and courses whether within or outside the Bank, as well as participating in local and international conferences. The Department is keen that its staff members acquire specialized professional certificates that develop their professional level.

Credit Documentation and Processing Department

In compliance with Basel Committee's Accords, which assert the need to segregate the process of credit control and its execution from the credit selling and marketing process, the Department classifies the credit facilities as per the level of risk in accordance with the instructions of the Central Bank of Jordan; calculates the provision for facilities to confront any decrease in their value; declares the banking risks of the Bank's customers as well as the documentation and execution of credit. During the year, the Department prepared the individual-related data in addition to the required data to implement IFRS 9; reviewed the operating systems and added new ones that produce additional data that benefit the decision-making process.

Credit Follow-up and Adjustment Department

The Department undertakes the functions of following-up and adjusting non-performing loans with due dates of more than 89 days. As a result of extensive follow-up and negotiations with debtors and guarantors, the Department succeeded in re-scheduling non-performing loans out of court whereby high recovery rates were realized in cash collections amounting to JD5.7 million and removing non-performing loans or those that have been fully settled from accounts that the follow-up of which fall within the Department's duties and that amounted to approximately JD6.4 million.

Compliance Control Department

As the fundamental function of the Compliance Control Department is to spread awareness within all the Bank's Departments in respect to the importance of compliance with regulations and combatting anti-money laundering operations, two main objectives have been set for the Compliance Control Department, namely:

- 1- Develop awareness at all the Bank's centers and subsidiaries regarding the importance of the compliance control function and combatting anti-money laundering and enhance collaboration with such centers to ensure the integrity in performing operations due to its significance for the regulatory authorities.
 - 2- Work towards developing the necessary technological environment to ensure that the Department's operations are carried out adequately and efficiently through implementing new systems to control operations, analyze, and study the customers' status.
- Based on this, numerous up-dates were carried out on the anti-money laundering system at the Bank, which is one of the best used systems in this regard, whereby all scenarios entered into the system for the branches in Jordan, Palestine and Cyprus were reviewed and modified, new scenarios were added in line with the regulatory authorities' requirements of each country.
 - In respect of the new notification receipt system (goAML), which has been created by the anti-money laundering and terrorism financing unit which enables it to receive, analyze and forward notifications received from banks, the required reports were sent according to the new system, and modifications were carried out by supplier so as to be compatible with the requirements of the new system. It is expected that Phase I of the system shall start operating during January 2018, during which the required reports shall be forwarded through the new notification system (goAML).
 - In view that the risk-based approach is deemed to be one of the most important elements of anti-money laundering, which has been focused on in the FATF Manual for the banking sector and the pillar to implementing most standards, the risk-based approach has been designed to assist the Bank in efficiently managing the potential risk of money laundering and terrorism financing, whereby the Bank takes the adequate steps to identify, determine and assess such risks at the level of customers, countries or geographical areas, products, services and operations in addition to the service delivery channels, which would enable the Bank to apply preventative measures which are consistent with such risks, whereby the methodology shall be applied to all the Jordan Kuwait Bank's centers and its branches abroad, and taking into considerations the instructions issued by the regulatory authorities of the host country in which branches abroad reside, whichever are more stringent.
 - A new system, Prognosys KYC, was implemented for the Cyprus Branch, which is a system for Know Your Customer (KYC) data and is compatible with the Central Bank of Cyprus requirements and serves to comply with FATCA & CRS requirements.
 - During the year, the Compliance Control Department exercised its role in providing support and advice to the branches regarding the customer due diligence through giving the opinion in respect of the extent of adequacy of the supporting documents and conducting the necessary enquires about customers through international lists to ensure not dealing with prohibited customers in addition to managing the automated system for controlling

JKB Activities and Achievements in 2017

banking operations and following-up on issues flagged by the system and duly closing them.

- The Compliance Control Department dealt with the special due diligence procedures through following-up on high risk accounts and extra-ordinary transactions by studying status of such accounts and documenting their dealings in full coordination with the concerned branches.
- Furthermore, training courses and workshops were carried out for the officials and staff members of all work centers to ascertain the importance of this subject.

Internal Audit

The Internal Audit Department executed the annual audit plan that was approved and adopted by the Board of Directors' Audit Committee (BAC).

The Department seeks to perform the duties assigned to it through its risk-based audit plan to achieve its objectives represented in ensuring the efficiency and effectiveness of risk management; the internal control system and corporate governance and to provide reasonable assurance on achieving the Bank's objectives stated within the approved strategy.

Within this framework, the Department visited most of the Bank's business centers and provided the Audit Committee with the results of such visits in addition to following-up on the issues raised within the regulatory authorities and external and internal audit reports as well as conducting several ad hoc tasks.

Over and above the routine visits to the branches, surprise visits to most of the branches were carried out during the year.

Moreover, the Department continued with reviewing many aspects of the Bank's business, regularly providing the Management with reports related to the most significant activities and subjecting them to review and audit.

The Department continuously provides the necessary advisory services to the business centers, particularly relating to policies and operating procedures as well as workshops and committees related to the internal control systems and governance without compromising the independence of the Department's activity.

During 2017, the Department continued coordination with KIPCO Group through participating in the regular meetings of the Internal Audit Officers of the Group to ensure the continuity of cooperation and review the latest developments related to the audit methodologies and procedures. Audit work programmes and branches' working papers were updated. Work papers were also prepared for various departments and activities to ensure compliance with the International Standards on Auditing and best practices, updating the Internal Audit Charter and BAC Charter in conformity with the modifications to the International Standards on Internal Auditing and banking statutes particularly those relating to governance and the instructions of the external auditor.

In line with the Internal Audit Standards related to quality assurance, external review was carried out over the internal audit operations through an external auditing firm, whereby Jordan Kuwait Bank is one of the first banks to do so. The results of which indicated that the Department's practices were in conformity with most International Standards on Internal Auditing as well as the instructions of the Central Bank of Jordan; while the operational practices of the Internal Audit Department within the "Assurance Service Provider" level were relatively better than their counterparts compared with the Internal Auditing Standard (302) in similar corporates and banks worldwide which were assessed by an auditing firm.

In addition to this, the Internal Audit Department performs annual internal assessment of quality assurance on the internal audit operations. The Internal Audit Department currently seeks to automate the operations by using an automated system for the Internal Audit Department that meets the necessary requirements to perform the functions in accordance with the International Standards on Internal Auditing and at this end an automated system has been purchased.

In respect of human resources, the Audit Department enhanced its staff members by appointing new qualified auditors. Employees have participated in many internal and local training courses particularly relating to the International Financial Reporting Standards, Basel Committee Requirements and the Automated Systems of (Siron, Moodys, BI) where some of them acquired professional certification.

Information Technology

Jordan Kuwait Bank is keen to provide innovative services to its customers and seeks to employ modern tools and state of the art information technology for such purpose and to develop all e-services offered such as JKBMobile; a bilingual mobile application that operates on Android and iOS operating systems, and contains new and advanced services such as: activating money transfers through ACH, e-FawateerCom, pre-paid cards, and beneficiaries list management. During 2017, the e-Statement service was launched, in addition to Self-Service Application at Abdali Mall Branch to enable the customer to carry their e-banking services.

In keeping pace with the on-going developments and technological revolution, the Bank was keen to develop its banking services and update all programmes; whereby the banking system was recently up-dated as well as the ATMs system. MENA CRM System for marketing services was also developed, in addition to the launch of a set of new functions on the electronic clearing system, including post-dated cheques drawn on other banks. The distribution of dividends to shareholders was also implemented on the ACH System.

The Bank provides the highest level of protection for its customers' data, thus the Bank worked on safeguarding its network, programmes, operating systems and devices and in conformity with the regulatory authorities. The most advanced protection technology for e-mail systems,

JKB Activities and Achievements in 2017

network protection systems, in addition to updating the filtering system to access the Bank's network as well as applying the Splunk System for compiling security incidents related to electronic security and disaster and penetration recovery. The services for the new cards, Dinarak and Aya, were linked with the Bank's environment and its protection level was upgraded.

Moreover, protection and control systems for e-services have been provided through SMS automated control system as well as fraud and forgery detection system to monitor ATM's, which is PCI compliant, in addition to ATM warning system which covers all ATMs and features functions such as (maps and reports on ATM's downtime rate).

To ensure conformity with the requirement of business continuity, many infra-structure projects were accomplished to up-grade the Bank's devices, servers and external network in addition to installing new communication lines at the alternative location for cards, transfers, invoices and auto payment systems services. The speed of the communication line for the mobile branch "Jawal" and mobile ATM have been up-graded to 4G, in addition to implementing the business continuity plans for most systems classified as sensitive to ensure their availability.

On the infrastructure level, the Bank's servers were operated by a modern global technology to provide storage and outstanding capacities. Database for the banking system, automated clearing and certain ATM's systems were up-dated and the historical registers were activated, as a first phase, in respect of the most significant and sensitive-classified systems in conformity with the regulatory requirements, over and above installing and operating a new primary storage unit transferring the Bank's data thereto.

The Bank was distinguished by providing the best banking services in Palestine and Cyprus. Some of the most prominent projects that were launched were the Money Laundering System (GoAML), automation of the consolidated internet transfers; prize system for the branches of Palestine; updating of customers' data (KYC) in Cyprus and the Central Bank of Cyprus Reports System.

Many programmes were developed to serve the Bank's various departments and customers including: Syndicated Loan Follow-up System, Lease Contracts Follow-up System and the application of accounts classification and calculation of provisions, in addition to automating a set of reports thorough the Report Engine System to serve a different group of the Bank's departments.

Financial Department

During 2017, the Financial Department fulfilled its control functions and activities over the Bank's various operations to ascertain their conformity and consistency with the financial policies in addition to the supervision of compliance with the spending authorities granted to the Bank's different sections.

Moreover, the Department continued with fulfilling the required and periodic regulatory reports for the Bank's various business centers. It also followed-up on providing

the Management with financial reports that include the required studies and analyses within the best prevailing solutions that support decision- making, such as, analysis of the Bank's performance compared with the banking sector; market share study; products results, in addition to the reports required by the regulatory authorities, such as the Central Bank of Jordan and Jordan Securities Commission. Furthermore, the Bank's tax records have been finalized with the Income and Sales Tax Department.

As for the Bank's financial forecasts, the estimated budget for 2018 was finalized in addition to updating the long-term strategic plans for 2018-2022 for the purposes of KIPCO Group and that are in line with the Bank's future vision for those years, within implementable and measurable quantitative and qualitative frameworks, as well as participating in finalizing the medium term strategic plan for the years 2018-2020 which is deemed to be an execution plan for the long-term plan.

The Department collaborated with the Bank's various departments to carry out many functions and duties; such as up-dating the Bank's Procedures Manual, application of new products and initiatives, supervision over the distribution of dividends to the Bank's shareholders, in addition to creating new reports and supporting branches and subsidiaries.

Legal Department

In 2017, the Legal Department collected JD32.547 million of the existing debts in respect of which legal action was taken. It was also able to collect around JD260 thousand of written-off debts and other debts outside the financial position. The number of legal proceedings before the courts reached 6348 proceedings. The Department succeeded in 7 cases lodged against the Bank the value of which was JD363 thousand. Moreover, the Department undertook the management of Al Baraka Mall after the Bank acquired the property as a debt settlement.

Human Resources Department

During 2017, the Human Resources Department continued with implementing the best practices for the advancement and development of its human resources for the influence that this has on the productivity of individuals in particular and thus on the Bank in general, and hence, realizing the Bank's strategic objectives, aspirations and directions in accordance with the best international practices and enhancing the support structure to meet its future aspirations and to maintain distinction and sustained growth through the effective management of the human resources. The Human Resources Department was keen to adopt effective management for the workforce through the planning systems, payroll management, training and development. The most prominent positive results were qualifying 28 staff members from the Head Office and Branches to occupy specialized jobs at the Head Office. This resulted in a reduction in the cost of new employment compared with the costs of those who resigned, thus resulting in an increase of 5% in the Bank's employees against a reduction of staff turnover by 24% to reach 6.8% at the end of 2017 compared with 9% for the previous year.

JKB Activities and Achievements in 2017

The extensive and informed efforts to develop the employees' technical, specialized and behavioral skills resulted in focusing on maximizing the benefit from specialized courses, particularly the control aspects whereby the rate of benefit from training on the specialized banking and control aspects was 60% of those who benefited from training courses, taking in account the reduction in training cost per person through attracting qualified trainers to deliver courses to the largest number possible. The number of the internal courses was 15, benefiting 2579 employees, expanding the circle of beneficiaries while reducing costs and maximizing on the time of courses. Moreover, the electronic training channel was launched benefiting 726 employees on topics relating to anti-money laundering and terrorism financing, international sanctions, global prohibition lists, Foreign Account Tax Compliance Act, Financial Crimes, Corruption and Fraud. As the Bank continued with developing the skills of the control departments' employees, the employees of the risk Management, Compliance and Internal Audit Departments attended 55 training courses during the year with a total of 134 participants. Special care was given to the employees of the Branches located in the governorates through many training courses in accordance with the business requirements, whereby 214 employees benefited from 14 training courses. With regards to professional certification during 2017, 24 employees acquired significant professional certificates associated with the activities of anti-money laundering, internal audit, information technology governance, project management and protection of information systems. In light of the Bank Management's interest in developing the English Language proficiency for employees, 138 employees completed English language courses. Pursuant to the expansion activities in Palestine and Cyprus, 88 employees from the Regional Administration and branches in Palestine and Cyprus benefited from 42 training course.

Marketing and Public Relations Department

During the past year, the Department developed its work plans within a clear and specific strategy that enables it to realize its marketing objectives in all sectors in addition to its contribution towards the Bank's role in enabling the community through implementing the adopted CSR policy and within the following frameworks: Marketing, Public Relations, Social Media, Service Quality and Corporate Social Responsibility.

During 2017, the Department executed many marketing campaigns to promote MasterCard from JKB, Western Union Transfers, in addition to marketing and awareness campaigns to promote the Bank's electronic services "e-JKB".

The Department also designed all the required screens for the interactive teller machines (ITM) and ATMs in Palestine as per the requirements of the Palestinian Monetary Authority.

The Department continued with preparing and producing all the Bank's pamphlets, publications and press releases in addition to the preparation, coordination and distribution of the Annual Report and Social Responsibility Booklet. The Department advertised the Bank's products and services via various advertising channels, whether through the outdoor bill boards, newspapers, magazines, radio and television as well as the digital marketing channels. As for social media, the Department continued managing the Bank's Website and pages on social media platforms (Facebook, Twitter, Instagram, YouTube and LinkedIn) as well as respond to all queries received.

To ascertain compliance with the service quality standards by all branches, the Service Quality Unit carried out routine field visits to the Bank's branches as well as make phone calls to a sample of customers.

JKB Activities and Achievements in 2017

Social Responsibility

During 2017, Jordan Kuwait Bank continued with its contribution in providing a set of programmes and initiatives for corporate social responsibility which serve all the community segments in the Kingdom, especially that our Corporate slogan “More than a Bank” imposes on us to be more responsible towards our community in various activities and areas related to health, youth, preservation of the environment, culture, arts, education, and sports and that would contribute towards supporting and developing the national economy.

The most significant achievements during 2017 were the support for two SOS homes, support to the projects of The Jordanian Hashemite Fund for Human Development, the Goodwill campaign and many other charitable societies and entities concerned with humanitarian work and the development and rehabilitation projects for the less fortunate rural communities.

For the tenth consecutive year, the Bank continued with sponsoring the national programme “Darb” for university students which is organized by the King Abdullah II Fund for Development (KAFD) and in cooperation with LoYAC “Jordan” with the aim to offer students better opportunities in the labor market upon graduation.

Within the same context, the Bank continued with providing annual support for the University Education Fund which is managed by Aman fund for the Future of Orphans. The Bank also offered scholarships to outstanding students to enable them to complete their studies in Jordanian Universities.

During this year, the Bank did not neglect supporting and preserving the environment where it continued with its support for Queen Alia Competition for Social Responsibility. It also participated in supporting the Annual National Clean-up Campaign in collaboration with the Jordanian Environment Society and hosted the Society’s activities at its theatre.

To strengthen the Bank’s leading role and its belief in its environmental and social responsibility regarding sustainable energy, during 2017 Jordan Kuwait Bank constructed a power generation plant using solar energy with a total capacity of 1980kw in order to cover the electricity consumption of the Head Office and all branches situated within the area of Jordan Electricity Company.

In order to support and encourage the cultural and arts movement in the Kingdom, the Bank provided support for a number of exhibitions, conferences and festivals. The Bank also offers the use of its theatre to civil society institutions to hold their activities. It has also continued with supporting Jordanian authors and writers through purchasing their literature and intellectual works.

During the year, the Bank continued to support health issues. A number of the Bank’s employees participated in the Friends of King Hussein Cancer Center Programme; whereby each makes a donation to the Center from their monthly salary, in addition to collaborating with the Center in distributing health awareness pamphlets by enclosing them with the Statements of Account. Moreover, the Bank’s employees participated in the blood drive that was held in collaboration with the National Blood Bank. For the fourth consecutive year, the Bank maintained its financial sponsorship by participating in “Goal for Life” tournament in collaboration with Hussein Cancer Foundation.

As part of the Bank’s social responsibility, the Bank’s Management delegated seven employees to attend a summer programme for two weeks at Coventry University – UK, where the programme aims at developing leadership skills and English language.

In line with the Bank's strategic plan, and building on the its achievements in 2017, the 2018 business plan can be summarized as follows:

- 1- Continue to update the Bank's electronic channels and provide an array of new services that align with the Central Bank of Jordan's directives for financial inclusion and to develop electronic payment and fund transfer services through mobile devices and cards. In addition to working on precautionary measures that ensure the soundness of the Bank's technological infrastructure, safeguarding operations, sites and systems against any possible cyber risks in addition to the implementation of the requirements of the IT Governance with the COBIT 5 framework.
- 2- Expand in the offering of suitable products, services, and financing tailored towards SMEs in line with the local and global trend to support this vital sector which contributes in stimulating the national economy, all the while continuing to enhance the Bank's role in supporting and financing renewable energy projects.
- 3- Continue to execute the Bank's employees' skills development plan, concentrating on specialized training programs both locally and abroad and specifically in the areas of risk management, compliance, AML, internal audit and information technology.
- 4- Continue to strengthen the Bank's role in supporting the local community and national development initiatives according to the Bank's social responsibility and sustainable development strategy.
- 5- Capitalize on the capabilities and relationships of the mother company "Kuwait Projects Company Holding (KIPCO)" and its subsidiaries and its regional and global presence which allow for the expansion of joint businesses and the exchange of support and assistance among the Group's members.
- 6- Develop cards and payments products and introduce new products, including Virtual Cards, Wearables and Corporate Card, and expand cooperation with FinTechs companies by creating specialized business units and providing the best environment for cooperation with this new business sector.
- 7- Work to improve the efficiency of the operational departments and raise the quality through automation of work procedures using Robotic Process Automation (RPA).
- 8- Meet the new regulatory requirements and best international practices in banking as the Bank is deemed within Domestic Systemically Important Banks (D-SIBs) as well as comply with the financial reporting standard No. 9.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Jordan Kuwait Bank
A Public Limited Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jordan Kuwait Bank (A Public Limited Shareholding Company), and its subsidiaries "the Bank" which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of income, comprehensive income, changes in 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Bank's consolidated 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 Matter

The consolidated financial statements for the year ended December 31, 2016 were audited by another auditor "Deloitte & Touche (M.E) – Jordan" who issued unqualified opinion on February 8, 2017. PricewaterhouseCoopers "Jordan" L.L.C. and Deloitte and Touche (Middle East) – Jordan were appointed as Co-auditors of the Bank for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant to our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of Credit Facilities Impairment Provision

The provision for credit facilities impairment is considered a key audit matter because its calculation requires making assumptions and management's use of estimates for the drop in credit ratings and the probability of un-collectability due to the deteriorating financial and economic conditions of some sectors or debtors and inadequate guarantees, leading to suspension of interest according to the regulatory authorities' instructions. Net credit facilities amounted to JOD 1,562 million which represents 55% of the total assets as of 31 December 2017.

As described in the accounting policies note; the management calculates the provision for impairment in direct credit facilities according to the accounting policies described and in accordance with Central Bank of Jordan related instructions. The Management reviews the contracts individually or in-group to assess whether there is objective evidence of impairment such as default in payments of customers. In case evidence exist, the management assess the impairment value based on the recoverable amount from the assets mortgaged to the Bank and in accordance with the International Financial Reporting Standards and Central Bank of Jordan Instructions.

The nature and characteristics of credit facilities granted to debtors vary from one sector to another, and from one country to another, due to the Bank's geographical deployment. Accordingly, the calculation method of the provision for credit facilities impairment varies due to diverse sectors and different risk assessments for those countries, as well as due to their legal and statutory requirements and the requirements of the Central Bank of Jordan.

Scope of Audit to Address Risks

The performed audit procedures included understanding the nature of credit facilities portfolios, and evaluating the reasonableness of management's estimates of the provision for credit facilities impairment. Furthermore, we reviewed and assessed the Bank's policy for calculating provisions. We also selected and reviewed a sample of performing, watch-list, and non-performing credit facilities at the Bank's level as a whole. In addition, we evaluated the factors affecting the calculation of the provision for credit facilities impairment such as evaluating available guarantees and collaterals, customers' financial solvency, management's estimates of expected cash flows, and the regulatory requirements of the central banks. We also discussed these factors with the executive management to verify the adequacy of recorded provisions, and we re-calculated the provisions required to be recorded for this sample.

On the other hand, we evaluated the disclosure adequacy relating to credit facilities, provision for credit facilities impairment, and risks set out in Note (7).



**Evaluation of Investments not
Listed in organized Markets**

The Bank holds non-current financial assets within the financial assets portfolio through other comprehensive income statement of JD 20,944,851 as of December 31, 2017. These assets should be stated at fair value in accordance with International Financial Reporting Standard (IFRS 9).

Fair value determination of financial assets requires the Bank's management to make several judgments and assessments and to rely on non-listed prices input. Consequently, management's fair value estimation of these assets was significant to our audit.

Assets Seized by the Bank against Debts

Assets seized by the Bank are shown at acquisition value or fair value, whichever is lower. As of the consolidated statement of financial position date, these assets are revalued individually at fair value based on approved bases and methods according to the requirements of the International Financial Reporting Standards. Moreover, any related impairment in their value is recorded based on recent real estate evaluations and approved by certified real estate appraisers in line with CBJ requirements.

Scope of Audit to Address Risks

Due to the lack of active markets for those investments, the valuation for such investments was a significant matter for our audit. We have reviewed module used by the Bank and discussed it with the Bank's management. Moreover, we have discussed the assumptions used with the management of the bank.

We have also evaluated the disclosure adequacy relating to the financial assets at fair value through other comprehensive income in Note (9).

Scope of Audit to Address Risks

The Bank should re-evaluate foreclosed assets seized by the Bank at least once every two years to determine their fair value and to reflect the effect of their impairment (if any) in the income statement in accordance with the International Financial Reporting Standards and the requirements of the Central Bank of Jordan. Our audit procedures include reviewing the fair value of the seized assets and review the reports of the real estate appraisers hired by the management to evaluate these properties.

We have also evaluated the disclosure adequacy relating to the assets seized by the bank in Note (13).

Other Information

Management is responsible for other information. Other information comprise the other information in the annual report excluding the financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover other information, and we do not express any form of assurance or conclusion thereon.

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



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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 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 Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 evidences 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 consolidated financial statements or, if such disclosure is 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 consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 duly organized and in line with the accompanying consolidated financial statements.

Amman – Jordan

March 1, 2018

PricewaterhouseCoopers “Jordan” L.L.C.

Deloitte & Touche (M.E) – Jordan

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016

	Note	2017	2016
		JD	JD
ASSETS			
Cash and balances at central banks	4	224,259,331	279,155,436
Balances at banks and financial institutions	5	317,656,834	212,859,226
Deposits at banks and financial institutions	6	6,246,210	14,166,627
Direct credit facilities-net	7	1,562,286,911	1,446,910,964
Financial assets at fair value through profit or loss	8	66,673,669	69,705,520
Financial assets at fair value through comprehensive income	9	29,240,711	27,306,153
Financial assets at amortized cost	10	395,100,921	479,195,403
Property and equipment - net	11	29,388,555	28,779,027
Intangible assets - net	12	5,095,610	7,003,148
Deferred tax assets	19	11,299,456	10,128,723
Other assets	13	180,796,785	164,775,189
Assets held for sales - net	46	4,162,033	-
TOTAL ASSETS		2,832,207,026	2,739,985,416
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits	14	306,217,195	384,284,349
Customers deposits	15	1,808,308,934	1,703,401,315
Cash margins	16	96,179,696	87,959,874
Borrowed funds	17	80,137,973	33,636,542
Other provisions	18	10,921,129	12,105,531
Provision for income tax	19	12,210,713	14,567,302
Deferred tax liabilities	19	3,791,258	2,937,750
Other liabilities	20	45,367,012	35,917,912
Liabilities directly associated to assets held for sale	46	661,794	-
TOTAL LIABILITIES		2,363,795,704	2,274,810,575
OWNERS' EQUITY:			
EQUITY - BANK SHAREHOLDERS:			
Authorized and paid-up capital	21	100,000,000	100,000,000
Statutory reserve	22	86,034,401	81,803,089
Voluntary reserve	22	160,466,574	152,003,949
Pro-cyclicality reserve	22	227,597	227,597
General banking risks reserve	22	14,288,875	13,525,686
Financial assets valuation reserve - net of tax	23	8,135,930	6,133,272
Equity directly associated to assets held for sale	46	(17,829)	-
Retained earnings	24	99,275,774	105,999,129
TOTAL EQUITY - BANK'S SHAREHOLDERS		468,411,322	459,692,722
Non-controlling interests		-	5,482,119
TOTAL OWNERS' EQUITY		468,411,322	465,174,841
TOTAL LIABILITIES AND OWNERS' EQUITY		2,832,207,026	2,739,985,416

THE ACCOMPANYING NOTES FROM (1) TO (47) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	Note	2017 JD	2016 (Represented) JD
Interest income	26	138,865,522	127,452,480
Less: Interest expense	27	44,281,156	37,617,749
Net Interest Income		94,584,366	89,834,731
Net commission income	28	11,301,779	12,277,308
Net Interest and Commission Income		105,886,145	102,112,039
Foreign currency income	29	4,896,518	5,428,627
Gain (loss) from financial assets at fair value through profit or loss	30	620,346	(773,402)
Cash dividends at fair value through comprehensive income	9	866,046	1,096,853
Other income	31	11,142,154	10,980,463
Gross Income		123,411,209	118,844,580
Employees expenses	32	26,548,039	24,834,174
Depreciation and amortization	12 & 11	6,502,225	5,512,403
Provision of impairment loss in direct credit facilities	7	15,720,456	19,530,246
Other provisions	18	1,287,777	2,250,699
Other expenses	33	31,039,589	23,855,772
Total Expenses		81,098,086	75,983,294
Income for the Year before Income Tax		42,313,123	42,861,286
Less: Income tax expense	19	14,128,272	13,375,283
Income for the Year from continuing operations		28,184,851	29,486,003
Net (loss) profit from discontinued operations	46	(1,229,058)	519,807
Income for the Year		26,955,793	30,005,810
Pertains to:			
Bank's Shareholders		26,955,793	29,747,029
Non-Controlling Interests		-	258,781
Earnings per Share for the Year Attributable to the Bank's Shareholders			
Basic and Diluted	34	-/270	-/297
Earnings per Share from continuing operations for the Year			
Attributable to the Bank's Shareholders			
Basic and Diluted	34	-/282	-/295
(Loss) earning per Share from continuous operations for the Year			
Attributable to the Bank's Shareholders			
Basic and Diluted	34	(-/012)	-/005

THE ACCOMPANYING NOTES FROM (1) TO (47) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
	JD	JD
Income for the year	26,955,793	30,005,810
Other Comprehensive Income Items:		
Items not subsequently transferable to consolidated statement of income:		
Net change in financial assets at fair value valuation reserve - net of tax	<u>1,762,807</u>	1,313,834
Total Comprehensive Income for the Year	<u>28,718,600</u>	<u>31,319,644</u>
Total Comprehensive Income for the Year Pertains to:		
Bank's shareholders	<u>28,718,600</u>	31,114,068
Non-controlling interests	-	205,576
Total	<u>28,718,600</u>	<u>31,319,644</u>

THE ACCOMPANYING NOTES FROM (1) TO (47) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Description	Note	Authorized and Paid-up Capital	Statutory	Reserves			Equity - Bank's Shareholders				Total Equity - Bank's Shareholders	Non-controlling Interests		Total	
				Voluntary	Pro-Cyclically	General Banking Risks	Financial Assets Valuation Reserve - Net of Tax	Equity Directly Associated to Assets Held for Sale	Realized	Unrealized		Total	JD		JD
For the Year Ended December 31, 2017		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year		100,000,000	81,803,089	152,003,949	227,597	13,525,686	6,133,272	-	91,942,615	14,056,514	105,999,129	459,692,722	5,482,119	465,174,841	
Income for the year		-	-	-	-	-	-	-	26,955,793	-	26,955,793	26,955,793	-	26,955,793	
Net change in financial assets at fair value - net of tax		-	-	-	-	-	1,780,636	(17,829)	-	-	-	1,762,807	-	1,762,807	
Realized (loss) from financial assets at fair value through comprehensive income	9	-	-	-	-	-	222,022	-	(222,022)	-	(222,022)	-	-	-	
Total Comprehensive Income for the Year		-	-	-	-	-	2,002,658	(17,829)	26,733,771	-	26,733,771	28,718,600	-	28,718,600	
Transfers through the year		-	-	-	-	-	-	-	(1,163,645)	1,163,645	-	-	-	-	
Transferred from non-controlling equity associated to assets held for sale		-	-	-	-	-	-	-	-	-	-	-	(5,482,119)	(5,482,119)	
Transferred to reserves	22	-	4,231,312	8,462,625	-	763,189	-	-	(13,457,128)	-	(13,457,126)	(20,000,000)	-	(20,000,000)	
Paid dividends	25	-	-	-	-	-	-	-	(20,000,000)	-	(20,000,000)	(20,000,000)	-	(20,000,000)	
Balance - End of the Year		100,000,000	86,034,401	160,466,574	227,597	14,288,875	8,135,930	(17,829)	84,055,615	15,220,159	99,275,774	488,411,322	-	488,411,322	
For the Year Ended December 31, 2016															
Balance - beginning of the year		100,000,000	77,479,744	143,357,259	227,597	13,353,038	4,280,152	-	98,235,448	11,645,416	109,880,864	448,578,654	5,674,815	454,253,469	
Income for the year		-	-	-	-	-	-	-	29,747,029	-	29,747,029	29,747,029	258,781	30,005,810	
Net change in financial assets at fair value - net of tax comprehensive income	9	-	-	-	-	-	1,367,039	-	-	-	-	1,367,039	(53,205)	1,313,834	
Total Comprehensive Income for the Year		-	-	-	-	-	486,081	-	(486,081)	-	(486,081)	-	-	-	
Transfers through the year		-	-	-	-	-	-	-	28,260,948	-	28,260,948	31,114,068	205,576	31,319,644	
Transferred to reserves	22	-	4,323,345	8,646,690	-	172,648	-	-	(2,411,098)	2,411,098	-	-	-	-	
Paid dividends	25	-	-	-	-	-	-	-	(13,142,683)	-	(13,142,683)	(20,000,000)	-	(20,000,000)	
Balance - End of the Year		100,000,000	81,803,089	152,003,949	227,597	13,525,686	4,766,233	-	91,942,615	14,056,514	105,999,129	459,692,722	5,482,119	465,174,841	

