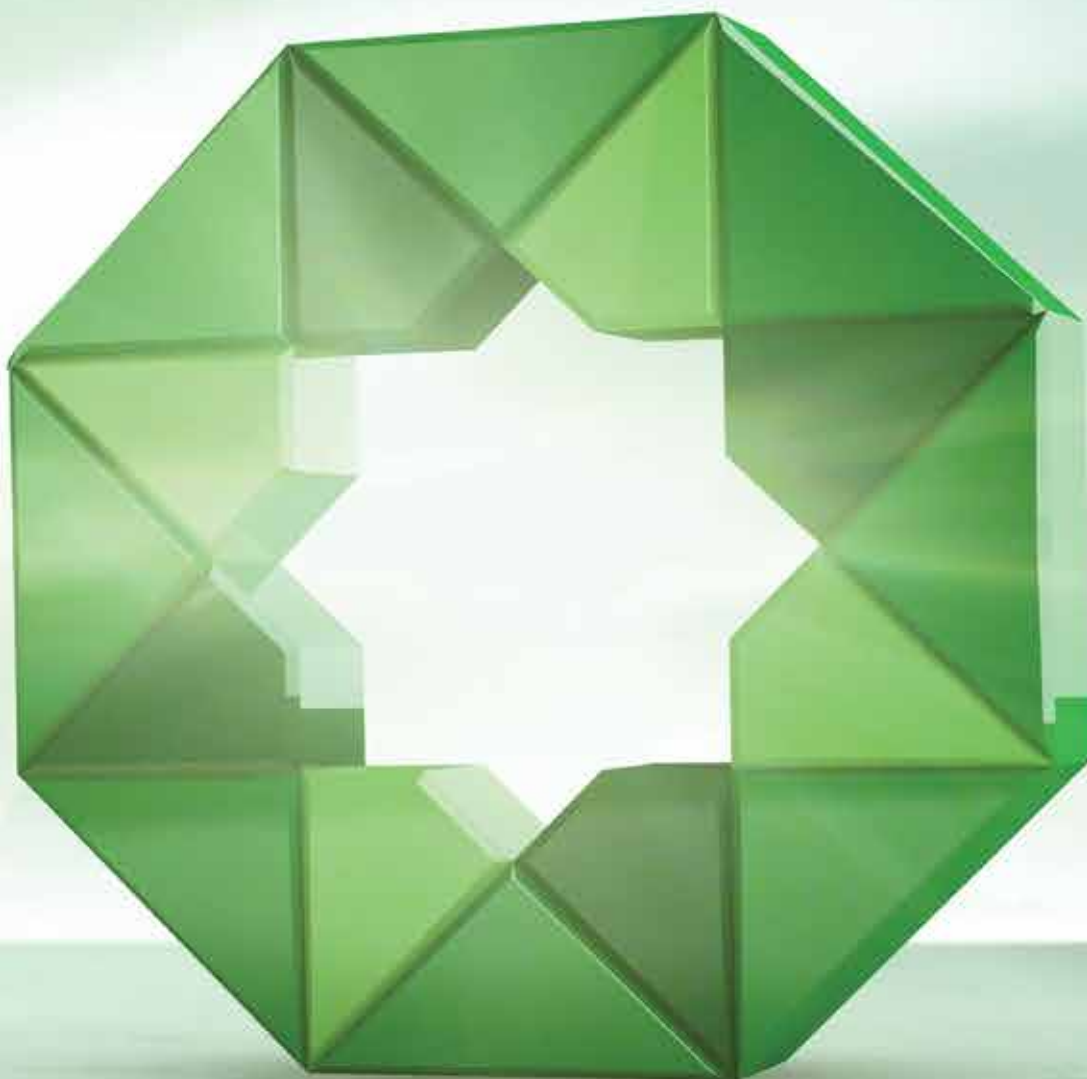


A Journey of Achievements



Annual Report 2017



بنك صفوة الإسلامي
Safwa Islamic Bank





**His Majesty
King Abdullah II Bin Al Hussein**





**His Royal Highness
Prince Al Hussein Bin Abdullah II
Crown Prince**





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Added-value

that exceeds your expectations



Safwa Islamic Bank





Safwa Islamic Bank

In The Name of Allah, The Merciful, The Compassionate Safwa Islamic Bank - Public Shareholding Limited Company

Established and registered as a public shareholding company in the Companies' Registry on 23/6/1963 under reference No. 8 in the name of the Industrial Development Bank. Whereas it was established under Law No. 5 year 1972 which was hereafter canceled by the law canceling the law of the Industrial Development Bank No. 26 for year 2008, and legally and effectively replaced by Jordan Dubai Islamic.

Jordan Dubai Islamic Bank started its operations on 17/1/2010 according to Islamic Sharia laws and the regulations of the Central Bank of Jordan and the Jordanian Law of Banks. On May 17th the bank Name have changed in the GA meeting to become Safwa Islamic Bank.

Our Vision

Leading Islamic banking to serve all spectrums of the society.

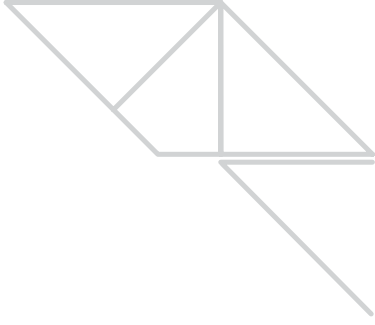
Our Mission

To provide distinctive and innovative services emanating from the divine principles of Islam to build lasting and solid partnerships and to maximize benefits to all stakeholders.

Our Values

Innovation: At Safwa Islamic Bank, we adhere to the principles of innovation and distinguish ourselves as a pioneering financial institution by combining traditional Islamic values with the latest technology and innovative products and services; thus delivering the best of modern Islamic banking.

Knowledge: At Safwa Islamic Bank, our guiding principle of banking is inspired by the knowledge and doctrines embodied within the Islamic Sharia Principles. Built from these strong foundations, we are proud to introduce the new standard of modern Islamic banking in Jordan.



Quality: Structuring products and providing service is implemented with the same principle of delivering quality through perfection. At Safwa Islamic Bank our wide array of solution driven products and services are created in harmony with our customers' specific financial needs.

Value: Defined by our modern Islamic banking approach and the success of our customers, our commitment is to deliver value and measurable returns by providing the finest banking service available. It is our valued belief at Safwa Islamic Bank that our customer's benefit is key to our success.

World Class Service At Safwa Islamic Bank: we are a customer-centered modern Islamic banking institution that bases each of its relationships on unparalleled personal service and understanding. We care, we listen and we constantly deliver world class services.



Board of Directors



Dr.
«Mohammad Naser» Abu Hammour
Chairman of the Board



Hamdan Al Fawair
Deputy Chairman



Basem Salfiti
Member



Deema Aqel
Member



Dr. Nofan Al Aqeil
Member



Khaled Al Gonsel
Member



Fayez Maremi
Member



Dr. Ahmed Amneisi
Member



Dr. Ibrahim Saif
Member



Samir Abu Lughod
Member



Haytham Kamhiyah
Member

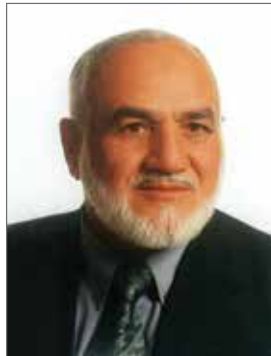
Sharia Supervisory Board



His Eminence Prof. Dr.
Hussein Hamed Hassan
Chairman & Executive Member



His Eminence Prof. Dr.
Ali Muhieddin Al Quradagi
Member/ Deputy Chairman



His Eminence Prof. Dr.
Ali Mohamad Al Hussein El Moussa
"Al Sawa"
Member



His Eminence Dr.
Ahmed Salim Mulhim
Member



Executive Management



Samer Tamimi
CEO



Rami Al Khayyat
Deputy CEO, Chief of
Corporate Banking



Hani Al Zrari
Deputy CEO, Chief of
Central Operations



Ziad Kokash
Deputy CEO, Chief
of Risk Management



Ibrahim Samha
Deputy CEO, Chief of
Finance & Corporate
Strategies



Masoud Saqf-Hait
Head of Legal & Board
Secretariat



Rami Al Kilani
Head of Information
Technology



Muneer Faronyeh
Head of Sharia
supervisory



Yoaad Al-Dughmi
Acting Head of Corporate
Communication and
Marketing



Wael Al-Bitar
Acting Head of
Treasury and
Investment



Nesfat Taha
Acting Head of Retail
Banking



Khaled Al-Issa
Acting Head of
Internal Audit



Ahmad Tarteer
Senior Manager - Head
of Compliance and Anti-
Money Laundering



**Mohammed Al-
Hawari**
Acting Head of
Human Capital
Management



Message of the Chairman

In the name of Allah, the merciful, the compassionate



**May the peace, mercy and blessings of Allah be upon you
Praise belongs to Allah, the lord of all being. May blessings and peace be
upon the most noble of Messengers, the Prophet Mohammad, his kinsmen
and disciples.**

Dear Shareholders,

On behalf of the board members of Safwa Islamic Bank, I am Pleased to provide you with the 9th annual report of the Bank, including the financial results of the Bank and its subsidiaries, and the achievements realized during 2017, besides Sharia Control Department Report.

Dear Shareholders,

The year 2017 featured a breakthrough in the Bank journey toward giving and achievement, the most notable of which was changing the institutional identity of the Bank. The launch of the Bank with its new name «Safwa Islamic Bank» took place to boost the Bank position in terms of progress towards the future, with expectations and objectives that foster its presence in the evolving Islamic Banking market, taking into consideration the development of service level and innovation in offering up-to- date products and studying these products to provide them to our clients.

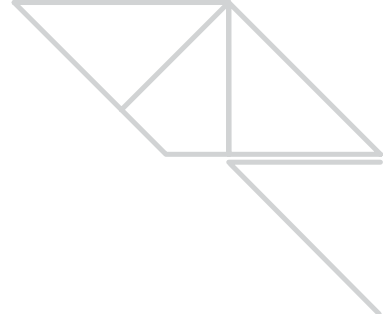
As part of an ongoing strategic plan, the Bank board of directors and executive management paid special attention to set clear objectives that live up with the Bank vision in respect of pioneering the Islamic Banking and serving all clients from different segments of society, which will have a positive impact on the Bank shareholders, clients, employees, as well as economic indices of the Kingdom.

We have been keen to make all amendments and follow all measures that should improve the level of services provided to Bank clients, and offer new products which enable the Bank to meet the needs of clients, in addition to our eagerness to develop the Bank operation mechanism and qualify its calibers to cope with the technological developments in the Islamic Banking industry, in line with the expectations of all stakeholders and concerned bodies of this institution, where we feel so proud of being part of its work force.

Within the framework of the Bank geographic expansion, and as part of well informed plans that serve the slogan of excellence, which we have been adopting for years, our network reached 25 branches by end of 2017, which positively reflected on the notable increase of Bank clients, besides the high level of satisfaction with the Islamic services and products provided by the Bank.

Currently, we are preparing eight new branches, and in selection of the same, we considered covering new locations and provinces in the Kingdom, as the Bank will continue boosting its presence in the Jordanian market through expanding its branches network to cover all areas and provinces across the kingdom, in line with the Bank strategic plans for well informed and effective expansion, as we took into account, in respect of expansion, the quality and excellence of the provided Banking services.

We achieved positive growth rates, steadily, as the Bank assets went up 4%, while finance portfolio hiked 11%, in addition to positive increased growth in the balances of depositors' accounts by 2%. The Bank maintained



higher capital adequacy ratio, compared to the Jordanian Banking sector, as it reached 30%. Further, the Bank maintained low bad debts ratio last year, which recorded about 2.2%, which is lower the other ratios recorded in the Jordanian Banking sector.

The Bank business results throughout 2017 were a culmination of the great dedicated efforts exerted to achieve the desired objectives and the application of the best Banking practices which have been subject all the way to reviews and necessary amendments in order to achieve the Bank's progress journey towards excellence and towards achieving qualitative achievements, which enhances the sustainability and strength of the Bank unmatched performance.

Despite the difficult political and economic difficulties in the Arab region, which represented a major burden on the Jordanian economy in general and the financial and Banking sector in particular, our Bank overcame such difficult circumstances by following up the situation closely and taking the measures that should reduce the negative impacts of the same upon the Bank journey and its results that were notably positive over the past years.

As part of our social responsibility, we entered into strategic partnerships last year with both public and private sectors, as we worked on supporting many social, humanitarian, health, religious and sport initiatives. We have been keen to get our staff involved in such initiatives to allow them pay back to the community, by volunteering to implement these initiatives and other causes that serve the community and contribute to achieving community development, which by turn could achieve long term positive impact on the local community.

The Bank implemented renewable energy project, which reflects the Bank's vital role in supporting the green environment, as it will have a great impact on reduction of Bank operational costs.

I would like to praise the important role played by the Bank Sharia Control Department, in terms of helping the Bank management to provide competitive services and products, compatible with Sharia requirements and their role of supervision, guidance and consultancy, which enhances the confidence of our customers in the Bank, as a leading Islamic Banking institution.

In conclusion, we should draw attention to the effective supervisory and guidance role played by the Central Bank of Jordan and Jordan Securities Commission and other concerned controlling bodies to ensure safety and stability of the Banking system, to create an investment environment capable of attracting and stimulating economic activities, which is worth gratitude and appreciation.

We would also like to thank and truly appreciate all our clients and shareholders for their permanent and absolute confidence, as we would like to thank the executive management and our employees from all positions for their considerable efforts and dedication in serving the Bank with efficacy, professionalism and artisanship, aiming to achieve the Bank objectives and strategic expectations.

In our capacity and responsibility, we affirm to our respectable shareholders and clients that the Bank will continue its way to apply the best global Banking practices, in line with the permissive Islamic Sharia provisions, as the Bank will also continue realizing the best results and achievements, interacting with the needs of national economy and local community, contributing to charity.

We pray to Allah to guide us to what comes in favor of this institution and our beloved country, in light of the wise leadership of King Abdullah II bin Al-Hussein (may God protect him).

May the Peace, mercy and blessings of Allah be upon you,

Dr. Mohamed Abu Hammour
Chairman



Knowledge

that fulfills your needs



Board Of Directors' Report





BOARD OF DIRECTORS' REPORT

Ladies and gentlemen, respectable shareholders

The Board of Directors of Safwa Islamic Bank is glad to review with you its annual report of the financial statements and the achievements realized besides the services and products developed throughout 2017, which brought the Bank many successes and helped achieving predetermined strategic objectives, as the positive results of the same will reflect on Bank shareholders and clients. Since it was established in 2010, Safwa Islamic Bank has been working on providing fully-fledged Islamic Banking solutions, which combine Islamic deep rooted values with the latest technological techniques, in order to offer high quality service with a personalized touch to meet client needs, all embodied in the philosophy of Bank slogan which is based on «Deep-rooted Principles, Innovative Solutions». In an effort to achieve its objectives, the Bank sought to establish a network of branches, which reached 25 branches so far, which is widely spread in the Kingdom to provide an array of Banking solutions compatible with the provisions of Islamic Sharia as part of contemporary bases. The Bank operations grew notably as its assets reached 958 million, with 4% growth, compared to 2016.

Below is the detailed Board of Directors' Report and Bank achievement throughout 2017:

First: Corporate Banking Services

Despite the difficult economic and political circumstances of the region, which affected several economic sectors, the Corporate Banking Department achieved good growth in finance portfolio throughout 2017 which reached 17%, as the client base has been expanded in a deliberate manner, through building a diverse portfolio of new clients in the sector of big and small companies as well as different economic sectors. Further, we finished the procedures of launching the first phase of internet banking services in favor of corporate clients, and we are currently working on launching new banking products and services for the corporate sector next year. For the second consecutive year, the Corporate Banking Department at Safwa Islamic Bank was awarded «Best Corporate Finance Service in Jordan 2017» from Global Brand Magazine/London.

Second: Retail Banking Services

The branches network of Safwa Islamic Bank started expansion, as it reached 25 branches so far in Amman, the capital, Irbid and Zarqa governorates, where it provides a fully-fledged services and products, subject to the provisions of permissive Islamic Sharia, to meet the needs and requirements of a wide segment of clients, including, auto finance, personal «Murabaha» finance, housing «Ijara» finance which ends by ownership. Furthermore, the Bank offers the service of current accounts, saving accounts, and investment deposits, as the bank designed the terms and conditions of such accounts with extreme flexibility, in addition to number of



contemporary e-services such as internet banking, visa electron cards, visa gold and classic cards for monthly payment, and visa signature for Safwa Gold clients.

For deposits, the Bank expanded its client base as the number of accounts exceeded 74,000 thanks to the diverse and innovative accounts launched by the Bank, including current and investment accounts besides distribution of highest returns, subject to the provisions of Islamic Sharia.

In 2017, the Bank offered a product to provide finance for goods, Musawama Finance, aiming to enable clients to purchase various electric appliances and furniture at the same cash price, in installments for three years, through agreements with major traders who operate in the Jordanian market of electric appliances, upholstery, car spare parts and renewable energy systems.

As well, the Bank launched many promotional and stimulus campaigns for finances and accounts, as promotional campaigns were launched for auto «Murabaha» finance in cooperation with many car agents in Jordan, to provide unique privileges such as a preferential «Murabaha» rate and distinctive finance rates.

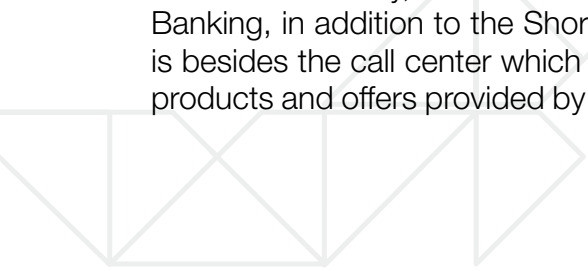
The Bank inked an agreement with the investors association in the Jordanian housing sector, through which the Bank provided a special finance offer for real estate developers who operate with the associations. The Bank promoted the housing finance product and offered purchase coupons in cooperation with a number of renowned electric appliances agencies, as such coupons are granted immediately for clients who benefit from the finance of real estate «Ijara».

About the awards, monthly awards were distributed to children saving accounts «Kinzy» and midyear draw awards for the children saving accounts «Kinzy» to cover tuition cost.

The bank continued its strategic plans that aim to deliver the Bank services, subject to the provisions of permissive Islamic Sharia, to all community segments with the latest technologies, to provide high quality service through a widely spread branches network and direct sale staff, besides training employees by launching comprehensive and specialized courses, and intensifying visits to mystery clients regularly, to maintain the high level of services and focus on quality and good treatment with clients, aiming to expand the client base and support sales, in addition to keep improvement and development of e-banking services to perfectly serve clients.

Electronic Banking Services

The Bank aims, continuously, to provide the latest means for its clients to handle their banking transactions easily, around the clock, through its electronic channels, including ATMs, Online Banking, in addition to the Short Messaging Service (SMS) and mobile banking services. This is besides the call center which by turn provides help for clients with regard to their accounts, products and offers provided by the bank, as such center deals with complaints and follows up





the same to ensure providing distinctive service for clients In 2017, the Bank developed its call center and increased working hours to better serve clients for a longer time.

The Bank launched a new application for the banking mobile with new specifications and special services such as (fingerprint access, transfer through QR...etc)...in addition to activating the immediate transfer to local banks through ACH system, on both internet banking and mobile banking as well, in addition to activating the automatic subscription in electronic services that have a great impact in raising the numbers of users and reducing administrative burdens in the process of password print out, and launching the immediate cash deposit service «BNA» as such service was reviewed in its final condition.

ATMs number reached 58, including 33 external ATMs at shopping malls, mosques, gas stations, and 25 internal ATMs at Bank branches. Within 2018, new external ATMs will be added in other locations that would serve a major segment of Bank clients and non-clients.

Banking Services for Small Enterprises

As part of the Bank expansion plan to provide banking and financial solutions subject to the provisions of Islamic Sharia, in favor of new vital community segments, the Bank developed finance services for small enterprises and firms that operate in various economic sectors, through many products, such as purchases, fixed assets, in addition to funding machinery, equipment, as well as funding the purchase of real estates through Murabaha and Ijara to help them achieve growth and expansion in their activities.

Third: Treasury and Investment

The Treasury and Investment Department has been working on:

- 1- Expanding Bank relations network with global correspondent banks to meet the needs of the Bank and its clients at the lowest cost.
- 2- Providing financial brokerage services subject to the regulations of Islamic Sharia, through «Misc Financial Brokerage», which is fully owned by the Bank.
- 3- Offering trading and investment services for clients in the foreign currency exchange markets.
- 4- Launching investment deposit certificates in Jordanian Dinar and US Dollar for two-year, three-year and five-year terms.
- 5- Managing Issuance of the «Sukuk» rolled out by the National Electric Power Company and Ministry of Finance, in local currency.
- 6- Introducing the service of trading in international capital markets and the custodian service for major bank clients.

Fourth: Institutional Excellence Department

The management of Safwa Islamic Bank has been keen to spread the culture of institutional excellence through adopting the basic concepts of excellence and conformity with the European standards and King Abdullah II Excellence Award, which is about strengthening the principle of

leadership through vision, mission, integrity, building sustainable future, flexible management, quick adaption with change, using creativity and innovation, developing institutional ability, adding value to clients, and sustainability of impressive results.

The Bank leadership adopted institutional values and governance standards, based on the guidelines of institutional governance issued by the Central Bank of Jordan inside and outside the Bank, as part of the Bank efforts to develop and enhance its reputation and position by defining powers and responsibilities, besides separating powers and committing to the principles of integrity, transparency and code of conduct regulations.

The Institutional Excellence Department enforced the sustainable concept of excellence through real engagement with employees and involving them in the processes of development and creativity by the means and tools that were successfully applied in the Human Capital Department and Total Quality Department, which helped notably to open effective communication channels, in order to get new promising ideas to be examined and revised as well as to allocate the financial and human resources to achieve the same.

A: Human Capital Department

In 2017, the Human Capital Department automated its activities, including:

- 1- Help Desk (ITSM)
- 2- MENA ME System
- 3- MENA SMS
- 4- Activating medical network application for Bank employees
- 5- Local studies of Jordanian markets to get familiar with the advantages of employees in addition to looking into the best local practices of organizational structures and job titles
- 6- Developing employment procedures to include subjecting candidates to tests in order to measure their intelligence, statistical skills, English as well as personality analysis
- 7- Automating the standards of human capital
- 8- Developing incentives system for Retail Banking employees and some other Bank employees to enhance the principle of institutional culture
- 9- Automating the Bank relation with Social Security and Income Tax.

B: Total Quality Department

The Total Quality Department work is based on distinction of the Bank services through an integrated system that depends on commitment to the European standards of excellence, which emerged from EFQM, besides commitment to ISO9001 standards, in line with a clear work strategy that covers all concerned parties.

The implementation of total quality system helped notably to provide guidance and Mentorship inside the bank, which had positive impact on the implementation of all operations effectively, including all banking services provided and directed to all clients, as such are implemented as part of a number of organized operations that could be described as easy, quick, and



high quality operations, to achieve the principle of excellence, while paying attention care and focus on internal operations among departments (the services provided for internal clients) which positively impact the level of services provided for external clients, by using many ways to achieve this objective.

The Total Quality Department has been keen to develop operation policies and procedures at the Bank, to ensure documenting the flow of operations progress easily, as well as to save the time of implementing the same while considering the controls imposed over such operations, through «Process Approach» and enforcement of RADAR Methodology, which was adopted as part of the excellence standards while designing operations and preparing work procedures, as such methodology covers most banking activities at the Bank. For the purposes of achieving the objective of operation policies and procedures, these policies and procedures will be circulated among all employees through an automatic system to facilitate access to the respective evidences and updates, taking into account the eagerness to meet the standards of excellence in the field of ongoing review of the same to update them in light of the design of operations and the developments that take place in applicable systems, instructions and laws, and the circumstances affecting the same.

C- Institutional Services Department

As part of the Bank strategic plan and the role of Institutional Services Department to provide logistic services for all Bank departments and branches, in coincidence with the rationalization of expenditures and the ideal use of available resources and environment protection, for the purposes of controlling and rationalizing the expenditures by reducing the bill of electricity, the Bank solar power project has been launched to save the growing expenditures of electricity by generating electric power from solar radiation, especially that the Kingdom is within the sunbelt, which enables it to make the most of solar radiation. The project has been operated and the Bank reaped the fruits of it since Q3 of 2017.

Fifth: Institutional Communication and Marketing

In 2017, the Institutional Communication and Marketing Department managed the mission of changing the Bank institutional identity and preparing a guide for a new institutional identity in cooperation with «Allen International» and implementing all works related to changing the old trademark and replacing the same with the new one, as the Department launched the new identity in the press conference held on such occasion in Bank headquarter, in May, 2017, and implementing the advertising plan in the same month, on all audio and visual advertising channels and daily newspapers, as well as by external advertising across the capital Amman, Irbid and Zarqa, in addition to the advertising on news and social media websites. The Institutional Communication and Marketing Department continued implementation of its strategic plan to meet the needs of internal and external stakeholders, where it designed and implemented many advertising campaigns for new and existing products and services of the Bank, besides the main role that the Department seeks to achieve in the field of social responsibility to cover all areas of the same.

Safwa Islamic Bank won the following awards throughout 2017:

- 1- Best Retail Banking Brand, Jordan 2017 from Global Brand Magazine.
- 2- Most Corporate Banking Brand, Jordan 2017 from Global Brand Magazine – London.
- 3- Most Innovative Islamic Banking Brand, Jordan 2017 from Global Brand Magazine – London.
- 4- Best Islamic Business Bank Jordan 2017 from Global Banking and Finance Review – London.
- 5- Best CSR Islamic Bank Jordan 2017 from Global Banking and Finance Review – London.
- 6- Best Islamic Bank Jordan 2017 from Global Banking and Finance Review – London.
- 7- Peak of success award 2017 from the BIZZ 2017 world confederation of business – USA.
- 8- Fastest Growing Bank in Jordan 2017 from Banker Middle East – Dubai.
- 9- Best Islamic Bank – Jordan 2017 from CPI Financial .
- 10- The Global Award for Perfection, Quality & Ideal Performance 2017 from Other ways Group / France.

Bank Contribution to Serving Local Community

Regarding the Bank commitment toward development of all community segments, the Bank has been keen to continue its approach over the past years, which focused on the boosting its role to take the local community to higher levels and participate in community development through contribution to providing financial and moral support to community initiatives in the educational, humanitarian, and community, and other areas, which emerged from the Bank values and its vision that aims to serve all community segments. Below are examples of Safwa Islamic Bank contributions to serving the local community:

Educational and Religious initiatives:

- Supporting Robotics Teams that represent the Hashemite Kingdom of Jordan in the 10th Arab Open Robotics Championship / Jubilee School.
- Supporting the Jordanian Society for administrative leaders to Conference for launch Training / Operation / Job Opportunities, and their relation with human resources and other activities.
- Sponsoring the graduation ceremony masters and bachelor student at Middle East University, for the first academic term of 2017.
- Donating for Al-Aman Fund for the Future of Orphans, to provide tuition for two university students who belong to the Fund, for four years.
- Supporting the Arab Women Foundation, in the award ceremony for the successful special-needs students who passed the secondary school examinations.
- Donating for the Ministry of Awqaf, Islamic Affairs and Holy Places to prepare a special meeting room for the Ministry.
- Supporting the annual competition held by the Association of Hadith and Revival of Heritage, entitled «Gawamea El-Kalem Award for Creativity and Excellence».
- Sponsoring the symposium of «Khair Jordan Foundation for Development», themed «Raising Political Awareness at Jordanian Universities».
- Donating to «Young Muslim Women's Association Center For Special Education» to cover its annual expenditures to provide its students with the required services / «Young Muslim Women's Association Center For Special Education».



- Bronze sponsorship for the project of raising awareness of working and non-working women about Islamic Finance, which has been issued by the «Financial Consultancy and Training Company».

Humanitarian and Healthcare Initiatives

- Sponsoring the 25th Jordanian International Dental Conference, themed «New Dental Horizons» / «Jordanian Dental Association».
- Blood Donation Campaign for Bank employees, in cooperation with the Jordanian Ministry of Health / Blood Bank.
- Implementing «Sawba wa Haram» initiative in cooperation with the Closing Bank / Jordan Hashemite Charity Organization.
- Donating for the Jordan Medical Aid For Palestinians Charity to meet the medical needs of Palestinians who live in Hitteen Camp and Jarash Camp.
- Donating to the charity Iftar celebration, as its revenues are allocated for supporting handicapped children and beneficiaries of Ibn Sina Cerebral Palsy Society.
- Implementing an initiative for granting one Jacket for each student in cooperation with the Closing Bank.
- Sponsoring the Orphan Feast Campaign / Jordanian Association for Supporting the Children of Gaza Charity
- Donating for The King Hussein Cancer Foundation, through buying the greeting cards made by children of the Foundation.

Sport Support Initiatives:

- Donating for the sport team of Prince Ali Bin Al-Hussein Club Deaf – Amman.

Environmental Initiatives:

- Gold Sponsorship for the program of implanting 1 million trees in Palestine / The Arab Group For The Protection of Nature.
- Launching an agricultural even for implanting forest trees in Ghamdan Park (King Bahrain Forest) in cooperation with the Arab Group For The Protection of Nature.



“Jacket For Each Student” Initiative With Charity Clothing Bank



Hosting Iftar For Fasting Needy Muslims Initiative With Tkiyet Um Ali



Food Parcel distribution With Tkiyet Um Ali



Blood Donation Initiative With Blood Bank

Sixth: Central Operations Department and Internal Control Unit

A- Central Operations:

In 2017, The Central Operations Department automated some operations in the Central Operations Department and merged some Departments to cope with the development witnessed in a number of transactions, which had a positive impact on the improvement of level of services provided for clients besides minimizing operational errors.

In 2017, the Central Operations Department provided many proposals that had positive impact on reduction of the Bank operational expenditures as well as profit increase.

B- Internal Control

In 2017, The Internal Control Unit worked on updating and developing many MIS supervisory reports to ensure efficiency of the controls and improve the supervisory environment, while improving the potentials of handling work overload that results from opening new branches for the Bank. The Department also reconsidered the current applicable procedures in verifying your payment accounts and proposed new operation procedures that ensure separation of duties and obligations.

Seventh: Information Technology Department

The Information Technology Department works on supervision upon the Bank strategic projects with respect of systems and automations, to boost accuracy of operations and ensure quick achievement of the same. The Information Technology Department works on protecting the Bank data from recurrent and evolving threats, as it has been keen to fulfill the requirements of Cobit 5, PCI -DSS V3 and ISO27001 standards. Below are some of Department key achievements:

1- Drawing up Information Technology strategy for the upcoming years on the bases of:

- Zero Touch
- Technology Optimization
- Human Touch
- IT organizational Capability Enhancement
- IT Governance
- Business Intelligence

2- Continuous use of latest technology in the field of virtual environment on the main servers level «Virtualization».

3- Replacement of mobile application with a new updated version, besides updating Internet Banking to cope with recent technology in terms of applying for the service and activating it in the same time for corporate clients.

4- Improvement of performance and increment of efficacy of systems and networks.

5- Connecting Bank e-mails through (Cloud Microsoft Cloud 365) to provide highest level of protection and set-up.

6- Finishing preparation of important projects that would improve the quality of services provided for Bank clients.



Eights: Sharia Supervisory Board

The Sharia Supervisory Board gains its strength from the presence of a Sharia Supervisory Board, characterized by banking lawful knowledge on the Islamic world level, as such Department is keen to ensure implementation of the Fatwas and decisions of the Sharia Supervisory Board, with respect of all Bank activities, by monitoring and auditing all business, an conducting comprehensive study of contracts forms, product policies, operation procedures, and implemented transactions. The Sharia Supervisory Department continued effective communication with the Sharia Supervisory Board to review all developments and critical issues in order to obtain respective answers and Fatwas, as well as to make sure about the implementation of its guidelines and decisions by the concerned departments. The Department also communicates on a daily basis with different Bank divisions, departments and employees to review any issues that may emerge during the implementation, and answering the same in conformity with the decisions of the honorable Sharia Supervisory Board.

Sharia Supervisory Department Achievements in 2017:

- Contribution and participation in launching the «Musawama» finance product.
- Applying an automatic program to help achieving the Sharia review, which is the first of its kind in the region, as it contributes to automatic tracking of notices and treatment of the same.
- Finding Sharia compatible solutions in coordination and communication with the Sharia Supervisory Board, and providing the Retail Banking Department and Corporate Banking with the required Sharia approvals after adding Sharia regulations.
- Sharia review for various Bank Departments and achieving the review plan that has been set for 2017.
- Holding many cultural courses and training programs on Sharia compatible banking areas, for the Bank employees and managers.
- Applying and achieving institutional governance requirements for Islamic banks, with respect of the Sharia areas and Sharia Supervisory Board.
- Publishing the Fatwas issued by the Bank Sharia Supervisory Board, on the Bank website.

Important Future Developments and Bank Strategic Plan

In its first eight years as an Islamic bank, Safwa Islamic Bank succeeded in proving itself and its distinctive presence in the banking sector in general and the Islamic banking sector in particular, as it achieved ambitious growth rates that reflect its strategic well-studied objectives to meet the needs of all community segments, in conformity with the Bank vision and mission.

The Bank looks forward to enhancing its position and maintain its deep-rooted rank as an institution that seeks playing a leading role for the sake of Jordan economy besides improving the Islamic banking as an essential option that copes with the expectations of an important and increasing segment in the Jordanian community, by launching more services and products subject to the Islamic Sharia, and which meets the requirements of various sectors in the Jordanian economy.

In line with the Bank approach to meet the finance requirements of clients, the Corporate Banking Department seeks to maintain distinction in respect of serving its clients in an contemporary manner in conformity with Islamic provisions, through a qualified and specialized work team. The Department will continue studying and meeting the needs of clients of big and medium size companies through packages of finance solutions and special banking services and products, as new distinctive products and services will be launched within 2018, to meet the purposes of clients and their different financial needs.

With regard to the targeted sectors, we will keep seeking to expand the portfolio and achieve growth of the same and other sectors of the Jordanian economy as well, including the public government and semi-government institutions, besides major companies, with a special focus on expansion in providing finance for the medium sized companies.

With respect to the Retail Banking Department, its strategy for the coming years focused on outreach and geographic expansion through presence and coverage of new geographic areas to expand the base of clients, in addition to increasing the service centers for major clients in order to ensure achievement of their transactions while maintaining their privacy.

As well, the Bank aims to update its branches, in line with the Bank future expectations to provide distinctive services, as the Retail Banking Department seeks developing new products and services that contribute to meeting the finance and consultancy needs of clients, and boosting partnerships with suppliers to provide special offers for Bank clients.

The Treasury and Investment Department will keep providing unmatched services such as exchanging foreign currencies, current and term, based on pledges, and providing investment tools in the international agencies and international Murabaha deals, besides investment management in the local and international Sukuk and local and regional shares as well. The Department seeks also to develop the Bank products of investment deposits certificates



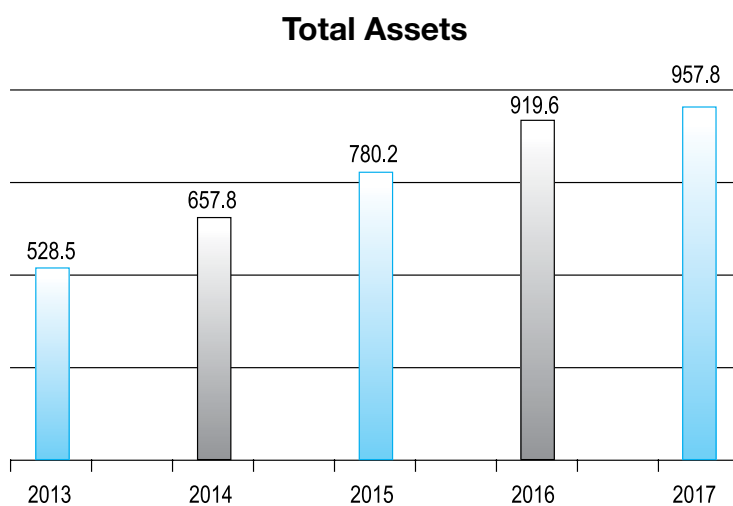
issued by the Bank for clients and financial institutions, as well as to provide the service of arrangement and management of Sukuk issuance for local companies, and the service of issuance secretariat and custodian services.

Within the framework of developing the Bank various calibers, the Human Capital Department will, in the coming years, deep root an integrated system to manage the human capital in achieving the Bank objectives in accordance with the best practices and spreading the culture of continuous education and development besides effective planning for staff performance to reach the best productivity level of the Bank, and strengthening the principles of best performance and creating a stimulus work environment for all Bank employees, in addition to ensuring providing all services that meet the standards of quality, transparency and efficiency, in order to develop the Bank leaders and create a new generation as well as to develop new benefits and competition.

Financial Summary and Key Financial Indices

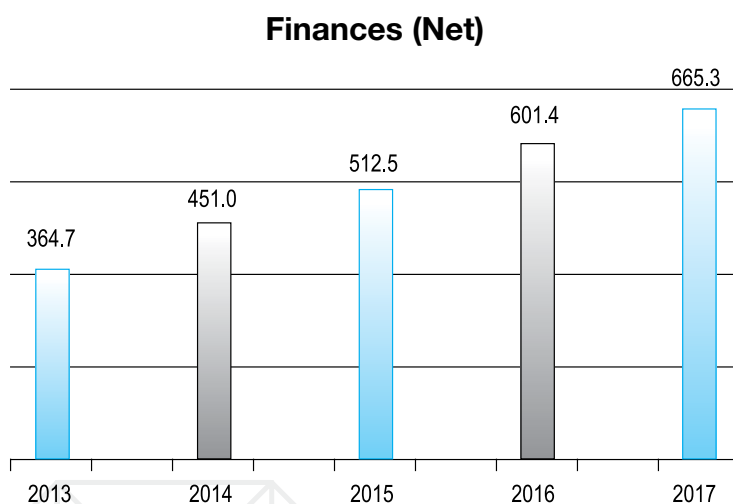
Statement of Financial Position

The consolidated Statement of Financial Position for the Bank indicated that the Bank assets have increased by JOD 38mn compared to 2016, with 4% growth rate.



Key Changes of Asset Items in Balance Sheet:

- The Bank finance portfolio increased by JOD 64mn, where it recorded 11% growth rate.