- Retained earnings includes an amount of JD 11,299,456 as of December 31, 2017 (against JD 10,128,723 as of December 31, 2016) restricted, according to the Central Bank of Jordan instructions, against deferred tax assets.
- Retained earnings includes an amount of JD 3,920,703 as of December 31, 2017 (against JD 3,927,791 as of December 31, 2016) restricted against the effect of adopting International Financial Reporting Standard No. (9) according to Jordan Securities Commission instructions in relation to the revaluation of financial assets at fair value through profit or loss, net of amounts recognized through sales.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of credit financial assets valuation reserve is restricted and requires the pre-approval of the Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM (1) TO (47) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	Note	2017	2016 (Represented)
CASH FLOWS FROM OPERATING ACTIVITIES:			
		JD	JD
Income for the year before income tax		42,313,123	42,861,286
Net (loss) income from discontinued operations		(1,229,058)	519,807
Adjustments:			
Depreciation and amortization	11&12	6,502,225	5,568,725
Provision for impairment in direct credit facilities	7	15,720,456	19,783,792
Net interest income		(4,862,476)	(10,658,907)
Provision for staff indemnity	18	927,777	1,980,699
Provision for lawsuits against the Bank and contingent claims	18	360,000	270,000
Loss (gain) on sale of assets seized by the Bank	31	596,535	(797,966)
(Gain) on sale of property and equipment	31	(20,200)	(6,044)
(Gain) loss from financial assets at fair value through profit or loss	30	(143,861)	2,172,448
Seized assets provision	13	6,925,657	3,420,103
Effect of exchange rate fluctuations on cash and cash equivalents	29	(1,323,048)	(1,194,136)
Total		65,767,130	63,919,807
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (increase) in deposits at banks and financial institutions		7,920,417	(5,058,912)
Increase in direct credit facilities		(131,096,403)	(93,907,552)
Decrease in financial assets at fair value through profit or loss		3,175,712	4,341,092
(Increase) decrease in other assets		(8,567,704)	27,946,923
(Increase) in assets held for sale		(4,162,033)	-
(Decrease) increase in banks and financial institutions deposits due after three months		(500,300)	11,489,639
Increase (decrease) in customers deposits		104,907,619	(197,504,571)
Increase in cash margins		8,219,822	1,057,774
(Decrease) in other liabilities		(1,371,581)	(6,754,150)
Increase in liabilities directly associated to assets held for sale		661,794	-
Net change in assets and liabilities		(20,812,657)	(258,389,757)
Net Cash Flows from (used in) Operating Activities before Provisions and Income Tax Paid		44,954,474	(194,469,950)
End-of-service indemnity paid	18	(2,309,000)	(642,627)
Lawsuits provision paid	18	(163,179)	(29,138)
Income tax paid	19	(17,779,527)	(15,877,401)
Net Cash Flows generated from (used in) operating activities		24,702,768	(211,019,116)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in financial assets at amortized cost		84,094,482	26,554,573
Decrease in financial assets at fair value through comprehensive income		699,586	10,062,209
(Increase) in property, equipment and intangible assets		(5,184,015)	(8,483,903)
Equity directly associated to assets held for sale		(17,829)	-
Net Cash Flows from investing activities		79,592,224	28,132,879
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in non-controlling interests		(5,482,119)	(451,477)
Increase in borrowed funds		46,501,431	9,620,642
Dividends paid to shareholders		(19,168,995)	(19,230,438)
Net Cash Flows generated from (used in) Financing Activities		21,850,317	(10,061,273)
Effect of exchange rate fluctuations on cash and cash equivalents		1,323,048	1,194,136
Net Increase (Decrease) in Cash and Cash Equivalents		127,468,357	(191,753,374)
Cash and cash equivalents - beginning of the year		145,447,357	337,200,731
Cash and Cash Equivalents - End of the Year	35	272,915,714	145,447,357

THE ACCOMPANYING NOTES FROM (1) TO (47) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- General Information

- Jordan Kuwait Bank was established as a Jordanian public limited shareholding company under number (108) on October 25, 1976 in accordance with the Jordanian Companies Law No. (13) for the year 1964. The Bank's Head Office address is as follows: Omayya Bin Abdshams Street, Abdali – Amman. Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in all banking and financial related operations through its branches totaling 65 branches inside Jordan, 5 foreign branches, and three subsidiaries.
- Jordan Kuwait Bank is listed as a public limited shareholding company on the Amman Stock Exchange.
- The consolidated financial statements have been approved by the Bank's Board of Directors, in their meeting number (1/2018) held on February 14, 2018 and are subject to the approval of the General Assembly of Shareholders.

2- Significant Accounting Policies

Basis of Preparation of the Consolidated Financial Statements

- The accompanying consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards, interpretations issued by the Committee of the IASB, prevailing local laws and the regulations of the Central Bank of Jordan.
- The consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets stated at fair value through other comprehensive income and financial derivatives stated at fair value at the date of the consolidated financial statements. Moreover, hedged financial assets and financial liabilities are also stated at fair value.
- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The accounting policies adopted in the consolidated financial statements are consistent with those accounting policies applied in the year ended December 31, 2016, except for the implementation of what is stated in Note (47) to the consolidated financial statements.

Basis of Financial Statements Consolidation

- The consolidated financial statements include the financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain benefits from their activities. All transactions, balances, revenue and expenses between the Bank and its subsidiaries are eliminated.
- The financial statements of the subsidiaries relating to the same fiscal year of the Bank are prepared using the same accounting policies adopted by the Bank, In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, necessary adjustments to the financial statements of the subsidiaries have to be made in order to match those applied by the Bank.
- Non-controlling interests represent the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of December 31, 2017:

Company's Name	Paid-up Capital	Ownership of the Bank	Nature of Operation	Location	Date of Acquisition
	JD	%			
Ejarah for Finance Leasing Company	20,000,000	100	Finance Leasing	Amman	2011
Specialized Managerial Company for Investment and Financial Consultation*	530,000	100	Issuance of Securities and financial consulting Services	Amman	2016

The most significant financial information for the subsidiaries for the year 2017 is as follows:

Company's Name	December 31, 2017		For the year 2017	
	Total Assets	Total Liabilities	Total Revenue	Total Expenses
	JD	JD	JD	JD
Ejarah for Finance Leasing Company	65,789,491	26,153,018	6,224,606	2,604,216
Specialized Managerial Company for Investment and Financial Consultation *	532,208	11,192	231,031	265,286

* The Company was established on November 22, 2016 with a capital of JD 530,000, but it did not conduct any operating activities until the end of 2016. Moreover, the Bank has three members on the company's Board of Directors.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The results of operations of the subsidiaries are consolidated in the consolidated statement of income from the date of acquisition, which represents the date when control over the subsidiaries is passed on to the Bank. Moreover, the results of operations of the disposed of subsidiaries are consolidated in the consolidated statement of income until the disposal date, which represents the date when the Bank loses control over the subsidiaries.

Segments Information

- A business segment is a distinguishable component of assets and transactions in which an entity is engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments, which are measured according to the reports used by executive directors and the main decision makers at the Bank.
- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

Financial Assets at Fair Value through Profit or Loss

- These financial assets represent investments in companies' stocks and bonds for trading purposes, and the purpose of maintaining them is to generate gains from the fluctuations in market prices in the short term or trading margins.
- These financial assets are initially stated at fair value at the acquisition date, (transaction costs are expensed in the consolidated statement of income at the purchase date), and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated in foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of income.
- It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.
 - Dividends and interest from these financial assets are recorded in the consolidated statement of income.

Financial Assets at Fair Value through Comprehensive Income

- These financial assets represent investments in equity instruments held for the purpose of generating gains in the long term and not for trading purposes.
- Financial assets at fair value through comprehensive income are initially stated at fair value plus transaction costs at the purchase date. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income and within owners' equity, including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or Loss from the sale of these investments should be recognized in the consolidated statement of comprehensive income and within owners' equity, and the balance of the revaluation reserve for these assets should be transferred directly to retained earnings and not to the consolidated statement of income.
- These assets are not subject to impairment testing.
- Dividends are recorded in the consolidated statement of income as a separate-line item.

Financial Assets at Amortized Cost

- These are the financial assets which the Bank's management aims to hold according to its business model for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.
- Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments, leading to the inability to recover the investment or part of it, are therefore deducted, and any impairment loss in its value is recorded in the consolidated statement of income.
- The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in International Financial Reporting Standards (in case of selling any of these assets before their maturity date, the result should be recorded in a separate-line item in the consolidated statement of income, and disclosures should be made in accordance with the requirements of International Financial Reporting Standards).

Fair Value

Fair value represents the closing market price (Purchasing Assets / Selling Liabilities) of financial assets and derivatives on the date of the consolidated financial statements in Active Markets.

In case declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest in accordance with the discounted cash flows using the effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the consolidated statement of income.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The valuation methods aim to obtain a fair value that reflects market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. In case the fair value of the financial instrument cannot be measured reliably, it is stated at cost less any impairment.

Impairment Loss in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the consolidated statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

Impairment loss is determined as follows:

- Impairment loss in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- Impairment loss in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous declines in the value of financial assets as debt instruments is taken to the consolidated statement of income, and equity instrument is taken to the consolidated statement of comprehensive income.

Direct Credit Facilities

- A provision for impairment loss in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot be recovered, there is objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment loss amount can be estimated according to the Central Bank of Jordan instructions. The provision is recorded in the consolidated statement of income.
- Interest and commissions on non-performing direct credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the applicable laws in the countries where the Bank's branches or the subsidiaries operate, whichever are stricter.
- Impaired credit facilities, for which a provision has been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provision is taken to the consolidated statement of income, while debt recoveries are taken to other income.
- Credit facilities and the related fully provided for suspended interest are taken off the consolidated statement of financial position in line with the Board of Directors' decision in that regard.
- Interest on accounts with lawsuits is suspended and recorded off the consolidated statement of financial position in line with the Board of Directors' decisions in this regard.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in their value. Moreover, property and equipment (except for land) are depreciated according to the straight-line method over their estimated useful lives, when ready for use, using the following annual rates:

	%
Buildings	3
Furniture, fixtures and equipment	9 – 15
Vehicles	15
Computers	20
Building improvements	20

- When the recoverable amounts of property and equipment are lower than their carrying values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at the end of each 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.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use.

Provisions

- Provisions are recognized when the Bank has an obligation on the date of the consolidated statement of financial position arising from past events, and the costs to settle the obligation are both probable and can be reliably measured.

Provision for Employees' End-of-Service

- A provision is taken to meet the legal and contractual obligations that are related to the employees' end-of-service indemnities or for the accumulated period of service as of the date of the consolidated statement of financial position, in accordance with the internal regulations of the Bank.
- The annual compensation paid to the employees who leave the service is carried to provision for end-of-service indemnities when paid, and a provision is taken for the obligations against the Bank for the compensation of end-of-service indemnities in the consolidated statement of income.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the Bank operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

Share Capital

Costs of Issuing or Purchasing the Bank's Shares

Costs of issuing or purchasing the Bank's shares are recorded in retained earnings (net of the tax effect of these costs). In case the issue or purchase process is incomplete, these costs are charged to the consolidated statement of income as an expense.

Treasury Shares

Treasury shares are stated at cost and have no rights in dividends to the shareholders, and no rights in participating or voting in the Bank's General Assembly meetings. Gains or losses from selling the treasury shares are not recognized in the consolidated statement of income. Gains are shown in owners' equity with share premium / discount whereas losses are taken to retained earnings, in case there is no treasury shares premium balance available.

Mortgaged Financial Assets

Mortgaged financial assets are assets mortgaged to other parties, who hold the right of selling or refinancing the mortgage. Those assets are continuously evaluated according to the accounting policies designated for each of them.

Accounts Managed on Behalf of Customers

This item represents the accounts managed by the Bank on behalf of its customers and is not part of the Bank's assets. The fees and commissions for managing these accounts are shown in the consolidated statement of income. Furthermore, a provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Recognition of Income and Realization of Expenses

- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are rendered, and dividend revenue from companies is recognized when earned (or when approved by the shareholders General Assembly).

Recognition of Financial Assets' Date

Purchase and sale of financial assets are recognized on the trading date (the date the Bank is liable to sell or purchase the financial asset).

Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the Bank is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The Company's business results are recorded separately as net income from discontinued operations in the consolidated statement of income.

Assets Seized by the Bank against Due Debts

Assets seized by the Bank are shown under "other assets" in the consolidated statement of financial position at the acquisition value or fair value, whichever is lower, and revalued individually at fair value as of the consolidated statement of financial position date. Any decline in their market value is taken to the consolidated statement of income whereas any such increase is not recognized. A subsequent increase is taken to the consolidated statement of income to the extent that it does not exceed the previously recorded impairment loss.

The impairment of assets seized by the Bank is recorded based on recent real estate evaluations conducted by certified real estate evaluators for the purpose of impairment calculation. This impairment is reviewed periodically.

Intangible Assets

- Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.
- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is recorded in the consolidated statement of income.
- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded in the consolidated statement of income for the same period.
- Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.
- Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20% - 33%.

Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated to US Dollar at the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as shares) are recorded as part of the change in fair value.
- When consolidating the financial statements, assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency (basic) to the reporting currency, using the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan. Revenue and expense items are translated using the average exchange rates during the year, and exchange differences are shown in a separate item within the consolidated statement of shareholders' equity. In case of selling one of the subsidiaries or branches, the related amount of exchange difference is booked in revenues\expenses in the consolidated statement of income.

Cash and Cash Equivalents

Cash and cash equivalents are balances maturing within three months or less which comprise of cash and balances with Central Banks, balances with banks and financial institutions, less bank deposits and balances due to banks and financial institutions maturing within three months and restricted funds.

3. Accounting Estimates

Preparation of the accompanying consolidated 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. In particular, they require 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.

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Management believes that the estimates used in the consolidated financial statements are reasonable. The details are as follows:

- A provision is set for lawsuits raised against the Bank and subsidiaries. This provision is subject to an adequate legal study prepared by the Bank and subsidiaries' legal advisors. Moreover, the study highlights potential risks that may be encountered in the future. Such legal assessments are reviewed frequently.
- A provision for loans is taken according to bases and estimates approved by management in conformity with the Central Bank of Jordan instructions, except for the arrangements with the Central Bank of Jordan with regards to impairment loss calculation for some of direct credit facilities customers.
- Impairment loss for the properties seized by the Bank is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors, and impairment loss is reviewed periodically. Since the beginning of 2015, a gradual provision has been calculated for the assets seized against debts, whose seizure exceeded 4 years, according to the instructions of the Central Bank of Jordan regarding this matter.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the consolidated statement of income.
- Provision for income tax: The financial year is charged with its portion from the income tax expense according to the prevailing laws and regulations and International Financial Reporting Standards. Moreover, the necessary income tax provision is calculated and recorded.
- Fair value hierarchy: The Bank is required to determine and disclose 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 International Financial Reporting Standards. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial asset or liability, the Bank uses market information (if available) and in the absence of the first level inputs, the Bank deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and inputs used to prepare the evaluation are reviewed by management.

4. Cash and Balances at Central Banks

The details of this item are as follows:

	2017	2016
	JD	JD
Cash in vaults	51,727,554	39,889,263
Balances at Central Banks:		
Current and call accounts	17,646,622	100,844,653
Time and notice deposits	60,651,649	46,490,409
Mandatory cash reserve	94,233,506	91,931,111
Total	224,259,331	279,155,436

- Except for the statutory cash reserve, there are no restricted balances as of December 31, 2017 and 2016.
- There are no balances due within a period exceeding three months as of December 31, 2017 and 2016.

5. Balances at Banks and Financial Institutions

The details of this item are as follows:

Description	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and call accounts	402,909	296,851	160,461,816	110,705,461	160,864,725	111,002,312
Deposits due within three months or less	3,500,000	13,642,099	153,292,109	88,214,815	156,792,109	101,856,914
Total	3,902,909	13,938,950	313,753,925	198,920,276	317,656,834	212,859,226

- Non-interest bearing balances at banks and financial institutions amounted to JD 45,098,151 as of December 31, 2017 (against JD 35,132,679 as of December 31, 2016).
- Restricted balances amounted to JD 2,558,072 as of December 31, 2017 and 2016

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6. Deposits at Banks and Financial Institutions

The details of this item are as follows:

Description	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Deposits	-	-	6,246,210	14,166,627	6,246,210	14,166,627
Total	-	-	6,246,210	14,166,627	6,246,210	14,166,627

- Restricted deposits amounted to JD 17,725 as of December 31, 2017 and 2016.

7. Direct Credit Facilities - Net

The details of this item are as follows:

	2017	2016
	JD	JD
Individuals (retail):		
Overdraft accounts	12,451,875	3,588,010
Loans and promissory notes*	128,561,331	109,586,230
Credit cards	10,976,355	9,076,996
Real estate loans	222,533,778	196,452,307
Companies:		
Large		
Overdraft accounts	223,112,571	246,307,707
Loans and promissory notes*	806,059,454	738,868,655
Small and medium		
Overdraft accounts	11,413,661	8,511,888
Loans and promissory notes*	94,088,879	77,477,202
Government and public sector	114,811,877	144,577,428
Total	1,624,009,781	1,534,446,423
Provision of impairment loss in direct credit facilities	(49,321,331)	(73,120,373)
Interest in suspense	(12,401,539)	(14,415,086)
Net Direct Credit Facilities	1,562,286,911	1,446,910,964

* Net after deducting interest and commission received in advance amounting to JD 227,653 as of December 31, 2017 (against JD 383,975 as of December 31, 2016).

- Non-performing credit facilities amounted to JD 89,714,830, which is equivalent to 5.5% of total direct credit facilities as of December 31, 2017 (against JD 131,802,453, which is equivalent to 8.6% of total direct credit facilities as of December 31, 2016).
- Non-performing credit facilities net of interest and commissions in suspense amounted to JD 77,313,291 which is equivalent to 4.8% of total direct credit facilities balance after deducting suspended interest as of December 31, 2017 (against JD 117,387,367, which is equivalent to 7.7% of total credit facilities balance after deducting suspended interest as of December 31, 2016).
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to JD 67,116,547, which is equivalent to 4.1% of total direct credit facilities as of December 31, 2017 (against JD 80,146,314, which is equivalent to 5.2% as of December 31, 2016).

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Provision for Impairment Loss in Direct Credit Facilities

The following is the movement on the provision for impairment loss in direct credit facilities:

For the Year 2017	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373
Deducted from income during the year	1,739,660	827,082	26,175,921	355,617	-	29,098,280
Surplus in provision for credit facilities *	(1,560,757)	(2,397,085)	(9,699,989)	(1,066,520)	-	(14,724,351)
Used from provision during the year (written-off) **	(344,441)	-	-	(51,675)	-	(396,116)
Debt transferred from the consolidated statement of financial position ***	-	-	(37,776,855)	-	-	(37,776,855)
Balance – End of the Year	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331
Total of watch list provisions	268,063	19,006	2,001,010	26,628	-	2,314,707
Total non-performing provisions	6,008,938	3,882,113	35,771,002	1,344,571	-	47,006,624
	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331

For the Year 2016	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	5,163,412	3,526,473	43,039,005	2,029,619	-	53,758,509
Deducted from income during the year	3,074,485	2,677,535	16,450,684	300,725	-	22,503,429
Surplus in provision for credit facilities	(1,415,879)	(732,886)	(416,754)	(154,118)	-	(2,719,637)
Used from provision during the year (written-off) *	(379,479)	-	-	(42,449)	-	(421,928)
Balance – End of the Year	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373
Total of watch list provisions	429,441	68,720	1,536,091	25,617	-	2,059,869
Total non-performing provisions	6,013,098	5,402,402	57,536,844	2,108,160	-	71,060,504
	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373

* The surplus includes an amount of JD 1,346,527 that belongs to United Financial Investments Company, which was transferred to assets held for sale.

** During the year 2017, an amount of JD 396,116 has been written off from direct credit facilities based on the Board of Directors' approval (against JD 421,928 for the year 2016).

*** During the year 2017, non-performing credit facilities of JD 41,629,586 were transferred to off-consolidated statement of financial position according to the Board of Directors' decision concerning that matter.

- The disclosure above is related to provisions against debts calculated on the basis of the individual customer.
- The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 14,724,351 as of December 31, 2017 (JD 2,719,637 as of December 31, 2016).

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Interest in Suspense

The movement on interest in suspense during the year is as follows:

For the Year 2017	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	643,062	1,819,453	11,537,660	414,911	-	14,415,086
Add: Interest suspended during the year	142,177	195,301	2,570,648	347,776	-	3,255,902
Less: Interest reversed to income	80,622	168,311	668,788	382,208	-	1,299,929
Interest in suspense written-off	113,631	-	3,158	-	-	116,789
Non performing credit off-consolidated statement of financial positions	-	-	3,852,731	-	-	3,852,731
Balance - End of the Year	590,986	1,846,443	9,583,631	380,479	-	12,401,539

For the Year 2016	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	457,342	1,184,303	9,568,870	269,077	-	11,479,592
Add: Interest suspended during the year	370,965	711,026	1,968,790	264,368	-	3,315,149
Less: Interest reversed to income	148,590	75,876	-	102,673	-	327,139
Interest in suspense written-off	36,655	-	-	15,861	-	52,516
Balance - End of the Year	643,062	1,819,453	11,537,660	414,911	-	14,415,086

* The Bank adopts a policy for suspending interest off - the consolidated statement of financial position for credit facilities with lawsuits outstanding in Courts. During the year 2017, suspended interest on non-performing credit facilities off - the consolidated statement of financial position, as per the decision of the Board of Directors, amounted to JD 17,495,663 (JD 6,887,325 for the year 2016). Suspended interest on non-performing credit facilities out of the system totaled JD 23,870,254 as of December 31, 2017 (JD 41,365,916 for the year 2016).

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	2017	2016
	JD	JD
Quoted shares in active markets	6,127,310	10,794,946
Quoted bonds in active markets	54,488,359	52,414,574
Unquoted bonds in active markets	6,058,000	6,496,000
Total	66,673,669	69,705,520
Bonds Analysis:		
Fixed rate	57,021,450	55,434,516
Floating rate	3,524,909	3,476,058
Total	60,546,359	58,910,574

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9. Financial Assets at Fair Value through Comprehensive Income

The details of this item are as follows:

	2017	2016
	JD	JD
Quoted shares in active markets	8,295,860	7,378,426
Unquoted shares in active markets	20,944,851	19,927,727
Total	29,240,711	27,306,153

- Realized losses from the sale of shares through comprehensive income amounted to JD 222,022 in 2017, (JD 486,081 during the year 2016) booked directly to retained earnings in the consolidated statement of owners' equity.
- Cash dividends on the above investments amounted to JD 866,046 for the year ended December 31, 2017 (JD 1,096,853 for the year ended December 31, 2016).

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	2017	2016
	JD	JD
Quoted Financial Assets:		
Companies bonds and debentures	15,847,190	15,842,727
Total Quoted Financial Assets	15,847,190	15,842,727
Unquoted Financial Assets:		
Treasury bonds and bills	361,845,731	447,399,676
Companies' bonds and debentures	17,408,000	15,953,000
Total Unquoted Financial Assets	379,253,731	463,352,676
Total	395,100,921	479,195,403
Bonds and Bills Analysis:		
Fixed rate	379,200,921	464,750,403
Floating rate	15,900,000	14,445,000
Total	395,100,921	479,195,403

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11. Property and Equipment - Net

a. The details of this item are as follows:

Year 2017	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Building Improvements	Total
	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance - beginning of the year	3,046,712	10,371,614	11,900,762	1,321,588	16,264,101	15,446,620	58,351,397
Additions	-	304,122	1,968,512	66,300	1,364,867	2,617,362	6,321,163
Disposals	-	-	310,473	29,500	-	-	339,973
Balance - End of the Year	3,046,712	10,675,736	13,558,801	1,358,388	17,628,968	18,063,982	64,332,587
Accumulated Depreciation:							
Balance - beginning of the year	-	1,986,056	8,372,071	595,095	12,010,953	10,734,039	33,698,214
Depreciation for the year	-	214,226	797,985	122,919	1,435,021	1,561,303	4,131,454
Disposals	-	-	13,985	29,500	-	2,634	46,119
Balance - End of the Year	-	2,200,282	9,156,071	688,514	13,445,974	12,292,708	37,783,549
Net Book Value of Property and Equipment	3,046,712	8,475,454	4,402,730	669,874	4,182,994	5,771,274	26,549,038
Add: Down payments on property and equipment purchases	-	-	2,839,517	-	-	-	2,839,517
Net Book Value of Property and Equipment - End of the Year	3,046,712	8,475,454	7,242,247	669,874	4,182,994	5,771,274	29,388,555
Year 2016							
Cost:							
Balance - beginning of the year	3,046,712	9,726,226	10,764,324	707,632	15,009,540	12,528,188	51,782,622
Additions	-	645,388	1,154,430	617,805	1,351,558	2,918,432	6,687,613
Disposals	-	-	17,992	3,849	96,997	-	118,838
Balance - End of the Year	3,046,712	10,371,614	11,900,762	1,321,588	16,264,101	15,446,620	58,351,397
Accumulated Depreciation:							
Balance - beginning of the year	-	1,811,734	7,584,305	471,502	10,659,636	9,508,786	30,035,963
Depreciation for the year	-	174,322	805,758	127,442	1,448,097	1,225,253	3,780,872
Disposals	-	-	17,992	3,849	96,780	-	118,621
Balance - End of the Year	-	1,986,056	8,372,071	595,095	12,010,953	10,734,039	33,698,214
Net Book Value of Property and Equipment	3,046,712	8,385,558	3,528,691	726,493	4,253,148	4,712,581	24,653,183
Add: Down payments on property and equipment purchases	-	-	4,125,844	-	-	-	4,125,844
Net Book Value of Property and Equipment - End of the Year	3,046,712	8,385,558	7,654,535	726,493	4,253,148	4,712,581	28,779,027
Annual Depreciation rate	-	3	9 - 15	15	20	20	

b. Property and equipment include an amount of JD 25,409,733 as of December 31, 2017 (JD 22,849,169 as of December 31, 2016) representing fully depreciated assets.

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12. Intangible Assets - Net

The details of this item are as follows:

Year 2017	Computer Software and Applications	Total
	JD	JD
Balance - beginning of the year	7,003,148	7,003,148
Additions	463,233	463,233
Amortization for the year	2,370,771	2,370,771
Balance - End of the Year	5,095,610	5,095,610

Year 2016	Computer Software and Applications	Total
	JD	JD
Balance - beginning of the year	7,065,200	7,065,200
Additions	1,725,801	1,725,801
Amortization for the year	1,787,853	1,787,853
Balance - End of the Year	7,003,148	7,003,148

Annual Amortization Rate % 20 - 33

13. Other Assets

The details of this item are as follows:

	2017	2016
	JD	JD
Accrued interest and income	14,976,084	16,944,811
Prepaid expenses	2,700,257	2,252,548
Assets seized by the Bank against debts - net	151,099,594	136,494,967
Debtors *	663,495	933,086
Clearing checks	389,498	6,448,782
Others *	10,967,857	1,700,995
Total	180,796,785	164,775,189

* Debtors and other assets include balances relating to subsidiaries of JD 147,959 as of December 31, 2017 (JD 206,931 as of December 31, 2016).

- The Central Bank of Jordan's instructions require that the Bank dispose of seized real estate within a period not exceeding two years from the start date of seizure. The Central Bank, in exceptional cases, extend this period for a maximum of two years respectively.

The movement on assets seized by the Bank against due debts was as follows:

	2017			2016
	Seized Property	Other Seized Assets *	Total	Total
	JD	JD	JD	JD
Balance - beginning of the year - net	135,039,491	1,455,476	136,494,967	156,912,370
Additions	28,608,940	-	28,608,940	6,910,198
Disposals	(7,078,656)	-	(7,078,656)	(23,907,498)
Provision as per CBJ instructions ***	(6,372,655)	-	(6,372,655)	(2,382,899)
Impairment loss	(553,002)	-	(553,002)	(1,037,204)
Balance - End of the Year	149,644,118	1,455,476	151,099,594	136,494,967

* This item represents shares in a local bank seized against due debts during the year 2014. Part of it has been sold during 2016, and profits of JD 211,318 have been recorded.

** According to the Central Bank of Jordan's Circular No. 10/1/4076 , 10/1/7096 , 10/1/6841 and 10/1/2510 issued on February 14, 2017, regarding the provision for the assets foreclosed against debts, a minimum of 10% is deducted as a provision for the violated foreclosed assets as of the end of the year 2016. Moreover, a provision of 10% is to be taken until it reaches 50% of these properties.

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14. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2017			December 31, 2016		
	Inside Kingdom	Outside Kingdom	Total	Inside Kingdom	Outside Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	1,161,121	1,161,121	-	2,029,310	2,029,310
Time deposits *	43,360,000	261,696,074	305,056,074	179,022,000	203,233,039	382,255,039
Total	43,360,000	262,857,195	306,217,195	179,022,000	205,262,349	384,284,349

* Time deposits due within a period exceeding three months amounted to JD 39,774,816 as of December 31, 2017 (JD 40,275,116 as of December 31, 2016).