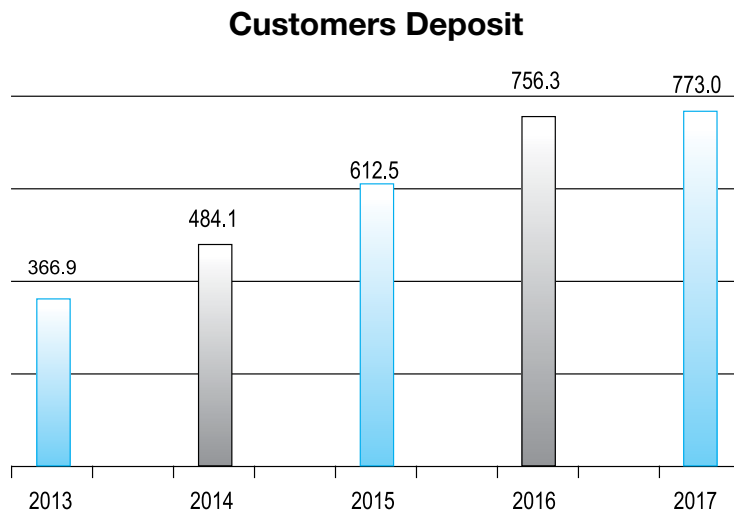




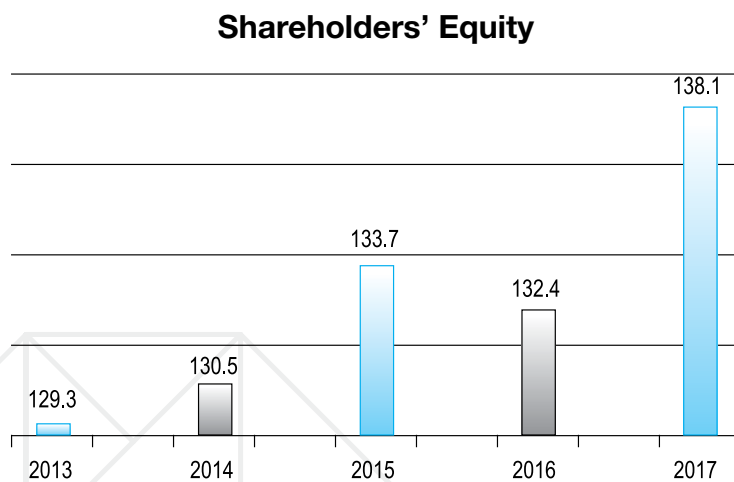
- The cash balance and international agencies of the Bank decreased by JOD 76mn, as such recorded 32% decline, as a result of converting these balances to investments and finance.
- The balance of investment in the Bank financial assets (shares and sukuk) increased by JOD 44mn, at 89% growth compared to 2016.

As for liabilities, the balance sheet showed an increase of JOD 34mn in the total liabilities and joint investment rights, with 4% increase compared to 2016, as CASA increased by JOD 17mn while term deposits declined by JOD 1mn, and cash margins increased by JOD 15mn.

Below is the development of clients' deposit balances:



The total Stockholders' equity increased by JOD 5.7mn, with 4% growth compared to the past year, to record JOD 138mn.

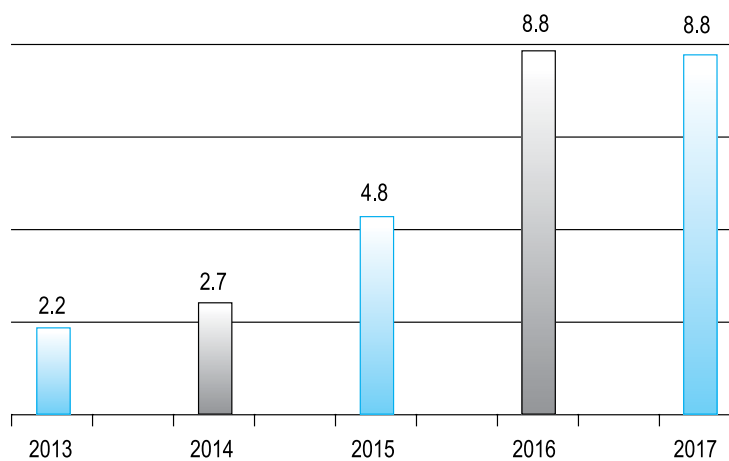


The Bank maintained a liquidity level that copes with the structure of assets and liabilities through cash balances at banks and banking institutions, as the liquidity rate at the Bank reached 119% throughout 2017.

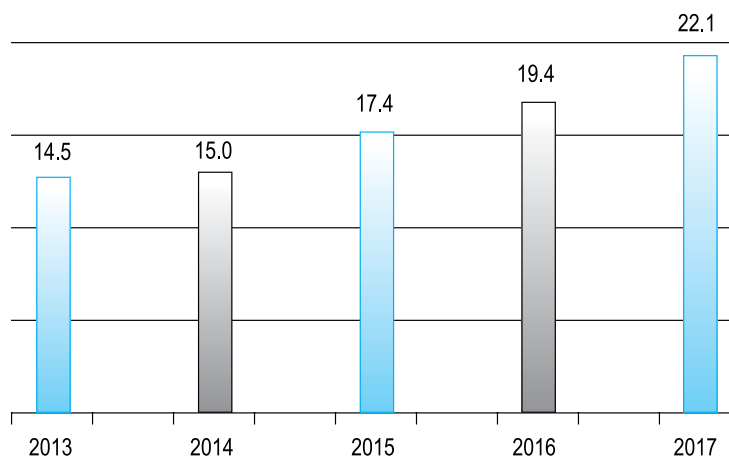
Income Statement

The Bank net earnings before tax in 2017 reached JOD 8.8mn, as the Bank achieved the same earnings of 2016, despite existence of exceptional unrepeated expenditures.

Net Earnings Before Tax



Operational Expenses





Annual Report of the Sharia'a Supervisory Board and Auditors Report





In the Name of Allah, Most Gracious, Most Merciful

ANNUAL REPORT OF SHARIA SUPERVISORY BOARD FOR SAFWA ISLAMIC BANK FOR THE YEAR 31/12/2017

Praise be to Allah and peace and blessings be upon our Prophet Mohammad and his family and companions,

To respected shareholders of Safwa Islamic Bank,

Peace and Allah's mercy and blessings be upon you,

Pursuant to the Jordanian Banking Law No. 28 of 2000 regarding Islamic banks, the Bank's Articles of Association as well as the controls included in the accounting and auditing standards and the controls for Islamic financial institutions issued by the Audit and Accountancy Organization for Islamic Financial Institutions (AAOIFI); the Sharia Supervisory Board presents the following report:

The Board has supervised the principles used and the contracts concerning transactions and applications offered by the Bank during the financial period ending on 31/12/2017. It has also carried out due surveillance to give its opinion whether the Bank has been compliant with regulations and principles of the Islamic Sharia, and how far its observance of Fatwas (Sharia decisions) was, as well as the defined resolutions and directions that we had issued, and to make sure of the Bank's observance thereof.

The Bank's management is responsible for the execution of the banks activities in accordance to the Islamic Sharia and ensuring that all times. However, Our responsibility is limited to providing an independent opinion based on our supervision of the Bank's operations and preparing a report for you.

We performed supervision which included the inspection of the Bank's documentation and procedures based on testing each type of operations through Sharia Supervisory Department.

We have planned and executed supervision to obtain all information and explanations deemed necessary to provide us with sufficient evidence to give reasonable confirmation that the Bank has did not intend to violate the regulations and principles of the Islamic Sharia. The Board has also continued, through meetings and discussions of the agenda items proposed by the Sharia Controller, to develop required provisions and instructions for emerging topics that arise during the practical application and indicate the Sharia regulations for those topics.

In our opinion:

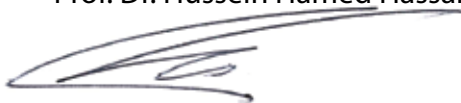
- A.** The members of the Sharia Supervisory Board reviewed the Bank's general budget and income statement as of 31/12/2017 and the explanations concerning them, considering that they provide a description of the Bank's activities; and the Board did not find any Sharia violation in those it acknowledged thereon.
- B.** The contracts, operations and transactions conducted by the Bank during the year ending 31/12/2017, that we reviewed have been conducted according to the regulations and principles of the Islamic Sharia.
- C.** The Bank's management enabled the Board to review all books and records it demanded, and has obtained the data it requested to enable it to perform its duty of audit on the Bank's executed transactions.
- D.** The Board revised the structures of financing and its terms and conditions, and contracts by which transactions were executed during the current year as of 31/12/2017 which we reviewed according to regulations and principles of the Islamic Sharia.

- E.** Distribution of profits and burdening loss on investment accounts, agrees with the basis approved by us according to regulations and principles of Islamic Sharia.
- F.** Sums that came to the Bank from resources or by ways that are non-compliant with the regulations and principles of Islamic Sharia were moved to the Account of benefits (Khairat) to be spent in charitable fields, and were not included in the Banks revenues.
- G.** The Board replied to inquiries presented to it and issued the necessary Fatwas(Sharia opinion); and the Banks management showed a remarkable positive reaction in applying those (Fatwas) opinions and observance of them.
- H.** Issuance of Zakat is the task of shareholders, and there is no entitlement of the Bank's management to issue it directly because there is no official law for collecting it; and because no mention of such thing in the Bank's Articles of Association or the decision of the General Assembly, or authorization by shareholders. Therefore, the shareholder has to issue (Zakat) of his shares when Sharia conditions and controls of Zakat apply, taking the following into considerations.
- If the intention on purchasing shares or underwriting was to trade with them and circulation, the shareholders will issue (Zakat) of the share's market value and the dividends distributed at the end of the year by (2.5%) of this value in the Hijri year, and the calendar year (2.577%).
 - If the intention on purchasing shares or underwriting was to obtain profits not trading, he will issue (Zakat) (2.5%) in the Hijri year or (2.577%) in the calendar year in the value of (Zakat) assets in addition to the dividends either distributed or not.

Praise be to Allah

Date: January 29, 2018

Chairman and Executive Member
Prof. Dr. Hussein Hamed Hassan



Board Member
Prof. Dr. Ali Al Mousa Al-Sawa



Board Member
Dr. Ahmad Mulhem



Board Member
Prof. Dr. Ali Al Quradaghi





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Deloitte.

**INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Safwa Islamic Bank
Amman - Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Safwa Islamic Bank – (a Public Shareholding Company) and its subsidiaries (together “the Bank”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income and comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Auditing Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

- 1- The consolidated financial statements for the year ended 31 December 2016 were audited by Ernst & Young - Jordan as the sole auditor of the Bank for the year 2016 where an unqualified opinion was issued on these financial statements on 29 January 2017. Ernst & Young - Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors for the Bank for the year 2017 in accordance with Central Bank of Jordan regulations on corporate governance.
- 2- The Bank has complied with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank.
- 3- The accompanying consolidated financial statements are a translation of the statutory consolidated financial statements in Arabic language to which reference should be made.

Key Audit Matters

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

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

**1. Impairment of receivables (deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables) and Investment Risk Fund.**

Disclosures of impairment of receivables (deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables) are detailed in notes 7 and 13 to the consolidated financial statements and investment risk fund are detailed in note 24 to the consolidated financial statements.

Key audit matter

Impairment of receivables (deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables) is one of the most significant matters which affect the results of the Bank's business, in addition of being an area that requires a considerable amount of judgment for determining impairment event and the measurement of impairment loss.

The Bank appropriates 10% of net revenues from jointly financed facilities which is transferred to the investment risk fund in accordance with Central Bank of Jordan regulations.

Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral and determining the date of default, and as a result, impairment is calculated from that date.

How the key audit matter was addressed in the audit

Our audit procedures included the assessment of controls over the granting, booking and monitoring processes of receivables, and impairment provisioning process, including consideration of Central Bank of Jordan requirements, to validate and assess whether these controls were designed, implemented and operated effectively.

Also, our procedures included obtaining the non-performing and watch list receivables schedules, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default. We also tested a sample from the performing receivables to determine whether management had identified all impairment events.

We have recalculated the amounts transferred to the investment risk fund in accordance with Central Bank of Jordan regulations.

2. Suspension of profit on non- performing deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables

Disclosures of profit in suspense are detailed in note 7 to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
<p>Profit is suspended after 90 days from the date of default (stop payment date) in accordance with Central Bank of Jordan regulations.</p> <p>Judgment is applied as to determining when the default date occurred which affects the amount of profit to be suspended.</p>	<p>Our audit procedures include selecting a sample from the schedules of non-performing deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables and profit in suspense, and tested suspended profit including recalculation in accordance with CBJ regulations, and assessing the criteria used by management in determining the impairment event.</p>

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the 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 Accounting and Auditing Standards for Islamic Financial Institutions (AAOIFI) will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young – Jordan

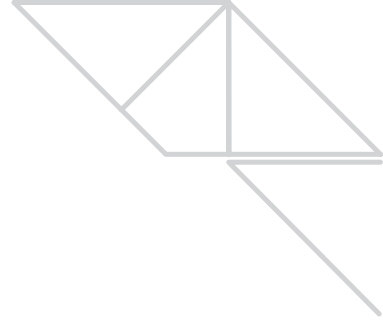
Mohammad Al-Karaki
Partner

Amman – Jordan
15 February 2018

Deloitte & Touche (M.E) - Jordan

Karim Nabulsi
Partner





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Financial Statements and Notes About Them





Safwa Islamic Bank- Public Shareholding Limited Company
Consolidated Statement of Financial Position
AS AT 31 December 2017

		31 December	31 December
	Notes	2017	2016
		JD	JD
Assets			
Cash and balances with Central Bank	4	119,934,135	204,028,359
Balances at banks and financial institutions	5	6,570,709	5,644,597
International wakala investments	6	33,861,572	26,717,327
Deferred sales receivables and other receivables-net	7	416,155,544	378,337,528
Unconverted loans-net	8	37,748	47,428
Financial assets at fair value through shareholders' equity -self financed	9	17,700	-
Financial assets at fair value through unrestricted investment accounts	10	38,875,345	22,074,538
Financial assets at amortized cost - net	11	54,878,000	27,439,000
Investment in associate	12	377,262	370,362
Ijara muntahia bittamleek assets-net	13	255,708,619	223,743,971
Qard Hasan		509,660	509,660
Property and equipment-net	14	21,299,772	21,778,481
Intangible assets - net	15	1,449,583	1,742,566
Deferred tax assets	21/C	599,815	599,815
Other assets	16	7,527,176	6,569,368
Total Assets		957,802,640	919,603,000
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND SHAREHOLDERS' EQUITY			
Liabilities			
Banks and financial Institutions accounts	17	876,288	2,142,078
Customers' current accounts	18	120,068,965	104,741,900
Cash margin accounts	19	22,746,048	8,111,831
Income tax provision	21/A	2,603,048	2,438,733
Other provisions	20	84,603	84,603
Other liabilities	22	15,331,453	11,989,540
Total Liabilities		161,710,405	129,508,685
Unrestricted Investment Accounts' Holders Equity			
Unrestricted investment accounts	23	652,921,139	651,515,469
Fair value reserve – net	25/A	(820,121)	(976,767)
Total equity of unrestricted investment accounts' holders		652,101,018	650,538,702
Investment Risk Fund			
Investment risk fund	24	4,150,430	5,526,435
Income Tax provision for investment risk fund	24	1,695,297	1,597,067
Shareholders' Equity			
Paid in capital	26	100,000,000	100,000,000
Statutory reserve	27	22,874,816	21,999,743
General banking risk reserve	27	300,000	300,000
Fair value reserve – self financed	25/B	(576)	-
Retained earnings	28	14,971,250	10,132,368
Total Shareholders' Equity		138,145,490	132,432,111
Total Liabilities, Unrestricted Investment Accounts Holders and Shareholders' Equity		957,802,640	919,603,000
Restricted wakala accounts	List (A)	5,062,108	-

The accompanying notes from 1 to 56 are part of these consolidated financial statements and should be read with them.

Safwa Islamic Bank- Public Shareholding Limited Company
Consolidated Statement of Income and Comprehensive Income
For the Year ended 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		JD	JD
Deferred sales revenues	29	27,898,498	25,160,733
Ijara muntahia bittamleek revenues	30	19,133,685	18,340,817
International wakala investments profits	31	440,240	110,054
Gains from financial assets at fair value through unrestricted investment accounts holders	32	1,146,902	312,287
Gains from financial assets at fair value through statement of income	33	-	7,405
Gains from financial assets at amortized cost	34	1,656,940	417,844
Share of profit from investment in associate	12	16,900	6,896
Foreign currencies revaluation losses	35	(8,643)	(20,935)
Other revenue - joint		686,205	405,423
Legal expenses		-	(5,800)
Total Revenues from unrestricted investments		50,970,727	44,734,724
Share of unrestricted investment accounts holders'	36	(19,522,616)	(17,526,931)
Share of Investment risk fund	24	(5,097,073)	(4,473,473)
Bank's share of revenues from unrestricted investments as a mudarib and rab mal	37	26,351,038	22,734,320
Bank's self financed revenues	38	608,833	642,626
Banks share from the restricted investment revenues as agent (wakeel)	39	18,121	-
Gain from foreign currencies	40	442,579	438,997
Banking services revenues	41	3,701,551	3,116,537
Other revenues	42	135,968	681,414
Gross Income		31,258,090	27,613,894
Employees' expenses	43	(11,203,187)	(9,718,617)
Depreciation and amortization	14 & 15	(2,829,990)	(2,851,976)
Ijara muntahia bittamleek assets depreciation - self financed	30	(375,202)	(447,019)
Provision (Recovered from) deferred sales receivables and other receivables -self financed	7 & 8	(25,120)	1,090,461
Other expenses	44	(8,073,859)	(6,850,529)
Total expenses		(22,507,358)	(18,777,680)
Profit for the year before tax		8,750,732	8,836,214
Income tax expense	21/B	(3,043,382)	(3,138,898)
Profit for the year		5,707,350	5,697,316
Add : other comprehensive Income items after tax			
Change in fair value reserve for financial assets - net		(576)	-
Total comprehensive Income for the year		5,706,774	5,697,316
		JD/Fils	JD/Fils
Basic and diluted earnings per share	45	0/057	0/057

The accompanying notes from 1 to 56 are part of these consolidated financial statements and should be read with them.



Safwa Islamic Bank- Public Shareholding Limited Company
Consolidated Statement of Changes in Shareholders' Equity

For the Year ended 31 December 2017

	Paid in capital		(Share discount)		Statutory reserve		Voluntary reserve		General banking risk reserve		Fair value reserve - self financed		Retained earnings		Total	
	JD		JD		JD		JD		JD		JD		JD		JD	
For the Year ended 31 December 2017																
Beginning balance	100,000,000	-	-	21,999,743	-	-	-	300,000	-	-	-	-	10,132,368	-	132,432,111	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	5,707,350	-	5,707,350	
Change in fair value reserve for financial assets	-	-	-	-	-	-	-	-	-	-	(576)	-	-	-	(576)	
Total comprehensive Income for the year-after tax	-	-	-	-	-	-	-	-	-	-	(576)	-	5,707,350	-	5,706,774	
Effect of excluding an investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	6,605	-	6,605	
Transfers to reserve	-	-	-	875,073	-	-	-	-	-	-	-	-	(875,073)	-	-	
Balance as at 31 December 2017	100,000,000	-	-	22,874,816	-	-	-	300,000	-	-	(576)	-	14,971,250	-	138,145,490	

For the Year ended 31 December 2016

Beginning balance	100,000,000	(1,100,000)	21,116,122	1,943,336	300,000	-	-	-	-	-	-	-	11,475,337	-	133,734,795	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	5,697,316	-	5,697,316	
Change in fair value reserve for financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive Income for the year-after tax	-	-	-	-	-	-	-	-	-	-	-	-	5,697,316	-	5,697,316	
Dividends distributed	-	-	-	(843,336)	-	-	-	-	-	-	-	-	(6,156,664)	-	(7,000,000)	
Amortize share discount	-	1,100,000	-	(1,100,000)	-	-	-	-	-	-	-	-	-	-	-	
Transfers to reserve	-	-	-	883,621	-	-	-	-	-	-	-	-	(883,621)	-	-	
Balance as at 31 December 2016	100,000,000	-	21,999,743	-	300,000	-	-	-	-	-	-	-	10,132,368	-	132,432,111	

- Retained earnings balance as at 31 December 2017 and 31 December 2016 includes an amount of JD 599,815 which represents deferred tax assets and it is restricted from use in accordance with the Central Bank of Jordan regulations.
- The general banking risks reserve amounting to JD 300,000 as at 31 December 2017 is restricted from use without prior approval of the Central Bank of Jordan .
- An amount equal to the shortage in the investment risk reserve is restricted from use from retained earnings.

The accompanying notes from 1 to 56 are part of these consolidated financial statements and should be read with them.

Safwa Islamic Bank- Public Shareholding Limited Company

Consolidated Statement of Cash Flows

For the Year ended 31 December 2017

	Notes	2017	2016
		JD	JD
<u>Cash flows from operating Activities</u>			
Profit for the year before tax		8,750,732	8,836,214
Adjustments for non monetary items:			
Depreciation and amortization	14 & 15	2,829,990	2,851,976
Depreciation Ijara Muntahia Bittamleek assets	30	43,229,939	35,050,836
Investment risk fund	24	5,097,073	4,473,473
Provision (recovered from) deferred sales receivables and other receivables - self financed	7& 8	25,120	(1,090,461)
Provision for excluding an investment in a subsidiary		6,605	-
Share of Profits from investment in associate	12	(16,900)	(6,896)
Loss (Gain) on sale of property and equipment		89,529	(23,747)
(Gain) on sale of repossessed asset against debts		(25,976)	(21,487)
Cash flows from operating activities before changes in assets and liabilities		59,986,112	50,069,908
Changes in assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		-	487,021
(Increase) in deferred sales receivables and other receivables		(42,096,851)	(71,163,752)
Decrease in unconverted loans		9,680	1,165,962
(Increase) in Ijara muntahia bittamleek assets		(75,194,587)	(55,436,922)
(Increase) In Qard Hasan		-	(509,660)
(Increase) in other assets		(1,548,844)	(925,776)
Increase in customers' current accounts		15,327,065	15,192,523
Increase (Decrease) in cash margin accounts		14,634,217	(4,174,339)
Increase (Decrease) in other liabilities		3,341,913	(3,151,187)
Net cash flows used in operating activities before income tax paid		(25,541,295)	(68,446,222)
Income tax paid	21 & 24	(4,330,373)	(2,889,562)
Net cash flows used in operating activities		(29,871,668)	(71,335,784)
<u>Cash Flows from Investing Activities</u>			
Net (Purchase) of financial assets at fair value through unrestricted investment accounts		(17,313,988)	(14,629,573)
Net (Purchase) of Financial assets at fair value through shareholders' equity -self financed		(18,276)	-
Net (Purchase) of financial assets at amortized cost		(27,439,000)	(27,439,000)
Cash dividends from an associate		10,000	-
(Purchase) of intangibles assets		(321,630)	(729,208)
(Purchase) of property and equipment		(1,936,702)	(2,989,144)
Proceeds from sale of property and equipment		110,505	36,673
Proceeds from sale of repossessed asset against debts		617,012	267,274
(Increase) in international wakala investments		(7,144,245)	(20,868,991)
Net cash Flows used in investing activities		(53,436,324)	(66,351,969)
<u>Cash Flows from Financing Activities</u>			
Increase in unrestricted investment accounts		1,405,670	128,519,303
Dividends distributed to shareholders		-	(7,000,000)
Net cash Flows from financing activities		1,405,670	121,519,303
Net decrease in cash and cash equivalents		(81,902,322)	(16,168,450)
Cash and cash equivalents, beginning of the Year		207,530,878	223,699,328
Cash and cash equivalents, end of the year	46	125,628,556	207,530,878

The accompanying notes from 1 to 56 are part of these consolidated financial statements and should be read with them.



Safwa Islamic Bank- Public Shareholding Limited Company
Statement of Changes in Restricted Wakala Accounts-Consolidated
For the Year ended 31 December 2017

List (A)

	Notes	Local Murabaha JD	Total JD
For the Year ended 31 December 2017			
Investments at the beginning balance of the year		-	-
Add: Deposits		7,608,914	7,608,914
less: Withdrawals		(2,546,806)	(2,546,806)
Add: Investments' gains		24,726	24,726
less: Banks share as agent (wakeel)	39	(18,121)	(18,121)
less: Muwakel's share		(6,605)	(6,605)
Investments at the end of year		5,062,108	5,062,108
Deferred revenues		356,490	356,490
Suspended in revenues		-	-
		356,490	356,490
		Local Murabaha	Total
		JD	JD
For the Year ended 31 December 2016			
Investments at the beginning balance of the year		-	-
Add: Deposits		-	-
less: Withdrawals		-	-
Add: Investments' gains		-	-
less: Banks share as agent (wakeel)		-	-
less: Muwakel's share		-	-
Investments at the end of year		-	-
Deferred revenues		-	-
Suspended in revenues		-	-
		-	-

SAFWA ISLAMIC BANK-PUBLIC SHAREHOLDING LIMITED COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

(1) GENERAL

Safwa Islamic Bank (the “Bank”) is a Jordanian public shareholding company the legal successor of Industrial Development Bank that was established in 1965 in accordance with a special law (Industrial Development Bank Law). Law No. (26) for the year 2008 was issued on 30 April 2008 for the cancelation of Industrial Development Bank, which cancelled Industrial Development Bank Law No. (5) of 1972.

The Bank’s General Assembly at its extraordinary meeting held on 17 May 2017, decided to amend the name of the Bank from “Jordan Dubai Islamic Bank” to “Safwa Islamic Bank”.

The Bank’s principal activities include the provision of Shari’a compliant alternatives to the financial needs of customers currently being met through the Bank’s head office and its Twenty five branches and subsidiaries within the Kingdom, in accordance with the Banking Law.

Etihad Islamic Investment Company owns 61.8% of Safwa Islamic Bank, and its’ financial statements is consolidated with the financial statements of Bank Al Etihad.

The consolidated financial statements were authorized for issue by the Bank’s Board of Directors in their meeting No. (1/2018) held on 28 Januray 2018 and it is subject to the approval of General Assembly, and Central Bank of Jordan.

The Consolidated financial statements were reviewd by Shari’a Supervisory Board and they issued their report in their meeting No. (1/2018) held on 26 January 2018.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of The Consolidated Financial Statements

- The accompanying consolidated financial statements for the Bank have been prepared according to the standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) which are consistent with the Bank’s Articles of Association and aligned with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank and in accordance with the applicable laws and regulations of the Central Bank of Jordan.

- The standards issued by the International Accounting Standards Board and the interpretations



issued by the International Financial Reporting Interpretations Committee are applied in the absence of an Islamic standard and will be replaced later by the Islamic Standards when the New Islamic standard is issued.

- The consolidated financial statements are prepared on historical cost basis except for the financial assets at fair value through profit or loss and through unrestricted investment accounts that have been measured at fair value.
- The consolidated financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the Bank.
- Shareholders' equity is separated from the unrestricted investment account holders.
- Investment risk fund is used to cover the impairment in financing and investment accounts funded by the unrestricted investment accounts.
- The term Unrestricted investment Accounts, wherever mentioned, refers to Joint Investment Accounts.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank has the power to govern the operational and financial policies of the entities so as to obtain benefits from their activities. All intra-company balances, transactions, revenues and expenses resulting from intra-company transactions that are recognized in assets or liabilities are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using some accounting policies used by the Bank.

The subsidiaries included in the consolidated financial statements as of 31 December 2017 are as follows:

Subsidiary name	Paid in Capital (JD)	Source of Funding	Ownership %	Main Activity	Location	Acquisition Date
Misc for brokerage	2,000,000	Self	100%	Brokerage	Amman	2011
Jordan Dubai Real Estate Investment *	100,000	Joint	100%	Real state Investment	Amman	2012

Subsidiaries are fully consolidated in the consolidated statement of income and comprehensive income from the date the Bank obtains control. The subsidiaries revenues and expenses are in the consolidated statement of income and comprehensive income from the date the Bank

obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of owners' equity not owned by the Bank in the subsidiaries.

Investments in subsidiaries are stated at cost when preparing stand-alone financial statements.

* The subsidiary of Jordan Dubai Real Estate Company (Al Fayd Real Estate Investment Company) was liquidated and its registration was canceled at the Companies Control Department on October 18, 2017. The company was excluded when preparing the consolidated financial statements.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 31 December 2017 are consistent with those of the previous financial year ended 31 December 2016.

Segment reporting

Business segments represent distinguishable components of the Bank that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision makers.

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

Basis of distribution of unrestricted investments profits between shareholders' equity and unrestricted investment accounts holders

The unrestricted investment profits are distributed between equity shareholders and unrestricted investment accounts holders for the year 2017 as follows:

	Percentage
Unrestricted investment accounts share (average)	49%
Shareholder's Equity share (average)	41%
Investment risk fund share	10%



Joint investment account to be involved in the conclusions of the investment earnings and to be distributed to all depositors by taking into consideration their participation with weights of the concerned joint investment accounts and conditions of the account agreement which is signed between the bank and the depositor.

Unrestricted investment accounts participate in the profit as follows:

- 20% to 31% of the minimum balance of JD saving accounts.
- 20% to 25% of the minimum balance of foreign currencies saving accounts.
- 32% to 90% of the average JD term accounts
- 18% to 46% of the average foreign currencies term accounts.
- 90% of the average balances of certificate of deposits in JD.
- 70% to 85% of average balances of certificate of deposits in foreign currencies.

The Bank bears all administrative expenses except for marketing, advertising and insurance for Ijara Muntahia Bittamleek assets which are allocated to the unrestricted investment accounts.

The Bank mixes its own funds and any other funds (not received on the basis of mudaraba contracts) with the unrestricted investment accounts.

Zakat

Due to the absence of an existing law that authorises the Bank to directly collect and pay the Zakat without acknowledging the holders, the responsibility of Zakat solely rest on the shareholders and the unrestricted investment account holders when the conditions and sharia's instructions on zakat are achieved .

Revenues, gains, expenses and losses incompatible with the Islamic Shari'a

The Bank records these amounts in a separate account in the other payables and are not included in the Bank's revenues; these amounts are distributed to charities according to the Shari'a Supervisory Board resolutions.

Deferred sales receivables

Murabaha contracts

Murabaha: is selling the commodity for a purchase price plus an agreed profit margin based on a percentage of the price or fixed amount and it is part of Amanah Bay'ou that depends on the price or cost.

Murabaha purchase orderer: is the transaction whereby the Bank sells a commodity according to the specifications requested by the buyer for a purchase price plus a certain profit margin (Murabaha-by-promise profit).

The Bank applies the commitment to the promise principle in Murabaha purchase orders in accordance with the standards issued by Accounting and Auditing Organization for Islamic Financial Institutions.

Deferred sales profit (by which the buyer will pay the price of the commodity at a future date in a lump sum or installments) is recorded when the transaction takes place and is allocated to the financial periods until the maturity date of the contract, regardless whether the payment is settled through cash or credit payments.

Murabaha revenues are recognized when they occur by its nominal value, and are measured at the end of the financial period on the basis of monetary value expected to be recognized.

Impairment of deferred Sales receivable and accounts receivable is to be configured if the possibility is not found that collect the amounts owed to the bank and when there is objective evidence that an event may impact negatively on the future cash flows of Sales receivable and accounts receivable, and when they can estimate this decline and record amount of the provision in the consolidated statement of income and comprehensive income.

By the end of the financial period the financing assets are to be recorded at cost or cash realizable value, whichever is less, and prove the difference as a provision declining funding.

Revenue of deferred sales to customers is suspended in accordance with the instructions of the Central Bank of Jordan.

Deferred sales receivables and financings funded are written off from unrestricted investment accounts in the event of the futility of the actions taken to collect the fund investment risk (except what is granted/ funded and then write-off of deferred sales receivables and financings in the same year, where it is recorded in the consolidated statement of income and comprehensive income / investment income) and added Proceeds from receivables / funds that had been previously written off to fund investment risk (except for what has been recorded in the consolidated statement of income and comprehensive income / on investment income), regarding sales receivables and deferred funds financed from the funds of the bank and prepared impairment losses are written off in the event of the futility of the actions taken to collect downloaded from the dedicated and convert any surplus in the total allocation - if any - to the consolidated statement of income and comprehensive income and added Proceeds from receivables / funds previously written off to income.

Financial assets at fair value through shareholders' equity –self financed

Financial assets at fair value through shareholders' equity –self financed, are those purchased in order to keep them in the long term.

These assets are recognized when its bought at fair value plus acquisition expenses , and



later re-evaluated at fair value , and shows the change in fair value that are included in the fair value reserve in shareholders' equity.

In case of sale of these assets or part thereof, the resulting gain or loss is recognized in retained earnings.

Profit earned from the financial assets are recorded in the consolidated statement of income .

Gains and losses resulting from foreign currency translation differences for these assets are recorded under the fair value reserve.

Financial assets at fair value through unrestricted investment accounts

These assets represent investments in equity instruments and funded by unrestricted investment accounts in order to keep them in the long term .

These assets are recognized when its bought at fair value plus acquisition expenses , and later re-evaluated at fair value , and shows the change in fair value that are included in the fair value reserve in equity unrestricted investment account holders .

If losses occurred in some of the jointly financed operations that started and ended in the same year, they will be covered from the profits of the same year. If losses exceeded profits in the same year, they will be covered from the Investment Risk Fund.

If joint investment operations were initiated and continued from preceding years with losses and it was discovered that the operations resulted in losses, it should be covered from the investment risk fund given that they were implemented in a preceding year or preceding years.

The Shariah Supervisory Board will validate the existence of (Al Sanad Al Fiqhi) if the bank may incur losses in the scope of joint investment operations.

The impairment loss previously recognized in the consolidated statement of income and comprehensive income can be retrieved if it is objectively evident that the increase in the fair value occurred in the period subsequent to the recording of impairment losses during the fair value reserve within the apparent joint investment accounts.

Since that the unrestricted investment accounts are unsynchronized at the beginning or end of depositing in accounts, the profits of deferred operations for upcoming period are distributed on a pro rata basis.

Gains derived from these financial assets on the date of the announcement of the distribution in the consolidated statement of income and comprehensive income.



Gains and losses resulting from foreign currency translation differences for these assets are recorded under the fair value reserve.

Financial assets that can not be determined at fair value reliably at cost, are tested for impairment at the end of each financial period and any impairment is recorded in the consolidated statement of income, and can not be reversed in subsequent periods.

Financial assets at amortized cost

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

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

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective profit rate where any resulted provisions from the impairment are deducted from these assets' amount.

Investment in Associate

An associate is an entity in which the Bank has significant influence over financial and operating policies this is occurs when the Bank hold a rate between 20% to 50% of the voting rights and it is not held for trading;the investment is accounted for using the equity method.

Under the equity method, investment in associate is carried in the statement of financial position at cost plus the Bank's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The statement of income and comprehensive income reflects the share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and disclose this, when applicable, in the statement of changes in equity. Profit and losses resulting from transactions between the Bank and the associate are eliminated to the extent of interest in the associate.

When issuing separate financial statements, the investment in associates is recorded at cost.



Leases and Ijara Muntahia Beltamleek

Leases are beneficial ownership in compensation and leases are divided into:

Operating Leases: Are leases which do not transfer the risks and benefits incidentally to ownership of the leased item to the lessee.

Ijara Muntahia Beltamleek: Are leases which will eventually end up by the lessee owning them and it takes many types as mentioned in Leases and Ijara Muntahia Beltamleek issued by Accounting and Auditing Organization for Islamic Financial Institutions.

Assets acquired to be leased are measured at cost which includes direct costs incurred for making the asset ready for use at the date of lease agreement. Leased assets are depreciated over the useful life used by the Bank.

When the carrying values of leased assets exceed the estimated recoverable amounts, the leased assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of income and comprehensive income.

Revenues from lease agreement are allocated according to the financial periods included in the lease agreement.

Maintenance expenses incurred in relation to the leased assets are recognized when incurred.

Conversion of assets

The Bank discloses transfers of tangible and financial assets which are transferred between funded assets through unrestricted investment accounts, equity, restricted investment accounts, investment funds and the basis for the transfer and the used accounting policies used for this purpose to show the financial effect and any asset balance which was affected by a transfer at the beginning of the financial period and changes during the financial period and the balance at year end.

The Bank discloses all transfers made with related parties with the nature of the relationship and the type of operations that took place and the total value of transactions at the beginning and the end of the financial period with the financial implications of it.

The Bank discloses of the principles followed by the Bank in the revaluation of assets when making transfer processes.

The Bank discloses the differences resulting from the transfer processes that are denominated in foreign currencies with the financial implications of it.

The Bank discloses the nature and terms of the assets that have been converted whether they are indivisible and any related provisions.

The Bank discloses the reasons and bases that govern the transfer of assets between different investment accounts.

The Bank discloses the commitments required by the contractual relationships between unrestricted investment accounts holders and equity shareholders, if any.

Investment Risk Fund

The Bank appropriates 10% or more of the profit from the jointly fund realized from ongoing transactions (2016:10%), this percentage increases based on the Central Bank of Jordan regulations, the amended percentage is applicable at the beginning of the proceeding year.

The balance of Investment Risk Fund returns to Zakat Fund after all expenses and losses are covered, the investors do not have any right in the amounts deducted and accumulated in the Investment Risk Fund, as the amounts are only to cover the losses resulted from joint investment transactions.

If losses occurred in some of the jointly financed operations that started and ended in the same year, they will be covered from the profits of the same year. If losses exceeded profits in the same year, they will be covered from the Investment Risk Fund.

If joint investment operations were initiated and continued from preceding years with losses, it should be covered from the fund because it has been implemented in the preceding years.

The Shariah Supervisory Board will validate the existence of (Al Sanad Al Fiqhi) if the bank may incur losses in the scope of joint investment operations.

Profit equalization reserve

The main purpose of the establishment of this account, is that it acts as a cushion against extraordinary variations in the market leading to the generation of a rate of return that do not meet investors expectations. In such case this account will be used to support the distribution of an adequately competitive returns for the holders of restricted/unrestricted investment accounts.

The profit equalization reserve (PER) is the amount appropriated out of the mudaraba income before allocating the share of al-mudarib. This reserve aims to maintain a specified level of return on investment for holders, it represents a measure of profit stabilization over different financial periods.

This account is recognized with the conditional approval of the investment account holders and



the sharia supervisory board. And in the vent of not having sufficient reserves in the account, the shareholders may grant the investment account holders a part of their revenues once approved by the board of directors and the sharia supervisory board.

Any outstanding amounts in this account are to be distributed to the investment account holders and the shareholders based on their contributions.