15. Customers' Deposits

The details of this item are as follows:

	December 31, 2017				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
JD	JD	JD	JD	JD	
Current and call accounts	306,822,870	125,736,612	217,701,627	4,129,758	654,390,867
Saving deposits	170,792,970	3,253,071	5,163,170	583,086	179,792,297
Time deposits subject to notice	636,661,486	153,672,278	82,282,245	86,969,111	959,585,120
Certificates of deposit	2,940,701	11,599,949	-	-	14,540,650
Total	1,117,218,027	294,261,910	305,147,042	91,681,955	1,808,308,934

	December 31, 2016				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
JD	JD	JD	JD	JD	
Current and call accounts	324,040,596	107,637,254	180,375,707	11,447,357	623,500,914
Saving deposits	167,305,167	4,814,158	5,954,718	99,446	178,173,489
Time deposits subject to notice	593,276,065	176,368,810	94,842,562	36,464,982	900,952,419
Certificates of deposit	774,493	-	-	-	774,493
Total	1,085,396,321	288,820,222	281,172,987	48,011,785	1,703,401,315

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 91,681,955, equivalent to 5.1% of total customers' deposits as of December 31, 2017 (JD 48,011,785, equivalent to 2.8% as of December 31, 2016).
- Non-interest bearing deposits amounted to JD 574,062,852, equivalent to 31.8% of total customers' deposits as of December 31, 2017 (JD 407,237,963, equivalent to 23.9% as of December 31, 2016).
- Restricted deposits amounted to JD 21,690,132, equivalent to 1.2% of total customers' deposits as of December 31, 2017 (JD 20,709,957, equivalent to 1.2% as of December 31, 2016).
- Dormant deposits amounted to JD 43,362,849 as of December 31, 2017 (JD 21,136,889 as of December 31, 2016).

16. Cash Margins

The details of this item are as follows:

	2017	2016
	JD	JD
Cash margins against direct credit facilities	68,744,358	63,804,633
Cash margins against indirect credit facilities	27,360,130	24,072,933
Other margins	75,208	82,308
Total	96,179,696	87,959,874

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17. Borrowed Funds

These funds have been obtained under a loan agreement with the Central Bank of Jordan and the Jordan Company for Refinancing Real Estate Mortgage in which maturity dates various from a period of less than 1 to 22 years to finance micro -, small -, and medium - sized companies. These also include grants obtained from the Central Bank of Jordan for two years to finance micro -, small -, and medium-sized companies within a medium-term funding program as follows:

	Funds Borrowed	Amount	Number of Installments	Installment Repayment	Lending Interest Rate	Collaterals
December 31, 2017	JD	JD				
Loan through the Central Bank of Jordan	4,000,000	4,000,000	Repaid over 11 years	Semi annual	3.253%	-
Loan through the Central Bank of Jordan	3,000,000	2,790,000	Repaid over 7 years	Semi annual	2.5%	-
Loan through the Central Bank of Jordan	4,663,500	4,663,500	Repaid over 14 years	Semi annual	3.303%	-
Loan through the Central Bank of Jordan	1,611,086	1,611,085	Repaid over 22 years	Semi annual	3%	-
Central Bank Borrowed Funds	6,899,643	5,287,584	Repaid over 5 years	Monthly	1.732%	Upon demand
Central Bank Borrowed Funds	500,000	179,000	Repaid over 1 year and 3 months	Quarterly	2.25%	Upon demand
Central Bank Borrowed Funds	3,663,460	3,663,460	Repaid over 10 years	Monthly	1.375%	Upon demand
Loan through the Jordan Company for Refinancing Real Estate Mortgage	20,000,000	20,000,000	Paid under one installment during 2020		5.55%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	10,000,000	10,000,000	Paid under one installment during 2020		6.05%	-
Local Bank (short-term)*	5,000,000	3,270,927	Not Applicable	Not Applicable	6%	-
Local Bank (short-term)*	5,000,000	2,766,728	Not Applicable	Not Applicable	6.25%	-
Local Bank*	5,000,000	3,748,357	Paid in 36 installments from the utilization date		6%	-
Local Bank*	5,000,000	3,157,332	Paid in 36 installments from the utilization date		6%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage*	5,000,000	5,000,000	Paid under one installment on May 15, 2019		5.55%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage*	5,000,000	5,000,000	Paid under one installment on August 5, 2018		4.35%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage*	5,000,000	5,000,000	Paid under one installment on August 5, 2018		5.75%	-
Total	89,337,689	80,137,973				

December 31, 2016	JD	JD				
Loan through the Central Bank of Jordan	4,000,000	4,000,000	Repaid over 12 years	Semi annual	3.05%	-
Loan through the Central Bank of Jordan	3,000,000	3,000,000	Repaid over 8 years	Semi annual	2.5%	-
Loan through the Central Bank of Jordan	3,600,000	3,600,000	Repaid over 15 years	Semi annual	2.69%	-
Central Bank Borrowed Funds	4,130,022	3,601,665	Repaid over 5 years	Monthly	1.906%	Upon demand
Central Bank Borrowed Funds	500,000	321,430	Repaid over 1 years	Quarterly	1.75%	Upon demand
Central Bank Borrowed Funds	322,503	322,503	Repaid over 1 years	Renewed annually	1.75%	Upon demand
Local Bank (Overdraft related to a subsidiary company)	5,000,000	2,036,266	Not Applicable	Not Applicable	6%	-
Local Bank (Loan related to a subsidiary company)	5,000,000	1,754,678	Repaid in 36 installments from the date of its exploitation		6.5%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2017	Paid in 36 installment from utilization date	3.9%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid in one installment during 2016	4.35%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid in one installment during 2016	5.75%	-
Total	40,552,525	33,636,542				

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18. Other Provisions

The details of this item are as follows:

Year 2017	Balance - Beginning of the Year	Provision for the Year	Released during the Year	Balance - End of the Year
	JD	JD	JD	JD
Provision for end of service indemnity	11,235,987	927,777	2,309,000	9,854,764
Provision for lawsuits against the Bank and contingent claims	869,544	360,000	163,179	1,066,365
Total	<u>12,105,531</u>	<u>1,287,777</u>	<u>2,472,179</u>	<u>10,921,129</u>
Year 2016				
Provision for end-of-service indemnity	9,897,915	1,980,699	642,627	11,235,987
Provision for lawsuits against the Bank and contingent claims	628,682	270,000	29,138	869,544
Total	<u>10,526,597</u>	<u>2,250,699</u>	<u>671,765</u>	<u>12,105,531</u>

19. Income Tax

a. Income tax provision

The movement on the provision for income tax during the year is as follows:

	2017	2016
	JD	JD
Balance - beginning of the year	14,567,302	13,238,965
Income tax for the year	15,529,378	17,316,878
Income tax paid	(17,779,527)	(15,988,541)
Transferred to liabilities directly attributable to assets held for sale	(106,440)	-
Balance - End of the Year	<u>12,210,713</u>	<u>14,567,302</u>

b. Income tax expense

Income tax expense for the year in the consolidated statement of income consists of the following:

	2017	2016
	JD	JD
Income tax deferred	15,529,378	17,240,614
Effect of deferred tax assets for the year	(1,401,106)	(2,770,022)
Effect of deferred tax liabilities for the year	-	(1,095,309)
Total	<u>14,128,272</u>	<u>13,375,283</u>

c. Tax Status

Below are the details of the tax status of the Bank's branches and subsidiary companies:

Branches / Companies	Income Tax Return up to End of the Year	Final Settlement up to End of the Year	Payment to Income and Sales Tax Department	Years under Dispute
Jordan branches	2016	2016	Tax paid	None
Palestine branches	2016	2016	Tax paid	None
Cyprus branch	2016	2016	Tax paid	None
Ejarah Capital Leasing Company	2016	2015	Tax paid	None
United Financial Investment Company	2016	2014	Tax paid	None

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d- Deferred Tax Assets / Liabilities:

The details of this item are as follows:

	2017			Balance - End of the Year	2017		2016
	Balance - Beginning of the Year	Amounts			Deferred Tax	Deferred Tax	
		Additions	Released				
	JD	JD	JD	JD	JD	JD	
a- Deferred Tax Assets							
Provision for end-of-service indemnity	11,235,987	927,777	2,309,000	9,854,764	3,415,096	3,898,626	
Provisions for seized assets	7,242,243	7,108,396	182,739	14,167,900	4,958,765	2,534,785	
Provision for accounts receivable - subsidiary company	1,346,527	-	1,346,527	-	-	323,166	
Provision for financing contracts - subsidiary company	-	405,342	-	405,342	97,282	-	
Provision for lawsuits against the Bank	869,544	360,000	163,179	1,066,365	372,898	304,011	
Provision for watch list credit facilities	1,189,068	681,233	1,189,068	681,233	228,432	416,174	
Valuation losses from financial assets at fair value through profit or loss	7,455,517	(89,914)	1,418,000	5,947,603	2,216,983	2,651,961	
Total	29,338,886	9,392,834	6,608,513	32,123,207	11,289,456	10,128,723	
b- Deferred Tax Liabilities *							
Financial assets at fair value valuation reserve *	8,392,659	2,711,857	275,253	10,829,263	3,791,258	2,937,750	
Total	8,392,659	2,711,857	275,253	10,829,263	3,791,258	2,937,750	

* Deferred tax liabilities resulting from the revaluation gain of financial assets at fair value through comprehensive income are stated within the financial assets valuation reserve in the consolidated statement of owners' equity.

The movement on deferred tax assets / liabilities during the year is as follows:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	10,128,723	2,937,750	7,393,577	3,261,014
Additions during the year	3,237,016	853,508	3,244,032	751,218
Released during the year	2,066,283	-	508,886	1,074,482
Balance - End of the Year	11,299,456	3,791,258	10,128,723	2,937,750

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e- A summary of the reconciliation between declared income and taxable income:

The following is the reconciliation between declared income and taxable income:

	2017	2016
	JD	JD
Declared income	42,313,123	42,861,286
Add: Unacceptable tax expenses	11,473,627	16,814,777
Less: Profit not subject to tax	(7,070,763)	(6,589,014)
Taxable Income	46,715,987	53,087,049
Income Tax Rates:		
Jordan branches	35%	35%
Palestine branches	20%	20%
Cyprus branches	12.5%	12.5%
Subsidiary companies	24%	24%

20. Other Liabilities

The details of this item are as follows:

	2017	2016
	JD	JD
Accrued interest	10,113,609	6,285,904
Inward transfers	1,712,868	1,194,377
Accounts payable (a)	1,472,545	3,297,870
Accrued expenses	1,466,268	1,750,683
Temporary deposits - customers	4,007,668	2,893,931
Temporary deposits (b)	3,649,262	4,042,262
Shareholders' deposits (c)	4,549,436	3,987,871
Accepted and certified checks	7,041,805	5,491,821
Lock boxes deposits	499,999	466,935
Subscriptions deposits (d)	131,879	131,949
Other liabilities (a)	10,721,673	6,374,309
Total	45,367,012	35,917,912

(a) Accounts payable and other liabilities include balances related to the subsidiaries amounting to JD 1,751,673 as of December 31, 2017 (JD 2,612,727 as of December 31, 2016).

(b) This item represents temporary payment deposits to other public shareholding companies.

(c) This item represents the net balance resulting from selling unsubscribed shares with a total number of 1,136,495 shares at market price during the year 2006. The difference between the market price and issue price of the share of JD 3 has been recorded as shareholders' deposits.

(d) This item represents refunds of subscriptions in public shareholding companies under establishment.

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21. Authorized and Paid-up Capital

Paid-up capital amounted to JD 100 million, divided into 100 million shares at a par value of JD 1 per share as of December 31, 2017 and 2016.

22. Reserves

The details of the reserves as of December 31, 2017 and 2016 are as follows:

a. Statutory Reserve

This item represents the accumulated amount of the appropriations from income before tax at 10% during the current and previous years according to the Banks Law and the Jordanian Companies Law. This amount is not distributable to shareholders.

b. Voluntary Reserve

This item represents the accumulated amount of appropriations from income before tax at a maximum rate of 20% per year. The voluntary reserve is to be used according to a resolution by the Board of Directors. The General Assembly has the right to distribute this reserve or any portion therefrom as dividends to shareholders.

c- Pro-Cyclicality Reserve

This item represents the risk reserve taken according to the Palestine Monetary Authority at 15% from annual net income after tax, for the purpose of supporting the Bank's capital in Palestine and facing risks related to the Banking sector. This reserve will accumulate until reaching 20% of paid-up capital. It is not allowed to use any part of the pro-cyclicality fluctuation reserve or to reduce it in any way without the prior approval of the Palestine Monetary Authority.

d- General Banking Risks Reserve

This item represents the general banking risks reserve in accordance with the Central Bank of Jordan regulations.

The following represents the distribution of the general banking risks reserve according to the Bank's branches:

	2017	2016
	JD	JD
Jordan branches	11,549,670	10,992,541
Cyprus branches	1,880,671	1,754,196
Palestine branches	238,034	214,719
Subsidiary Companies	620,500	564,230
Total	14,288,875	13,525,686

- The following are the restricted reserves:

Name of Reserve	2017	2016	Nature of Restriction
	JD	JD	
Statutory reserve	86,034,401	81,803,089	According to the Jordanian Companies Law and the Banks Law.
Pro-cyclicality reserve	227,597	227,597	According to Palestine Monetary Authority Instructions.
General banking risks reserve	14,288,875	13,525,686	According to the Central Bank of Jordan.

23. Financial Assets at Fair Value Valuation Reserve - Net of Tax

- The movement during the year on this item is as follows:

	2017	2016
	JD	JD
Balance - beginning of the year	6,133,272	4,280,152
Unrealized gains	2,634,144	2,129,062
Incurred losses	222,022	486,081
Deferred tax liabilities	(853,508)	(762,023)
Balance - End of the Year *	8,135,930	6,133,272

* The financial assets valuation reserve is presented as a net amount after deducting the related deferred tax liabilities of JD 3,791,258 as of December 31, 2017 (JD 2,937,750 as of December 31, 2016), and it is not transferable to the consolidated statement of income.

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24. Retained Earnings

The movement during the year on this item is as follows:

	2017	2016
	JD	JD
Balance - beginning of the year	105,999,129	109,880,864
Realized (loss) financial assets at fair value through comprehensive income - Note (9)	(222,022)	(486,081)
Income for the year	26,955,793	29,747,029
(Transferred) to reserves	(13,457,126)	(13,142,683)
Dividends paid (Note 25)	(20,000,000)	(20,000,000)
Balance - End of the Year	<u>99,275,774</u>	<u>105,999,129</u>

- Retained earnings includes JD 11,299,456 as of December 31, 2017 restricted against deferred tax assets according to the Central Bank of Jordan instructions (JD 10,128,723 as of December 31, 2016).
- Retained earnings includes JD 3,920,703 as of December 31, 2017 (JD 3,927,791 as of December 31, 2016) restricted against the effect of adopting International Financial Reporting Standard (9) according to the instructions of the Jordan Securities Commission.
- The restriction is waived for the amount realized from actual sale, which represents the revaluation of financial assets.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of Credit financial assets valuation reserve is restricted and requires the preapproval of the Central Bank of Jordan.

25. Proposed Dividends

Proposed dividends to shareholders for the current year is 20% of paid-up capital, which is equivalent to JD 20 million. This percentage is subject to the General Assembly's approval. In the prior year, dividends were distributed at 20% of paid-up capital, which is also equivalent to JD 20 million.

26. Interest Income

The details of this item are as follows:

	2017	2016 (Represented)
	JD	JD
Direct credit facilities:		
Individuals (retail)		
Overdraft accounts	82,038	1,738
Loans and promissory notes	6,857,984	8,080,112
Credit cards	1,776,455	699,162
Real - estate loans	13,329,313	9,955,761
Companies		
Large		
Overdraft accounts	14,510,198	10,675,398
Loans and promissory notes	51,025,293	44,210,243
Small and medium		
Overdraft accounts	661,251	1,145,660
Loans and promissory notes	10,692,659	9,011,681
Government and public sector	7,740,298	8,701,922
Balances at central banks	973,517	1,776,942
Balances and deposits at banks and financial institutions	8,850,523	5,517,908
Financial assets at amortized cost	17,972,445	23,217,350
Financial assets at fair value through profit or loss	4,393,548	4,458,603
Total	<u>138,865,522</u>	<u>127,452,480</u>

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27. Interest Expense

The details of this item are as follows:

	2017	2016
	JD	JD
Deposits at banks and financial institutions	8,320,894	5,178,106
Customers deposits		
Time and notice deposits	26,791,657	25,353,576
Cash margins	1,728,834	1,311,584
Current and call accounts	220,250	203,625
Saving accounts	916,274	700,290
Certificates of deposit	100,922	20,478
Borrowed funds	3,038,887	1,245,040
Loan guarantee fees	3,163,438	3,605,050
Total	44,281,156	37,617,749

28. Net Commission Income

The details of this item are as follows:

	2017	2016
	JD	JD
Commission-direct credit facilities	3,862,193	4,740,060
Commission-indirect credit facilities	5,689,975	6,373,131
Other commissions	1,749,611	1,164,117
Total	11,301,779	12,277,308

29. Foreign Currency Income

The details of this item are as follows:

	2017	2016
	JD	JD
Income from trading / dealing	3,573,470	4,234,491
Gain from valuation	1,323,048	1,194,136
Total	4,896,518	5,428,627

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30. Gains (Losses) from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	Realized Gains	Unrealized gains	Dividends Income	Total
	JD	JD	JD	JD
Year 2017				
Companies shares	48,495	(172,720)	236,531	112,306
Companies bonds	191,459	316,581	-	508,040
Total	239,954	143,861	236,531	620,346
Year 2016 (Represented)				
	Realized Gains	Unrealized (Losses)	Dividends Income	Total
	JD	JD	JD	JD
Companies shares	429,059	(1,447,816)	340,617	(678,140)
Companies bonds	938,884	(1,034,146)	-	(95,262)
Total	1,367,943	(2,481,962)	340,617	(773,402)

31 Other Income

The details of this item are as follows:

	2017	2016 (Represented)
	JD	JD
Rental of deposit boxes	195,749	184,989
Stamps income	61,256	52,872
Credit cards income	5,916,278	4,582,719
Recovery of debts previously written-off	286,700	1,104,910
Shares trading revenue - subsidiary company	231,031	-
Telecommunication income	388,604	370,038
Transfers income	1,442,824	1,523,303
Gain on sale of seized assets	-	797,966
Gain on sale of property and equipment	20,200	6,044
Others	2,599,512	2,357,622
Total	11,142,154	10,980,463

32. Employees Expenses

The details of this item are as follows:

	2017	2016 (Represented)
	JD	JD
Salaries, allowances and employees' benefits	22,103,532	20,684,644
Contribution in social security	2,174,456	2,053,957
Medical expenses	1,352,920	1,261,990
Staff training	198,261	268,946
Travel expenses - per diems	396,083	382,281
Employees life insurance	126,189	99,196
Value added tax	196,598	83,160
Total	26,548,039	24,834,174

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33. Other Expenses

The details of this item are as follows:

	2017	2016 (Represented)
	JD	JD
Rentals	3,171,530	2,711,899
Stationery	848,589	878,499
Advertisements	1,413,007	1,211,123
Subscriptions	251,212	182,740
Telecommunication expenses	1,317,525	1,253,827
Maintenance and repairs	3,127,075	3,057,596
Insurance expenses	1,067,521	983,418
Legal fees	112,672	123,040
Water, electricity and heating	1,710,993	1,471,069
Fees, taxes and stamps	834,297	943,732
Professional fees	286,893	218,399
Cards services expenses	3,086,773	2,856,917
Transportation expense	176,193	136,408
Correspondents services fees	275,103	251,627
Security services	235,242	216,730
Donations and social responsibility	778,327	704,996
Hospitality	98,105	108,308
Board of Directors' remunerations	90,000	77,800
Impairment loss of assets seized by the Bank against due debts (Note 13)	6,925,657	3,420,103
Loss on sale of seized assets	596,535	-
Management fees (Note 36)	904,684	493,464
Impairment of assets classified held for sale	872,862	-
Others	2,858,794	2,554,077
Total	31,039,589	23,855,772

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34. Earnings Per Share - Bank's Shareholders (Basic and Diluted)

The details of this item are as follows:

	2017	2016
	JD	JD
Income for the year attributed to the Bank's shareholders	26,955,793	29,747,029
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
Earnings per share pertains to the Bank's Shareholders: (Basic and Diluted)	JD / Share -/270	JD / Share -/297
For the year from continuing operations attributed to the Bank's shareholders	28,184,851	29,486,003
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
Earnings per share pertains to the Bank's Shareholders: (Basic and Diluted)	JD / Share -/282	JD / Share -/295
(Loss) income for the year from discontinued operations attributed to the Bank's shareholders	(1,229,058)	519,807
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
(Loss) earnings per share pertains to the Bank's Shareholders: (Basic and Diluted)	JD / Share (-/012)	JD / Share -/005

35. Cash and Cash Equivalents

The details of this item are as follows:

	2017	2016
	JD	JD
Balances at central banks due within three months	224,259,331	279,155,436
Add: Balances at banks and financial institutions due within three months	317,656,834	212,859,226
Less: Banks and financial institutions deposits due within three months	266,442,379	344,009,233
Restricted balances - Note (5)	2,558,072	2,558,072
Total	272,915,714	145,447,357

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36. Transactions with Related Parties

The Bank entered into transactions with subsidiary companies, affiliate companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities, and no impairment provisions have been taken as of the consolidated financial statements date.

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

	Related Party					Total	
	Affiliates	Board of Directors Members *	Executive Managers *	Subsidiaries	Others**	2017	2016
	JD	JD	JD	JD	JD	JD	JD
On- Consolidated Statement of Financial Position Items:							
Direct credit facilities *	-	70,818	1,642,136	1,282,431	323	2,995,708	2,026,391
Banks and financial institutions deposits	257,630,282	-	-	-	-	257,630,282	193,339,532
Deposits	-	46,972,475	2,630,090	1,890,804	868,549	52,361,918	10,628,682
Deposits at banks and financial institutions	51,413,086	-	-	-	-	51,413,086	932,461
Cash margins	-	-	-	-	-	-	136,120
Financial assets at fair value through the income statement	-	-	-	2,398,124	-	2,398,124	-
Financial assets at fair value through other comprehensive income	16,908,941	-	-	41,672	3,230,000	20,180,613	18,930,095
Financial assets at amortized cost	3,526,369	11,320,603	-	-	-	14,846,972	14,842,209
Asset held for sale	-	-	-	4,162,033	-	4,162,033	-
Liabilities directly associated to assets held for sale	-	-	-	661,794	-	661,794	-
Off- Consolidated Statement of Financial Position Items:							
Letters of guarantee	5,000	29,300	-	868,025	55,000	957,325	93,000
Letters of credit	309,823	-	-	203,456	4,254,000	4,767,279	4,636,870
						Total	
						2017	2016
Consolidated Statement of Income items:							
Interest and commission income ***	126,245	660,284	59,186	1,350	21	847,086	776,721
Interest and commission expense ****	3,907,346	507,839	18,051	1,118	340	4,434,694	5,246,742
Management fees	904,684	-	-	-	-	904,684	493,464
Financial assets dividends	694,561	-	-	-	-	694,561	437,999

* Included in the direct credit facilities granted to the executive management and Board of Directors of JD 28,171, representing credit facilities granted to the Board of Directors of Ejarah Finance Leasing Company (subsidiary company) as of December 31, 2017 (JD 549,549 as of December 31, 2016).

* Included in the direct credit facilities to the executive management and Board of Directors of JD 28,696, representing credit facilities granted to the Board of directors of Specialized Management Co. For Investment & Financial Advisory (subsidiary company) as of December 31, 2017.

** Represents companies in which the Bank has voting rights in their Boards of Directors.

*** Interest rate ranges from 4.0% to 9.5%.

**** Interest rate ranges from 1.25% to 3.25%.

- The Bank has three members on the Board of Directors of the United Financial Investments Company, four members in Ejarah for Finance Leasing Company and three members in the board of directors of the Specialized Managerial Company for Investment and Financial Consultation.

Salaries and Remunerations of Executive Management:

Salaries of the Executive Management of the Bank and its subsidiaries amounted to JD 3,494,297 for the year 2017 (against JD 3,994,922 for the year 2016).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Consolidated Financial Statements

There are no significant differences between the book value and fair value of the financial assets and liabilities at the end of the year 2017 and 2016.

38. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risks and Audit Committee. Moreover, the Bank sets the risks acceptable limits (risk appetite). The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types.

Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

Credit risk refers to the risk that a counterparty will default on its credit terms, and/or its creditworthiness will deteriorate resulting in financial loss to the Bank.

The Board of Directors periodically reviews the credit risk management policies compatible with the laws and the Central Bank of Jordan instructions after being prepared by the concerned departments. Moreover, the Board of Directors ensures that management of the Bank works according to these policies and executes the related requirements. Moreover, these policies include the Bank's credit policy through which many factors are determined such as:

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors' level. This is done away from the impact of conflict of interest in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of the Central Bank of Jordan and other regulatory authorities under which the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.
- Having an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
- Determining the type and size of the required guarantee based on the customer's credit risk evaluation according to clear acceptance procedures and customer's evaluation standards.
- Periodically monitoring the fair value of the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.
- Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.
- Having an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, facilitating the decision-making process and the pricing of credit facilities.
- Having clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.
- Having specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and obtaining prior approvals for any override. These controls and ceilings are reviewed and amended periodically, if necessary. Moreover, there are ceilings specified and approved by the Board of Directors relating to dealing with various banks, countries, and economic sectors.
- Providing the Board of Directors with a clear picture and analysis of the credit portfolio through the Risks Management Department that clarifies the portfolio's quality, various classifications, and any concentrations therein, in addition to historical and banking benchmarks.
- The Bank adheres to the instructions of the Central Bank of Jordan relating to credit concentration and related parties. The Bank deals with them on an aggregate basis and accords them special care, exercises control, and expresses explicit and clear disclosure thereon when preparing the Bank's consolidated financial statements. The required credit facilities are presented to the Board of Directors by the related parties provided that the persons granted the credit facilities have no influence over the Board of Directors and receive no preferential treatment over the Bank's customers.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit risk exposure (after the provision for impairment loss and interest in suspense and before guarantees and other risk - mitigating factors):

	2017	2016
	JD	JD
On- Consolidated Statement of Financial Position Items		
Balances at central banks	172,531,777	239,266,173
Balances at banks and financial institutions	317,656,834	212,859,226
Deposits at banks and financial institutions	6,246,210	14,166,627
Direct Credit Facilities:		
Individuals	145,121,574	115,165,635
Real estate loans	216,786,216	189,161,732
Companies		
Large companies	981,816,382	914,565,767
Small and medium companies (SMEs)	103,750,862	83,440,402
Government and public sector	114,811,877	144,577,428
Bonds, Bills and Debentures:		
Financial assets at fair value through profit or loss	60,546,359	58,910,574
Financial assets at amortized cost	395,100,921	479,195,403
Other assets	16,029,077	24,326,679
Off- Consolidated Statement of Financial Position Items		
Letters of guarantee	251,836,340	262,406,420
Letters of credit	65,101,415	76,808,289
Letters of acceptance	24,319,531	42,337,535
Unutilized credit facilities ceilings	159,542,008	113,959,438
Total	3,031,197,383	2,971,147,328

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit exposures according to the degree of risk are categorized according to the following table:

December 31, 2017	Individuals	Real Estate Loans	Companies		Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
			Large	Small and Medium					
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	13,514,413	2,233,511	3,262,700	1,369,416	67,116,547	-	362,845,949	172,531,777	622,874,313
Acceptable risk	129,142,720	207,691,339	851,364,812	97,589,465	47,695,330	16,029,077	91,564,531	323,903,044	1,764,980,318
Of which is due :									
within 30 days	1,122,945	893,551	22,651,004	3,144,921	-	-	-	-	27,812,421
From 31 to 60 days	975,679	1,105,655	17,404,180	2,593,818	-	-	-	-	22,079,332
Watch list	1,919,996	1,267,052	109,194,523	933,127	-	-	-	-	113,314,698
Non-performing:									
Substandard	1,516,736	253,670	13,134,033	596,918	-	-	-	-	15,501,357
Allowance provided	1,519,491	2,474,881	11,479,240	721,321	-	-	-	-	16,194,933
Bad debt	4,376,205	8,613,325	40,736,717	4,292,293	-	597,078	1,236,800	-	59,852,418
Total	151,989,561	222,533,778	1,029,172,025	105,502,540	114,811,877	16,626,155	455,647,280	496,434,821	2,592,718,037
Less: Provision for impairment loss	6,277,001	3,901,119	37,772,012	1,371,199	-	-	-	-	49,321,331
Interest in suspense	590,986	1,846,443	9,583,631	380,479	-	597,078	-	-	12,998,617
Net	145,121,574	216,786,216	981,816,382	103,750,862	114,811,877	16,029,077	455,647,280	496,434,821	2,530,398,089
Credit classification:									
From AAA to -A							3,526,371	209,193,104	212,719,475
From +BBB to -B							65,667,160	60,291	65,727,451
Less than -B							-	1,862,432	1,862,432
Unclassified							23,607,800	112,788,217	136,396,017
Governments and public sector							362,845,949	172,531,777	535,377,726
Total							455,647,280	496,435,821	952,083,101
December 31, 2016									
Low risk	789,118	1,854,765	10,499,159	4,791,180	80,132,353	-	448,400,194	239,266,173	785,732,942
Acceptable risk	111,033,395	172,823,180	766,521,333	77,157,099	64,445,075	24,326,679	87,988,301	227,025,853	1,531,320,915
Of which is due (*):									
within 30 days	1,065,876	455,314	4,667,880	778,992	-	-	-	-	6,968,062
From 31 to 60 days	1,686,904	540,178	11,876,117	3,108,662	-	-	-	-	17,211,861
Watch list	3,701,107	4,581,333	102,671,206	1,643,667	-	-	-	-	112,597,313
Non-performing:									
Substandard	2,277,615	1,128,628	274,841	317,654	-	-	-	-	3,998,738
Allowance provided	1,492,655	2,731,719	188,762	442,766	-	-	-	-	4,855,902
Bad debt	2,957,346	13,332,682	105,021,061	1,636,724	-	378,078	1,717,482	-	125,043,373
Total	122,251,236	196,452,307	985,176,362	85,989,090	144,577,428	24,704,757	538,105,977	466,292,026	2,563,549,183
Less: Provision for impairment loss	6,442,539	5,471,122	59,072,935	2,133,777	-	-	-	-	73,120,373
Interest in suspense	643,062	1,819,453	11,537,660	414,911	-	378,078	-	-	14,793,164
Net	115,165,635	189,161,732	914,565,767	83,440,402	144,577,428	24,326,679	538,105,977	466,292,026	2,475,635,646
Credit classification:									
From AAA to -A							3,521,606	118,111,631	121,633,237
From +BBB to -B							42,094,122	235,172	42,329,294
Less than -B							21,456,573	164,173	21,620,746
Unclassified							22,633,482	108,514,877	131,148,359
Governments and public sector							448,400,194	239,266,173	687,666,367
Total							538,105,977	466,292,026	1,004,398,003

- The whole debt balance becomes due when one of the installments or interest is due. Moreover, the overdraft account is considered due when it exceeds the ceiling.
- Credit exposures include facilities, balances, deposits at banks, bonds and treasury bills and any other assets that have credit exposure.