Fair value of financial assets

For investments quoted in an active market, fair value is determined by reference to quoted market prices.

For financial instruments where there is no active market, fair value is normally based on comparison with the current market value of a highly similar financial instruments:

Where the fair value of an investment cannot be reliably measured, it is stated at the fair value of consideration given or amortised cost after deducting any impairment in value.

Impairment of financial assets

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

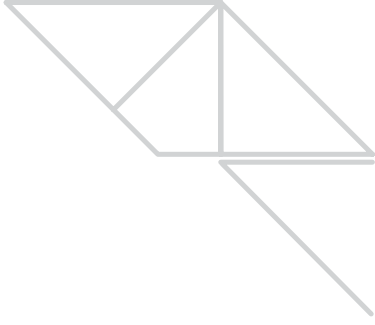
Fair value of non-financial assets that is presented at fair value

Market prices represent the fair value for non-financial assets. In case market prices are not available, they are assessed by taking average value of 3 assessments from experienced and certified parties.

Property and equipment

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

Buildings	2%
Equipments, tools and furniture	15%
Vehicles	15%
Computers	20%
Others	4–10%



When the carrying values of assets exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of income and comprehensive income.

The useful lives of property and equipment are reviewed annually. If expected useful lives vary from the estimated ones; the change in estimate is adjusted prospectively.

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

Intangible assets

Intangible assets are classified according to their useful life for a specified or unspecified period of time. Intangible assets with finite useful life are amortized during that life, and amortization is recorded in the consolidated statement of income and comprehensive income. For intangible assets with infinite useful life; Impairment in value is reviewed at the date of financial statements and any impairment in their value is recorded in the consolidated statement of income and comprehensive income.

Intangible assets arising from the Bank's operations are not capitalized and are recorded in the consolidated statement of income as incurred.

Any indications of impairment of intangible assets are reviewed at the date of financial statements; in addition, the useful lives of these assets are reviewed annually. If expected useful lives vary from the estimated ones; the change in estimate is adjusted prospectively.

Amortization rates as follows:

Software	25%
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Repossessed assets by the bank against debts

Repossessed assets are shown in the statement of consolidated financial position under "Other assets" at the lower of their carrying value or fair value. Assets are revalued at the reporting date on an individual basis and losses from impairment are recorded in the consolidated statement of income and comprehensive income, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) arising





from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Income Tax

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated statement of income. Accounting profits may include non-taxable profits or tax deductible expenses which may be exempted in the current or subsequent financial years.

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

The Bank calculates a provision for income tax in accordance with Income Tax Law No. (34) of 2014, and the International Accounting Standard No. (12), which requires recognition of deferred taxes arising from timing difference.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred taxes are calculated, using the financial position liability method. Moreover, these deferred taxes are calculated according to the tax rates expected to be applied upon settling the tax liability or the realization of the deferred tax assets.

Deferred tax assets are reviewed at the date of the consolidated financial statements and reduced when it is no longer probable to benefit from these tax assets partially or totally.

Offsetting

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

Accounts Managed by Wakala

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

Revenue and expense recognition

Revenues and expenses are recognized based on accrual basis except for revenue on non performing deferred sales and non performing financing, on which revenue is transferred to the

revenue in suspense account and not recognized in the consolidated statement of income and comprehensive income.

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

Trade date accounting

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

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction(SWAP).

Monetary assets and liabilities in foreign currencies are translated to the functional currencies at the rates of exchange prevailing at the consolidated statement of financial position date as published by the Central Bank of Jordan. Any gains or losses are taken to the consolidated statement of income and comprehensive income.

Non- monetary assets and liabilities in foreign currencies carried at fair value are translated at the date in which the fair value was determined.

Translation gains or losses on non monetary items carried at fair value (such as shares) are included as part of the fair value reserve.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and cash balances with banks and financial institutions that matures within three months, less banks and financial institutions accounts that mature within three months and restricted balances.

(3) USE OF ESTIMATES

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



We believe that the accounting estimates that have been used in the consolidated financial statements are reasonable and detailed as follows:

- Impairment provision for deferred sales and financing the Bank appropriate 10% (2016: 10%) of net revenues from jointly financed accounts and are transferred to the investment risk fund in accordance with the provisions of Article (55) of the Banks' Law and compared with provisions calculated based on the Central Bank of Jordan regulation.
- Income tax provision: the fiscal year is charged with its related income tax according to the laws and accounting standards. Also, the deferred tax assets and liabilities as well as the required tax provision are estimated and recorded.
- Management periodically revaluates the financial assets carried at cost in order to assess any impairment. Impairment on financial assets is allocated in accordance to the financing party.
- A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- A provision for impairment in the facilities self-financed by the Bank is taken based on assumptions approved by the Bank's Management in respect of estimating the provision. Moreover, the results of these bases and assumptions are compared with the provision to be taken by virtue of the instructions of the Central Bank of Jordan. The more stringent results are approved in compliance with the Islamic Accounting and Auditing Organization of Financial Institutions.
- Management carries out a periodical review of financial assets recorded at cost to estimate any impairment in their value. This impairment (if any) is recorded in the statement of income and comprehensive income.
- Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general status of such assets and the estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the consolidated statement of income and comprehensive income, the factors that affect the estimated useful lives of tangible and intangible assets include Management's estimates for the period in which the Bank is expected to use these assets as well as technological development and obsolescence, the difference between the useful lives of tangible and intangible assets and Management's estimates significantly affect the depreciation expense and the gain/ loss arising from their disposal.

(4) CASH AND BALANCES WITH CENTRAL BANK

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Cash on hand	11,169,468	9,754,330
Balances with Central Bank of Jordan:		
Current accounts	54,875,638	141,536,865
Statutory cash reserve	53,889,029	52,737,164
Total	119,934,135	204,028,359

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2017 and 31 December 2016.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and on -Demand accounts	647,126	750,125	5,923,583	4,894,472	6,570,709	5,644,597
Total	647,126	750,125	5,923,583	4,894,472	6,570,709	5,644,597

- There are no restricted balances at 31 December 2017 and 31 December 2016.
- There are no balances at banks and financial institutions subject to profit at 31 December 2017 and 31 December 2016.

(6) INTERNATIONAL WAKALA INVESTMENTS

The details of this item are as follows:

	Joint	
	31 December	
	2017	2016
	JD	JD
Matures:		
Within a month	26,771,572	15,598,000
Month to three months	4,963,000	6,026,500
Three to six months	2,127,000	5,092,827
Total	33,861,572	26,717,327



(7) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES- NET

The details of this item are as follows:

	Joint		Self financed		Total	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Individuals (retail)						
Murabaha to the purchase orderer	133,919,513	117,205,801	1,313,278	1,247,555	135,232,791	118,453,356
Ijara Muntahia Beltamleek - receivables	508,358	1,224,638	2,872	-	511,230	1,224,638
Other receivable	-	-	232,415	137,628	232,415	137,628
Real estate finances	13,208,972	13,655,137	-	-	13,208,972	13,655,137
Corporate						
International Murabaha	7,122,702	1,261,840	-	-	7,122,702	1,261,840
Murabaha to the purchase orderer	194,099,725	196,596,373	-	-	194,099,725	196,596,373
Ijara Muntahia Beltamleek - receivables	1,370,908	3,510,783	-	-	1,370,908	3,510,783
Other receivable	-	-	16,629	11,374	16,629	11,374
Small and medium companies						
Murabaha to the purchase orderer	4,573,484	2,029,723	-	-	4,573,484	2,029,723
Ijara Muntahia Beltamleek - receivables	12,576	5,512	-	-	12,576	5,512
Other receivable	-	-	70,781	1,155	70,781	1,155
Governmental and public sector	117,888,781	92,750,676	-	-	117,888,781	92,750,676
Total	472,705,019	428,240,483	1,635,975	1,397,712	474,340,994	429,638,195
Less: deferred revenues	43,743,497	41,400,706	210,143	211,948	43,953,640	41,612,654
Suspended revenues	897,260	632,298	-	-	897,260	632,298
Impairment provision	13,290,578	9,036,863	43,972	18,852	13,334,550	9,055,715
Deferred sales receivable and other receivables— Net	414,773,684	377,170,616	1,381,860	1,166,912	416,155,544	378,337,528

- The non- performing deferred sales receivables and other receivables and Ijara Muntahia Beltamleek receivables amounted to JD 15,809,173 representing 2.17% as at 31 December 2017 of deferred sales receivables, other receivables, finances and Ijara Muntahia Beltamleek receivables (31 December 2016: JD 11,768,469 representing 1.80%).
- The non- performing deferred sales receivables and other receivables and Ijara Muntahia Beltamleek receivables net of the suspended revenues amounted to JD 14,911,913 representing 2.05% as at 31 December 2017 of deferred sales receivable and other receivables and Ijara Muntahia Beltamleek receivables (31 December 2016: JD 11,136,171 representing 1.71%).
- The balance of the investment risk fund, according to the Banking Law, paragraph (55) amounted to JD 17,441,008 as of 31 December 2017 compared to JD 14,563,298 as of 31 December 2016. Provision for impairment of the jointly financed facilities which is calculated based on Central Bank of Jordan regulations and based on (watch list) amounted to JD 294,932 and the provision calculated based on "individual customer" amounted to JD 12,995,646 as at 31 December 2017 (31 December 2016: JD 188,255 and JD 8,848,608 respectively).
- The deferred sales receivables and other receivables granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 117,888,781 representing 24.85% share of the balance of deferred sales receivables and other receivables as at 31 December 2017 (31 December 2016: JD 92,750,676 representing 21.59%)
- Impairment provision of the self financed facilities which is calculated based on individual customer amounted to JD 54,197 as at 31 December 2017 (31 December 2016: JD 29,440).

Suspended revenue

Movement on suspended revenue was as follows:

	Joint					
	31 December 2017			31 December 2016		
	Retail	Corporate	Total	Retail	Corporate	Total
	JD	JD	JD	JD	JD	JD
Beginning balance for the year	150,326	481,972	632,298	65,585	365,906	431,491
Add: Suspended revenues for the year	158,956	211,846	370,802	104,837	412,705	517,542
Less: suspended revenues trasfered to revenues	105,835	5	105,840	20,096	296,639	316,735
Ending balance for the year	203,447	693,813	897,260	150,326	481,972	632,298

(8) UNCONVERTED LOANS - NET

This item includes unconverted loans in accordance with the accepted financing methods. and in alliance with sharia - law, The sharia Supervisory Board issued a Fatwa regarding these loans to remain in shareholders account until these loans are either settled or converted and not to be included in the common pool. The proceeds of these loans are considered to be a right for the shareholders and to be reinvested again in the joint pool.

The details of this item are as follows:

	Self financed					
	31 December 2017			31 December 2016		
	Retail	Corporate	Total	Retail	Corporate	Total
	JD	JD	JD	JD	JD	JD
Gross unconverted loans	37,748	17,875	55,623	47,428	17,875	65,303
Less: suspended revenues	-	7,112	7,112	-	7,112	7,112
Less: Unconverted loans Impairment provision	-	10,763	10,763	-	10,763	10,763
Net unconverted loans	37,748	-	37,748	47,428	-	47,428



Unconverted loans impairment provision – self financed

Movement on unconverted loans provision is as follows:

	Corporate	
	31 December	
	2017	2016
	JD	JD
Beginning balance for the year	10,763	1,131,382
Recoded Provision	-	34
Deduct :Provisions that are no longer required and transferred to other Provisions	-	1,109,347
Deduct :Used during the year (write offs)	-	11,306
Ending balance for the year	10,763	10,763

- General banking risks reserve against receivables and self financed facilities amounted to JD 300,000 as at 31 December 2017 (31 December 2016: JD 300,000).
- The total provisions that are no longer required as a result of settlements, repayments, and being converted to other provisions are nil as at 31 December 2017 compared to JD 1,109,347 as at 31 December 2016.

Suspended revenues

	Self financed		
	Retail	Corporate	Total
	JD	JD	JD
For the Year ended 31 December 2017			
Beginning balance for the year	-	7,112	7,112
Add: Suspended revenues during the year	-	-	-
Deduct: transferred to Income	-	-	-
Ending balance for the year	-	7,112	7,112
	Self financed		
	Retail	Corporate	Total
	JD	JD	JD
For the Year ended 31 December 2016			
Beginning balance for the year	-	7,112	7,112
Add: Suspended revenues during the year	-	-	-
Deduct: transferred to Income	-	-	-
Ending balance for the year	-	7,112	7,112

(9) Financial assets at fair value through shareholders' equity -self financed

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Quoted Financial Assets :		
Corporates share	17,700	-
Total quoted Financial Assets	17,700	-
Total Financial Assets at fair value through shareholders' equity -self financed	17,700	-

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

	Joint	
	31 December	
	2017	2016
	JD	JD
Quoted Financial Assets :		
Corporate Shares	1,112,385	1,588,936
Islamic Sukuk	29,311,683	10,057,828
Total quoted Financial Assets	30,424,068	11,646,764
Unquoted Financial Assets		
Corporate Shares	194,477	106,774
Islamic Sukuk	8,256,800	10,321,000
Total unquoted financial assets through unrestricted investment accounts	8,451,277	10,427,774
Total Financial Assets At Fair Value Through Unrestricted investment accounts holders	38,875,345	22,074,538

- Financial assets stated at cost for which fair value cannot be measured reliably amounted to JD 8,451,277 as at 31 December 2017 (31 December 2016: JD 10,427,774).

(11) Financial Assets at Amortized Cost- Net

The details of this item are as follows:

	Joint	
	31 December	
	2017	2016
	JD	JD
Unquoted Financial Assets:		
Islamic Sukuk	54,878,000	27,439,000
Total unquoted Financial Assets	54,878,000	27,439,000
Total Financial Assets at Amortized Cost- Net	54,878,000	27,439,000

The assets mentioned above matures through the years 2021 and 2022.

No need to take impairment provisions were taken against financial assets at amortized cost.

(12) INVESTMENT IN ASSOCIATE

Investment in associated company (joint)

	Percentage of ownership	Country	Principal activity	31 December	
				2017	2016
				JD	JD
Jordan Blending and Packing of Fertilizers Company	25%	Jordan	Manufacturing	377,262	370,362

- Cash dividend from the associate amounted JD 10,000 as at 31 December 2017 compared with nil as at 31 December 2016 .



The movement on the investment in associate is as follows:

	Joint	
	31 December	
	2017	2016
	JD	JD
Beginning balance	370,362	363,466
Share of profit	27,350	11,248
Share of adjustments from previous years	-	(2,097)
Share of taxes	(10,450)	(2,255)
Dividends received	(10,000)	-
Ending balance for the year	377,262	370,362

Share of associate assets and liabilities:-

	Joint	
	31 December	
	2017	2016
	JD	JD
Total assets	476,274	424,346
Total liabilities	99,013	53,984
Net assets	377,262	370,362
Total revenues	247,929	230,653

(13) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

	Joint			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2017									
Ijara Muntahia Bittamleek assets-Real Estate	313,499,944	(65,464,859)	248,035,085	4,942,319	(1,131,004)	3,811,315	318,442,263	(66,595,863)	251,846,400
Ijara Muntahia Bittamleek assets-Machines	6,206,973	(2,344,754)	3,862,219	-	-	-	6,206,973	(2,344,754)	3,862,219
Total	319,706,917	(67,809,613)	251,897,304	4,942,319	(1,131,004)	3,811,315	324,649,236	(68,940,617)	255,708,619

	Joint			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2016									
Ijara Muntahia Bittamleek assets-Real Estate	273,676,481	(54,382,088)	219,294,393	4,655,840	(854,027)	3,801,813	278,332,321	(55,236,115)	223,096,206
Ijara Muntahia Bittamleek assets-Machines	2,141,554	(1,493,789)	647,765	-	-	-	2,141,554	(1,493,789)	647,765
Total	275,818,035	(55,875,877)	219,942,158	4,655,840	(854,027)	3,801,813	280,473,875	(56,729,904)	223,743,971

The accrued Ijara installments amounted to JD 1,894,714 as 31 December 2017 (31 December 2016: JD 4,740,933) and were presented under deferred sales receivables and other receivables (Note 7).

- The non-performing Ijara Muntahia Bittamleek amounted to JD 4,538,172 representing 1.77% as 31 December 2017 (31 December 2016: JD 4,051,274 representing 1.81%)



(14) PROPERTY AND EQUIPMENT - NET

	Lands	Buildings	Equipment, furniture & fixtures	Vehicles	Computers	Others	Total
	JD	JD	JD	JD	JD	JD	JD
For the year ended at 31 December 2017							
Cost							
Beginning balance for the year	2,747,021	12,786,638	11,281,916	302,944	2,793,001	-	29,911,520
Additions	-	97,280	552,314	-	770,559	1,137,449	2,557,602
Disposals	-	1,365	230,283	151,243	2,530	-	385,421
Ending balance for the year	2,747,021	12,882,553	11,603,947	151,701	3,561,030	1,137,449	32,083,701
Accumulated depreciation							
Beginning balance for the year	-	899,596	6,530,073	156,748	1,617,349	-	9,203,766
Depreciation for the year	-	256,776	1,500,236	25,277	397,496	35,592	2,215,377
Disposals	-	149	141,889	41,830	1,519	-	185,387
Ending balance for the year	-	1,156,223	7,888,420	140,195	2,013,326	35,592	11,233,756
Net book value for property and equipment	2,747,021	11,726,330	3,715,527	11,506	1,547,704	1,101,857	20,849,945
Advance payments on purchasing property and equipment	-	-	-	-	440,831	-	440,831
Projects under construction	-	-	8,996	-	-	-	8,996
Net property and equipment at the end of year	2,747,021	11,726,330	3,724,523	11,506	1,988,535	1,101,857	21,299,772
For the year ended at 31 December 2016							
Cost							
Beginning balance for the year	2,432,937	12,512,119	10,196,981	214,314	2,271,750	-	27,628,101
Additions	314,084	274,519	1,110,461	151,243	567,163	-	2,417,470
Disposals	-	-	25,526	62,613	45,912	-	134,051
Ending balance for the year	2,747,021	12,786,638	11,281,916	302,944	2,793,001	-	29,911,520
Accumulated depreciation							
Beginning balance for the year	-	644,878	4,972,877	181,584	1,308,693	-	7,108,032
Depreciation for the year	-	254,718	1,578,419	30,873	352,849	-	2,216,859
Disposals	-	-	21,223	55,709	44,193	-	121,125
Ending balance for the year	-	899,596	6,530,073	156,748	1,617,349	-	9,203,766
Net book value for property and equipment	2,747,021	11,887,042	4,751,843	146,196	1,175,652	-	20,707,754
Advance payments on purchasing property and equipment	-	-	-	-	181,845	-	181,845
Projects under construction	-	-	877,316	-	11,566	-	888,882
Net property and equipment at the end of year	2,747,021	11,887,042	5,629,159	146,196	1,369,063	-	21,778,481

- Fully depreciated property and equipment amounted to JD 4,485,136 as of 31 December 2017 (2016: JD1,145,861).

- The total estimated cost to complete projects under construction amounted to JD 893,526 as at 31 December 2017 and mainly represent remaining cost of complete new branches .

(15) INTANGIBLE ASSETS-NET

The details of this item are as follows:

	Computer Systems & Software	
	31 December	
	2017	2016
	JD	JD
Beginning balance for the year	1,742,566	1,648,475
Additions	321,630	729,208
Amortization for the year	614,613	635,117
Ending balance for the year	1,449,583	1,742,566

(16) OTHER ASSETS

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Reposessed assets by the Bank against debts _ net**	3,977,948	3,969,355
Prepaid expenses	1,380,945	1,343,214
Accrued revenues	833,834	261,185
Stationery and printing inventory	140,861	106,825
withholding income tax	61,660	58,990
Transactions in transit	-	5,317
Petty cash	84,465	65,721
Other receivables	254,646	283,721
Advance payments on investments *	65,628	-
Others	727,189	475,040
Total	7,527,176	6,569,368

* - Include an amount of JD 50,000 represents a payment for bank's investment in Islamic Banks Group Company to contribute to companies (a company under establishment), and amount of JD 15,628 represents a payment for bank's investment in Jordan Islamic Banks Company for Investment Activities (a company under establishment).



**** The movement on the repossessed assets by the Bank against debts was as follows:**

	2017			2016
	Repossessed real estates -self financed	Repossessed real estates- joint	Total	Total
	JD	JD	JD	JD
Beginning balance for the year	641,529	3,327,826	3,969,355	3,707,415
Additions	-	599,629	599,629	507,727
Disposals	(20,318)	(570,718)	(591,036)	(245,787)
Ending Balance for the year	621,211	3,356,737	3,977,948	3,969,355

- Central Bank of Jordan regulations requires the disposal at repossessed assets during a maximum period of 2 years from the date of repossession, and in some cases the Central Bank of Jordan can extend the period for additional 2 years.
- Provision for repossessed assets against debts that violates article provisions no.(48) of bank's law no.(28) for the year 2000 and its amendments amounted to JD 343,441 as at 31 December 2017 and 31 December 2016.

(17) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

The details of this item are as follows:

	31 December 2017			31 December 2016
	Inside the Kingdom	Outside the Kingdom	Total	Total
	JD	JD	JD	JD
Current accounts	-	876,288	876,288	2,142,078
Total	-	876,288	876,288	2,142,078

(18) CUSTOMERS' CURRENT ACCOUNTS

The details of this item are as follows:

	31 December 2017				
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	83,181,658	17,680,323	18,942,041	264,943	120,068,965
Total	83,181,658	17,680,323	18,942,041	264,943	120,068,965

31 December 2016

	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	74,719,539	15,493,304	13,495,193	1,033,864	104,741,900
Total	74,719,539	15,493,304	13,495,193	1,033,864	104,741,900

- Public sector deposits inside the Kingdom as at 31 December 2017 amounted to JD 264,943 representing 0.22 % of the total customers' current accounts (31 December 2016: JD 1,033,864 representing 0.99%).

- The restricted accounts as at 31 December 2017 amounted to JD 248,482 representing 0.21% of the total customers' current accounts (31 December 2016: JD 1,871,219 representing 1.79%).

- The dormant accounts as at 31 December 2017 amounted to JD 4,674,953 (31 December 2016 : JD 4,510,945).

(19) CASH MARGIN ACCOUNTS

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Margins against deferred sales receivables and finances	10,903,966	6,726,865
Margins against indirect facilities	11,514,952	1,120,116
Other margins	327,130	264,850
Total	22,746,048	8,111,831

(20) OTHER PROVISIONS

The details of this item are as follows:

	2017				
	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
End of service indemnity	23,818	-	-	-	23,818
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Total	84,603	-	-	-	84,603



2016

	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
End of service indemnity	23,818	-	-	-	23,818
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Other provision (Note 8)	-	1,109,347	-	1,109,347	-
Total	84,603	1,109,347	-	1,109,347	84,603

(21) INCOME TAX PROVISION**A- Income tax provision**

The movement on the income tax provision is as follows :

	2017	2016
	JD	JD
Beginning balance for the year	2,438,733	1,288,051
Income tax expense for the year	3,043,382	2,753,898
Deduct : income tax paid for previous years	(2,312,785)	(1,242,531)
Deduct: Income tax paid for the current year	(566,282)	(360,685)
Ending balance for the year	2,603,048	2,438,733

B- The income tax expense presented in the Consolidated Statement of Income And Comprehensive Income consists of the following:

	2017	2016
	JD	JD
Income tax expense for the year	(3,043,382)	(2,753,898)
Release deferred tax assets	-	(385,000)
Total	(3,043,382)	(3,138,898)

The Bank (Owning Company):

The Bank obtained a final settlement from the Income and sales tax department up to the year 2013.

The Bank submitted its tax declarations for the years ended 2014 , 2015 and 2016. The years 2014 and 2015 were audited by the Income and sales tax department. An initial decision was made in respect tax of the years 2014 and 2015 and it is still in the objection phase .The tax declarations related to the year 2016 were not audited yet up to the date of the consolidated financial statements.

The Subsidiaries :

Jordan Dubai Real Estate Investment: the company submitted its tax declarations for the years 2015 and 2016, and it was accepted for the year 2015 according to the Sampling system issued by the income and sales tax department. The tax declarations related to the year 2016 were not audited yet up to the date of the financial statements.

Misc for Financial Brokerage : the company submitted its tax declarations for the years 2011, 2012 and 2013 which were audited by the income and sales department and it is still pending the court decision to carry forward the accumulated losses without any tax effect. The tax declarations related to the years ended 2014, 2015 and 2016 were submitted . A final settlement was obtained in relation to the tax for the year 2014. The year 2015 was accepted according to the sampling system issued by the income and sales tax department. The tax declarations related to the year 2016 were not audited yet up to the date of the financial statements.

C- Deferred tax assets

The details of this item are as follows:

2017			2016		
Beginning Balance for the year	Released Amounts	Additions Amounts	Ending Balance for the year	Deferred tax	Deferred tax
JD	JD	JD	JD	JD	JD

Deferred tax assets

Deferred tax assets - self financed

End of services indemnity provision	23,818	-	-	23,818	8,336	8,336
Provision of lawsuits provision against the bank	60,785	-	-	60,785	21,275	21,275
Impairment for repossessed assets	343,441	-	-	343,441	120,204	120,204
Legal expenses	1,500,000	-	-	1,500,000	450,000	450,000
Total	1,928,044	-	-	1,928,044	599,815	599,815

The movement on self financed deferred tax assets is as follows:

	2017	2016
	JD	JD
Beginning balance for the year	599,815	984,815
Additions during the year	-	-
Amortized during the year	-	(385,000)
Ending balance for the year	599,815	599,815



D- Reconciliation between tax profit and accounting profit were as follows:

	2017	2016
	JD	JD
Accounting profit for the Bank	8,750,732	8,836,214
Less: Non-taxable profit	746,538	1,811,515
Add: Non-deductible expenses	769,277	934,496
Less: Accumulated losses/ previous year	115,004	196,799
Tax profit for the Bank	8,658,467	7,762,396
Attributable to:		
Tax profit for the Bank	8,695,377	7,868,280
Subsidiaries tax (losses)	(36,910)	(105,884)
Statutory tax rate- bank	35%	35%
Statutory tax rate- subsidiaries	24%	24%
Effective tax rate	34,8%	31,2%

(22) OTHER LIABILITIES

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Accrued expenses	892,499	992,216
Certified cheques	1,489,006	1,846,646
Shareholders and customers deposits	2,841,316	1,197,509
Customers' share of profits from unrestricted investment	7,211,310	6,364,876
Brokerage payables	-	8,324
Temporary deposits	1,356,383	636,472
Transactions in transit	1,774	-
Visa Claims	460,845	313,489
Others	1,078,320	630,008
Total	15,331,453	11,989,540

(23) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

	31 December 2017					
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	51,991,272	4,610,509	138,518	10,606	-	56,750,905
Term accounts/ Investing deposits	388,232,370	64,112,259	61,793,069	21,895,787	-	536,033,485
Investing certificates of deposit	16,843,403	8,733,479	2,426,506	7,764,818	4,845,927	40,614,133
Total	457,067,045	77,456,247	64,358,093	29,671,211	4,845,927	633,398,523
Depositors' share from investments' revenues	13,856,152	2,433,966	2,115,902	962,523	154,073	19,522,616
Total unrestricted investment accounts	470,923,197	79,890,213	66,473,995	30,633,734	5,000,000	652,921,139

	31 December 2016					
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	47,175,895	7,478,268	97,426	80,050	-	54,831,639
Term accounts/ Investing deposits	376,530,935	66,907,560	76,344,701	40,749,115	-	560,532,311
Investing certificates of deposit	11,275,350	7,349,238	-	-	-	18,624,588
Total	434,982,180	81,735,066	76,442,127	40,829,165	-	633,988,538
Depositors' share from investments' revenues	11,827,541	2,261,828	2,238,724	1,198,838	-	17,526,931
Total unrestricted investment accounts	446,809,721	83,996,894	78,680,851	42,028,003	-	651,515,469

- Unrestricted investment accounts share of profit is calculated as follows:
- 20% to 31% of the minimum balance of saving accounts in JD.
- 20% to 25% of the minimum balance of saving accounts in foreign currencies.
- 32% to 90% of the average term accounts in JD.
- 18% to 46% of the average term accounts in foreign currencies.
- 90% of the average balances of investing certificates of deposit in JD.
- 70% to 85% of average balances of certificates of investing deposit in foreign currencies .
- The percentage of the profit on the Jordanian Dinar for the year ended 31 December 2017 is 3.30% (for the year ended 31 December 2016: 2.98%).
- The percentage of the profit on USD for the year ended 31 December 2017 is 1.30% (for the year ended 31 December 2016: 1.19%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 30,633,734 as at 31 December 2017, which represents 4.69% of the total unrestricted investment accounts (31 December 2016: JD 42,028,003 which represents 6.45% of the total unrestricted investment accounts).
- The restricted accounts amounted to JD 72,052 which represents 0.01% of the total unrestricted investment as at 31 December 2017. (31 December 2016: JD 119,163 which represent 0.02%).

**(24) INVESTMENT RISK FUND**

The movement on investment risk fund was as follows:

	2017	2016
	JD	JD
Beginning balance for the year	14,563,298	11,888,213
Additions: transferred from unrestricted investment revenues during the year	5,097,073	4,473,473
Less: losses from financial assets at fair value through unrestricted investment accounts related to previous years *	669,827	357,957
Deductions: accrued income tax	1,549,536	1,440,431
Ending balance for the year	17,441,008	14,563,298

- The investment risk fund balance will be transferred to the Zakat fund in case of liquidation.
- The Central Bank of Jordan approved the deduction of the percentage to 10% starting from 1 January 2017 (2016:10%)

* These represent prior years losses resulted from the sale of shares and sukuk through unrestricted investment portfolio based on article no.(12.4) and (15) of the policy outlining the relationship of the bank as Mudarib and the owners of unrestricted investments(Rab-al-mal), where it stipulates that if losses resulted from unrestricted investment transactions that were initiated in prior years,these losses would be covered through the Investment Risk Fund.

Investment risk fund balance is distributed as follows:

	2017	2016
	JD	JD
Ending balance for the year	17,441,008	14,563,298
Against impairment of Ijara Muntahia Beltamleek receivable	3,103,632	2,106,119
Against impairment of deferred sales receivables	10,186,946	6,930,744
Remaining balance	4,150,430	5,526,435

- The remaining balance (the undistributed part) relates to the unrestricted investment accounts.

- The income tax on Investment risk fund consist of the following:

	2017	2016
	JD	JD
Beginning balance for the year	1,597,067	1,442,982
Income tax on transferred revenues from investment accounts	1,549,536	1,440,431
Less: Income tax paid	1,451,306	1,286,346
Ending balance for the year	1,695,297	1,597,067

- The Bank obtained a final settlement from Income and sales tax department up to the year 2013.
- The Bank submitted its tax declarations for the years ended 2014 , 2015 and 2016. The years 2014 and 2015 were audited by the Income and sales tax department. An initial decision was made in respect tax of the years 2014 and 2015 and it is still in the objection phase .The tax declarations related to the year 2016 were not audited yet up to the date of the consolidated financial statements.

(25) FAIR VALUE RESERVE

The details of this item are as follows:

A- Joint

Financial assets at fair value through unrestricted investment accounts				
	31 December 2017			31 December 2016
	Shares	Sukuk	Total	Total
	JD	JD	JD	JD
Beginning balance	(890,308)	(86,459)	(976,767)	(1,040,513)
Unrealized (losses)	(233,966)	(232,145)	(466,111)	(291,756)
Gains on sale of financial assets	622,757	-	622,757	355,502
Ending balance	(501,517)	(318,604)	(820,121)	(976,767)

B - Self Financed

Financial assets at fair value through shareholders' equity - self finance				
	31 December 2017			31 December 2016
	Shares	Sukuk	Total	Total
	JD	JD	JD	JD
Beginning balance	-	-	-	-
Unrealized (losses)	(576)	-	(576)	-
Ending balance	(576)	-	(576)	-

(26) PAID IN CAPITAL

The authorized and paid in capital amounted to JD 100,000,000 consisting of 100,000,000 shares, at a par value of JD 1 per share as at 31 December 2017 and 31 December 2016.

**(27) RESERVES****Statutory reserve :**

The accumulated amounts in this account represent the transferred 10% of annual profits before taxes during the years, according to Banks and Companies Laws. This reserve is not available for distribution to shareholders.

General banking risk reserve:

This item represents the general banking risks reserve for deferred sales receivables and the Bank's self financed in accordance with the Central Bank of Jordan's regulations.

The following reserves are restricted:

Reserve name	31 December		Note
	2017	2016	
	JD	JD	
Statutory reserve	22,874,816	21,999,743	Law's requirement
General banking risk reserve	300,000	300,000	Central Bank of Jordan regulations

(28) RETAINED EARNINGS

	31 December	
	2017	2016
	JD	JD
Beginning balance of the year	10,132,368	11,475,337
Profit for the year	5,707,350	5,697,316
Effect of excluding an investment in a subsidiary	6,605	-
Transferred to statutory reserve	(875,073)	(883,621)
Dividends	-	(6,156,664)
Ending balance of the year	14,971,250	10,132,368

- Retained earnings balance as at 31 December 2017 includes an amount of JD599,815 (2016: JD 599,815) which represents deferred tax assets and it is restricted from use in accordance with the Central Bank of Jordan regulations.
- An amount equal to the shortage in the investment risk reserve is restricted from use from retained earnings.
- Proposed cash dividend of 2017 is 5% of the paid up capital equal to JD 5,000,000 , the proposed cash dividend is subject to the approval of general assembly for shareholders.

(29) DEFERRED SALES REVENUES

The details of this item are as follows:

	2017		2016	
	Joint	Self financed	Joint	Self financed
	JD	JD	JD	JD
Individuals(Retail)				
Murabaha to the purchase orderer	10,688,189	84,754	9,064,625	53,890
Real estate finances	1,069,564	-	1,283,626	-
Corporate				
International Murabaha	173,035	-	12,923	-
Murabaha to the purchase orderer	15,659,762	-	14,715,266	-
Small and medium companies				
Murabaha to the purchase orderer	307,948	-	84,293	-
Total	27,898,498	84,754	25,160,733	53,890

(30) IJARA MUNTAHIA BELTAMLEEK REVENUES

The details of this item are as follows:

	2017		2016	
	Joint	Self financed	Joint	Self financed
	JD	JD	JD	JD
Ijara Muntahia Beltamleek – real state	61,888,345	524,079	52,274,149	588,736
Ijara Muntahia Beltamleek – machines	100,077	-	670,485	-
Depreciation for Ijara Muntahia Beltamleek assets	(42,854,737)	(375,202)	(34,603,817)	(447,019)
Total	19,133,685	148,877	18,340,817	141,717



(31) INTERNATIONAL WAKALA INVESTMENT PROFITS

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
International Wakala investment profits	440,240	110,054
Total	440,240	110,054

(32) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Stock dividends	55,562	56,596
Gains on sale of financial assets	74,867	13,945
Islamic Sukuk profit	1,016,473	241,746
Total	1,146,902	312,287

(33) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The details of this item are as follows:

	Joint							
	2017				2016			
	Realized Losses	Unrealized losses	Dividends	Total	Realized Losses	Unrealized losses	Dividends	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Shares	-	-	-	-	(3,598)	-	13,614	10,016
Total	-	-	-	-	(3,598)	-	13,614	10,016
Less:								
Contract commissions	-	-	-	-	2,611	-	-	2,611
Total	-	-	-	-	(6,209)	-	13,614	7,405

(34) Gains from financial assets at amortized cost

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Islamic Sukuk	1,656,940	417,844
Total	1,656,940	417,844

(35) FOREIGN CURRENCIES REVALUATION LOSSES

The details of this item are as follows:

	Joint	
	2017	2016
	JD	JD
Foreign currencies revaluation losses	(8,643)	(20,935)
Total	(8,643)	(20,935)

(36) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

The details of this item are as follows:

	2017	2016
	JD	JD
Customers		
Revenues on saving accounts	490,408	469,774
Revenues on term accounts	17,794,783	16,472,355
Revenues on certificates of deposit	1,083,352	584,802
Total Customers Revenues	19,368,543	17,526,931
Banks		
Banks and financial Institutions accounts	154,073	-
Total Banks revenues	154,073	-
Total	19,522,616	17,526,931

(37) BANK'S SHARE OF REVENUES FROM UNRESTRICTED INVESTMENT ACCOUNTS AS MUDARIB AND RAB MAL

The details of this item are as follows:

	2017	2016
	JD	JD
Bank's share as Mudarib *	16,488,714	17,868,904
Bank's share as Rab Mal	9,862,324	4,865,416
Total	26,351,038	22,734,320

* The Bank's share of Revenue from unrestricted investments Accounts as a Mudarib amounted to JD 17,163,556, and a total of JD 674,842 was donated to Unrestricted Investment Accounts Holders'.

**(38) BANK SELF FINANCED REVENUES**

The details of this item are as follows:

	Note	2017	2016
		JD	JD
Ijara Muntahia Beltamleek revenues	30	524,079	588,736
Deferred sales revenues	29	84,754	53,890
Total		608,833	642,626

(39) Banks share from the restricted investment revenue as agent (wakeel)

The details of this item are as

	2017	2016
	JD	JD
Deferred sales revenues	24,726	-
Less: Muwakel's share	(6,605)	-
Banks share as agent (wakeel) - List (A)	18,121	-

- This item represents revenues from Murabaha to purchase order within the Restricted Wakala Investment agreement signed the Central Bank of Jordan.

(40) GAIN FROM FOREIGN CURRENCIES

The details of this item are as follows:

	2017	2016
	JD	JD
Trading in foreign currencies	442,579	438,997
Total	442,579	438,997

(41) BANKING SERVICES REVENUES

The details of this item are as follows:

	2017	2016
	JD	JD
Indirect facilities commissions	997,165	756,959
Direct facilities commissions	1,138,437	1,043,460
Other commissions	1,565,949	1,316,118
Total	3,701,551	3,116,537

(42) OTHER REVENUES

The details of this item are as follows:

	2017	2016
	JD	JD
Gain from sale of fixed assets	-	23,747
Gain from sale of repossessed assets	12,682	21,487
Reversed accruals from previous years *	-	597,643
Revenues from liquidation of invested companies	120,000	-
Other revenues	3,286	38,537
Total	135,968	681,414

* This item represents management fees accruals for Dubai Islamic Bank (DIB) from previous years, and they were reversed based on an updated signed settlement agreement with DIB at the end of year 2016.