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The following represent the distribution details of the fair value of collaterals against direct credit facilities valued in accordance with the requirements of the Central Bank of Jordan through independent experts at least once every 2 years. The cash margins balance is stated at fair value based on the exchange rates issued by the Central Bank of Jordan, and it is calculated individually as long as the margins balance does not exceed the credit facilities balance in any way:

December 31, 2017	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Guarantees against:						
Low risk	17,117,340	-	10,595,936	-	-	27,713,276
Acceptable risk	17,480,713	176,509,813	319,007,042	122,835,743	-	635,833,311
Watch list	-	4,500,563	82,767,203	50,560	-	87,318,326
Non-performing:						
Substandard	-	253,670	3,768,927	752,000	-	4,774,597
Allowance provided	-	3,471,881	4,337,806	1,433,678	-	9,243,365
Bad debt	-	8,272,247	9,410,457	4,763,651	-	22,446,355
Total	34,598,053	193,008,174	429,887,371	129,835,632	-	787,329,230
Of it:						
Cash margins	25,967,648	2,233,511	11,588,528	-	-	39,789,687
Accepted letters of guarantee	-	-	3,300,000	-	-	3,300,000
Real estate	-	190,774,663	190,785,253	121,652,998	-	503,212,914
Trade stocks	-	-	218,447,476	-	-	218,447,476
Vehicles and equipment	8,630,405	-	5,766,114	8,182,634	-	22,579,153
Total	34,598,053	193,008,174	429,887,371	129,835,632	-	787,329,230
December 31, 2016						
	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Guarantees against:						
Low risk	789,118	1,854,765	10,499,159	4,791,180	-	17,934,222
Acceptable risk	43,739,426	167,411,015	289,707,348	24,533,044	3,300,000	528,690,833
Watch list	630,256	4,581,333	76,162,151	418,988	-	81,792,728
Non-performing:						
Substandard	609,804	1,128,628	-	45,655	-	1,784,087
Allowance provided	725,327	2,731,719	-	116,234	-	3,573,280
Bad debt	2,625,683	13,332,682	46,418,008	1,725,299	-	64,101,672
Total	49,119,614	191,040,142	422,786,666	31,630,400	3,300,000	697,876,822
Of it:						
Cash margins	3,629,464	234,226	16,452,796	5,668,002	-	25,984,488
Accepted letters of guarantee	-	-	-	-	3,300,000	3,300,000
Real estate	2,105,095	190,805,916	304,072,535	7,631,526	-	504,615,072
Trade stocks	3,571,740	-	98,384,348	10,538,967	-	112,495,055
Vehicles and equipment	39,813,315	-	3,876,987	7,791,905	-	51,482,207
Total	49,119,614	191,040,142	422,786,666	31,630,400	3,300,000	697,876,822

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Scheduled Debts:

Scheduled debts represent debts previously classified as non-performing credit facilities, and have been taken out from the framework of non-performing credit facilities according to proper scheduling and classified as watch-list debts. Furthermore, the scheduled debts amounted to JD 21,793,566 in the year 2017 (JD 21,931,456 in the year 2016).

Restructured debt

Restructuring debts means reorganizing credit facilities in terms of adjusting payments, extending their term, postponing some installments, or extending the grace period. Restructured but unclassified debts amounted to JD 50,571,322 for the year 2017 (JD 31,132,246 for the year 2016).

Bonds, Bills and Debentures

The following table illustrates the classification of bonds, bills and debentures according to external rating institutions as of December 31, 2017 and 2016:

Rating Grade	Rating Institution	Financial Assets at Fair Value through the Profit or Loss	Within Financial Assets at Amortized Cost	Total as of December 31,	
		2017	2016	2017	2016
		JD	JD	JD	JD
A+	Fitch	-	3,526,369	3,526,369	3,521,606
B	Fitch	6,612,652	-	6,612,652	-
B-	Fitch	6,673,463	-	6,673,463	6,700,050
BBB-	Fitch	3,602,535	-	3,602,535	12,239,573
B1	Moody's	-	-	-	18,633,593
Ba1	Moody's	3,558,506	-	3,558,506	11,180,818
Baa1	Moody's	7,049,816	-	7,049,816	3,476,058
Baa2	Moody's	6,628,265	-	6,628,265	-
Baa3	Moody's	-	2,103,603	2,103,603	2,103,603
B+	S&P	20,221,322	-	20,221,322	-
BBB-	S&P	-	9,217,000	9,217,000	9,217,000
Governmental		-	362,845,949	362,845,949	448,400,194
Unclassified		6,199,800	17,408,000	23,607,800	22,633,482
Total		60,546,359	395,100,921	455,647,280	538,105,977

Credit risk exposure according to geographical areas is as follows.

Geographical area	Inside Jordan	Other Middle East Countries	Europe	Asia*	Africa*	America	Other Countries	Total
		JD	JD	JD	JD	JD	JD	JD
Balances at central banks	131,836,215	36,342,613	4,352,949	-	-	-	-	172,531,777
Balances at banks and financial institutions	2,402,906	146,421,383	60,696,584	59,059	104,309	107,861,593	111,000	317,656,834
Deposits at banks and financial institutions	-	-	6,228,485	17,725	-	-	-	6,246,210
Direct credit facilities:								
For individuals	143,918,300	1,143,274	-	-	-	-	-	145,061,574
Real estate loans	213,848,675	1,294,964	1,642,577	-	-	-	-	216,786,216
Companies:								
Large	788,527,775	6,531,848	186,756,759	-	-	-	-	981,816,382
Small and medium (SMEs)	101,441,335	2,309,527	-	-	-	-	-	103,750,862
Government and public sector	110,850,705	3,961,172	-	-	-	-	-	114,811,877
Bonds, Bills and Debentures :								
Within financial assets at fair value through profit or loss	21,316,322	18,686,280	20,543,757	-	-	-	-	60,546,359
Within financial assets carried at amortized cost	380,253,949	14,846,972	-	-	-	-	-	395,100,921
Other assets	14,495,459	235,877	1,297,741	-	-	-	-	16,029,077
Total / current year	1,908,891,641	231,773,910	281,518,852	76,784	104,309	107,861,593	111,000	2,530,338,089
Total / comparative figures	1,970,588,237	137,700,607	265,932,425	30,030,729	-	71,185,195	198,453	2,475,635,646

* Excluding Middle East countries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit risk exposure according to the economic sector is as follows:

Economic Sector	Financial	Industrial	Services	Trade	Real-estate	Agricultural	Shares	Individuals	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	172,531,777	-	-	-	-	-	-	-	-	172,531,777
Balances at banks and financial institutions	317,656,834	-	-	-	-	-	-	-	-	317,656,834
Deposits at banks and financial institutions	6,246,210	-	-	-	-	-	-	-	-	6,246,210
Direct credit facilities - net	18,044,937	469,819,050	357,913,040	202,393,814	216,786,216	30,806,779	6,589,624	145,121,574	114,811,877	1,562,286,911
Bonds, Bills and Debentures:										
Within financial assets at fair value through profit or loss	29,951,269	3,558,506	-	-	141,800	-	-	-	26,894,784	60,546,359
Within financial assets at amortized cost	20,934,369	-	11,320,603	-	-	-	-	-	362,845,949	395,100,921
Other assets	10,424,864	225,332	4,325,183	1,053,698	-	-	-	-	-	16,029,077
Total / current year	575,790,260	473,602,888	373,558,826	203,447,512	216,928,016	30,806,779	6,589,624	145,121,574	504,552,610	2,530,398,089
Total / comparative figures	559,590,955	416,119,415	307,453,941	246,396,183	191,225,745	23,026,269	9,232,005	104,279,869	618,311,264	2,475,635,646

38/a. Market Risk

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, equity instrument prices, and consequently, the change in the fair value of the cash flows of the financial instruments on - and off – the consolidated statement of financial position.

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically. Moreover, the Investment Policy Committee studies and recommends them after ensuring their compatibility with the instructions of the Central Bank of Jordan. After that, they are approved by the Board of Directors.

The acceptable risks policy is set within the Treasury operations, and includes ceilings that govern market risks. These ceilings are adopted, and their application is ensured periodically and constantly through monitoring their implementation by the risks management and submitting various periodic reports to the Assets and Liabilities Committee as well as to the Board of Directors.

The Bank has a shares and bonds investment portfolio for trading purposes (financial assets at fair value through the income statement) and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

38/b. Interest Rate Risk

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of repriced assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

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- Sensitivity Analysis:

For the Year 2017			
Currency	Increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(1,091,221)	(2,943,719)
Euro	1	(62,124)	-
GBP	1	(37,481)	-
Other currencies	1	5,282	(64,638)
Currency	Change (decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	1,091,221	2,434,781
Euro	1	62,124	-
GBP	1	37,481	-
Other currencies	1	(5,282)	63,452
For the Year 2016			
Currency	Increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(1,080,757)	(3,971,018)
Euro	1	85,42	-
GBP	1	(38,452)	-
Other currencies	1	(9,654)	(50,937)
Currency	(Decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	1,080,757	3,729,553
Euro	1	(85,421)	-
GBP	1	38,452	-
Other currencies	1	9,654	51,725

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Foreign Currencies Risk:

The following table illustrates the currencies to which the Bank is exposed, the potential and reasonable change in their rates against the Jordanian Dinar, and the related impact on the consolidated statement of income. The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

For the Year 2017			
Currency	Change in Foreign Currency Rate	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Euro	5	12,290	-
GBP	5	2,190	-
Yen	5	1,474	-
Other currencies	5	13,897	-

For the Year 2016			
Currency	Change in Foreign Currency Rate	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Euro	5	1,403	-
GBP	5	18	-
Yen	5	208	-
Other currencies	5	16,480	-

-Risks of Changes in Shares Prices:

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares indicators and the change in the value of shares individually.

For the Year 2017			
Indicator of	Change in Indicator	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Amman Stock Exchange	5	146,814	16,624
Palestine Stock Exchange	5	16,205	16,864
Kuwait Stock Exchange	5	17,566	-

For the Year 2016			
Indicator of	Change in Indicator	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Amman Stock Exchange	5	34,625	(13,387)
Palestine Stock Exchange	5	2,681	16,741
Kuwait Stock Exchange	5	(8,835)	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest Rate Repricing Gap:

maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

Reclassification is made in accordance with the pricing interest periods or maturity, whichever are nearer.

Interest rate sensitivity is as follows:

	Interest Rate Repricing Gap							Total
	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Non-Interest Bearing	
December 31, 2017								
Assets:	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	34,211,749	-	-	-	-	-	190,047,582	224,259,331
Balances at banks and financial institutions	272,558,683	-	-	-	-	-	45,098,151	317,656,834
Deposits at banks and financial institutions	-	-	6,246,210	-	-	-	-	6,246,210
Direct credit facilities - net	500,281,015	140,766,613	125,125,879	641,270,130	86,024,041	68,819,233	-	1,562,286,911
Financial assets at fair value through profit or loss	141,800	-	3,524,909	-	18,937,447	37,942,203	6,127,310	66,673,669
Financial assets at fair value through comprehensive income	-	-	-	-	-	-	29,240,711	29,240,711
Financial assets at amortized cost	-	29,166,734	28,894,310	54,732,091	249,263,077	33,044,709	-	395,100,921
Property and equipment - net	-	-	-	-	-	-	29,388,555	29,388,555
Intangible assets - net	-	-	-	-	-	-	5,095,610	5,095,610
Deferred tax assets	-	-	-	-	-	-	11,299,456	11,299,456
Other assets	4,627,005	4,772,922	5,792,014	7,182,291	1,940,241	8,010,133	148,472,179	180,796,785
Assets held for sale	-	-	-	-	-	-	4,162,033	4,162,033
Total Assets	811,820,252	174,706,269	169,583,322	703,184,512	356,164,806	147,816,278	468,931,587	2,832,207,026
Liabilities:								
Banks and financial institutions deposits	28,360,000	-	269,646,258	7,049,816	-	-	1,161,121	306,217,195
Customers deposits	286,239,533	597,885,703	219,897,065	126,657,293	3,566,488	-	574,062,852	1,808,308,934
Cash margin	17,264,765	28,566,645	8,348,913	41,845,879	-	-	153,494	96,179,696
Borrowed funds	-	-	8,663,500	-	33,735,093	37,739,380	-	80,137,973
Other provisions	-	-	-	-	-	-	10,921,129	10,921,129
Provision for income tax	-	-	-	-	-	-	12,210,713	12,210,713
Deferred tax liabilities	-	-	-	-	-	-	3,791,258	3,791,258
Other liabilities	17,576,222	4,773,829	3,317,858	5,230,051	6,216,656	8,252,396	-	45,367,012
Liabilities directly associated to assets held for sale	-	-	-	-	-	-	661,794	661,794
Total Liabilities	349,440,520	631,226,177	509,873,594	180,783,039	43,518,237	45,991,776	602,962,361	2,363,795,704
Interest Rate Repricing Gap	462,379,732	(456,519,908)	(340,290,272)	522,401,473	312,646,569	101,824,502	(134,030,774)	468,411,322
December 31, 2016								
Total Assets	576,886,945	280,057,883	179,612,091	643,863,947	336,654,325	206,736,301	516,173,924	2,739,985,416
Total Liabilities	949,767,034	372,913,053	215,092,661	113,718,929	115,728,352	5,356,343	502,234,203	2,274,810,575
Interest Rate Repricing Gap	(372,880,089)	(92,855,170)	(35,480,570)	530,145,018	220,925,973	201,379,958	13,939,721	465,174,841

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Concentration in Foreign Currencies Risk:

December 31, 2017	US Dollar	Euro	Pound Sterling	Japanese Yen	Others	Total
Assets:	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	61,686,970	6,164,021	1,592,478	-	648,284	70,091,753
Balances at banks and financial institutions	222,451,984	42,535,224	13,126,427	55,195	5,399,644	283,568,474
Deposits at banks and financial institutions	6,246,210	-	-	-	-	6,246,210
Direct credit facilities - net	349,110,163	2,179,663	-	-	1,407,688	352,697,514
Financial assets at fair value through comprehensive income	21,477,906	22,432	-	-	-	21,500,338
Financial assets at amortized cost	79,506,229	-	-	-	-	79,506,229
Financial assets at fair value through profit or loss	52,915,679	-	-	-	8,427,514	61,343,193
Property and equipment	1,306,290	-	-	-	-	1,306,290
Intangible assets	123,988	-	-	-	-	123,988
Other assets	7,205,977	175,352	106,286	-	49,650	7,537,265
Total Assets	802,031,396	51,076,692	14,825,191	55,195	15,932,780	883,921,254
Liabilities:						
Banks and financial institutions deposits	254,340,122	4,428,263	3,337	8,140	513,568	259,293,430
Customers' deposits	464,112,582	45,625,996	14,432,542	17,569	13,661,334	537,850,023
Cash margins	20,462,674	652,092	341,513	-	1,467,576	22,923,855
Other liabilities	6,864,908	124,536	4,005	-	12,354	7,005,803
Total Liabilities	745,780,286	50,830,887	14,781,397	25,709	15,654,832	827,073,111
Net Concentration on Consolidated Statement of Financial Position for the Current Year	56,251,110	245,805	43,794	29,486	277,948	56,848,143
Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	228,887,662	13,227,693	513,332	-	5,358,771	247,987,458

December 31, 2016	US Dollar	Euro	Pound Sterling	Japanese Yen	Others	Total
Assets:	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	105,496,912	12,343,629	1,408,538	-	516,940	119,766,019
Balances at banks and financial institutions	151,198,682	25,460,349	10,826,236	806,350	10,571,232	198,862,849
Deposits at banks and financial institutions	8,525,725	-	5,640,902	-	-	14,166,627
Direct credit facilities - net	350,030,180	12,310,007	6	-	155,468	362,495,661
Financial assets at fair value through comprehensive income	18,874,095	18,266	-	-	588,496	19,480,857
Financial assets at amortized cost	72,411,005	-	-	-	-	72,411,005
Financial assets at fair value through profit or loss	50,903,875	-	-	-	8,515,750	59,419,625
Property and equipment	1,426,267	-	-	-	-	1,426,267
Intangible assets	156,383	-	-	-	-	156,383
Other assets	5,702,045	171,259	9,155	-	163,217	6,045,676
Total Assets	764,725,169	50,303,510	17,884,837	806,350	20,511,103	854,230,969
Liabilities:						
Banks and financial institutions deposits	303,990,672	11,402,201	-	-	-	315,392,873
Customers' deposits	405,355,090	38,148,606	17,624,016	784,591	19,628,336	481,540,639
Cash margins	18,727,747	598,318	200,143	16,884	253,096	19,796,188
Provision for income tax	272,631	-	-	-	-	272,631
Other liabilities	3,531,481	126,331	60,321	715	42,650	3,761,498
Total Liabilities	731,877,621	50,275,456	17,884,480	802,190	19,924,082	820,763,829
Net Concentration on Consolidated Statement of Financial Position for the Current Year	32,847,548	28,054	357	4,160	587,021	33,467,140
Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	214,244,233	20,561,260	412,085	464,109	12,556,824	248,238,511

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38/ c. Liquidity Risk

First: The following table illustrates the distribution of liabilities (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the consolidated financial statements:

Liquidity risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its increased operations or obligations upon their maturity at the appropriate cost and time (considered as part of the Assets and Liabilities Management/ ALM).

- The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored daily by the Bank.
- Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Not Tied to a Specific Maturity	Total
December 31, 2017	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Banks and financial institutions deposits	29,521,121	-	269,646,258	7,049,816	-	-	-	306,217,195
Customers' deposits	860,302,385	597,885,703	219,897,065	126,657,293	3,566,488	-	-	1,808,308,934
Cash margins	17,418,259	28,566,645	8,348,913	41,845,879	-	-	-	96,179,696
Borrowed funds	-	-	8,663,500	-	33,735,093	37,739,380	-	80,137,973
Other provisions	-	-	-	-	-	-	10,921,129	10,921,129
Income tax provision	1,553,250	-	10,657,463	-	-	-	-	12,210,713
Deferred tax liabilities	-	-	-	-	-	-	3,791,258	3,791,258
Other liabilities	17,576,222	4,773,829	3,317,858	5,230,051	6,216,656	8,252,396	-	45,367,012
Liabilities directly associated to assets held for sale	-	661,794	-	-	-	-	-	661,794
Total Liabilities	926,371,237	631,887,971	520,531,057	180,783,039	43,518,237	45,991,776	14,712,387	2,363,795,704
Total Assets	1,046,965,984	173,833,407	169,583,322	703,184,512	356,164,806	147,816,278	234,658,717	2,832,207,026

December 31, 2016

Liabilities:								
Banks and financial institutions deposits	331,958,509	10,021,414	8,508,000	31,767,116	-	-	2,029,310	384,284,349
Customers' deposits	993,496,127	343,743,859	199,237,556	70,135,708	96,788,065	-	-	1,703,401,315
Cash margins	56,952,530	8,547,780	7,347,105	6,172,172	8,940,287	-	-	87,959,874
Borrowed funds	-	-	-	5,643,933	10,000,000	15,956,343	2,036,266	33,636,542
Other provisions	-	-	-	-	-	-	12,105,531	12,105,531
Income tax provision	2,254,318	-	12,312,984	-	-	-	-	14,567,302
Deferred tax liabilities	-	-	-	-	-	-	2,937,750	2,937,750
Other liabilities	16,695,382	2,579,688	2,513,537	3,687,650	3,839,954	6,601,701	-	35,917,912
Total Liabilities	1,401,356,866	364,892,741	229,919,182	117,406,579	119,568,306	22,558,044	19,108,857	2,274,810,575
Total Assets	911,345,066	242,016,408	168,925,699	184,649,754	595,691,197	422,650,312	214,706,980	2,739,985,416

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Second: Off- consolidated statement of financial position items:

	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
December 31, 2017	JD	JD	JD	JD
Letters of credit and acceptances	89,420,946	-	-	89,420,946
Unutilized credit facilities ceilings	159,542,008	-	-	159,542,008
Letters of guarantee	251,836,340	-	-	251,836,340
Operating lease contract liabilities	147,806	2,591,119	15,256,416	17,995,341
Total	500,947,100	2,591,119	15,256,416	518,794,635

	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
December 31, 2016	JD	JD	JD	JD
Letters of credit and acceptances	119,145,824	-	-	119,145,824
Unutilized credit facilities ceilings	113,959,438	-	-	113,959,438
Letters of guarantee	262,406,420	-	-	262,406,420
Operating lease Contract liabilities	42,619	3,668,209	11,788,522	15,499,350
Total	495,554,301	3,668,209	11,788,522	511,011,032

39. Information on the Bank's Business Activities

- a. The Bank is organized, for managerial purposes, into four major sectors. These sectors are measured according to reports used by the Chief Executive Officer and key decision makers at the Bank. Moreover, the Bank owns two subsidiaries: one in the financial brokerage sector, and the other in the finance leasing sector as of the consolidated financial statements date:
- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit facilities, credit cards, and other services.
 - Corporate accounts: This item includes following up on deposits, credit facilities, and other banking services related to corporate customers.
 - Treasury: This item includes providing dealing services and managing the Bank's funds.
 - Others: This industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
 - Financial brokerage services: This item includes practicing most of the brokerage and financial consultation services.
 - Finance leasing services: This item includes leasing services and real estate development projects.
 - Financial consulting services: Practicing financial consulting services

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The following table represents information on the Bank's sectors according to activities:

	Individuals	Corporations	Treasury	Brokerage	Leasing	Financial advisory	Others	Total	
								For the Year Ended December 31,	
								2017	2016
	JD	JD	JD	JD	JD		JD	JD	
Gross income for the year	17,736,553	75,371,337	24,049,724	-	4,738,931	256,302	1,258,362	123,411,209	118,844,580
Less: Provision for impairment loss in direct credit facilities	(44,573)	15,549,884	-	-	215,145	-	-	15,720,456	19,530,246
Results of Business Sector	17,781,126	59,821,453	24,049,724	-	4,523,786	256,302	1,258,362	107,690,753	99,314,334
Less: Expenditures not distributed over sectors	-	-	-	-	903,396	265,286	64,208,948	65,377,630	56,453,048
Income before Income Tax	17,781,126	59,821,453	24,049,724	-	3,620,390	(8,984)	(62,950,586)	42,313,123	42,861,286
Less: Income tax expense for the year	-	-	-	-	830,851	-	13,297,421	14,128,272	13,375,283
Income for the Year from continuing operations	17,781,126	59,821,453	24,049,724	-	2,789,539	(8,984)	(76,248,007)	28,184,851	29,486,003
Income for the year from discontinued operations	-	-	-	(1,229,058)	-	-	-	(1,229,058)	519,807
Income for the year	<u>17,781,126</u>	<u>59,821,453</u>	<u>24,049,724</u>	<u>(1,229,058)</u>	<u>2,789,539</u>	<u>(8,984)</u>	<u>(76,248,007)</u>	<u>26,955,793</u>	<u>30,005,810</u>
Capital Expenditures							5,135,931	5,135,931	6,868,104
Depreciation and Amortization							6,502,225	6,502,225	5,512,403
Sector's Assets	379,310,230	1,191,379,122	1,041,395,659	4,162,033	62,467,292	532,208	-	2,679,246,544	2,593,146,612
Assets not distributed over sectors	-	-	-	-	-	-	152,960,482	152,960,482	146,838,804
Total Assets	<u>379,310,230</u>	<u>1,191,379,122</u>	<u>1,041,395,659</u>	<u>4,162,033</u>	<u>62,467,292</u>	<u>532,208</u>	<u>152,960,482</u>	<u>2,832,207,026</u>	<u>2,739,985,416</u>
Sector's Liabilities	1,147,718,027	758,951,037	395,646,426	661,794	31,724,660	11,192	-	2,334,713,136	2,248,910,597
Liabilities not distributed over sectors	-	-	-	-	-	-	29,082,568	29,082,568	25,899,978
Total Liabilities	<u>1,147,718,027</u>	<u>758,951,037</u>	<u>395,646,426</u>	<u>661,794</u>	<u>31,724,660</u>	<u>11,192</u>	<u>29,082,568</u>	<u>2,363,795,704</u>	<u>2,274,810,575</u>

b. Information on the Geographical Allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations, which represent local operations, mainly in the Hashemite Kingdom of Jordan.

Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

The following are the Bank's revenue, assets, and capital expenditures according to geographic allocation:

	Inside Kingdom		Outside Kingdom		Total	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Gross income	107,949,686	103,005,126	15,461,523	15,839,454	123,411,209	118,844,580
Capital expenditures	5,135,931	6,868,104	-	-	5,135,931	6,868,104
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total Assets	2,311,742,291	2,269,777,110	520,464,735	470,208,306	2,832,207,026	2,739,985,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Capital Management

a. Description of Capital

Capital is classified into several types: paid capital, economic capital, and regulatory capital. According to the Companies Law, regulatory capital is defined as the total items determined by the Central Bank of Jordan for regulatory purposes relating to capital adequacy as per the Central Bank of Jordan's instructions.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank require that paid-up capital be not less than JD 100 million and shareholders' equity-to-assets ratio be not less than 6%. Moreover, the Central Bank's instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12%, which is considered by the Bank.

The Bank complies with Article (62) of the Banks Law, which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law, which requires adherence to the limits set by the Central Bank of Jordan relating to the following:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.
2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.
3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 14%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to in adherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital, and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specific studies.

Capital Adequacy

On November 30, 2016, the Central Bank of Jordan issued Basel III instructions on capital adequacy and cancelled Basel II instructions relating to the adequacy of regulatory capital.

The Bank manages capital to ensure continuity of its operations and achieve the highest possible return on owners' equity, consisting of capital, as defined by Basel III Convention, as shown in the following table:

	2017	2016
	Thousands	Thousands
	JD	JD
Primary capital for ordinary shareholders (CET 1)	434,122	426,167
Regulatory adjustments (deductions from the primary capital for ordinary shareholders)	(22,491)	(22,528)
Supplementary	14,289	13,526
Regulatory adjustments (deductions from supplementing capital)	(4,248)	-
Regulatory capital	421,672	417,165
Assets Weighted by Risks	2,304,735	2,193,899
Primary Capital Adequacy Ratio(CET 1)	17.86%	18.40%
Ratio of first tranche of the capital	17.86%	18.40%
Regulatory capital adequacy ratio	18.3%	19.01%

* Primary capital has been calculated net of investments in banks and a financial subsidiary company.

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41. Accounts Managed on Behalf of Customers

There are no investment portfolios managed by the Bank on behalf of customers.

42. Analysis of the Maturities of Assets and Liabilities

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement:

December 31, 2017	Up to One Year	More than One Year	Total
	JD	JD	JD
ASSETS:			
Cash and balances at central banks	224,259,331	-	224,259,331
Balances at banks and financial institutions	317,656,834	-	317,656,834
Deposits at banks and financial institutions	6,246,210	-	6,246,210
Direct credit facilities - net	955,153,646	607,133,265	1,562,286,911
Financial assets at fair value through profit or loss	141,800	66,531,869	66,673,669
Financial assets at fair value through comprehensive income	-	29,240,711	29,240,711
Financial assets at amortized cost	96,893,136	298,207,785	395,100,921
Property and equipment - net	-	29,388,555	29,388,555
Intangible assets - net	-	5,095,610	5,095,610
Deferred tax assets	-	11,299,456	11,299,456
Other assets	22,420,858	158,375,927	180,796,785
Assets held for sale - net	4,162,033	-	4,162,033
TOTAL ASSETS	1,626,933,848	1,205,273,178	2,832,207,026
LIABILITIES			
Banks and financial institutions deposits	306,217,195	-	306,217,195
Customers deposits	1,804,742,446	3,566,488	1,808,308,934
Cash margins	96,179,696	-	96,179,696
Borrowed funds	8,663,500	71,474,473	80,137,973
Other provisions	-	10,921,129	10,921,129
Provision for income tax	12,210,713	-	12,210,713
Deferred tax liabilities	-	3,791,258	3,791,258
Other liabilities	30,897,960	14,469,052	45,367,012
Liabilities directly associated to assets held for sale	661,794	-	661,794
TOTAL LIABILITIES	2,259,573,304	104,222,400	2,363,795,704
NET ASSETS	(632,639,456)	1,101,050,778	468,411,322

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December 31, 2016	Up to One Year	More than One Year	Total
	JD	JD	JD
ASSETS			
Cash and balances at central banks	279,155,436	-	279,155,436
Balances at banks and financial institutions	212,859,226	-	212,859,226
Deposits at banks and financial institutions	14,166,627	-	14,166,627
Direct credit facilities - net	837,397,708	609,513,256	1,446,910,964
Financial assets at fair value through profit or loss	3,660,540	66,044,980	69,705,520
Financial assets at fair value through comprehensive income	-	27,306,153	27,306,153
Financial assets at amortized cost	144,970,535	334,224,868	479,195,403
Property and equipment - net	-	28,779,027	28,779,027
Intangible assets - net	-	7,003,148	7,003,148
Deferred tax assets	-	10,128,723	10,128,723
Other assets	14,726,918	150,048,271	164,775,189
TOTAL ASSETS	1,506,936,990	1,233,048,426	2,739,985,416
LIABILITIES			
Banks and financial institutions deposits	382,255,039	2,029,310	384,284,349
Customers deposits	1,606,613,250	96,788,065	1,703,401,315
Cash margins	79,019,587	8,940,287	87,959,874
Borrowed funds	5,643,933	27,992,609	33,636,542
Other provisions	-	12,105,531	12,105,531
Provision for income tax	14,567,302	-	14,567,302
Deferred tax liabilities	-	2,937,750	2,937,750
Other liabilities	25,476,257	10,441,655	35,917,912
TOTAL LIABILITIES	2,113,575,368	161,235,207	2,274,810,575
NET ASSETS	(606,638,378)	1,071,813,219	465,174,841

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43.Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Bank specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Bank are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets/Financial Liabilities	Fair Value		The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	December 31,					
	2017	2016				
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Companies shares	6,127,310	10,794,946	Level One	Rates stated in financial markets	N/A	N/A
Companies bonds	60,546,359	58,910,574	Level One & Two	Rates stated in financial markets and comparing them with the market price of a similar financial instrument	N/A	N/A
Total	66,673,669	69,705,520				
Foreign currency derivatives contracts			Level One	Rates stated in financial markets	N/A	N/A
Financial Assets at Fair Value through Comprehensive Income						
Shares with available market price	8,295,860	7,378,426	Level One	Rates stated in financial markets	N/A	N/A
Shares with no available market price	20,944,851	19,927,727	Level Two	Rates stated in financial markets and comparing them with the market price of a similar financial instrument	N/A	N/A
Total	29,240,711	27,306,153				
Total Financial Assets at Fair Value	95,914,380	97,011,673				

There were no transfers between level 1 and level 2 during the years 2017 & 2016.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B -The fair value of the financial assets and financial liabilities of the Bank (non-specific fair value on an ongoing basis):

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of the Bank approximates their fair value because the Bank's management believes that the carrying value of the items is equivalent to their fair value. This is due to either maturity or short-term interest rates repriced during the year.