(43) EMPLOYEES' EXPENSES

The details of this item are as follows:

	2017	2016
	JD	JD
Salaries, benefits, allowances and bonuses	9,333,859	8,241,425
Bank's contribution for social security	971,089	875,078
Medical expenses	521,548	430,485
Training	224,481	132,188
Insurance expenses	37,820	39,441
Other employees' expenses	114,390	-
Total	11,203,187	9,718,617

(44) OTHER EXPENSES

The details of this item are as follows:

	2017	2016
	JD	JD
Rent and vacancy compensation	1,271,705	1,066,266
Stationery and printing materials	365,321	206,782
Telecommunications	474,117	381,378
Utilities	402,233	734,254
Travel and transportation	127,451	113,837
Marketing and advertising	1,102,613	509,553
Subscription and fees	275,079	274,139
Maintenance and Cleaning expenses	420,753	384,795
Licences and governmental fees	353,045	267,644
Board of directors meetings expenses	437,532	228,021
Information technology expenses	895,511	740,598
Security and insurance expenses	266,649	253,127
Donations	76,619	86,087
Management and consulting fees	340,584	459,684
Professional fees	79,008	67,280
Board of directors remuneration	55,000	55,000
Hospitality Expenses	114,852	56,358
Money transportation expenses	82,379	63,298
Electronics cards expenses	432,184	340,832
Others	501,224	561,596
Total	8,073,859	6,850,529

**(45) EARNINGS PER SHARE**

The details of this item are as follows:

	2017	2016
	JD	JD
Profit for the year	5,707,350	5,697,316
Weighted average number of shares	100,000,000	100,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share	0/057	0/057

(46) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

	31 December	
	2017	2016
	JD	JD
Cash balances with Central Bank of Jordan maturing within three months	119,934,135	204,028,359
Add: cash at banks and financial institutions maturing within three months	6,570,709	5,644,597
Less: banks and financial institutions accounts maturing within three months	(876,288)	(2,142,078)
Total	125,628,556	207,530,878

(47) RELATED PARTY TRANSACTIONS

The Bank entered into transactions with shareholders, board members and senior management within its normal operations using normal rates of Murabaha and trade commissions. All deferred sales receivables and financials created to related parties are performing and no provision was taken for these balances.

	Main shareholders	Senior management	Board of directors	Bank Al Etihad *	Shari'a Supervisory Board members	31 December 2017	31 December 2016
	JD	JD	JD	JD	JD	JD	JD

Consolidated statement of financial position items

Balances at banks and financial institutions	-	-	-	33,280	-	33,280	633,829
Unrestricted investments accounts and current accounts	10,698	125,346	757,127	-	14,861	908,032	23,419,578
Deferred sales receivables	-	490,670	225	-	500	491,395	805,294
Ijara muntahia bittamleek	-	703,721	-	-	-	703,721	1,299,162

Off consolidated financial position items

Letters of guarantees	-	-	-	-	-	-	117,000
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Consolidated statement of Income and Comprehensive Income items

						2017	2016
Dividends	36,496	890	4,649	-	83	42,118	1,078,111
Salaries and bonuses	-	2,701,635	55,000	-	28,360	2,784,995	1,842,565
Transportation	-	-	414,233	-	26,225	440,458	188,980
Management and consulting fees	-	-	-	-	-	-	257,367

*Al Etihad Bank is the main shareholder in Al Etihad Islamic For Investment Company which owns 61.8% from Safwa Islamic Bank.

The lowest and highest received Murabaha rate were 3.43% and 6.42%.

The lowest and highest rate of Ijara muntahia bittamleek received by the Bank were 3.81% and 7.75%.

The lowest and highest distributed profit rate were 0.93% and 2%

Executive management salaries and benefits for the year ended 31 December 2017 amounted to JD 2,701,635 (31 December 2016 : JD 1,759,205).



(48) Fair Value of Financial Assets and Liabilities Not recorded at Fair Value in the Financial Statements

There are no significant differences between book value and fair value of the financial assets and liabilities in the financial statements.

(49) Risk Management

Risk management is one of the responsibilities of the Board of Directors and the risks are managed through the Risk Management Committee, where the Risk Management Committee adopt the general framework for risk management at the bank. The Risk Management Department is the department that responsible for risk management through the implementation of the general framework that has been adopted by the Board of Directors, Risk Management Department prepare policies to manage, analysis and measure all types of risks, and developing appropriate measurement techniques to hedge against risks that affect the profitability and capital adequacy of the bank in line with the adopted general framework. The Risk Management Department provide the Board with periodic reports through the Risk Management Committee to inform them with the latest developments related to the risk management in the bank to evaluate it and get their recommendations in this regard.

Internal Audit Department sends reports to the audit committee of the board to verify that all departments adhere to policies and procedures of risk management, and auditing the results of risk management department then send reports to the competent authorities.

The bank applies the Central Bank instructions for risk management, where the risk department prepare a plan for Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, in addition to conducting stress testing on a semi-annual basis.

Currently, the Bank is using advanced technology programs to improve the quality of risk management for all major potential types of risks in proportion with the nature and size of the bank's activities. The Bank is also interested in the human element through the development of staff skills and join into training courses regarding the mannar of properly applying Basel 2 and Basel 3.

Risks that might be exposed to the bank, include the following:

1- Credit Risk

Credit risk is generally defined as the risks arising from the borrower inability and/or unwillingness to fulfil his liabilities (original amount and/or profits) according to the agreed conditions and Based on the terms and maturity dates, which causes financial losses to the bank.

The risk management department manages credit risk through credit manual which regulates and governs the credit process to the corporate department clients, in addition to the credit policy for each of the retail banking and small businesses department clients, and the policy of

determining credit limits for financial institutions in consistent with the policies and regulations issued by the Central Bank of Jordan and the Basel 2 standards.

Credit risks in the bank arising from financing and investment operations carried out by the bank including:

- Risks related to the customer and the nature of his activity.
- Risks relating to the granting and implementation of facility.
- Concentration risks.
- Islamic financing instruments risks

In this area, the Bank monitor and control credit risk through:

- Manage and control credit portfolio risk through a number of committees particularly the Board Risk Management Committee.
- Review and approved the applications for banking facilities through credit committees in accordance with specific, documented and approved terms of references from the Board of Directors, the individual terms of references restricted into small amounts.
- The application of credit rating methodologies according to the best practices process.
- Monitor credit limits and the permitted facilities limits and issue the necessary reports to ensure that no override of limits and to control it's quality.
- Diversification of the financing and investment activities to avoid credit concentration risk for individuals or groups or clients in specific geographic areas or to certain economic activity, or into financing tools or products, or in the financing period.
- Managing of nonperforming facilities thereby reducing the expected credit losses.
- Separation of tasks between marketing tasks -entrusted to the business segments- and credit decision.
- Segregation of duties related to the facilities granting and credit control function.

Credit Risk Measurement

The Bank applies the standardized method to measure credit risk through the measurement of credit risk-weighted assets contained in the statement of financial position according to the degree of risk that set out by the Central Bank of Jordan's instructions, Currently the bank is preparing to move on to another method of assessment which is the Foundation Internal Risk Based Approach (FIRB) where a special system for credit risk rating for corporate clients applied to determine the credit quality for each client in the time of grants and monitor these quality throughout the financing period on a periodic basis to determine any drop may occur in the quality of granted facilities and evaluate the quality of the credit facilities portfolio on a periodic basis, and that reflected on the basis of the granting and pricing of the credit.

Credit Risk Mitigation

The Bank uses a variety Techniques of Credit Risk Mitigation (CRM) such as (collateral real estate, financial, etc.) in accordance with the approved CRM policy Which is intended to hedge and reduce the credit risks through determine the size and value of required collateral based on the CRM policy standards.



2- Market Risks

Bank defines market risk as the risk that the bank might be exposed to as a result of changes in the prices of returns, and fluctuations in exchange rates and prices of securities.

The Bank adopts a conservative policy to reduce the Bank's exposure to risk factors and keep them to minimum by achieving alignment and symmetry between assets and liabilities. By keeping the minimum of the financial positions to the currencies and securities.

3- Operational Risks

Operational risk is defined as the risks of loss arising from inadequacy or failure in internal operations, personnel or systems, or from external events.

The Operational Risk factors are managed in accordance with the general framework that was adopted by the board, It policies and procedures that illustrate the mechanism in which to identifying, assessing and evaluating the risk factors, and the existing controls to determine the adequacy of these controls to mitigate risk and reduce the possibility of occurrence.

The bank has adopted the Risk and Control self-assessment methodology (RCSA) and it was implemented through workshops in order to specify, assess and manage, the Risk factors related to Bank proses/ activities, products and services and Assess the Controls and to develop Control Gaps. Such Methodology will enhance. The accountability principles of different business unit and working areas, in managing Risk factors related to their areas . Also this Methodology enhance the continuous monitoring and reporting of Risk factors. Risk profiles were developed for all units, and all controls are under testing. From units in which providing Risk Management function with monthly reports in this regard.

The Bank adopted and implemented the Operational loss data collection for the incidents related to operational events . The policy Was approved by the Board of Directors. Currently data of such events is collected, analyzed and linked with risk factors and reports were generated in this regards.

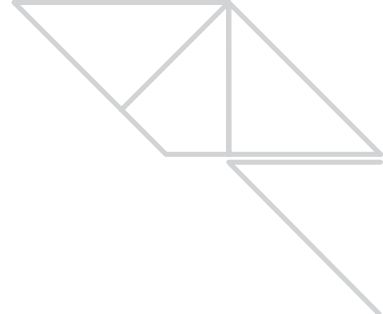
As part of approval process of manuals, all bank policies and procedures manuals were reviewed by Risk Management function. This revision aiming to assess and ensure the adequacy of controls mitigating.

With regard to risk Awareness and risk Culture, The Risk Management department is conducting training courses and sending an awareness emails periodically to all bank employees.

For the purposes of capital adequacy the Operational Risk is measured using the (Basic Indicate Approach) in accordance with the Central Bank of Jordan's regulations.

Information Security

In order to maintain the confidentiality and availability of customer information and the highest level of safety and security within our banking services and products, an integrated strategies,



standards and policies were developed based on the best international standards for information security in order to reach a secure working environment in order to achieve our goals on the protection of information assets and continuing emphasis on confidentiality, integrity and availability.

Several projects related to Information Security were initialed and implemented in order to adopt the best solutions to protect and monitor information systems in the bank, as well as to ensure the bank commitment to global standards and practice (Information Security Management System ISO 27001 standard, and The Payment Card Industry Data Security Standard (PCI DSS)

Also, the management of security risks to Information Technology assets of the bank is accomplished by maintaining and updating the risk profile matrix related to information technology and information security, and testing the current controls and following up the treatment of current controls gaps within our environment.

Business Continuity

In order to deal with external events as mentioned within the definition of Operational Risk in the bank, Business Continuity Plan (BCP) was updated to enhance the bank ability to provide services/ products during the emergency period.

The plan includes the identification of resources, action plans and alternative producers as well as the recovery producers to return to normal working conditions.

The business continuity steering committee and specialized teams were established to handle this issue.

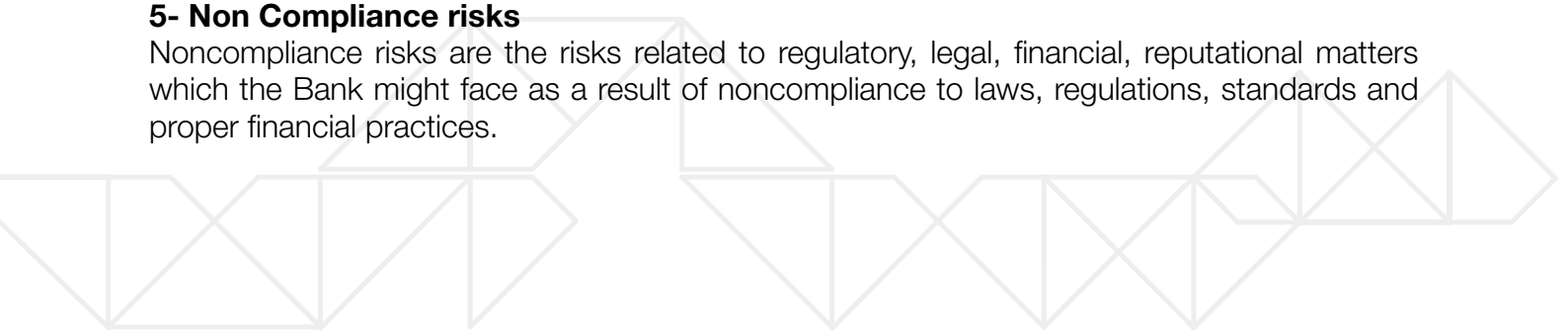
The plan is subject to regular testing and updating to ensure the completeness and the applicability of the plan as a tool to enhance the bank's readiness to handle external risk factors.

4- Reputation Risks

Reputation risks is being viewed by the Bank as negative effects on the Bank's reputation arising from non- compliance with the Islamic rules and regulations and/or failure to fulfill its duties toward all cash providers, and/or manage its affairs in an efficient and effective manner, and/or manage all other risks faced by the Bank. This will lead to several negative impacts; including loss of confidence and accordingly decrease in the customers' base, increase in expenses and decrease in profits.

5- Non Compliance risks

Noncompliance risks are the risks related to regulatory, legal, financial, reputational matters which the Bank might face as a result of noncompliance to laws, regulations, standards and proper financial practices.





Noncompliance causes central bank warnings, fines violations and affects the Bank's reputation and which might result to Bank closure or cancelling its license in case of noncompliance to legislations

Accordingly compliance with laws and regulations considered one of the main factors which could affect the bank business and sustainability.

The Bank's compliance with the regulatory bodies' requirements is deemed as one of the most important factors of success and development of the Bank's operations and quality of services offered to customers. The Bank established the Compliance Control Department that is concerned with reviewing the requirements of regulatory bodies and ensuring their application on internal procedures and policies. This protects the Bank from risks arising from non-compliance with these requirements.

This Department also plays an effective role in protecting the regulatory of the Bank's products and services from money laundering and terrorism financing, in addition to identifying customers legal activities and money recourses to ensure dealing with reputable customers. The department follow up on the polices and procedure for the products to ensure the compliance with anti-money laundry regulations.

6- Legal Risk Related to Operations

Legal risks are those risks that may arise directly or indirectly from one or more of events stated in the Operational Risks Definition (human resources, internal operations, systems and external events), or from the Bank's non-compliance with the laws and regulations which may incur fines or financial liabilities. also Legal risks may arise also from judicial procedures raised by third parties against the Bank. Insufficient documents, absence of legal capacity, and invalidity or unenforceability of contracts resulting from improper documentation are deemed as causes of legal risks.

The Legal Department has the responsibility for these risks through verifying all contracts and documents related to the Bank's transactions in addition to the legal follow-up on the debtors of the Bank in coordination with the Risk Management Department, and the close and Direct follow-up on the lawsuits to which the Bank is a party.

7- Non-Compliance with Sharia Risk

These are the risks faced by Islamic banks that result in non-recognition of income and losses as well as Reputational risk arising from non-compliance with Islamic Shari'a. These risks are managed through an integrated and sound sharia regulation system for the Sharia Control Department that supervised by the Sharia Board and sharia regulation system within the scope of Sharia Compliance department.

(49/ A) Credit Risk

1)Credit risk exposure (After impairment provision and before collateral and other risk reducers):

	31 December 2017		
	Joint	Self financed	Total
	JD	JD	JD
Balances with Central Bank	-	108,764,667	108,764,667
Balances at banks and financial institutions	-	6,570,709	6,570,709
International Wakala investments	33,861,572	-	33,861,572
Deferred sales receivables and other receivables			
Retail	317,257,024	5,117,513	322,374,537
Real estate financing	34,916,614	-	34,916,614
Corporate	198,871,406	7,447	198,878,853
Small and medium companies	8,335,871	68,215	8,404,086
Public and governmental sectors	107,290,073	-	107,290,073
Unconverted loans			
Retail	-	37,748	37,748
Corporate	-	-	-
Sukuk			
Financial assets at fair value through unrestricted investments accounts	37,568,483	-	37,568,483
Financial Assets at Amortized Cost	54,878,000	-	54,878,000
Qard hasan	-	509,660	509,660
Other assets	816,671	517,111	1,333,782
Total consolidated statement of financial position items	793,795,714	121,593,070	915,388,784
Off-consolidated statement of financial position items:			
Letters of guarantees	-	2,392,834	2,392,834
Letters of credit	-	5,515,404	5,515,404
Acceptances	-	41,983,881	41,983,881
Unutilized limits	82,461,132	-	82,461,132
Total	876,256,846	171,485,189	1,047,742,035



31 December 2016

	Joint	Self financed	Total
	JD	JD	JD
Balances with Central Bank	-	194,274,029	194,274,029
Balances at banks and financial institutions	-	5,644,597	5,644,597
International Wakala investments	26,717,327	-	26,717,327
Deferred sales receivables and other receivables			
Retail	281,636,023	4,965,818	286,601,841
Real estate financing	38,398,973	-	38,398,973
Corporate	188,643,242	2,252	188,645,494
Small and medium companies	4,441,751	655	4,442,406
Public and governmental sectors	83,992,785	-	83,992,785
Unconverted loans			
Retail	-	47,428	47,428
Corporate	-	-	-
Sukuk			
Financial assets at fair value through unrestricted investments accounts	20,378,828	-	20,378,828
Financial Assets at Amortized Cost	27,439,000	-	27,439,000
Qard hasan	-	509,660	509,660
Other assets	249,309	354,587	603,896
Total consolidated statement of financial position items	671,897,238	205,799,026	877,696,264
Off-consolidated statement of financial position items:			
Letters of guarantees	-	3,054,479	3,054,479
Letters of credit	-	11,683,336	11,683,336
Acceptances	-	160,178	160,178
Unutilized limits	89,602,441	-	89,602,441
Total	761,499,679	220,697,019	982,196,698

2) Classifications of the deferred sales receivables and other receivables based on the level of risks according to Central Bank of Jordan regulations :

Credit exposures are classified by the level of risks according to the following table:

	Joint				Self financed											
					Real-estate financing				Corporate				Small and medium companies			
	Retail	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017 :																
Low risk	4,976,334	237,162	1,586,781	31,888	117,888,781	-	63,134,800	187,855,746	14,356	-	509,660	-	-	-	524,016	188,379,762
Acceptable risk	334,493,758	26,094,613	200,981,118	8,498,081	-	33,861,572	29,311,683	633,240,825	5,347,487	-	7,127	67,309	6,570,709	11,992,632	645,233,457	
Past due:*																
Up to 30 days	734,847	23,631	6,744,820	71,987	508,333	-	-	8,083,618	3,316	-	-	-	-	-	3,316	8,086,934
From 31 to 60 days	232,827	66,691	1,932,795	20,660	-	-	-	2,252,973	-	-	-	-	-	-	-	2,252,973
Watch list	1,217,505	10,033,366	2,714,312	85,821	-	-	-	14,051,004	843	-	380	1,167	-	-	2,390	14,053,394
Non performing:																
Substandard	247,819	-	5,000	-	-	-	-	252,819	17,021	-	-	2,305	-	-	19,326	272,145
Doubtful	301,767	-	451,772	-	-	-	-	753,539	9,900	-	-	-	-	-	9,900	763,439
Losses written - off	1,582,840	1,438,529	11,644,278	90,798	-	-	-	14,756,445	8,021	-	26,997	-	-	-	35,018	14,791,463
Total	342,820,023	37,803,670	217,383,261	8,706,588	117,888,781	33,861,572	92,446,483	850,910,378	5,397,628	-	544,164	70,781	6,570,709	12,583,282	863,493,660	
Less: Deferred	24,013,457	1,839,736	6,955,262	336,334	10,598,708	-	-	43,743,497	210,143	-	-	-	-	-	210,143	43,953,640
Less: Suspended	203,447	123,883	569,437	493	-	-	-	887,260	-	-	7,112	-	-	-	7,112	904,372
Less :impairment provision	1,346,095	923,437	10,987,156	33,890	-	-	-	13,290,578	32,224	-	19,945	2,566	-	-	54,735	13,345,313
Net	317,257,024	34,916,614	198,871,406	8,335,871	107,290,073	33,861,572	92,446,483	792,979,043	5,155,261	-	517,107	68,215	6,570,709	12,311,292	805,290,335	

• The whole balance is considered due if there is a default of one installment



Self Financed

Joint

2016:

Low risk

Acceptable risk

Past due:*

Up to 30 days

From 31 to 60 days

Watch list

Non performing:

Substandard

Doubtful

Losses written - off

Total

Less: Deferred Revenue

Less: Suspended

Less: Impairment

provision

Net

• The whole balance is considered due if there is a default of one installment

</														

Self financed

Safwa Islamic Bank



The following table shows the distribution of the fair value of collaterals on deferred sales and other receivables:

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3) sukuk

The following table illustrates sukuk grading under financial assets at fair value through unrestricted investment accounts holder in accordance with foreign grading institutions.