	December 31, 2017		December 31, 2016		The Level of Fair Value
	Book value	Fair Value	Book value	Fair Value	
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Cash at central banks	172,531,777	172,546,455	239,266,173	239,253,846	Level Two
Balances at banks and financial institutions	317,656,834	317,797,478	212,859,226	212,729,896	Level Two
Deposits at banks and financial institutions	6,246,210	6,276,210	14,166,627	14,047,787	Level Two
Direct credit facilities	1,562,286,911	1,570,998,242	1,446,910,964	1,438,028,896	Level Two
Financial assets at amortized cost	395,100,921	400,779,415	479,195,403	474,236,347	Level One & Two
Total Financial Assets of Non-specified Fair Value	2,453,822,653	2,468,397,800	2,392,398,393	2,378,296,772	
Financial Liabilities of Non-specified Fair Value					
Banks and financial institutions deposits	306,217,195	307,780,894	384,284,349	383,484,761	Level Two
Customers' deposits	1,808,308,934	1,815,456,440	1,703,401,315	1,698,668,014	Level Two
Cash margin	96,179,696	96,691,439	87,959,874	87,609,871	Level Two
Borrowed funds	80,137,973	81,024,528	33,636,542	33,316,168	Level Two
Total Financial Liabilities of Non-specified Fair Value	2,290,843,798	2,300,953,301	2,209,282,080	2,203,078,814	

The fair value of the financial assets and liabilities for level 2 and level 3 was determined in accordance with agreed pricing models, which reflect the credit risk of the parties dealt with.

44. Commitments and Contingent Liabilities (Off- Consolidated Statement of Financial Position)

a. Credit commitments and contingencies:

	2017	2016
	JD	JD
Letters of credit	65,101,415	76,808,289
Letters of acceptances	24,319,531	42,337,535
Letters of guarantee:		
Payments	122,557,181	117,327,764
Performance bonds	99,395,848	100,811,325
Other	29,883,311	44,267,331
Unutilized credit facilities ceilings	159,542,008	113,959,438
Total	500,799,294	495,511,682

b. Contractual obligations:

	2017	2016
	JD	JD
Contracts to purchase property and equipment	2,000,533	3,178,260
Construction contracts	2,468,839	1,925,672
Other purchases contracts	666,559	1,764,172
Total	5,135,931	6,868,104

c. Operating leases amounted to JD 20,734,266 with periods ranging from 1 to 10 years (JD 15,499,350 as of December 31, 2016).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. Lawsuits Against the Bank

- a- There are lawsuits raised against the Bank amounting to JD 7,660,583 as of December 31, 2016 (JD 8,034,406 as of December 31, 2016). According to the Bank's lawyer and the Bank's management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided which are amounted to JD 1,066,365 as of December 31, 2017 (JD 869,544 as of December 31, 2016)
- b- There are no lawsuits raised against subsidiary companies as of December 31, 2017 and 2016.

46- Assets Held for Sale and discontinued operations

According to the Investments management committee's decision dated December 27, 2017, it was agreed to sell the Bank's share in United Financial Investment Company as it has been approved by the Board's of Investment management committee on the decision dated January 7, 2018. It is expected to complete the selling operation through the upcoming months. Thus, In accordance with IFRS 5 requirements, the comparative figures in the consolidated income statement were reclassified , as the operations' results related to the United Financial Investment Company were recorded in the Net income from discontinued operations' item, whereas the comparative figures in the consolidated financial position have not been reclassified.

	2017	2016
	JD	JD
(Loss) income for the year from discontinued operations		
Net loss (income) from the year	(2,276,737)	1,807,665
Total Expenses	(770,316)	(1,176,718)
(Loss) Income before Income Tax	(3,047,053)	630,947
Deferred tax / income tax expense	599,509	(111,140)
Net Loss (Income) from the year	(2,447,544)	519,807
The Parent Company's share from (Loss) income of the subsidiary	(1,229,058)	261,026

	December 31, 2017	
	Company's Data	Parent Company's Share (the Bank)
	JD	JD
Assets Held for Sale		
Cash on hand and at banks	1,579,379	793,101
Net credit facilities	2,659,557	1,335,523
Financial assets at fair value through profit or loss	4,315,858	2,167,251
financial assets at fair value through comprehensive income	41,673	20,927
Property and Equipment-Net	419,081	210,446
Intangible Assets- Net	791	397
Deferred tax assets	905,003	454,456
Other assets	105,137	52,794
Total assets	10,026,479	5,034,895
Less: impairment loss on assets held for sale	-	(872,862)
	10,026,479	4,162,033
Liabilities directly associated to assets held for sale		
Income tax provision	61,146	30,705
Other liabilities	1,256,750	631,089
Total Liabilities	1,317,896	661,794
Shareholders' Equity related directly associated to assets held for sale	(35,505)	(17,829)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Application of new and revised International Financial Reporting Standards (IFRS)

a. New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these consolidated financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Bank has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Bank's consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Bank's consolidated financial statements.

Annual Improvements to IFRS Standards 2014–2016

The Bank has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014–2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Bank's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRS in issue but not yet effective

The Bank has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

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

Annual Improvements to IFRS Standards 2015–2017

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2019.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amendments to IFRS 2 Share Based Payment

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

Amendments to IFRS 4 Insurance Contracts

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

Amendments to IAS 40 Investment Property

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 28 Investment in Associates and Joint Ventures

The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Bank will apply IFRS 16 in the effective date. The Bank is in the process of evaluating the impact of IFRS 16 on the Bank's consolidated financial statements.

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

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 and for 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.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Bank adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the company will adopt the finalized version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

During July 2014, the Board of International Accounting Standards issued the final version of IFRS 9 – Financial Instruments, which will replace IAS 39 – Financial Instruments (Recognition and Measurement) and all previous issues of IFRS 9. The International Financial Reporting Standard 9 gathers all three aspects of accounting related to financial instruments: Classification and Measurement, Impairment and Hedge Accounting. The Bank already implemented the first phase of IFRS 9 issued during 2009. The initial implementation of the first phase of the standard was on the first on December 2011.

The new version of IFRS 9 will be implemented on annual periods starting from the first of January 2018, and early adoption is permitted. Moreover, the standard is implemented retroactively excluding hedge accounting. Additionally,

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS 9 exempted the companies from adjusting comparative figures.

The Bank will implement the new standard on the effective date and will not adjust comparative figures. During 2017, the Bank conducted a detailed study to evaluate the impact of IFRS 9. This detailed study was based on current available figures which could change in case new information was available after implementing the new standard in 2018. The Bank generally does not expect a major impact on the consolidated statement of financial position and the consolidated statement of shareholders' equity except for the impact of implementing the new requirements of impairment measurements according to IFRS 9. Based on the initial figures, the Bank expects, based on the study conducted by its management, an increase in the impairment provision by JD 47 million (+ - 10%), which will decrease the Shareholders' equity by the same amount. Additionally, the Central Bank of Jordan allowed to use the balance of the general banking risks reserve amounting JD 14 million to cover part of the increase in the impairment provision.

Amendments to IFRS 9 Financial Instruments

The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

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: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises 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).

The Bank intends to adopt the standard using the cumulative effect approach, which means that the Bank will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Bank is continuing to analyze the impact of the changes and its impact will be disclosed in the first consolidated financial statements as of December 31, 2018 that includes the effects of its application from the effective date.

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.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

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

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.

STATEMENT OF DISCLOSURE

STATEMENT OF DISCLOSURE

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2017, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Jordan Securities Commission.

Item

4a: Chairman's Statement: Included in the report.

4b/1: Description of main activities: Included in the report.

The Bank operates through its head office in Abdali - Amman and 63 branches in Jordan, in addition to a Regional Management and four branches in Palestine and one branch in Cyprus. Total capital expenditure for the year 2017 amounted to JOD6.32 million. The table below shows the Bank's locations and the number of staff at each.

Location	No. of Staff	Location	No. of Staff	Location	No. of Staff	Location	No. of Staff
Head Office	571	City Mall Branch	11	Madaba Branch	10	Aqaba Branch	12
Main Branch	16	Shmeissani Branch	14	Al-Salt Branch	7	Zarqa Branch	11
Abdali Branch	17	King Hussein Bin Talal St. Branch – Zarqa	8	King Abdullah Bureau Branch	5	Russaifeh Branch	10
Jabal Amman Branch	12	Abdali Mall Branch	9	Khalda Branch	10	Zarqa Free Zone Branch	8
Wehdat Branch	11	Tabarbour Branch	9	Dair Ghbar Branch	8	New Zarqa Branch	9
Tla' El 'Ali Branch	15	Al-Rabiyah Branch	11	Taj Mall Branch	6	M. Al-Riyadeah Branch	10
Jabal Al-Hussein Branch	14	Vegetable Market Branch	11	Galleria Mall Branch	9	King Abdullah II St. Branch – Irbid	9
Commercial Center Branch	10	M.Munawarah St. Branch	13	Northern Hashmi Branch	9	Jerash Branch	8
Abu-Alanda Branch	12	Sweifiyah Branch	13	Mecca Street Branch	12	Dome of the Rock Branch	9
Yarmouk Branch	10	Nazzal Branch	8	Zahrn Branch	8	Jawal Branch	5
Wadi El-Seir Branch	11	Mecca Mall Branch	10	Al-Rawnaq Branch	9	Regional Management - Palestine	16
Jubaiha Branch	11	Petra University Branch	5	Southern Sweileh Branch	10	Nablus Branch - Palestine	11
Amra Branch	10	Al-Mougablain Branch	12	Irbid Branch	17	Ramallah Branch - Palestine	11
Abdoun Branch	14	Marj El-Hamam Branch	10	Wadi Saqra Branch	10	Bethlehem Branch - Palestine	13
Abu-Nsair Branch	8	Zain Branch	8	Al-Husson St. Branch- Irbid	7	Jenin Branch - Palestine	12
Marka Branch	11	Samarah Mall Branch	5	Yarmouk University Branch- Irbid	9	Cyprus Branch	11
Ibn Khaldoun Branch	8	Al-Ahliyya Amman University Branch	8	Al-Mafraq Branch	7		
Dabouq Branch	10	Baq'ah Branch	11	Al-Karak Branch	9		
United Financial Investments Co. (Subsidiary)							14
Ejara Leasing Co. (Subsidiary)							21
Specialized Management Co. For Investment & Financial Advisory (Sanad Capital) (Subsidiary)							2

STATEMENT OF DISCLOSURE

4b /2: Subsidiaries:

United Financial Investments Company

United Financial Investments Co. (UFICO) was established in 1980 as a private shareholding company with a capital of JD150 thousand. In 1995 the company was restructured as a public shareholding company with a capital of JD1.5 million. The company's capital was increased during the period from 1997 to 2010 in several stages through the distribution of free shares to the shareholders. The company's capital is currently JD8 million.

The company offers brokerage and advisory services, and obtained from the Jordan Securities Commission the license to work as an investment manager and license to work in margin trading.

The Company's H.Q. is located in Shmeissani, Amman with 14 working employees.

* On 27/12/2017 the Bank decided to sell part of its stake in UFICO . The sale is expected to be completed during the first quarter of 2018. Accordingly, and in accordance with the requirements of International Financial Reporting Standard No. (5) The results of the Company's business in the Bank's financial statements for 2017 are shown in net profit from discontinued operations and the above information for the Company for 2017 is for disclosure purposes only.

Ejara Leasing Company

Jordan Kuwait Bank established Ejara Leasing Company on January 6, 2011. The company was registered as a private shareholding company with paid-up capital JD10 million (USD14.1m) fully paid by the Bank. In September 2012 Ejara's capital was raised to JD20 million (USD28.2m).

Ejara Leasing Company aims to provide innovative and high quality leasing services to supplement the banking and financing services offered at Jordan Kuwait Bank to be in line with the developments in the financial market, meet the needs of the Bank's clients and support the various economic activities, through leasing fixed assets and providing different financing alternatives in light of the changes in the financial and banking markets.

The Company's H.Q. is located in the Mecca Street Branch building, Amman with 21 working employees.

Specialized Management Co. For Investment & Financial Advisory (Sanad Capital)

Sanad Capital was founded on 22/11/2016 as a private limited company with a paid-up capital of JD530 thousand (USD747 thousand) fully paid by the Bank. The company, which commenced its operations during the first quarter of 2017, offers a wide range of financial and advisory services including managing stocks and bonds issued, financial advisory services to companies and family groups, in addition to offering financial opportunities such as establishing real estate investment funds and other financial and advisory services. Sanad Capital received its lead managed and financial advisor licenses from Jordan Securities Commission at the beginning of 2017.

The Company's H.Q. is located in the Mecca Street, Amman with 2 working employees.

STATEMENT OF DISCLOSURE

4b/3a: Executives' Biography:

1- Members of the Board of Directors:

1. H. E. Mr. Abdel Karim A. Kabariti

Chairman, Representative of Al Rawabi United Holding Co. - Kuwait

Date of membership: 15/7/1997

Date of Birth: 15/12/1949

Education: Bachelor degree in Business and Finance with Honors from St. Edwards University-USA, 1973.

Current Positions:

- Chairman, Algeria Gulf Bank – Algeria / Representative of Jordan Kuwait Bank
- Board Member, Jordan Dairy Company
- Board Member, Burgan Bank – Kuwait

Previous Positions:

- Chairman of the Board of Trustees, Al-Ahliyya Amman University (2009-2017)
- Chairman, United Financial Investments Company (2000-2017)

Previous Official & Governmental Positions:

- Member of the Jordanian Senate, Head of the Economics & Finance Committee (2005 - 2007)
- Member of the Jordanian Senate, First Deputy to the Speaker (2000 – 2002)
- Chief of the Royal Court, (1999 - 2000)
- Member of the Twelfth and the Eleventh Jordanian Parliaments (1993 – 1997) and (1989 – 1993) / Head of the Economics & Finance Committee (1993 – 1995)
- Prime Minister, Minister of Foreign Affairs and Minister of Defense (1996 - 1997)
- Minister of Foreign Affairs (1995 - 1996)
- Minister of Labor (1991 - 1993)
- Minister of Tourism (1989 - 1991)

Previous Business Experiences:

- Worked at many financial institutions / private business (1973 – 1989)

2. Mr. Faisal H. Al -Ayyar

Vice Chairman

Date of membership: 15/7/1997

Date of Birth: 20/12/1954

Education: Graduated as a fighter pilot – USA, 1976 and Jordanian Aviation Academy, 1981

Current and Previous Positions:

- Chairman, Panther Media Group (OSN) - Dubai, UAE
- Vice Chairman (Executive), Kuwait Projects Co. (Holding) - Kuwait
- Vice Chairman, Gulf Insurance Group - Kuwait
- Vice Chairman, United Gulf Bank - Bahrain
- Vice Chairman, Mashare'a Al-Khair Est. - Kuwait
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO) – Kingdom Saudi Arabia
- Board Member, Gulf Egypt for Hotels & Tourism Co. - Egypt
- Trustee, American University of Kuwait - Kuwait
- Honorary Chairman, Kuwait Association for Learning Differences – Kuwait

Honors & Awards:

- Kuwait Financial Forum 2009, for contributions to the Kuwait investment sector and success in global financial markets
- Tunis Arab Economic Forum 2007
- Lifetime Achievement Award, Beirut Arab Economic Forum 2007
- Arab Bankers Association of North America (ABANA) Achievement Award in 2005

STATEMENT OF DISCLOSURE

3. Mr. Masaud M. Jawhar Hayat

Board Member, Representative of Kuwait Projects Co. (Holding) - Kuwait

Date of Membership: 20/2/2001

Date of Birth: 11/9/1953

Education: Bachelor degree in Economics, Kuwait University, 1973 and a High Diploma in Banking Studies, 1975.

Current and Previous Positions:

- Chief Executive Officer of the banking sector ,Kuwait Projects Co) .Holding - (Kuwait – 2010) Present(
- Chairman ,United Gulf Bank – Bahrain
- Chairman & Chairman of the Executive Committee ,Tunis International Bank - Tunis
- Vice Chairman ,FIMBank - Malta
- Vice Chairman & Chairman of the Executive Committee ,Algeria Gulf Bank - Algeria
- Vice Chairman & Chairman of the Executive Committee ,Bank of Baghdad - Iraq
- Board Member ,KIPCO Asset Management Co) .KAMCO - (Kuwait
- Board Member ,Burgan Bank - Kuwait
- Board Member ,North African Co - .Kuwait
- Board Member ,Mashare'a Al-Khair Est - .Kuwait

4. Mr. Tariq M. Abdul Salam

Board Member

Date of Membership: 15/7/1997

Date of Birth: 24/8/1965

Education: Bachelor degree in Accounting, Kuwait University, 1987. Diploma in International Securities, Kuwait, 1996.

Current Positions:

- Chief Executive Officer of the Investment sector, Kuwait Projects Co. (Holding) - Kuwait (2011 - Present)
- Chairman, United Real Estate Company - Kuwait (2010 - Present)
- Vice Chairman, Kuwait Clearing Co. – Kuwait (2004 - Present)
- Vice Chairman, North Africa Co. Holding (2014 – Present)
- Board Member, KIPCO Asset Management Co. (KAMCO) - Kuwait (2013 - Present)
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO) – Kingdom Saudi Arabia (2012 - Present)
- Board Member, Qurain Petrochemical Industries Co. (2012 - Present)

Previous Positions:

- Chief Executive Officer, United Real Estate Company- Kuwait (2006-2011)
- General Manager, KIPCO Asset Management Co. (KAMCO) (1998 - 2006)
- Vice President, Trading and Investment Portfolio Management, Kuwait Investments Projects Co.- Kuwait (1996 – 1999)
- Manager, Trading and Global Investment Projects Department, Kuwait Investment Projects Co.-Kuwait (1992 - 1996)

STATEMENT OF DISCLOSURE

5. Mr. Mohammad A. AlMadi

Board Member, Representative of Social Security Corporation

Date of Membership: 5/9/2016

Date of Birth: 18/4/1971

Education: Bachelor degree in Accounting, Yarmouk University, 1992, Master degree in Financing, Jordan University, 1998.

Current Positions:

- Head of Internal Audit, Social Security Investment Fund (2003 – Present)

Previous Positions:

- Internal Audit Department, Central Bank of Jordan (1994 – 2003)
- Arab Bank (1993)
- Accounts Audit, Deloitte and Touche (1992 – 1993)

6. Dr. Yousef M. Goussous

Board Member, Representative of Al Rawabi United Holding Co. - Kuwait

Date of Membership: 20/2/2001

Date of Birth: 1/1/1939

Education: Bachelor degree in medicine, Ain Shams University-Egypt, 1965 and then completed his specialization in heart diseases at Houston University, Texas-USA, 1973.

Current and Previous Positions:

- Deputy Head of Management Committee, Amman Surgical Hospital
- Member of the Jordan Senate (27/9/2016 – Present)
- Member of the Jordanian Senate (2011 – 2013)
- Lecturer on heart disease at the University of Jordan and at the Jordan University for Science and Technology
- Senior consultant at Queen Alia Center for Heart Disease and Surgery
- Served as Manager of Al Hussein Medical Center and Chief of the Royal Medical Services
- Fellow of several distinguished British and American medical institutions
- Holder of several elite civil, military and medical medals of achievement in Jordan and abroad

7. Mr. Mansour A. Louzi

Board Member, Representative of Strategy Company for Investments

Date of Membership: 15/3/2009

Date of Birth: 28/6/1961

Education: Bachelor degree in Business Administration and Marketing, St. Edwards University, Texas -USA, 1983.

Current Positions:

- Business Development Manager, Siemens Company - Jordan Branch
- Board Member, United Financial Investments Co. / Representative of Jordan Kuwait Bank
- Previous Positions:
- Administrative Manager, Siemens Company -Jordan Branch (1993 - 2006)
- Central Bank of Jordan – International Relations Dept. - Investment Unit (1985 - 1993)
- Jordan Armed Forces – Studies & Development Dept. (1984 - 1985)

STATEMENT OF DISCLOSURE

8. Mr. Bijan Khosrowshahi

Board Member, Representative of Odyssey Reinsurance Co. - U.S.A

Date of Membership: 23/3/2011

Date of Birth: 23/7/1961

Education: MBA, 1986 and Bachelor degree in Mechanical Engineering, Drexel University, USA, 1983.

Current Positions:

- President of Fairfax International, London
- Board member, Representative of Fairfax Financial Holdings Limited for the following companies:
- Gulf Insurance Company – Kuwait
- Gulf Insurance & Reinsurance Company (GIRI) - Kuwait
- Bahrain Kuwait Insurance – Bahrain
- Arab Misr Insurance Group – Egypt
- Arab Orient Insurance Company – Jordan
- Alliance Insurance P.S.C. - Dubai
- BRIT Limited - United Kingdom
- Commercial International Bank – Egypt

Previous Positions:

- President & CEO, Fuji Fire and Marine Insurance Company, Japan
- President, AIG's General Insurance operations, Seoul, Korea (2001-2004)
- Vice Chairman and Managing Director, AIG Sigorta, Istanbul, Turkey (1997-2001)
- Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region, USA
- Held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986

9. H.E. Dr. Marwan J. Muasher

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 14/6/1956

Education: PhD in Computer Engineering, Perdue University-USA, 1981, Masters of Science in Computer Engineering, Perdue University-USA, 1978, Bachelor of Science in Computer Engineering, Perdue University-USA, 1977.

Current Positions:

- Board Member, Masafat For Specialized Transport Co. (4/2015 – present)
- Board Member, Ready Mix Concrete & Construction Supplies Co. (2/2016 – present)
- Vice President for Studies, The Middle East Program, The Carnegie Endowment for International Peace (2010- present)
- Member of the Board of Trustees, American University of Beirut (2007-present)
- Member of the Aspen Ministers Forum (2009- present)
- Advisory Board Member, IMF Middle East Department (2010 – present)
- Advisory Board Member, Purdue University Global Policy Research Institute (2010 –present)
- Advisory Board Member, The Hague Institute for Global Justice (2011- present)
- Board Member, Partners for Demographic Change (2013- present)
- Board Member, The Asfari Foundation (2013 –present)
- Board Member, The Global Centre on Pluralism (2014- present)

Previous Positions:

- Senior Fellow, Yale University (2010-2011)
- Senior Vice President – External Affairs, The World Bank (2007-2010)

STATEMENT OF DISCLOSURE

- Member of the Jordanian Senate (2005-2007)
- Deputy Prime Minister and Government Spokesperson (7/2005-11/2005)
- Minister of the Royal Court (Chief of Staff) for King Abdullah II of Jordan (4/2005-7/2005)
- Deputy Prime Minister in charge of reform and government performance (2004-2005)
- Minister of Foreign Affairs (2002-2004)
- Jordan's Ambassador to the United States (1997-2002)
- Minister of Media Affairs and Government Spokesperson (1996-1997)

10. Mr. Hani K. Hunaidi

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 15/8/1949

Education: Master of Business Administration (MBA), Portland State University –USA, 1980 and Bachelor of Business Administration, American University of Beirut. 1973, Certified Public Accountant (CPA).

Current Positions:

- Chairman, Mediterranean Industries Company
- Chairman, Mediterranean Energy Company

Previous Positions:

- Managing Director, Jordan Kuwait Company for Agriculture and Food Products (1986-1992)
- Project General Manager, Jordan Management and Consultancy Corp. (1984-1986)
- Financial and Administrative Manager, Jordan Securities Corp. (1982-1984)
- Auditor, Touch Ross & Co. (1980-1982)
- Project Senior Accountant, Consolidated Contractor Company (1976-1978)
- Accountant, Safwan Trading & Contracting Co. Kuwait (1973-1974)

11. Mr. Majed F. Burjak

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 4/2/1947

Education: Bachelor degree in Public Administration and Political Science, Jordan University, 1969.

Previous Positions:

- Deputy General Manager/Support Services Group, Jordan Kuwait Bank (2007-2011)
- Assistance General Manager/Operations, Jordan Kuwait Bank (1998-2007)
- Assistant General Manager for Technology and Operations, Export and Finance Bank (1996- 1998)
- Senior Business Manager, ANZ Banking Corporation - Australia (1993-1996)
- Country Operations Manager, Grindlays Bank (1969-1993)

STATEMENT OF DISCLOSURE

12. Mr. Safwan S. Toqan

Independent Board Member

Date of membership: 7/12/2016

Date of Birth: 23/10/1942

Education: Bachelor degree in Business Administration, American University - Beirut, 1966, Master degree in Economics, University of South California – USA, 1976, PhD in Economics, University of South California –USA, 1980.

Previous Positions:

- Member of the 26th Jordanian Senate
- Chairman, Amman Stock Exchange (2012-2013)
- Chairman, Jordan Phosphate Mines Company (2000 – 2004)
- General Manager, Social Security Corporation (1994 – 1999)
- Secretary General, Ministry of Planning (1989 – 1994)
- Assistant Professor, Yarmouk University (1981 – 1989)
- Lecturer, University of South California – USA (1975 – 1980)
- Central Bank of Jordan (1966 – 1975)

STATEMENT OF DISCLOSURE

4b/3b: Members of the Executive Managements' Biographies:

1. Mr. "Moh'd Yaser" M. Al -Asmar

Position: General Manager

Date of Birth: 1947

Date of joining: 15/9/1990

Education: Bachelor degree in Business Administration, University of Jordan, 1970.

Previous Positions:

- Asst. General Manager, Credit Department (1990 – 1993)
- Asst. General Manager, Credit Administration and Control, Commercial Bank of Kuwait - Kuwait (1971 – 1990)

Current Memberships:

- Board Member, Jordan Payment and Clearing Co. /Representative of Jordan Kuwait Bank (1/5/2017- Present)

Previous Memberships:

- Board Member, The Association of Banks in Jordan (2010 - 2015)
- Board Secretary (1993-2014)
- Board Member, Arab Orient Insurance Co./ Representative of Jordan Kuwait Bank (July, 2009- March, 2013)
- Vice Chairman, The Association of Banks in Jordan (2005-2010)
- Chairman and Board Member, Arab Orient Insurance Co. / Representative of Strategy Company for Investments (Jan. 2009-June 2009)

2. Mr. Tawfiq A. Mukahal

Position: Deputy General Manager – Head of Banking Group

Date of Birth: 1951

Date of joining: 12/10/1991

Education: Secondary School Certificate, 1969.

Previous Positions:

- Asst. General Manager, Credit Dept. (1998 – 2007)
- Executive Manager, Credit Dept. (1993 – 1997)
- Manager, Marketing & Credit Unit (1991 – 1993)
- Manager, Marketing & Credit Dept., National Bank of Kuwait – Kuwait (1971 – 1990)
- Memberships:
 - Board Member, Jordan Mortgage Refinance Co./ Representative of Jordan Kuwait Bank
 - Board Member, Jordan Loan Guarantee Corporation / Representative of Jordan Kuwait Bank
 - Board Member, Arab Orient Insurance Co.

Previous Memberships:

- Board Member, Jordan Steel Co./ Representative of Jordan Kuwait Bank
- Board Member, Kingdom Electricity Co. /Representative of Daman Energy Investment Co.

3. Mr. William J. Dababneh

Position: Head of Treasury, Investment & Intl. Relations

Date of Birth: 1957

Date of joining: 27/8/1994

Education: Secondary School Certificate, 1975.

Previous Positions:

- 17 Years of experience in various banks and the last was Arab Jordanian Investment Bank (1990 – 1994)

STATEMENT OF DISCLOSURE

4. Mrs. Hiyam S. Habash

Position: Head of Finance

Date of Birth: 1955

Date of joining: 6/2/1999

Education: Diploma in Applied Science, American Lebanese University, 1978.

Previous Positions:

- Financial Manager, New English School (1992 – 1997)
- Financial Manager, Petra Bank (1978 – 1989)

Memberships:

- Board Member, Specialized Management Co. For Investment & Financial Advisory (fully owned subsidiary) (14/12/2016 – present)

5. Mr. Haethum S. Buttikhi

Position: Head of Retail & Private Banking

Date of Birth: 1977

Date of joining: 1/6/2003

Education: Royal Military Academy, Sandhurst - U.K., 1996.

Bachelor degree in Political Science & International Relations, Kent University – U.K., 2000.

Previous Positions:

- Executive Manager, Private Banking Unit (2006 - 2007)
- Manager, Main Branch (2003 - 2005)

Memberships:

- Chairman, Ejara Leasing Co. (fully owned subsidiary) (2011 – Present)
- Chairman, Specialized Management Co. For Investment & Financial Advisory (fully owned subsidiary) (19/11/2017 – present)
- Chairman, United Financial Investments Co. (19/9/2017 – present)
- Vice Chairman, Middle East Payment Services (MEPS) / Representative of Jordan Kuwait Bank (2009 – Present)
- Board of Trustees, The Jordan Museum (8/10/2017 – present)
- Board Member, United Financial Investments Co. (22/5/2005 – 19/9/2017)
- Board Member, Jordan Phosphate Mines Co./ Representative of Jordan Kuwait Bank (2012 – 14/4/2016)

6. Mr. Abdel Kareem M. Friehat

Position: Head of Operations & Information Technology

Date of Birth: 1966

Date of joining: 6/10/2013

Education: Bachelor degree in Electrical Engineering, Mu'tah University, 1988

Previous Positions:

- CEO, Almanar CroweHorwath – Saudi Arabia (2011-2013)
- Chief Information Officer, Bank Al Jazira - Saudi Arabia (2001-2011)
- Secretary General, Ministry of Information and Communication Technology - Jordan (2007-2008)
- General Manager, ComNet (1999-2001)
- Communications Consultant, Housing Bank for Trade and Finance (1995-1999)
- Communications Engineer, Communications Dept. Jordanian Armed Forces (1988-1995)

Memberships:

- Board Member, Ejara Leasing Co. (fully owned subsidiary)

STATEMENT OF DISCLOSURE

7. Mr. Zuhdi B. Al-Jayousi

Position: Head of Corporate Credit

Date of Birth: 1970

Date of joining: 6/9/1997

Education: Bachelor degree in Accounting, Al- Ahliyya Amman University, 1994.

Previous Positions:

- General Banking Experience, Jordan & Gulf Bank, (1994 –1997).

Memberships:

- Board Member, Comprehensive Leasing Co. / Representative of Jordan Kuwait Bank (2006 - Present)

8. Mr. Ibrahim E. Kashet

Position: Head of Legal Affairs

Date of Birth: 1962

Date of joining: 1/4/1989

Education: Bachelor degree in Law, University of Jordan, 1986

Previous Positions:

- Legal Department (2000 – Present)
- Credit Department (1994 – 2000)
- Credit Follow Up Department (1989 – 1994)

Memberships:

- Vice Chairman, Ejara Leasing Co. (fully owned subsidiary) (2011-1/5/2017)
- Vice Chairman, Amad Investment and Real Estate Development
- Member of the Jordanian Writers Association

9. Mr. Ibraheem S. Al-Hanash

Position: Regional Head – Palestine Branches

Date of Birth: 1957

Date of joining: 1/2/1981

Education: Bachelor degree in Accounting, Philadelphia University – Jordan, 1999.

Previous Positions:

- Jordan Kuwait Bank – Jordan (1981-2007)

Memberships:

- Board Member, The Arab Hotels Co. – Palestine/ Representative of Jordan Kuwait Bank (2013 – Present)

10. Mr. Moh'd J. Azem Hammad

Position: Head of Risk Department / Acting Head of Compliance

Date of Birth: 1972

Date of joining: 10/8/1999

Education: Master degree in Banking & Finance, The Arab Academy for Banking & Financial Studies, 1999

Previous Positions:

- General Banking Experience, Arab Real Estate Bank, (1994 –1999).

Memberships:

- Board Member, Ejara Leasing Co. (fully owned subsidiary) (2013 – 1/5/2017)

STATEMENT OF DISCLOSURE

11. Mr. Abdallah I. Mismar

Position: Head of Administrative Affairs Dept.

Date of Birth: 1973

Date of joining: 5/3/2000

Education: Bachelor degree in Law, Al-Ahliyya Amman University, 1997

Previous Positions:

- Legal Affairs Department at Ministry of Interior (1997-2000)

12. Mr. Daoud A. Issa

Position: Head of Human Resources Department

Date of Birth: 1973

Date of joining: 18/11/2012

Education: Bachelor degree in Economics, Yarmouk University, 1998

Previous Positions:

- Head of HR planning and budget and Head of Personnel, Qatar Petroleum and its affiliated companies - Qatar (2004-2012)
- Personnel Manager, Lotus Trading and Contracting Company – Qatar (2001 – 2004)
- Personnel and Public Relations Manager, Engineering Technical Contracting Company – Jordan (2000-2001)

13. Mr. Ibraheem F. Taani

Position: Head of Internal Audit Department

Date of Birth: 1964

Date of joining: 4/11/2013

Education: Master degree in finance and banking, Arab Academy for Banking and Financial Sciences, 1994

Previous Positions:

- Head of Internal Audit, Standard Chartered Bank – Jordan (2011-2013)
- Executive Vice President, ABC Investment (2009-2011)
- Chief Financial Officer, Aloula Geojit – KSA (2007-2009)
- Head of Examiners/ Inspectors - Central Bank of Jordan (1989-2007)
- Financial Analyst, Jordan Securities Commission (1988-1989)

STATEMENT OF DISCLOSURE

14. Mr. Ibrahim F. Bisha

Position: Co-Head, Treasury, Investment & Intl. Relations

Date of Birth: 1971

Date of joining: 19/6/2001

Education: Master degree in Business Administration, Maastricht School of Management – Cyprus, 2005

Previous Positions:

- Banking, Jordan Kuwait Bank (Cyprus Branch), (2001 – 2006)
- Banking, Al-Jazeera Bank – Saudi Arabia, (1999 – 2001)
- Banking, Dar Ithmar Financial Services, (1997 – 1999)
- Banking, Amman Investment Bank, (1992 – 1997)

Memberships:

- Board Member, United Cable Industries Co. / Representative of Jordan Kuwait Bank

15. Dr. Makram A. Al- Qutob

Position: Co-Head, Corporate Credit

Date of Birth: 1965

Date of joining: 16/5/2004

Education: PhD in Accounting, Arab Academy for Banking and Financial Sciences, 2009.

Previous Positions:

- Arab Bank (1998-2004)
- Arab Thought Forum (1990-1998)

Memberships:

- Board Member, Al-Isra Education & Investment / Representative of Jordan Kuwait Bank
- Vice Chairman, Jordan Commercial Banks Co. / Representative of Jordan Kuwait Bank (15/8/2017 present)
- Board Member, Consortium Banks Investment Group / Representative of Jordan Kuwait Bank (10/5/2017 –present)

STATEMENT OF DISCLOSURE

4b/4: Shareholders who own 1% or more of the Bank's shares (2017 & 2016)

Shareholder	Nationality	No. of Shares 31/12/2017	%	No. of Shares 31/12/2016	%	Ultimate Beneficiary	Mortgaged Shares
Al Rawabi United Holding Co.	Kuwaiti	50,926,827	50.927	50,926,827	50.927	Kuwait Projects Company (Holding) (KIPCO)	-
Social Security Corporation	Jordanian	21,041,644	21.042	21,041,644	21.042	Itself	-
Odyssey Reinsurance Company	American	5,850,000	5.850	5,850,000	5.850	Fairfax Financial Holdings	-
Orient Holding Company	Kuwaiti	1,097,246	1.097	1,097,246	1.097	Itself	-
Kuwait Wealth Holding Ltd.	Virgin Islands	2,421,036	2.421	1,000,000	1.000	Itself	-
Proudstar Trading Ltd.	Cypriot	-	-	1,052,793	1.053	Itself	-

4b/5: Competitive position: The Bank operates within the Jordanian banking sector, which includes 25 local and foreign banks. The Bank has 63 branches in Jordan, 4 branches in Palestine and a branch in Cyprus. The Bank's main activities include the acceptance of deposits, granting credit, and offering banking and investment services to various economic sectors, institutions and individuals. The Bank's share of the total banking facilities in Jordan was 5.41% and 5.16% of total deposits as at 31/12/2017.

4b/6: There are no suppliers who obtained more than 10% of the total Bank's purchases for the year 2017.

4b/7: - The Bank does not enjoy any governmental concessions or protection in accordance with the prevailing rules and regulations.

- The Bank does not have any patents or franchise rights acquired by the Bank.

4b/8: There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decisions.

4b/9: Human Resources, Training and Organizational Structure:

Total number of employees as at 31/12/2017 was (1274) of whom (63) were employed at the Palestine Regional Management Office and Branches– Palestine and (11) at Cyprus branch. In addition, there were (37) employees at the Subsidiary companies.

STATEMENT OF DISCLOSURE

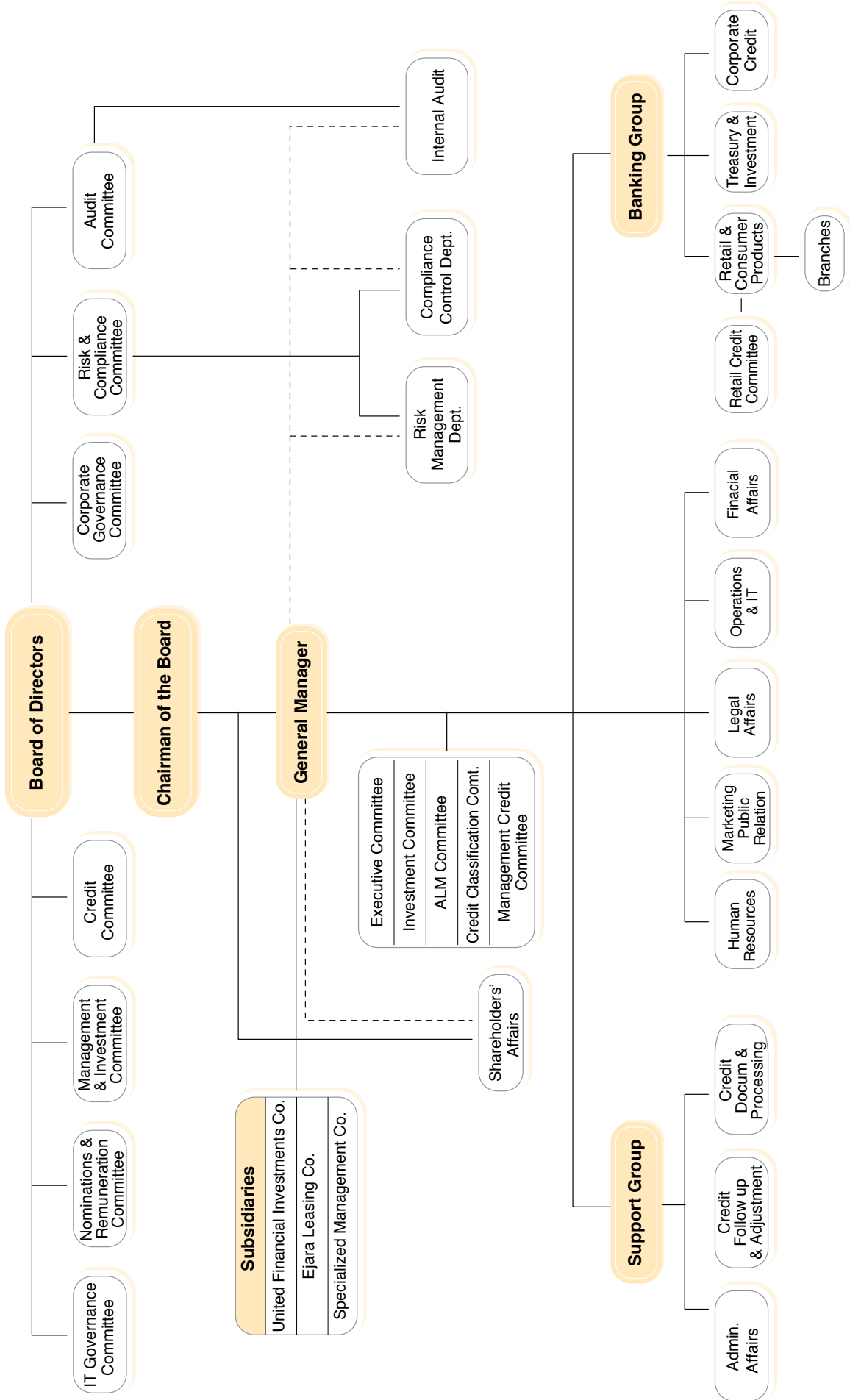
Staff educational qualifications:

Qualification	Jordan Kuwait Bank	United Financial Investments Co.	Ejara Leasing Co.	Sanad Capital
PhD	1	-	-	-
Masters	69	2	1	1
Higher Diploma	6	-	-	-
Bachelor	982	5	17	1
Diploma	126	3	1	-
Secondary School Certificate	28	4	2	-
Pre- Secondary School Certificate	62	-	-	-
Total	1274	14	21	2

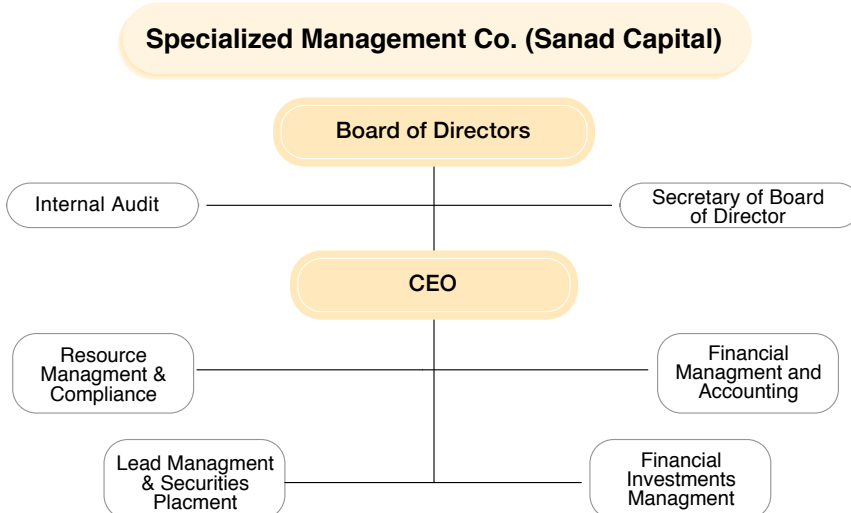
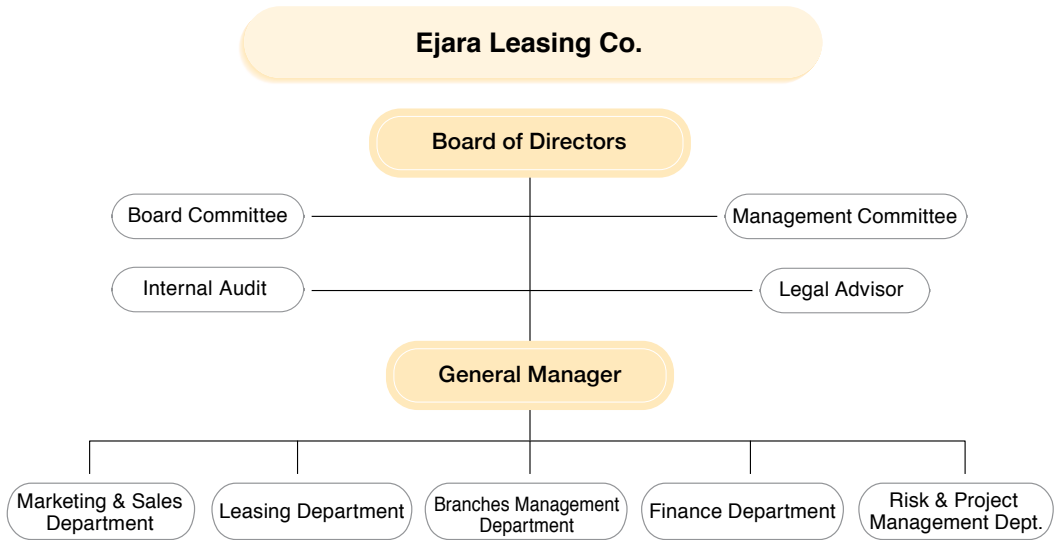
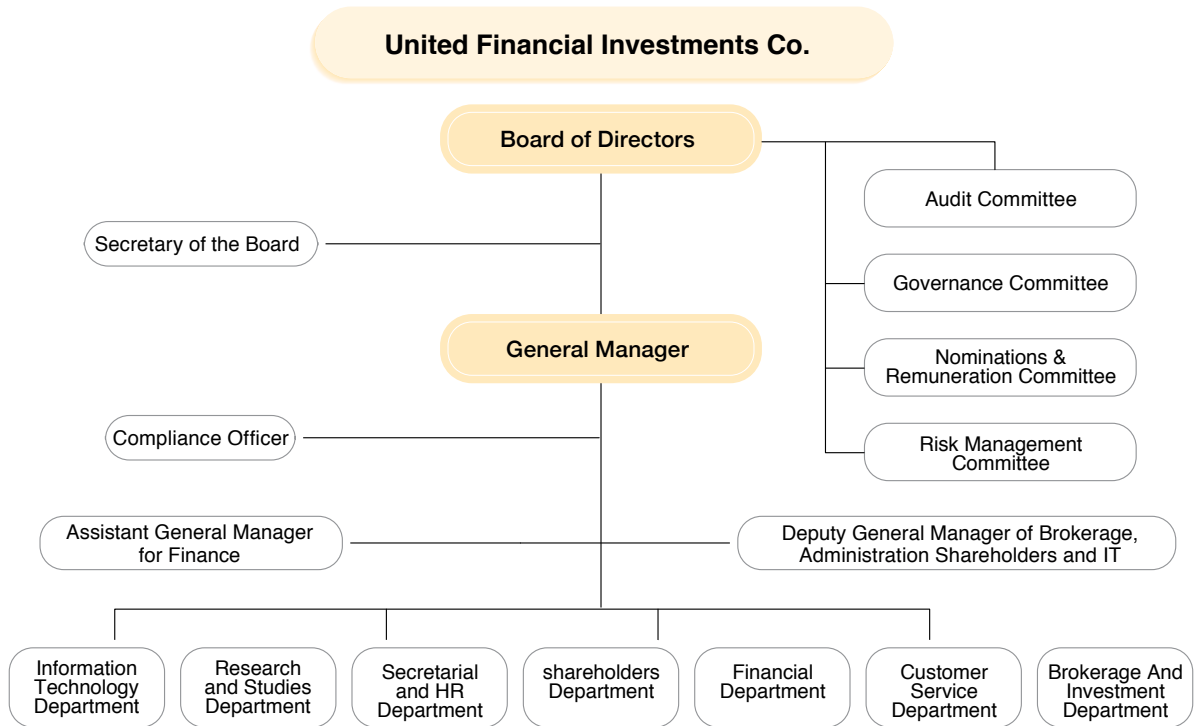
Staff training during 2017:

Training Subject	External Training		Internal Training		Total	
	No. of Courses	No. of Participants	No. of Courses	No. of Participants	No. of Courses	No. of Participants
Specialized Banking	30	62	66	1088	96	1150
Compliance, AML, Fraud & Audit	27	158	32	1198	59	1356
Personal and Behavioral Skills	1	2	41	632	42	634
IT, Banking Systems, Delivery Channels	10	29	13	319	23	348
Administrative programs and non-banking specialization	24	47	5	105	29	152
English Language	14	14	8	124	22	138
Accounting & Financial Management	2	3	2	27	4	30
Total	108	315	167	3493	275	3808

Jordan Kuwait Bank Organization Structure



Subsidiary Org. Structures



STATEMENT OF DISCLOSURE

4b /10: Description of risks: Included in the report.

4b /11: Achievements during 2017: Included in the report.

4b /12: There had been no financial effects of non-recurring operations that do not fall within the Bank's core business activity during 2017.

4b/13: Changes in Net Profit, Dividend, Shareholders' equity and Share price (2013-2017)
Amounts in Thousand JOD

Year	Profit from Continuous Operations before tax	Dividend		Bank Shareholders' Equity	Share / JOD
		Bonus Shares	Cash		
2013	66,035	-	20%	404,526	3.890
2014	62,895	-	20%	431,784	4.290
2015	56,467	-	20%	448,579	4.100
2016	42,861	-	20%	459,693	3.940
2017	42,313	-	20%	468,411	3.500

4b/14: Financial Position: Included in the report.

4b/15: Future Plan: Included in the report.

4b/16: Auditors' Fees: Auditors' fees for the Bank and its subsidiaries in 2017 amounted to JOD 269,795.

STATEMENT OF DISCLOSURE

4b/17: Shares owned by the Board Members during 2017 & 2016:

	Name	Position	Nationality	Shares 31/12/2017	Shares 31/12/2016
	Al Rawabi United Holding Co.	Board Member	Kuwaiti	50,926,827	50,926,827
1	H.E. Mr. Abdel Karim A. Kabariti	Chairman / Representative of Al Rawabi United Holding Co.	Jordanian	1,146	1,146
2	Dr. Yousef M. Goussous	Representative of Al Rawabi United Holding Co.	Jordanian	8,666	8,666
3	Mr. Faisal H. Al-Ayyar	Vice Chairman	Kuwaiti	10,000	10,000
4	Mr. Tariq M. Abdul Salam	Board Member	Kuwaiti	14,250	14,250
5	Kuwait Projects Co. (Holding)	Board Member	Kuwaiti	50,996	50,996
	Mr. Masaud M. Jawhar Hayat	Representative of Kuwait Projects Co. (Holding)	Kuwaiti	32	32
6	Odyssey Reinsurance Co.	Board Member	American	5,850,000	5,850,000
	Mr. Bijan Khosrowshahi	Representative of Odyssey Reinsurance Co.	American	-	-
7	Social Security Corporation	Board Member	Jordanian	21,041,644	21,041,644
	Mr. Mohammad A. AlMadi	Representative of Social Security Corporation	Jordanian	-	-
8	Strategy Company for Investments	Board Member	Jordanian	1,000	465,631
	Mr. Mansour A. Louzi	Representative of Strategy Company for Investments	Jordanian	66,398	64,224
9	Dr. Safwan S. Toqan	Board Member	Jordanian	1,000	1,000
10	H.E. Dr. Marwan J. Muasher	Board Member	Jordanian	137,000	137,000
11	Mr. Hani K. Hunaidi	Board Member	Jordanian	1,049	1,049
12	Mr. Majed F. Burjak	Board Member	Jordanian	1,000	1,000
	United Gulf Bank	Board Member until 15/5/2017	Bahraini	335,869	335,869
	Burgan Bank	Board Member until 15/5/2017	Kuwaiti	1,000	1,000
	Al- Futtooh Holding Co.	Board Member until 15/5/2017	Kuwaiti	44,996	44,996
	Mr. Farouk A. Al-Aref	Board Member until 15/5/2017	Jordanian	14,004	14,004

STATEMENT OF DISCLOSURE

Shares owned by the Bank Executives during 2017 & 2016

	Name	Position	Nationality	Shares 31/12/2017	Shares 31/12/2016
1	Mr. "Moh'd Yaser" M. Al-Asmar	General Manager	Jordanian	25,000	20,000
2	Mr. Tawfiq A. Mukahal	Deputy G.M. / Head of Banking Group	Jordanian	-	-
3	Mr. William J. Dababneh	Head of Treasury & Investment	Jordanian	-	-
4	Mrs. Hiyam S. Habash	Head of Finance	Jordanian	1,600	1,600
5	Mr. Haethum S. Buttikhi	Head of Retail & Private Banking	Jordanian	-	-
6	Mr. Abdel Kareem M. Friehat	Head of Operations & Information Technology	Jordanian	-	-
7	Mr. Zuhdi B. Al-Jayousi	Head of Corporate Credit	Jordanian	-	-
8	Mr. Ibrahim E. Kashet	Head of Legal Affairs	Jordanian	-	-
9	Mr. Ibraheem S. Al-Hanash	Regional Head – Palestine Branches	Jordanian	-	-
10	Mr. Moh'd J. Azem Hammad	Head of Risk Dept. / Acting Head of Compliance	Jordanian	-	-
11	Mr. Abdallah I. Mismar	Head of Administrative Affairs Dept.	Jordanian	-	-
12	Mr. Daoud A. Issa	Head of Human Resources Dept.	Jordanian	-	-
13	Mr. Ibraheem F. Taani	Head of Internal Audit Department	Jordanian	-	-
14	Mr. Ibrahim F. Bisha	Co-Head, Treasury, Investment & Intl. Relations	Jordanian	-	-
15	Dr. Makram A. Qutob	Co-Head, Corporate Credit	Jordanian	-	-

Shares held by companies controlled by Board Members

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2017	31/12/2016
Kuwait Projects Co. (Holding)-Kuwait	Board Member	Al Rawabi United Holding Co.	96.00	50,926,827	50,926,827
Kuwait Projects Co. (Holding)-and its subsidiaries - Kuwait	Board Member	Burgan Bank-Kuwait	64.88	1,000	1,000
Kuwait Projects Co.(Holding)-Kuwait	Board Member	United Gulf Bank - Bahrain	83.98	315,669	335,869

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2017	31/12/2016
Al- Futtooh Holding Co.	Board Member until 15/5/2017	Kuwait Projects Co. (Holding)-Kuwait	44.63	50,996	50,996

STATEMENT OF DISCLOSURE

Shares owned by the relatives of Board Members and Bank Executives (2017 & 2016)

	Name	Relation	Nationality	Shares 31/12/2017	Shares 31/12/2016
1	Mrs. Fatina Ahmad Jameel Malas	Wife of Mr. Abdel Karim A. Kabariti / Chairma	Jordanian	154,877	-
2	Mrs. Hind M. Jaber	Wife of Mr. "Moh'd Yaser" M. Al-Asmar / General Manager	Jordanian	15,000	15,000

4b/18a: Members of the Board of Directors' Remuneration (JOD):

	Name	Position	Board Membership Allowance	Travel, Transportation and meetings Allowances	Total
1	H.E. Mr. Abdel Karim A. Kabariti	Chairman	5,000	66,866	71,866
2	Mr. Faisal H. Al-Ayyar	Vice Chairman	5,000	4,254	9,254
3	Representative of Social Security Corporation	Board Member	5,000	7,500	12,500
4	Mr. Masaud M. Jawhar Hayat	Board Member	5,000	8,981	13,981
5	Mr. Tariq M. Abdul Salam	Board Member	5,000	4,854	9,854
6	Dr. Yousef M. Goussous	Board Member	5,000	8,900	13,900
7	Mr. Mansour A. Louzi	Board Member	5,000	11,000	16,000
8	Mr. Bijan Khosrowshahi	Board Member	5,000	2,127	7,127
9	H.E. Dr. Marwan J. Muasher	Board Member	5,000	4,500	9,500
10	Mr. Hani K. Hunaidi	Board Member	5,000	7,200	12,200
11	Mr. Majed F. Burjak	Board Member	5,000	9,800	14,800
12	Dr. Safwan S. Toqan	Board Member	5,000	7,800	12,800
13	Mr. Farouk A. Al-Aref (till 15/5/2017)	Board Member	5,000	3,550	8,550

STATEMENT OF DISCLOSURE

4b/18b: Executive Management's Remuneration (JOD):

	Name	Position	Annual Salary	Travel & Per diems	Committees	Total
1	Mr. "Moh'd Yaser" M. Al-Asmar	General Manager	454,111	5,925	4000	464,036
2	Mr. Tawfiq A. Mukahal	Deputy G.M. / Head of Banking Group	353,482		3,900	357,382
3	Mr. William J. Dababneh	Head of Treasury, Investment & Intl. Relations	257,196	6,884		264,080
4	Mrs. Hiyam S. Habash	Head of Finance	228,955			228,955
5	Mr. Haethum S. Buttikhi	Head of Retail & Private Banking	253,972	23,278		277,250
6	Mr. Abdel Kareem M. Friehat	Head of Operations & Information Technology	188,423	887		189,310
7	Mr. Zuhibi B. Al-Jayousi	Head of Corporate Credit	150,408		900	151,308
8	Mr. Ibrahim E. Kashet	Head of Legal Affairs	148,580	6,303		154,883
9	Mr. Ibraheem S. Al-Hanash	Regional Head – Palestine Branches	150,509			150,509
10	Mr. Moh'd J. Azem Hammad	Head of Risk Dept. / Acting Head of Compliance	132,755	2,047	1,500	136,302
11	Mr. Abdallah I. Mismar	Head of Administrative Affairs Dept.	75,653			75,653
12	Mr. Daoud A. Issa	Head of Human Resources Dept.	126,353	2,911		129,264
13	Mr. Ibraheem F. Taani	Head of Internal Audit Department	134,243	3,219	2,100	139,562
14	Mr. Ibrahim F. Bisha	Co-Head, Treasury, Investment & Intl. Relations	139,575			139,575
15	Dr. Makram A. Qutob	Co-Head, Corporate Credit	103,366	532		103,898

STATEMENT OF DISCLOSURE

4b/19: Donations: Total donations made by the Bank and its subsidiaries during 2017 amounted to JOD 778,327. Details of which are listed below:

Recipient	Amount / JOD
University Education	204,378
Sports Activities	61,749
Support to Jordanian Writers & Authors	6,320
Training Students from Institutes & Universities	16,834
National Workshops & Conferences	61,984
Charities & Social Activities	268,310
Support to Health Initiatives	17,852
Banking and Financial Culture	39,000
Support for Outstanding Students	1,900
Martyrs' Families Support Fund	100,000
Total	778,327

4b/20: Contracts, projects and commitments held by the Bank with subsidiaries or sister or affiliate companies or the Chairman or members of the Board of Directors or General Manager or any staff member of the Bank or their relatives:

The Bank entered into transactions with subsidiaries, sister and affiliate companies, major shareholders, members of the Board of Directors, and executive management within the normal Bank activities and applying commercial interest rates and commissions. All facilities granted to stakeholders are considered performing loans and no provisions were allocated for them. Details of such transactions are disclosed in Note 36 to the 2017 consolidated financial statements published in this report.

4b/21: The Bank contributes towards the welfare of the local community and the environment; this was explained in the Activities and Achievements Chapter of this report.

4c/1-5: Financial Statements: Included in the report.

4d: Auditor's Report: Included in the report.

STATEMENT OF DISCLOSURE

4e: Declarations by the Board of Directors:

- 4e/1:** The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.
- 4e/2:** The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.
- 4e/3:** Each of the undersigned Board of Directors declares that he did not gain any benefits, either cash or in-kind, as a result of his position at the Bank and was not declared whether be it for himself or any of his related parties during the year 2017.



Mr. Abdel Karim Kabariti
Chairman




Mr. Faisal H. Al Ayyar
Vice Chairman

Board Members



Mr. Mohamad A. Al Madi



Mr. Tareq M. Abdul Salam



Mr. Mansour A. Louzi



Mr. Masoud J. Hayat



Dr. Yousef M. Goussous



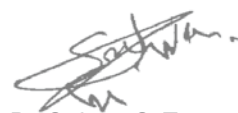
Mr. Bijan Khosrowshahi



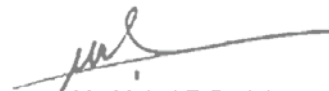
Dr. Marwan J. Muasher



Mr. Hani K. Hunaidi




Dr. Safwan S. Toqan

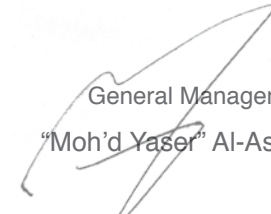


Mr. Majed F. Burjak

- 4e/4:** The Chairman of the Board, the General Manager and the Financial Manager hereby declare that all information and data provided in this report are accurate and comprehensive.



Chairman of the Board
Abdel Karim Kabariti



General Manager
"Moh'd Yaser" Al-Asmar



Financial Manager
Hiyam S. Habash



Jordan Kuwait Bank
CORPORATE GOVERNANCE GUIDE
(Corporate Control)

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Introduction

The Central Bank of Jordan defines Corporate Governance as a system through which the Bank is managed and run. This system aims at identifying and achieving the corporate objectives of the Bank, managing the Bank's business safely, protecting the depositors' interests, being committed by due diligence responsibility towards shareholders and other stakeholders and abiding by laws and the Bank's internal policies.

Jordan Kuwait Bank perceives corporate governance as the key to win the confidence of the customers and other parties interested in JKB. Corporate Governance is the methodology through which JKB manages its interrelations and relations with the other involved parties.

JKB believes that the existence of good corporate governance will result in good management of the Bank and help to achieve the Bank strategic objectives. Moreover, JKB has an absolute belief that the presence of good governance at all Jordanian institutions will lead to have efficient institutions and provide the appropriate competitive environment, and so support the national economy in general. As banks play an important role in the financial system, and their businesses depend on their customers' deposits, it is therefore of high importance that they should have good corporate governance.

In view of that, the Board of Directors (BoD) of JKB decided to adopt the Corporate Governance Guide ("the Guide"). By adopting this guide, JKB aims at implementing the principles of corporate governance represented in fair treatment of all relevant stakeholders, transparency and disclose JKB actual financial and administrative position, in addition to accountability in terms of the relations between the BoD and executive management, BoD and shareholders, and BoD and other entities. JKB provides the approved version of the Guide on its website www.jkb.com

This guide reflects JKB requirements and policies approved by BoD. The Guide provisions shall be applicable to BoD, senior executive management and staff. JKB adopts strategies, policies and administrative structures of its subsidiaries within the framework of sound governance.

JKB Corporate Governance Objectives

JKB aims at achieving the best standards of business ethics covering all the Bank's business aspects through disclosing JKB results accurately and transparently, and complete abidance by the various laws and regulations that govern JKB work.

Legal framework and sources of corporate governance

In preparing the Corporate Governance Guide, the Bank relied mainly on the Corporate Governance Instructions issued by the Central Bank of Jordan and its amendments. The Bank is committed to implementing these instructions as well as to implementing the provisions of local laws and regulations in force, the binding instructions, guidelines and standards issued by the supervisory authorities and international institutions. The regulatory framework of Corporate Governance practice in the Bank include, but is not limited to, the following:

- Banking Law In force and the instructions issued by the Central Bank of Jordan.
- Companies' Law in force.
- Securities Law in force and the instructions of the Securities commission.
- Deposit Insurance Law in force.
- Basel Committee relevant publications.
- OECD countries and the World Bank publications on corporate governance.
- Accounting Standards and International Financial Reporting Standards employed by investors to hold the management accountable.
- Laws in force in countries where JKB has branches and within the limits of JKB business.

In addition to the laws protecting the rights of shareholders, depositors and stakeholders

Corporate Governance Related Parties

1. Shareholders

JKB framework of governance is dedicated to protect shareholders' rights along with serving and fairly treating them, particularly in the light of the laws, regulations and instructions issued by the regulatory authorities. The same also applies to JKB policies and procedures.

2. BoD Members

BoD members, on behalf of the shareholders, manage JKB under the various laws which define their duties and responsibilities (such as, Companies Law, Banks Law ... etc).

3. Employees

All JKB employees, respectively, are held responsible for the implementation of the internal control procedures as part of their responsibilities in achieving the objectives of the Bank.

JKB employees should have the necessary information, skills, knowledge and authority to carry out JKB businesses. Indeed, this requires full understanding of the Bank, the industry, the market and the risks associated therein.

Through the employees' pursuit to achieve these requirements, they will positively contribute to JKB performance and achievements, and this will lead to job security and satisfaction.

4. Creditors

The different parties that are related to JKB, through contractual relations such as customers, suppliers and creditors.

Organizational Structure

Part of BoD duties is to approve an organizational structure consistent with the nature of JKB activities, to ensure that there are sufficient regulations to implement the adopted strategy, to facilitate effective decision-making process and to implement good corporate governance through:

- Clear and transparent organizational structure.
- Specific targets for each administrative unit.
- Job's specific duties and responsibilities for each administrative unit.
- Authorities, reporting lines and direct supervision channels designated for different managerial positions, as well as proper tasking/ tasks segregation.
- Manuals, policies and work procedures appropriate to execute and supervise operations, particularly defining a job description for all levels of jobs within the organizational structure, including qualifications and experience of staff holding each position.
- Ownership structure which does not hinder corporate governance.
- Independent departments to perform the functions of risk management, audit and compliance.
- Units and employees that are not involved in the daily operations of JKB activities (such as the employees of Credit Review and Middle Office).

BoD Members

- A. The Bank's Board of Directors shall consist of, at least, thirteen members and four of them should be independent Directors as defined by the governance instructions issued by the Central Bank of Jordan on independent member.
- B. None of the Members of BoD shall be an executive Director.
- C. BoD develops a clear and appropriate policy for its members which is consistent with the laws and regulatory requirements.
- D. In spite of what is stipulated in the Companies' Law, it is not permissible to assume both the positions of the board chairman and the general manager. The chairman of the board, board members, or main shareholders may not be connected to the general manager with a familial relationship below the fourth degree.

BoD Responsibilities

BoD is responsible for the soundness of all JKB operations, including its financial conditions, implementation of the Central Bank requirements besides other supervisory and regulatory requirements relating to JKB businesses, care for stakeholders, management of the Bank within the framework of its internal rules and policies, ensure that effective control over JKB activities is always in place, including JKB activities delegated to third-parties. To achieve all of that, members of BoD and their committees are allowed to have a direct contact with the executive management and BoD Secretary. BoD members are also authorized to seek external assistance, when required, on JKB expense in coordination with the Chairman.

BoD Tasks and Duties

Given the terms of reference and powers of JKB General Assembly, the elected BoD by the General Assembly shall carry out the duties and responsibilities of managing JKB activities for a period of four years effective the date of election. BoD tasks and duties include (but are not limited to):

I. In the area of general supervision, control and draw JKB strategies:

1. Overseeing senior executive management and follow-up their performance and ensure soundness of JKB financial position and solvency. BoD shall adopt appropriate policies and procedures for supervision and control over JKB performance.
2. Defining and approving the Bank's strategy
3. Identifying JKB strategic objectives, directing the executive management to develop a strategy to achieve these objectives, and approving this strategy. BoD shall adopt action plans which are consistent with this strategy.
4. Approving JKB organizational structure which identifies reporting sequence, including BoD committees and executive management.
5. Approving a policy to monitor and review the executive management performance through developing performance indicators to identify measure, and monitor the performance and progress towards the achievement of corporate goals.
6. Ensuring the existence of policies, plans and procedures covering all JKB activities which are consistent with the relevant laws, and that they are communicated to all administrative levels, and are regularly reviewed.
7. Identifying JKB corporate values , drawing clear lines of responsibility and accountability for all JKB activities and promoting a high-level culture of ethical standards, integrity and professional conduct of JKB managers.
8. Taking the appropriate actions to address weaknesses in the internal control systems or any other points identified by the external auditor, adopting internal control systems and reviewing them annually, in addition to approving appropriate controls which enable BoD to hold the senior executive management accountable for their actions.

II. In the area of policies, instructions, strategies and controls to be endorsed by BoD:

1. Approving appropriate policies and procedures to supervise and control JKB performance.
2. Approving a set of clear boundaries of responsibility and accountability to be committed to, and abided by, all levels of JKB management.
3. Approving an effective policy to ensure the relevancy of BoD members "fit and proper". The policy should include minimum criteria, and conditions that the BoD candidate and appointed member should have. The policy should be reviewed from time to time and when necessary. BoD should develop adequate procedures and systems to ensure that all BoD members meet relevance standards and that they continue to enjoy them.
4. Approving a policy to ensure the relevancy of the members of senior executive management so that this policy includes minimum criteria, and conditions of laws in force on senior executive management. BoD reviews this policy from time to time, establishes sufficient procedures and systems to ensure that all members of the senior executive management meet the relevance standards and that they continue to enjoy them.
5. Approving a system to measure the performance of the Board and its members, and a system to measure the performance of JKB administrators excluding BoD members and the General Manager.
6. Approving a policy and procedures to address any conflict of interests for JKB is part of a banking group, and disclosure of any conflict of interest may arise as a result of JKB partnerships with companies of the group.
7. Approving policies and procedures for dealings with stakeholders, so they include identifying these parties, taking into consideration the laws, transactions terms, approval procedures and a mechanism to monitor these transactions, so as not to go beyond these policies and procedures.
8. Approving the controls for information transfer among various departments to prevent exploiting them for personal advantages.

III. What BoD should verify:

1. Ensure the existence of adequate and reliable management information systems which cover all JKB activities.
2. Verify that the credit policy includes assessing the quality of corporate governance of JKB clients, mainly public shareholding companies, so that clients' risks are assessed by identifying their strengths and weaknesses according to their governance practices .
3. Ensure that JKB adopts appropriate social initiatives in the field of environment protection, health and education, taking into account financing of SMEs at affordable prices and proper repayment schedules.
4. Ensure that the organizational structure clearly reflects borders of responsibility and authority.
5. Ensure that senior executive management performs its responsibilities related to the management of JKB daily operations, contributes to the implementation of corporate governance at the Bank, delegates powers to the staff, establishes an effective management structure that boosts accountability and that they carry out tasks in various areas and activities of JKB businesses in a manner that is consistent with the policies and procedures approved by BoD.
6. Ensure that the executive management enjoys a high level of integrity in exercising its business and avoid conflicts of interest.

IV. BoD duties in the area of recruitment, appraisal and rewards:

1. Appointing a general manager enjoys qualities of integrity, technical competency and banking expertise, after obtaining the Central Bank of Jordan's "No Objection" prior to his appointment.
2. Approve, based on the recommendations of the special committee, the appointment of any executive management member after obtaining the Central Bank of Jordan's "No Objection"
3. Approve, based on the recommendations of the special committee, the resignation or service termination, of any executive management member. As for the resignation or service termination of the General Manager, the Audit manager, the Risk Management manager and the Compliance manager CBJ's "No Objection" should be obtained,
4. Forming committees from BoD members, defining their objectives and delegating powers according to a charter identifying such powers. Committees should submit periodic reports to BoD.
5. Endorsing a succession plan for senior members of the executive management of the bank. BoD should review this plan once a year at least.
6. Assessing the General Manager's performance annually in accordance with an appraisal system developed by the Nominations and Remuneration Committee, including developing the KPIs. Factors of the General Manager's performance appraisal should include JKB financial and administrative performance and his achievement of JKB medium and long term strategies and plans. The committee should report the appraisal results to the Central Bank of Jordan.
7. Establishing procedures to determine BoD members' remunerations in accordance with the approved appraisal system.
8. Ensuring the relevance of BoD members and members of the senior executive management in accordance with the JKB adopted policies and laws and regulations in force. BoD should verify that all declarations included in the Central Bank of Jordan instructions are duly signed.
9. Create a system to evaluate its work and that of its members, providing this system includes, as a minimum, the following:
 - Establish specific objectives and specify the role of the board in fulfilling these objectives in a measurable manner.
 - Establish key performance indicators that could be derived from the plans and strategic objectives, and used to measure the board's performance.
 - Communication between the board of directors and the shareholders, and maintaining this communication periodically.
 - Periodical meetings between the board of directors and the senior executive management.
 - The member's role in the board of directors' meeting, and comparing his performance with that of others. Feedback must be obtained from the relevant member for the purpose of improving the evaluation process.

V. BoD Duties in the Area of Disclosure and Publication:

1. Ensuring the allocation of a part of JKB website to give details on the shareholders' rights and encourage them to attend and vote at the General Assembly meetings, as well as publishing documents related to meetings, including the full text of the invitation and minutes of meetings.
2. Ensuring that the financial and non-financial information of interest to stakeholders is published.
3. Ensuring that JKB abides by disclosures set by the International Financial Reporting Standards, instructions of the Central Bank of Jordan, other relevant laws and international accounting standards. BoD should also ensure that the executive management is aware of changes taking place to the international financial reporting standards.
4. Ensuring to include disclosures in JKB annual and quarterly reports which give the current or potential shareholders an access to JKB operations results and financial position.

5. Ensuring that the annual report includes data and declarations required by the laws and instructions of the Central Bank of Jordan.
6. Notifying the Central Bank of Jordan by any material information that could adversely affect relevance of any member of the senior executive management.
7. Providing a specific mechanism to ensure communication with stakeholders through disclosures and providing significant information on JKB activities to those stakeholders.
8. Develop a mechanism for receiving complaints and proposals submitted by the shareholders, including their proposals to include specific topics on the agenda of the meeting of the General Assembly and take appropriate decision thereon.
9. Establish a mechanism to allow shareholders holding at least 5% of the shares to add items on the agenda of the Ordinary General Assembly before sending it to the shareholders.

VI. BoD duties in the Area of Internal and External Audit:

1. Adopting the necessary procedures to enhance internal audit effectiveness through: displaying the due importance of the audit process, consolidating it in the Bank and following-up the corrective measures as per the audit notes.
2. Ensuring that the Internal Audit Department is able to carry out its tasks, it has the qualified staff and be certain to provide the Department constantly with appropriate and trained employees.
3. Ensuring and enhancing the principle of internal auditors' independence, placing them at adequate level in JKB's organization structure, ensuring they have access to all records and information and the ability to contact any JKB employee, so that they are able to fulfill the tasks entrusted to them and prepare their reports without any external interference.
4. Adopting an internal audit code which includes duties, authorities and responsibilities of the Audit Department and to be circulated within the Bank.
5. Adopting systems of internal control and monitoring. BoD is to ensure that the internal and external auditors review the structure of these systems once a year at least. BoD should furnish JKB annual report with information confirming the adequacy of these systems.
6. Verifying that the Internal Audit Department is subject to the direct supervision of the Board Audit Committee, and it reports directly to the Chairman of the Audit Committee.
7. Ensuring the external auditor's independence at all times.
8. Ensuring a regular rotation of the external auditor among audit offices and its subsidiaries and allied companies each seven years at maximum.

VII. BoD Duties in the Area of Compliance:

1. Approving a policy to ensure JKB compliance by all relevant laws, and reviewing this policy on a regular basis and verifying that it is implemented.
2. Approving the duties and responsibilities of Compliance Control Department.
3. Ensuring Compliance Control Department independence and providing it constantly with qualified and trained staff.

VIII. BoD Duties in the Area of Risks:

1. Prior approving any expansion in JKB activities, BoD should take into account related risks and competences and qualifications of Risk Management Department staff.
2. Approving a strategy for risk management and monitoring its implementation. Such a strategy should include the acceptable level of risk, and ensure not exposing the Bank to high risks. BOD should be, acquainted with JKB operational environment and risks associated with it. BoD should ensure that JKB has the tools and infrastructure designated for risk management that are able to identify, measure, control and monitor all types of risk faced by the Bank.
3. Approving an Internal Capital Adequacy Assessment Process. Such a process should be comprehensive, effective and able to identify all risks that JKB may encounter, and that it takes into consideration JKB strategic plan and capital plan. BoD should review this process regularly, verify its implementation, and validate that JKB maintains adequate capital to encounter all risks it may face.
4. Approving JKB acceptable risk document.
5. Verifying that violations on acceptable levels of risk are addressed, including holding the senior executive management accountable for such violations.
6. Ensuring that the Risk Management Department conducts stress testing periodically to measure JKB ability to withstand the shocks and cope with high risks. BoD should play a key role in approving assumptions and scenarios used and discuss the tests results, as well as approving actions to be taken based on these results.
7. Ensuring Risk Management Department independence through submitting its reports to the Risk Management Committee, and granting the Department the necessary powers to be able to obtain information from other JKB departments and to cooperate with other committees to carry out their duties.

Duties of the Chairman of the Board:

1. To establish a constructive relationship between BoD and JKB executive management.
2. To promote the culture of constructive criticism on issues discussed in general and issues where members have various views regarding them, and to encourage debate and vote on those issues.
3. To ensure that all BoD members receive and sign the minutes of previous meetings, and that they receive the agenda of any meeting in advance providing that the agenda includes sufficient written information about topics that will be discussed at the meeting. The Secretary of the Board shall deliver the meeting agenda.
4. To ensure the existence of the code that regulates and sets out BoD scope of work.
5. To discuss the strategic and significant issues in BoD meetings extensively.
6. To provide each BoD member upon being elected with the provisions of laws related to banks activities and the Central Bank instructions related to the work of BoD, including corporate governance instructions, the booklet which explains the member's rights, responsibilities and duties, and duties of the BoD Secretary.
7. To provide each member with a sufficient summary of JKB businesses upon appointment or upon request.
8. To discuss with any new member, with the assistance of JKB legal adviser, BoD duties and responsibilities, particularly the legal and regulatory requirements. This is to be done to clarify the duties, powers and other issues related to BoD membership, including the membership term, dates of meetings, committees' duties, rewards, and the possibility to seek an independent specialized technical advice, if required.
9. To meet the BoD members' needs regarding the development of their experience and their continuous learning. Chairman may allow the new member to attend orientation program taking in consideration the member's banking background.
10. To address an invitation to the Central Bank to nominate a representative to attend the General Assembly meetings prior enough time.
11. To provide the Central Bank with the minutes of meetings of the General Assembly no later than five days as of the date of the Companies' Controller or his/her representative endorsement of the minutes of meeting.
12. To ensure informing the Central Bank of any material information that could adversely affect the relevance of any members of BoD or executive management.

Duties of BoD Member:

1. To have knowledge of laws and principles of JKB banking and operational environment, cope with developments taking place, besides the external developments related to its business, including appointment requirements of JKB senior executive management.
2. To attend BoD and its committees meetings, as needed, and the General Assembly meetings.
3. Not to disclose any JKB confidential information or using them for their or others interest.
4. To give the priority for JKB interests in all transactions with any other company in which he has a personal interest, not to take JKB business opportunities to his own advantage, and to avoid conflict of interest.
5. Disclose to the board in detail of any conflict in interests in case they existed, committing not to attend or participate in the decision taken in the meeting in which this issue is deliberated, and to record this disclosure in the board's minutes of meeting.
6. Allocate sufficient time to carry out his duties as a member of the Board of Directors

The Board Secretary

1. To attend all BoD meetings, record all the deliberations, suggestions, objections, reservations and vote processes on BoD draft decisions.
2. To determine dates of BoD meetings in coordination with the Chairman.
3. To ensure that BoD members sign the minutes of meetings and decisions.
4. To follow up the implementation of BoD decisions and to follow-up any pending issues from the previous meeting.
5. To keep records and documents of BoD meetings.
6. To take the necessary measures to ensure that draft decisions planned to be issued by BoD comply with relevant laws.
7. To prepare for the General Assembly meetings and to cooperate with the BoD committees.
8. To provide the Central Bank with the relevance declarations signed by BoD members.

BoD Meetings

- A. BoD shall convene at a written notice of the Chairman, or Vice-Chairman if he/she is absent, or upon a written notice submitted by a quarter of its members to the Chairman justifying the grounds for such a meeting. If the Chairman or Vice-Chairman do not call for a meeting within seven days effective as of the date of receipt of notice, members who submitted the notice shall have the right to call BoD to convene.
- B. BoD shall convene with the presence of an absolute majority of members at JKB head office or in any other place within the territories of the Kingdom if it is impossible to hold it at JKB head office. BoD decisions shall be issued with absolute majority of members who attend the meeting. If votes are equal, the chairman of the meeting shall be deemed a casting vote.
- C. Members of the Board must attend the meetings of the Board in person. In the event of inability to personally attend, the Board member may present his or her opinion through video or telephone after the approval of the Chairman of the Board, without the right to vote or to sign the minutes of the meeting.
- D. Voting on BoD decisions shall be in person and carried out by the persons themselves and it could not be by proxy, by correspondence or in any other indirect means.
- E. BoD meetings shall be held six times at least per a fiscal year. There should be a meeting for the BoD every two months.
- F. The Board of Directors shall appoint a Secretary for the Board of Directors to record minutes of Board meetings and resolutions in a precise and complete manner and to record any reservations raised by any member. The Bank shall keep all such records appropriately.
- G. Prior BoD meeting, the senior executive management should provide BoD members with complete and accurate information and the Chairman should ensure doing so.

Responsibility and Accountability Limits

- BoD adopts clear boundaries of responsibility, accountability and commitment and to abide by them at all levels of management in JKB.
- Take the necessary steps to create a clear separation between the authorities of the shareholders who own an influential interest on one side, and the executive management on the other, for the purpose of reinforcing proper Corporate Governance, and hence, create adequate mechanisms to reduce the effect of shareholders who own influential interest, through the following, as an example:
 - That none of the shareholders who own influential interest occupies any position in the executive management.
 - That the top executive management derives its authority from the board only, and work within the mandate granted to it by the board.
- BoD should ensure that JKB organizational structure plainly reflects the lines of responsibility and authority, and that it includes the necessary regulatory levels under the laws and regulations in force.
- Ensure that senior executive management performs their responsibilities related to the management of JKB daily operations, they contribute to the implementation of corporate governance at the Bank, they delegate powers to the staff, they establish an effective management structure that will give a boost to accountability and they carry out tasks in various areas and the activities of JKB businesses in a manner that is consistent with the policies and procedures approved by BoD.
- BoD approves the appropriate controls which enable them to hold the senior executive management accountable for their actions.
- In addition to what is stated in laws, the General Manager shall act as follows:
 - Develop JKB strategic direction
 - Implement JKB strategies and policies
 - Execute BoD decisions
 - Provide guidance to implement short and long term action plans.
 - Deliver JKB vision, mission and strategy to the staff.
 - Inform BoD by all the significant aspects of JKB operations.
 - Manage JKB day-to-day operations.

The Board Committees:

- To further organize the work of BoD and increase its efficiency and effectiveness ,BoD forms various committees from its members, delegate certain powers and responsibilities to them and name their chairmen.
- The committees must submit periodical reports to the Board as stipulated in their charters .The existence of these committees does not absolve BoD to assume direct responsibility for all matters relating to JKB.
- BoD member could be a member of more than one committee ,except in cases where conflicts of interest may arise.
- Any member of the Board shall not serve as chairperson of more than one of the following committees) Audit ,Risk &Compliance ,Nomination & Remuneration ,and Corporate Governance .(He is also prohibited from serving as chairperson of more than two committees of all Board committees.

A. Board Audit Committee:

Committee's Role:

The Board Audit Committee is tasked to carry out the following, in addition to other relevant functions stated in its Charter. The Charter stipulates the right of the committee to get any information from the executive management and its right to call any administrator to attend its meetings. The Audit committee's tasks may not be merged with the tasks of any other committee.

1. The Committee shall review:
 - a) The scope, results and the adequacy of JKB internal and external audit
 - b) Accounting issues that have a significant impact on JKB financial statements
 - c) JKB internal control and monitoring systems.
2. Provide recommendations to BoD regarding the external auditor's appointment, termination, fees and any other related contracting terms, as well as assessing their independence taking into account any other tasks entrusted to them which lie outside the scope of the audit.
3. The Committee shall enjoy the power to obtain any information from the executive management, and has the right to call any administrative officer to attend any of its meetings, if so is stipulated in the committee's charter.
4. Meet with the external and internal auditors and compliance officer once at least annually without the attendance of any of the senior executive management members.
5. Review and monitor procedures that enable the employee to report confidentially any mistake in financial reports or any other matters. The Board Audit Committee shall ensure implementing the necessary arrangements for carrying out an independent investigation and follow the results of the investigation and treat them objectively.
6. Verify that the internal audit staff is rotated to audit JKB various activities every three years at minimum.
7. Verify not to task internal audit staff with any executive duties.
8. Verify that all JKB activities, including outsourced activities assigned to third parties, are subject to audit.
9. The Board Audit Committee shall exercise the role entrusted to it under the Banks Law and other relevant laws. This should include particularly the following:
 - Review and approval of the internal audit plan which includes audit scope and frequency.
 - Ensure that the executive management takes the corrective actions on a timely manner regarding weaknesses in the internal control, and cases of non-compliance with policies, laws and regulations, and other remarks identified by the internal audit.
 - Ensure that JKB is implementing the international accounting and audit standards accurately.
 - Review observations stated in the regulatory authorities and external auditor reports and follow-up the correction procedures.
 - Review JKB financial statements prior submitting them to BoD, particularly to verify regulatory authorities' orders on capital adequacy, adequacy of provisions taken against the bad debts and all other provisions and to express their opinion in JKB non-performing debts or debts proposed to be deemed as bad debts.
 - Ensure that the laws and regulations governing JKB work.
 - The Head of Internal Audit Department may attend the Committee meetings, and the Committee may invite any person to seek their opinion on a particular issue.
10. Appraise the Head and staff of Internal Audit Department performance and determine their remunerations.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its chairperson appointed by a decision of the Board of Directors .It shall consist of three members ,two of whom shall be independent ,one of whom shall be the Chairman of the Committee ,provided that he is not the Chairman of the Board or the Chairman of any other committee emanating from the Board.
- All members of the Committee should hold academic qualifications and enjoy appropriate practical expertise in areas of accounting ,finance or any other disciplines or areas related to JKB's areas of business.

- The Audit Committee shall meet at the invitation of its Chairperson at least once every three months, or whenever the need arises, or based on the decision of the Board of Directors, or on the request of two of its members, and submits its reports to the Board of Directors. The meeting shall be considered valid if attended by at least two members and its recommendations will be taken by majority vote. The Committee shall maintain documented minutes of meetings.

B. Board Risk and Compliance Committee:

Committee's Role:

The Board Risk and Compliance Committee is tasked to carry out the following below stated duties at least, in addition to other relevant duties stated in its Charter:

1. Review JKB risk management framework.
2. Review JKB risk management strategy prior to BOD approval.
3. Cope with the developments affecting JKB risk management, and submit periodic reports to BoD.
4. Verify that there is no discrepancy between the actual risks that JKB takes and the level of acceptable risk approved by BoD.
5. Establish appropriate conditions that ensure the identification of fundamental impact of risks and any other activities carried out by JKB which may expose the Bank to higher risks than the acceptable level, report that to BoD and follow-up corrective measures.
6. Review compliance management reports and submit its recommendations to BoD.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its chairperson appointed by a decision of the Board of Directors. It shall comprise of three members at least, one of whom is to be independent. The Committee membership may include members of the executive management. The committee may invite management representatives or other experts and specialists to attend its meetings.
- The Committee shall meet at the invitation of its Chairperson at least once every three months, or whenever the need arises, or based on the decision of the Board of Directors, or on the request of two of its members, and submits its reports to the Board of Directors.
- The meeting shall be considered valid if attended by at least two members and its recommendations will be taken by majority vote. The Committee shall maintain documented minutes of meetings.

C. Board Nominations and Remuneration Committee:

Committee's Role:

Board Nominations and Remuneration Committee is tasked to carry out the following below stated duties at least, in addition to other relevant duties stated in its Charter:

1. Identify qualified persons to join BoD within the members' relevance policy approved by BoD taking into consideration the capabilities and qualifications of the persons nominated. In case of re-nominations, member's attendance and extent of participation in Board meetings should be taken into account.
2. Nominate to BoD qualified persons to join the executive management, in accordance with the requirements of the Executives employment policy.
3. Ensure BoD members joining workshops or seminars on banking topics, particularly risk management and corporate governance, and the latest developments in the banking business.
4. Determine whether the member meets the independent member criteria taking into account the minimum requirements stated in the laws and regulations in force, and review the status annually.
5. Supervise the implementation of policies adopted by BoD regarding BoD and senior executive management performance appraisal, including the General Manager.
6. Provide information and summaries on some of the important topics of JKB to BoD members upon request, and ensure updating them constantly about the latest topics related to the banking business.
7. Ensure that the policy of granting remunerations to JKB administrative staff is in place, review it regularly and implement this policy. Also, provide recommendations regarding the General Manager and other members of the senior executive management salaries, remunerations and other privileges. The Internal Audit Department Manager and staff performance appraisal and remunerations are to be determined by the Board Audit Committee.
8. Evaluate the work of the board, its committees, and its members as a whole annually, and it shall inform the Central Bank and the Securities Commission with the result of this evaluation.
9. Set clear methodology to verify that board members allocate sufficient time to carry out their duties, including (for example) the multi commitment of the member to other boards/bodies memberships/forums...etc.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its Chairperson appointed by a decision of the Board of Directors. It shall comprise of three members at the least, the majority of whom are independent including the Chairperson. The Committee may invite members of the executive management or other specialized persons to attend its meetings.
- The Committee shall meet at the invitation of its Chairperson at least twice a year, or whenever the need arises, or based on the decision of the Board of Directors, or on the request of two of its members, and submits its reports to the Board of Directors.
- The meeting shall be considered valid if attended by at least two members and its recommendations will be taken by majority vote. The Committee shall maintain documented minutes of meetings.

D. Board Corporate Governance Committee:

Committee's Role:

In addition to their duties delegated by BoD, Board Corporate Governance Committee is in charge of directing and supervising the processes of preparing the Corporate Governance Manual, its update and implementation monitoring. The committee is also tasked to perform the following:

- Ensure that JKB organizational structure serves the requirements of corporate governance.
- Ensure commitment to the adopted JKB Code of Ethics at the level of BoD and all administrative levels in the Bank.
- Formulate written procedures for the implementation of the Corporate Governance Guidelines of the listed companies issued by the Securities Commission and to ensure the Bank's compliance with these instructions and to study the comments of the Commission on its application and follow up on what has been done.
- Prepare the Governance Report and submit it to the Board of Directors.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its Chairperson appointed by a decision of the Board of Directors. It shall comprise of three BOD members at least, the majority of whom are independent and should include the Board Chairman. The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.
- The Committee shall meet at the invitation of its Chairperson at least twice a year, or whenever the need arises, or based on the decision of the Board of Directors, or on the request of two of its members, and submits its reports to the Board of Directors.
- The meeting shall be considered valid if attended by at least two members and its recommendations will be taken by majority vote. The Committee shall maintain documented minutes of meetings.

E. Board Credit Committee:

Committee's Role:

1. Grant, modify, renew and restructure of credit facilities that exceed the authorities of the Management Credit Committee, headed by the General Manager, within the limits set by the Board of Directors. The Board of Directors shall take the decisions in matters exceeding the Committee's authorities.
2. The Committee's authority is limited to taking the right decision regarding the facilities that have been recommended for approval by the Management Credit Committee.
3. The Board of Directors may delegate to the Management Credit Committee some or all of this Committee's authorities; in respect of modifying the terms or restructuring of facilities with the need to keep the Board Credit Committee informed of the decisions taken under these authorities.
4. The Committee's authority shall not include the following:
 - a) Granting credit facilities to members of the Board of Directors.
 - b) Writing-off debts.
5. Submit to the Board periodically details of the credit facilities that have been approved by the committee.
6. The Committee's decisions are considered valid by the presence and personal voting of its members, if a member is unable to attend, he may express his opinion through telephone or video, and has the right to vote and sign the minutes of the meeting that have to be duly documented.
7. The work of this committee shall be evaluated by the Board of Directors.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its Chairperson appointed by a decision of the Board of Directors. It shall comprise of at least five Board members, one of whom may be independent but not a member of the Audit Committee. The meeting shall be considered valid if attended by at least four members, and decisions are taken by majority of its members regardless of the number of attendees. If the votes are equal, the side to which the Committee Chairperson votes will outweigh.

- The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.
- The Committee meets once every week and maintains documented minutes of meetings.
- The General Manager is the Secretary of the Committee.

F. Board Management and Investment Committee:

Committee's Role:

1. Management issues:

- Approve requests for administrative expenses, procurement contracts, bids, supplies, donations, and generally all commitments and contracts in excess of the powers entrusted to the senior executive management as identified within the Authority Matrix and powers endorsed by the Board of Directors.
- Approve requests/offers for the sale of Bank owned properties beyond the limits entrusted to the Senior Executive Management as stipulated in the approved Authority Matrix.
- Approve Bank owned real estates' pricing annually or when required.

2. Investment issues:

Approve proposals and requests submitted by the Management Investment Committee on matters beyond its authority as stipulated in the approved Authority Matrix annexed to the approved investment policy. This includes the following:

- Bank investments in Jordanian dinar in money market and capital market instruments.
- The Bank's investments in foreign currencies in money market, capital market tools and currency exchange operations.
- The Board of Directors shall decide on any of the items listed above if they exceed the authority of the Committee, The Committee submits periodic reports to the Board on the details of the items and processes it has approved.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its Chairperson appointed by a decision of the Board of Directors. It shall comprise of at least five Board members, one of whom may be independent but not a member of the Audit Committee. The meeting shall be considered valid if attended by at least three members including its Chairperson.
- Decisions are taken by majority of its members present, if the votes are equal, the side to which the Committee Chairperson votes will outweigh. The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.
- The Committee meets once every two weeks and whenever necessary and shall maintain documented minutes of meetings.
- The General Manager is the Secretary of the Committee.

G. Information Technology Governance Committee

Committee's Role:

The Committee shall undertake the following tasks guided by the Governance and Management of Information Technology and its accompanying Instructions No. 65/2016 dated 25/10/2016 issued by CBJ:

1. Approve the Information Technology strategic objectives and appropriate organizational structures, including Steering Committees at Executive Management Level, particularly (The Information Technology Steering Committee), ensuring the achievement of the Bank's strategic objectives, and realizing the best value-added of projects and investments in Information Technology while utilizing the tools and standards to monitor and ascertain the extent of achievement, such as using the IT Balanced Scorecard system, and calculating the rate of return on investment (ROI) and measuring the investment impact on financial and operational efficiency.
2. Approve the general framework for the control and monitoring of resources and projects, that corresponds to best accepted international practices in this regard, particularly (COBIT) (Control Objectives for Information and related Technology), complying with and facilitating the achievement of objectives and regulations, through the sustainable achievement of corporate objectives, and achieve the information objectives' chart and its associated technology and cover IT governance operations
3. Approve the corporate objectives chart, and its associated Information Technology objectives, considering its legibility as minimum, and define the sub-objectives needed for its achievement.
4. Approve the responsibility chart (RACI Chart) towards the major operations of IT governance and its emanating sub-operations i.e.: The party or parties or the person primarily responsible (Responsible), and those finally responsible (Accountable), and those consulted (Consulted), and those to be informed (informed) towards all operations guided by the standard (COBIT 5 Enabling processes) in this regard.

5. Ensure the existence of a general IT Risk Management Framework that complies and integrates with the Bank's general comprehensive Risk Management Framework, and takes into account all IT governance operations.
6. Approve an information technology resources and projects budget in line with the Bank's strategic objectives.
7. Oversee and be acquainted of the progress of information technology operations, resources and projects to ensure its adequacy and its effective contribution in achieving the Bank's business and its requirements
8. Be acquainted of the audit reports on information technology and taking the necessary action to correct deviations.
9. Recommend to the Board of Directors to take the necessary measurements to correct any deviations.

Formation of the Committee and the periodicity and quorum of its meetings:

- The Committee shall be formed and its Chairperson appointed by a decision of the Board of Directors, and the Board determines its objectives and powers, to be demonstrated in its Charter.
- The Committee shall comprise of, at least, three Board members and preferably comprising persons with expertise or strategic knowledge in information technology. The committee, in coordination with the Chairman of the Board, may seek the assistance of external experts when necessary, at the expense of the Bank to make up the shortfall in this area and enhance substantive opinion. The Committee may invite any of the Bank's administrators to attend its meetings to express their opinion, including those involved in internal audit and senior executive management members (such as Information Technology Manager) or those involved in External auditing.
- The Committee shall elect one of its members to be an observer member in the Information Technology Steering Committee.
- The Committee shall submit periodic reports to the Board, the Board's mandate to the Committee does not relieve it from its responsibilities in this regard.
- The Committee shall meet at the invitation of its Chairperson at least once every three months, or whenever necessary, or in accordance with the decision of the Board of Directors, or the request of two of its members, and shall submit its reports to the Board of Directors. The meeting shall be considered valid if attended by the majority of its members. The Committee shall maintain documented minutes of meetings.

Senior Executive Management

BoD approves the appointment of JKB Executive Management. BoD makes sure that members of the Executive Management possess the necessary expertise, competencies and integrity to manage JKB businesses and affairs in a manner consistent with the standards of professional conduct, particularly supervising the JKB management, enjoying the appropriate competences to oversee key individuals associated with the Bank operations. JKB develops a policy to manage and fill top executive jobs to meet laws and regulations requirements in force and the aspirations of JKB.

The Executive Management implements the principles of corporate governance in JKB and provides adequate control over the activities they manage

In this context, the Executive Management identifies the staff tasks accurately. They also propose the administrative structure which is meant to promote the concept of accountability and transparency. The Executive Management is to supervise the fulfillment of the specific responsibilities/ powers and they will be responsible for JKB performance.

Administrators' Performance Appraisal:

JKB develops policies of performance appraisal which ensure the participation of all those involved in managing JKB businesses to achieve the Bank objectives through carrying out tasks, objectives and obligations assigned to each one of them within a framework of fair competition based on the culture of excellence in performance.

- Performance Appraisal Policy for BoD and its members
- Performance Appraisal Policy for holders of senior positions and accountability
- Performance Appraisal Policy for other JKB staff members.

All the aforementioned policies are based on the latest international practices which are meant to objectively measure of performance, take into account risk aversion and the provisions of laws and regulations in force.

Internal Control and Audit Systems:

The Board and the Executive Management of JKB are in charge of developing, implementing and maintaining internal control and audit systems that are able to ensure and achieve the following:

- Accurate and integral financial and operational data issued by JKB.
- Efficient and effective performance of JKB operational processes.
- Effective protection procedures of JKB assets and property.
- Compliance with work policies and internal procedures, laws and regulations in force.

This is based on BoD belief in the importance of effective internal control and audit system as it is one of the most important elements of good management and the basis for the soundness and quality of JKB operations. JKB adopted a number of internal control and audit systems which the senior executive management is responsible to set up, follow-up its development and update them. JKB management is constantly monitoring and assessing the efficiency and effectiveness of these systems, their ability to achieve the desired goals and strive to enhance them. Supervisory departments make sure that transactions with stakeholders are conducted in accordance with the adopted policies and procedures.

BoD adopts control and audit policy addressing all aspects of the internal control systems in terms of their definition, components and BoD and senior executive management responsibilities.

To ensure JKB supervisory departments independence and that they fulfil their supervisory roles they tasked to carry out, their reports are to be submitted to BoD committees. BoD committees appraise the performance of the holders of senior positions at supervisory departments under the Performance Appraisal Policy for holders of senior positions adopted by BoD.

JKB Supervisory Departments

Internal Audit Department: This department is tasked to review commitment with the Corporate Governance Manual, verify of compliance with JKB policies, procedures, international standards and laws related to JKB activities, verify the existence and compliance with internal control and audit systems quite enough to encompass JKB activities and its subsidiaries, carry out financial and managerial auditing, review the soundness and comprehensiveness of the Stress Testing and ensure the accuracy of the internal capital adequacy assessment process (ICAAP).

Internal Audit Department submits its reports to the Board Audit Committee and to the General Manager simultaneously.

Risk Management Department: This department is tasked to monitor risks in JKB at all levels and market and operational areas, information risks, credit risks and business continuity, and monitor JKB departments compliance with the identified levels of risk in accordance with the best international standards. Risk Management Department submits its reports to the Board Risks and Compliance Committee. The tasks of the risk management department shall be as follows as a minimum:

1. Review the Banks' risk management framework before it is approved by the board.
2. Implement the risk management strategy in addition to developing work policies and measures to manage all types of risks.
3. Develop methodologies to identify, measure, monitor, and control all types of risks.
4. Submit reports to the board through the risk management committee, with a copy to the senior executive management, which include information about the actual risk profile for all the bank's activities, compared to risk appetite document, while continuing to address negative deviations.
5. Verify the integration of risk measurement mechanisms with the management information systems used.
6. Study and evaluate all types of risks faced by the Bank.
7. Submit recommendations to the risk management committee about the bank's exposure to risks, recording cases of exemption from the risk management policy.
8. Provide the necessary information regarding the Bank risks, to be used for disclosure purposes.

Compliance Control Department: This department is tasked to verify compliance with local and international laws and regulations governing JKB businesses. Compliance Department submits its reports the Board Risks and Compliance Committee and copy of the same to the General Manager. It is also tasked to monitor and combat money laundry. Moreover, it is tasked to manage Customers Complaints Unit within a framework approved by BoD as per the supervisory instructions.

All the aforementioned departments should develop their own charters to be approved by BoD.

Business Ethics Code

JKB adopted a code of business ethics which was approved by BoD and pledged to abide by all JKB staff in their respective administrative levels, in addition to the BoD members.

This code identified JKB staff's ethics, values and principles through four main themes, namely:

- Integrity.
- Compliance with the laws.
- Transparency.
- Loyalty to the bank.

As for integrity, the code included that JKB employees are committed to the following:

- Depositors' funds are a trust and responsibility which should be kept safe.
- Personal interest should not conflict with JKB interests.
- Not to use inside information to serve personal interests.
- Maintaining objective and non-bias personal relationships.
- Avoiding business relations with customers and suppliers.
- No-discrimination whatsoever among customers.
- Refrain from accepting gifts, benefits and invitations.

As for compliance with the laws and regulations, employees should abide by bank secrecy and JKB policies and work manuals. Also, they should pay more attention for combating money laundering, not to issue bad cheques and to abide by the management's decisions.

Concerning transparency, JKB employees should be committed to provide authorized accurate figures, data and reports, and that the data is accurate, adequate, timely and in line with the standards. Additionally, employees should disclose their personal interest and soundness of their financial standing and their personal business activities, and to disclose any violations and damages.

Regarding loyalty to JKB, this could be realized through achieving JKB mission, vision, objectives and role, transferring JKB slogan into a tangible reality, besides achieving customer satisfaction and retain them, being positive, excellent, responsible, enjoying qualities and efficiency, then accuracy and continuous learning, keeping up with working hours, adapting to work stress with the spirit of teamwork, paying attention to appearance, conduct and good handling of situations, being keen to maintain JKB reputation and achievements, maintaining JKB assets and its appearance, not to disclose work secrets, taking permission of the administration to make any statement related to JKB via any means of media.

The relevant standards and policies are published through JKB website. The level of adherence to those standards and policies should be identified in the Corporate Governance Report included in JKB annual report.

Conflict of Interest

JKB shall have written policies on conflict of interest covering its definition, independent execution, and disclosure; whether such conflict is between the Board members and JKB or between the Executive Management and JKB.

Conflict of interest policy shall cover various aspects related to this subject, such as:

- Board member shall avoid the activities which may lead to conflict of interest.
- BoD approval shall be obtained for any activity a Board member performs that may result in a conflict of interest and verify that the activity does not contain any conflict.
- Board member shall disclose any subject, which may lead to or has already led to a conflict of interest.
- Board member shall abstain from voting on any item of the agenda which might contain a conflict of interest for the member or has an effect on the objectivity of the vote.
- All transactions with related parties shall be based on equal basis and clear mechanism established for the Board to handle the case in the event of non-compliance with conflict of interest policy.
- The conflict of interest policy shall contain examples of cases where a conflict of interest may arise for a Board member.

Transactions with Stakeholders

- JKB shall have written policies on transactions with the related parties. These policies shall include rules and procedures for organizing transactions with such parties whether between JKB and its employees, JKB and its Board members or their companies, or parties related to them, including lending transactions and joint trading transactions with JKB.
- BoD shall ensure that the transactions with stakeholders are reviewed to assess their risks and are subjected to appropriate restrictions in place.

Whistle Blowing Policy

The Bank shall place policies and procedures to report on illicit acts/ Fraud- "Whistle Blowing Policy", including procedures enabling employees to contact the Chairman of the Board to communicate any concerns they might have on the possibility of violations or fraud, and in a way that allows independent investigation into these concerns and to follow-up them. These procedures shall ensure that JKB provides the required protection for these employees to assure them they will not be threatened or penalized even when there is nothing to prove their concerns.

JKB Governing Policies

Jordan Kuwait Bank regards providing written policies covering all the Bank's activities with high importance as these policies are adopted by the Board of Directors and circulated to all management levels as well as reviewing and updating them regularly to reflect any changes and amendments that occur to the laws, regulations, economic circumstances and any other matters related to the Bank.

Protecting Shareholders Rights and their Relations with the Bank

- BoD ensures the protection of shareholders' fundamental rights concerning the registration and transfer of ownership, participation in the General Assembly meetings, gaining profits and get information regularly on JKB.
- BoD shall encourage shareholders' active participation of in the General Assembly meetings; explaining voting procedures and rules, as well as inform them by the date and venue of the meeting along with the meeting agenda in sufficient time, in addition to inform shareholders by the General Assembly minutes of the meetings.
- JKB develops positive relations based on transparency with all shareholders. In this regard, the Bank saves no effort to encourage all shareholders, especially minority shareholders, to attend the annual meeting of the General Assembly and they are encouraged to vote. In addition, consideration is given to voting on each issue that is raised during the annual meeting of the General Assembly separately.
- The Chairmen of the various Board committees attend the annual General Assembly meeting.
- Following the General Assembly meeting, detailed report is prepared to inform shareholders of the various remarks and questions brought forth by the shareholders and management responses to them as well as the conclusions reached.
- Representatives of the External Auditors attend the annual General Assembly meeting to answer any questions that may be raised regarding audit and the auditors' report.
- Pursuant to the Companies Law, members of the Board of Directors are elected or re-elected during the annual General Assembly meeting. The external auditor is also elected during the same meeting.

Transparency and Disclosures

- JKB provides full information regarding its activities constantly and periodically to all stakeholders such as regulators, shareholders, depositors and the public in general; focusing on issues with material impact on the Bank.
- JKB is fully committed to the requirements of full disclosure according to the International Financial Reporting Standards (IFRS) and the disclosure instructions issued by the Central Bank and regulators.
- JKB follows up the various developments regarding the requirements of disclosure according to international standards, such that they are immediately reflected in its financial reports.
- JKB commits to providing permanent and professional communication lines with all relevant stakeholders such as regulators, shareholders, investors, depositors and other banks. To achieve this, JKB shall create a position of Investors Relation officer whose main task is to provide full and objective information regarding the Bank's financial and administrative standing as well as the Bank's various activities.
- JKB annual report shall contain all information related to the Bank in a manner that is transparent and objective.
- Publish periodic reports that contain quarterly financial information, in addition to a report from the BoD regarding the trading of the Bank's stocks and its financial standing during the year as well as periodic briefs by Executive Management for shareholders, financial market analysts and journalists specialized in the financial sector.
- Hold periodic meetings between the Bank's Executive Management and investors and shareholders.
- JKB provides the information available in its annual or periodic reports on the Bank's website in both the Arabic and English languages, where information is updated constantly.
- The reports that JKB presents must contain disclosure from the Executive Management about the results of current and future operations, the financial standing of the Bank and any future results of risk that might affect the general financial standing of the Bank.
- To deepen the principle of transparency and disclosure, JKB annual report must specifically contain the following:
 - JKB Corporate Governance Guidelines and the extent it is committed to.
 - A statement stating the BoD responsibility for the accuracy and adequacy of JKB financial statements and the information included in the report, and the adequacy of internal control systems.
 - A summary on JKB organizational structure.
 - Full information about the members of the Board of Directors including qualifications, experiences, share of the capital, their status as Executives, Non-Executives or Independent, memberships in any other Boards of Directors, the bonuses and salaries they have received, any loans granted to them by the Bank and any operations between the Bank and the member, his companies, or any parties related to him.

CORPORATE GOVERNANCE GUIDE 2017

- A brief of the responsibilities and tasks of Board committees.
- Number of Board and Board Committees meetings held.
- A brief of the Bank's Remuneration Policy as well as the salaries and allowances of Senior Executive Management.
- The statement of the BoD regarding the sufficiency of internal control systems.
- A description of the structure and activities of the Risk Management Department.
- The main shareholders of the Bank and of companies that hold substantial share of the Bank's capital.
- Names of BoD and Senior Executive Management members who resigned during the year.
- Shareholders' names who own (1%) or more of JKB capital along with identifying the data to be disclosed in accordance with the supervisory instructions and laws in force.
- Declarations made by all BoD members stating that they did not receive any benefits through their work at JKB and they did not disclose it, whether such benefits were material or in-kind, and whether it is presented to him personally or to any person in relation with them, during the past year.

■ Branches & ATMS Directory

■ Amman Branches

- **Main Branch (ATM)**
Tel. 5629400 – Fax 5694105
- **Abdali Branch (ATM)**
Tel. 5653491 – Fax 5662374
- **Jabal Amman Branch (ATM)**
Tel. 4641317 – Fax 4611391
- **Wehdat Branch (ATM)**
Tel. 4777174 – Fax 4750220
- **Commercial Center Branch (ATM)**
Tel. 4624312 – Fax 4611381
- **Tla' El'Ali Branch (ATM)**
Tel. 5532168 – Fax 5518451
- **Jabal Al-Hussein Branch (ATM)**
Tel. 5658664 – Fax 5658663
- **Abu-Alanda Branch (ATM)**
Tel. 4162756 – Fax 4161841
- **Yarmouk Branch (ATM)**
Tel. 4779102 – Fax 4750230
- **Wadi El-Seir Branch (ATM)**
Tel. 5858864 – Fax 5810102
- **Jubaiha Branch (ATM)**
Tel. 5346763 – Fax 5346761
- **Amra Branch (ATM)**
Tel. 5535292 – Fax 5516561
- **Abdoun Branch (ATM) (ITM)**
Tel. 5924195 – Fax 5924194
- **Abu-Nsair Branch (ATM)**
Tel. 5235223 – Fax 5235226
- **Marka Branch (ATM)**
Tel. 4889531 – Fax 4889530
- **Ibn Khaldoun Branch (ATM)**
Tel. 4613902 – Fax 4613901
- **Shmeissani Branch (ATM)**
Tel. 5685403 – Fax 5685358
- **Vegetable Market Branch**
Tel. 4127588 – Fax 4127593
- **Madinah Munawarah St. Branch (ATM)**
Tel. 5533561 – Fax 5533560
- **Sweifiyah Branch (ATM)**
Tel. 5851028 – Fax 5851931
- **Nazzal Branch (ATM)**
Tel. 4383906 – Fax 4383905
- **Mecca Mall Branch (ATM)**
Tel. 5517967 – Fax 5517836
- **Al-Rabiyah Branch (ATM)**
Tel. 5510839 – Fax 5511479
- **Al-Mougablain Branch (ATM)**
Tel. 4203723 – Fax 4203715
- **Marj El-Hamam Branch (ATM)**
Tel. 5731053 – Fax 5716832
- **City Mall Branch (ATM) (ITM)**
Tel. 5824318 – Fax 5825426
- **Wadi Saqra Branch (ATM)**
Tel. 5679241 – Fax 5679146
- **Dabouq Branch (ATM)**
Tel. 5412312 – Fax 5521337
- **Al-Madina Al-Riyadiyah Branch (ATM)**
Tel. 5162165 – Fax 5162358
- **Khalda Branch (ATM)**
Tel. 5370835 – Fax 5370925
- **Mecca St. Branch (ATM)**
Tel. 5532156 – Fax 5532152
- **Al-Rawnaq Branch (ATM)**
Tel. 5850392 – Fax 5850327
- **Southern Sweileh Branch (ATM)**
Tel. 5356259 – Fax 5356830
- **Galleria Mall Branch (ATM)**
Tel. 064017870 – Fax 064017872
- **Zain Branch (ATM)**
Tel. 5810734 – Fax 5810927
- **King Abdullah Bureau Branch**
Tel. 4626990 – Fax 4626995
- **Petra University Branch (ATM)**
Tel. 5711283 – Fax 5713079
- **Dair Ghbar Branch (ATM)**
Tel. 5853854 – Fax 5853705
- **Taj Lifestyle Branch (ATM)**
Tel. 5936901 – Fax 5936903
- **Zahrn Branch (ATM)**
Tel. 4611838 – Fax 4612110
- **Northern Hashmi Branch (ATM)**
Tel. 5051845 – Fax 5052460
- **Tabarbour Branch (ATM)**
Tel. 5065162 – Fax 5065685
- **Abdali Mall Branch (ATM) (ITM)**
Tel. 5629415 – Fax 5629416
- **Dome of the Rock Branch (ATM)**
Tel. 4386827 – Fax 4386830
- **Abu Hassan Mall Branch (ATM)**
Tel. 4164585 – Fax 4164590
- **Jawal Branch (ATM)**
Tel. 0791995682 – Fax 0790524103

■ Middle Region Branches

- **Baq'ah Branch (ATM)**
Tel. 4725090 – Fax 4726101
- **Madaba Branch (ATM)**
Tel. 3253568/05 – Fax 3253569/05
- **Samarah Mall Branch – Dead Sea (ATM)**
Tel. 3561242/05 – Fax 3561244/05
- **Al- Ahliyyah Amman University Branch (ATM)**
Tel. 3500029/05 – Fax 3500048/05
- **Al-Salt Branch (ATM)**
Tel. 3558995/05 – Fax 3558994/05

■ North Region Branches

- **Irbid Branch (ATM)**
Tel. 7243665/02 – Fax 7247880/02
- **King Abdallah II St. Branch (ATM)**
Tel. 7248496/02 – Fax 7248498/02
- **Yarmouk University Branch (ATM)**
Tel. 7256065/02 – Fax 7255315/02
- **Al Huson Branch (ATM)**
Tel. 7020208/02 – Fax 7022198/02
- **Al-Mafraq Branch (ATM)**
Tel. 6235901/02 – Fax 6235902/02
- **Jerash Branch (ATM)**
Tel. 6340914/02 – Fax 6340921/02

■ South Region Branches

- **Aqaba Branch (ATM)**
Tel. 2015190/03 – Fax 2016188/03
- **Al-Karak Branch (ATM)**
Tel. 2396102/03 – Fax 2396002/03

■ Zarqa Area Branches

- **Zarqa Branch (ATM)**
Tel. 3997088/05 – Fax 3998677/05
- **Russaifeh Branch (ATM)**
Tel. 3744151/05 – Fax 3744152/05
- **Zarqa Free Zone Branch**
Tel. 3826196/05 – Fax 3826195/05
- **New Zarqa Branch (ATM)**
Tel. 3864556/05 – Fax 3864557/05
- **King Hussein Bin Talal St. Branch (ATM)**
Tel. 3938470/05 – Fax 3938503/05

■ Branches outside Jordan

- **Regional Management & Ramallah Branch (ATM)**
Tel. 406447 22 970+ – Fax 406443 22 970+
- **Nablus Branch (ATM)**
Tel. 376413 92 970+ – Fax 377181 92 970+
- **Jenin Branch (ATM)**
Tel. 42437533 970+ – Fax 42437535 970+
- **Bethlehem Branch (ATM)**
Tel. 22747272 970+ – Fax 22747472 970+
- **Cyprus Branch**
Tel. 875555 25 357+ – Fax 582339 25 357+

■ ATM Locations - Jordan

- Head Office (Drive Thru ATM)
- Safeway-Shmeissani
- Arab Orient Insurance Co.
- Cozmo Center
- Al-Baraka Mall
- Avenue Mall
- Centro Supermarket
- Ahwar Mall
- Carrefour – Madinah Munawarah St.
- Carrefour – Abu Nsair
- Carrefour – Mukhtar Mall
- Carrefour – Al- Nuzha
- Carrefour - Madaba
- City Center – Irbid
- Rawhi Pharmacy – Abdoun
- Rawhi Pharmacy - Khalda
- Crowne Plaza Hotel
- Crowne Plaza Hotel – Dead Sea
- Hilton – Dead Sea
- Abdali Boulevard
- Millennium Hotel
- Regency Hotel
- Fairmont Hotel
- Holiday Inn
- Kempinski Hotel-Aqaba
- Jabal Al-Weibdeh
- Rainbow St.
- King Hussein Business Park
- Isteklal Hospital
- **Mobile ATM**
- Al-Manaseer Gas Station / Zarqa
- ATM for persons with visual disabilities/ Jabal Amman
- ATM for persons with visual disabilities / Jubeiha Branch
- **Interactive Teller Machine (ITM) – Jordan**
- Abdali Boulevard
- City Center – Irbid
- **ATM Locations – Palestine**
- Rafidiya – Nablus



البنك
الأردني الكويتي
JORDAN KUWAIT
BANK

P.O.Box : (9776)
Amman 11191 Jordan
Tel : (5629400 (6 962
Fax : (5695604 (6 962
SWIFT: JKBAJOAM
E-mail:info@jkb.com.jo
http://www.jkb.com



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MEMBER & SHAREHOLDER

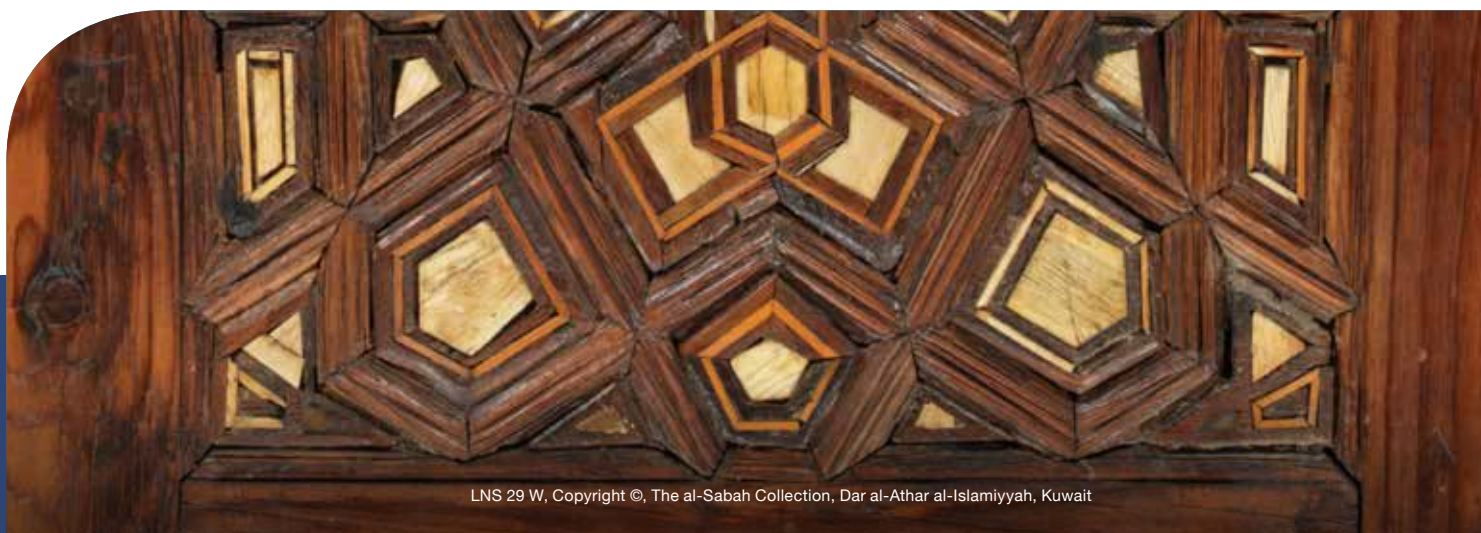


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