A- Financial assets at fair value through unrestricted investment accounts

Classification grade	Grading institution	31 December 2017	31 December 2016
		JD	JD
A3	Moody's	2,820,686	1,082,930
A3	Moody's	2,830,895	1,407,478
A2	Moody's	-	3,536,918
BBB+	Fitsh	6,856,218	-
B1	Moody's	491,337	-
A3	Moody's	1,774,272	1,420,836
A+	Fitsh	-	2,124,533
A	Fitsh	6,536,335	-
BB+	Fitsh	3,190,819	-
N/R	-	4,811,121	485,133
Government	-	8,256,800	10,321,000
Total		37,568,483	20,378,828
B- Financial assets at amortized cost			
On Government bail	-	54,878,000	27,439,000
Total		54,878,000	27,439,000
Grand Total		92,446,483	47,817,828

4) Credit concentration based on geographic distribution is as follows :

	Inside Jordan	Other middle eastern countries	Europe	Asia*	Americas	Other countries	Total
	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	108,764,667	-	-	-	-	-	108,764,667
Balances at banks and financial institutions	647,126	1,787,536	900,698	473,855	2,745,998	15,496	6,570,709
International Wakala Investment	-	33,861,572	-	-	-	-	33,861,572
Deferred sales receivable and							
Retail	322,374,537	-	-	-	-	-	322,374,537
Real-estate financing	34,916,614	-	-	-	-	-	34,916,614
Corporate	191,756,151	7,122,702	-	-	-	-	198,878,853
Small and medium companies	8,404,086	-	-	-	-	-	8,404,086
Public and governmental sectors	107,290,073	-	-	-	-	-	107,290,073
Unconverted loans							
Retail	37,748	-	-	-	-	-	37,748
Corporate	-	-	-	-	-	-	-
Sukuk							
Within financial assets at fair value through unrestricted investment accounts	8,256,800	26,120,864	3,190,819	-	-	-	37,568,483
Within Financial Assets at Amortized Cost- Net	54,878,000	-	-	-	-	-	54,878,000
Qard hasan	509,660	-	-	-	-	-	509,660
Other assets	1,333,782	-	-	-	-	-	1,333,782
Total / 2017	839,169,244	68,892,674	4,091,517	473,855	2,745,998	15,496	915,388,784
Total / 2016	834,764,797	38,895,046	3,302,583	422,668	304,345	6,825	877,696,264

*Except for the Middle East .

Scheduled deferred sales receivables, other receivables, and financings:

These are the receivables that are classified as "non-performing" facilities, and subsequently removed and included under "Watch List" based on proper rescheduling. The sum of these receivables amounted to JD 440,603 as of 31 December 2017 (2016: JD 8,945,688).



Rescheduled deferred sales receivables, other receivables, and financing:

Rescheduling includes terms of instalments, extending the term, deferral of instalments, or extending the grace period and accordingly are classified as "Watch List". The sum of these receivables amounted to JD 26,837,518 as of 31 December 2017 (2016: JD 38,251,869).

5- Concentration in credit exposures based on economic sectors is as follows :

	Financial	Industrial	Trade	Real-estate	Retail	Public and governmental sectors	Total
	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	108,764,667	-	-	-	-	-	108,764,667
Balances at banks and financial institutions	6,570,709	-	-	-	-	-	6,570,709
International Wakala investments	33,861,572	-	-	-	-	-	33,861,572
Deferred sales receivable and other	7,122,702	44,860,919	155,299,318	34,916,614	322,374,537	107,290,073	671,864,163
Unconverted loans	-	-	-	-	37,748	-	37,748
Sukuk investment							
Within financial assets at fair value through unrestricted investment	29,311,683	-	-	-	-	8,256,800	37,568,483
within Financial Assets at Amortized Cost- Net	-	-	-	-	-	54,878,000	54,878,000
Qard hasan	509,660	-	-	-	-	-	509,660
Other assets	1,333,782	-	-	-	-	-	1,333,782
Total / 2017	187,474,775	44,860,919	155,299,318	34,916,614	322,412,285	170,424,873	915,388,784
Total / 2016	239,069,177	61,485,745	130,340,315	38,398,973	286,649,269	121,752,785	877,696,264

(49/B) Market Risks

The Bank follows certain financial policies to manage different risks within a specific strategy. There is also a committee concerned with managing assets and liabilities in the Bank and is charged with monitoring and controlling risks, and conducting the best strategic distribution of assets and liabilities whether on or off statement of financial position, Its responsibilities include:

- Updating the investment policy followed by the Bank, submitting it to the Board of Directors to be approved on a regular basis, and reviewing the investment policy implemented and assessing its results against the banking market and competitive indicators.
- Forming investment decision-making committees and its authorities, according to the Bank's investment policy.
- Preparing the annual investment plan, in line with the Assets and Liabilities Committee expectations of revenues and changes in market rates, including low risk investment instruments available in the market.
- Preparing a report including market prices and present it on the Asset and Liabilities Committee to monitor any sudden change in prices of financial instruments to avoid changes in market prices.

1) Rate of Return Risks

- Risks of rate of return arise from the unexpected changes in the market rates. Necessary procedures must be taken to ensure the existence of administrative procedures related to reviewing, measuring and monitoring of rate of return risks.
- The Bank is exposed to rate of return risks as a result of the gap between assets and liabilities according to their terms and re-pricing the rate on subsequent transactions.
- The Bank manages these risks by determining the rates of future profits according to the expectations of market conditions and developing new instruments that comply with the Islamic rules and regulations through the Bank's risk management strategy:
 1. Attaining the best returns available in the market based on market indicators as a standard and Benchmarks for both. The portfolios and the investments managed by the Bank
 2. Tacking into account the risks resulting from these investments, depending on the diversification option based on countries and institutions to ensure the reduction of risks' impact.
 3. The Bank is committed to manage investments based on matching between the Bank's liabilities, (represented by term accounts) and assets in foreign currencies (represented by investments in foreign currencies).

2) Foreign Currency Risks

Foreign currency risks are managed on spot basis transactions, where foreign currency positions are monitored daily in addition to the position limits of each currency, as the general policy adopted by the Bank in managing foreign currency is based on the immediate liquidation of positions and covering the required positions according to customers' needs

The maximum positions in foreign currencies shall not exceed 5% of shareholders' equity for each currency except for the US Dollar at a maximum of exceeds 15% of the total shareholders' equity. The total foreign currencies position shall not exceed 15% of the total equity

Below is the effect of foreign currency exchange against JD with the other variable being constant:

2017	increase in the indicator	Impact on profit and losses	Impact on equity
currency	(5%)	JD	JD
USD	-	-	-
Euro	146	146	146
GBP	1,432	1,432	1,432
Japanese Yen	9,511	9,511	9,511
Other currencies	10,222	10,222	10,222

2016	increase in the indicator	Impact on profit and losses	Impact on equity
currency	(5%)	JD	JD
USD	-	-	-
Euro	(1,983)	(1,983)	(1,983)
GBP	901	901	901
Japanese Yen	4,972	4,972	4,972
Other currencies	(9,710)	(9,710)	(9,710)

The impact of decrease in the exchange rate by 5% has the same impact with the opposite sign.



Concentration in foreign currencies risks :

	31 December 2017					
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Assets :						
Cash and balances with Central Banks	15,425,311	1,563,400	334,823	-	156,937	17,480,471
Balances at banks and financial institutions	3,137,127	689,647	177,125	312,549	1,766,496	6,082,944
Deferred sale receivables	36,079,849	-	1,438,327	-	-	37,518,176
International Wakala Investment	31,905,000	1,956,572	-	-	-	33,861,572
Financial assets at fair value through unrestricted investment accounts	29,359,879	-	-	-	-	29,359,879
Other assets	267,977	332,945	-	-	-	600,922
Total assets	116,175,143	4,542,564	1,950,275	312,549	1,923,433	124,903,964
liabilities :						
Banks and financial institutions' accounts	162,327	32,701	-	-	93,770	288,798
Customers' accounts(current, saving, term)	88,995,637	4,443,307	1,917,769	122,229	1,625,204	97,104,146
Cash margins accounts	11,779,325	-	-	-	-	11,779,325
Other liabilities	1,791,414	63,624	3,868	-	-	1,858,906
Total liabilities	102,728,703	4,539,632	1,921,637	122,229	1,718,974	111,031,175
Net concentration in current year's financial position	13,446,440	2,932	28,638	190,320	204,459	13,872,789
Contingent liabilities outside current year's financial position	46,473,918	615,368	-	-	-	47,089,286

	31 December 2016					
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Total Assets	69,310,540	5,156,093	1,443,447	217,373	1,309,648	77,437,101
Total Liabilities	60,798,216	5,195,747	1,425,429	117,937	1,503,855	69,041,184
Net concentration in current year's financial position	8,512,324	(39,654)	18,018	99,436	(194,207)	8,395,917
Contingent liabilities outside current year's financial position	11,712,691	-	-	-	436,610	12,149,301

3- Financial assets price risk:

Financial assets price risk is related to the supply and demand in the financial markets which causes a change in the fair value of the investments portfolio. The Treasury Department uses scientific and advanced financial bases to mitigate the risk of price change and to ensure that the Bank and the Bank's customers get better rate of return on their investments. The Department uses segmental and geographical distribution methodology, credit rating is done by the best credit rating agencies (Moody's, Standard & Poor, ect...) and analyzing the financial markets indexes related to investments portfolio to mitigate the risk of financial assets price change.

Below is the effect of market index movement by 5% with the other variable being constant:

2017	increase in the indicator (5%)	Impact on profit and losses	Impact on equity
Indicator		JD	JD
Amman Stock Market	56,504	-	56,504
Foreign markets	-	-	-

2016	increase in the indicator (5%)	Impact on profit and losses	Impact on equity
Indicator		JD	JD
Amman Stock Market	79,447	-	79,447
Foreign markets	-	-	-

The impact of decrease in the exchange rate by 5% has the same impact with the opposite sign.

4- Commodities Risks

Commodities risks are caused by any fluctuations in prices of tradable or leasable assets, and related to the current and future fluctuations in market values of specific assets. The Bank is exposed to fluctuations in prices of fully-paid commodities after concluding the sale contracts and during the year of possession, in addition to being exposed to the fluctuation in the residual value of leased asset at the end of lease term.

(49/C) Liquidity Risks

The cash Liquidity Division ensures the Bank's ability to meet short- and long-term cash obligations. The Bank's cash liquidity is reviewed and managed regularly. The cash obligations and available funds are assessed daily by the finance department and treasury department. Moreover, review and analysis of cash liquidity of Bank's assets and liabilities are done on a monthly basis, in addition to analyzing maturity of assets and liabilities, in addition to analyzing maturity of assets and liabilities. This also includes the analysis of sources of funds according to the nature of sources and uses.



First: below is a summary of the maturities of the Bank's undiscounted liabilities, based on contractual payment date as of the date of the consolidated financial

	Less than one month		1-3 months		3-6 months		6 months to 1 year		1-3 year		More than 3 years		Without maturity		Total	
	JD		JD		JD		JD		JD		JD		JD		JD	
2017:																
Bank and financial institutions' accounts	876,288		-		-		-		-		-		-		876,288	
Customers' current accounts	120,068,965		-		-		-		-		-		-		120,068,965	
Cash margins accounts	20,710,864		1,044,550		50,139		1,003,541		-		-		-		22,809,094	
Income tax provisions	2,603,048		-		-		-		-		-		-		2,603,048	
Other provisions	84,603		-		-		-		-		-		-		84,603	
Other liabilities	10,315,629		4,346,449		223,125		446,250		-		-		-		15,331,453	
Unrestricted investment accounts	112,358,077		163,863,339		146,796,611		215,194,552		21,856,824		-		-		660,069,403	
Total	267,017,474		169,254,338		147,069,875		216,644,343		21,856,824		-		-		821,842,854	
Total assets maturities as expected due dates	203,363,112		85,294,263		88,917,839		64,831,186		183,978,433		308,668,452		22,749,355		957,802,640	
2016:																
Bank and financial institutions' accounts	2,142,078		-		-		-		-		-		-		2,142,078	
Customers' current accounts	104,741,900		-		-		-		-		-		-		104,741,900	
Cash margins accounts	6,663,910		1,178,572		332,811		-		-		-		-		8,175,293	
Income tax provisions	2,438,733		-		-		-		-		-		-		2,438,733	
Other provisions	84,603		-		-		-		-		-		-		84,603	
Other liabilities	9,246,028		1,999,350		248,054		496,108		-		-		-		11,989,540	
Unrestricted investment accounts	115,131,101		194,229,409		135,767,509		193,294,161		19,394,704		-		-		657,816,884	
Total	240,448,353		197,407,331		136,348,374		193,790,269		19,394,704		-		-		787,389,031	
Total assets maturities as expected due dates	291,001,577		56,806,731		78,902,396		61,455,349		110,470,173		297,445,727		23,521,047		919,603,000	

Second: Off statement of financial position items

	Up to 1 year	
	2017	2016
	JD	JD
letters of credit and acceptances	47,499,285	11,843,514
Guarantees	2,392,834	3,054,479
Unutilized limits	82,461,132	89,602,441
Total	132,353,251	104,500,434

(50) SEGMENT INFORMATION

a. Information on the Bank's Activities

The bank is structured for administrative purposes where sectors are measured to the reports that are used by executive director and main decision maker at the bank through three major business sectors :

Retail Accounts:

This sector handles following up upon the unrestricted investment accounts, deferred sales receivables, financings, and other services related to retail.

Corporate Accounts:

This sector handles unrestricted investment accounts, deferred sales receivables, financings, and other banking services related to corporate customers.

Treasury:

This sector handles the services of brokerage, treasury and management of the Bank's funds.



Information on the Bank's segments according to activities is shown as follows:

	Retail	Corporate	Treasury	Others	2017	2016
	JD	JD	JD	JD	JD	JD
Total revenues (joint and self financed)	17,173,230	17,150,772	1,479,375	551,786	36,355,163	32,087,367
Investment risks fund share of joint						
Investment accounts revenues	-	-	-	(5,097,073)	(5,097,073)	(4,473,473)
Results of segment's operations	17,173,230	17,150,772	1,479,375	(4,545,287)	31,258,090	27,613,894
Undistributed expenses	(1,627,417)	(747,768)	(471,697)	(19,660,476)	(22,507,358)	(18,777,680)
Profit for the year before tax	15,545,813	16,403,004	1,007,678	(24,205,763)	8,750,732	8,836,214
(Income tax expense) for the year	-	-	-	(3,043,382)	(3,043,382)	(3,138,898)
Profit for the year	15,545,813	16,403,004	1,007,678	(27,249,145)	5,707,350	5,697,316
					2017	2016
					JD	JD
Segments' assets	331,521,703	324,151,878	137,825,819	-	793,499,400	673,184,890
Undistributed assets	-	-	-	164,303,240	164,303,240	246,418,110
Total assets	331,521,703	324,151,878	137,825,819	164,303,240	957,802,640	919,603,000
Segments' liabilities and total						
equity of unrestricted investment accounts	615,245,931	105,078,181	77,409,310	-	797,733,422	766,191,643
Undistributed liabilities	-	-	-	21,923,728	21,923,728	20,979,246
Total liabilities and Total equity of unrestricted investment accounts holders	615,245,931	105,078,181	77,409,310	21,923,728	819,657,150	787,170,889
					2017	2016
					JD	JD
Capital expenditure					2,258,332	3,718,352
Depreciation and amortization					2,829,990	2,851,976

Geographical Distribution Information

The following disclosure represents the geographical distribution. The Bank performs its operations mainly in Kingdom.

Distribution of the Bank's revenues, assets and capital expenditure according to geographical area is detailed as follows:

	31 December 2017			31 December 2016		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Total assets	881,583,100	76,219,540	957,802,640	876,671,533	42,931,467	919,603,000
Total revenues	34,984,036	1,371,127	36,355,163	31,754,028	333,339	32,087,367
Capital expenditure	2,258,332	-	2,258,332	3,718,352	-	3,718,352

(51) CAPITAL MANAGEMENT

The Bank's management takes into consideration the Central Bank of Jordan requirements which require the Bank to have sufficient self financed resources to cover certain percentage of its risk weighted assets based on the nature of the finance given and the direct investment made. Accordingly, the capital considered for the purpose of Central Bank of Jordan requirements is the regulatory capital (both basic and additional capital).

Capital management aims to invest the Bank's fund in various risk weighted investments (low and high risk) to ensure that the Bank gets a better rate of return and to maintain a capital adequacy of 12% as required by the Central Bank of Jordan.

Capital adequacy ratio is calculated based on the Islamic Banks Regulation No. (50/2010) issued by Central Bank of Jordan in accordance to article (99/B) of the Banks Law. Following is the capital adequacy details:

	31 December	
	2017	2016
	JD"000	JD"000
Basic capital items	130,243	129,568
Authorised and Paid in capital	100,000	100,000
Statutory reserve	22,875	22,000
Retained earnings	14,371	9,532
Proposed dividends distribution	(5,000)	-
Intangible assets	(1,450)	(1,743)
The Bank's share in the banks and financial institutions capital (50%)	-	(78)
The bank's share in the capital of insurance companies (50%)	(7)	(5)
The Bank's share in the investment risk fund deficit	(546)	(138)
Additional capital	2,452	1,626
The Bank's share in fair value reserve	(397)	(348)
General banking risk reserve	2,856	2,057
The Bank's share in the banks and financial institutions capital (50%)	-	(78)
The Bank's share in the capitals of insurance companies (50%)	(7)	(5)
Total regulatory capital	132,695	131,194
Total risk weighted assets	429,521	318,351
Capital adequacy ratio (%)	%30.89	%41.21
Basic capital ratio (%)	%30.32	%40.70



(52) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Analysis of both assets and liabilities, expected to be received or settled, is detailed per period as follows:

31 December 2017	Within one year	More than one	Total
	JD	year JD	JD
<u>Assets</u>			
Cash and balances with Central Bank	119,934,135	-	119,934,135
Balances at Banks and financial institutions	6,570,709	-	6,570,709
International Wakala investments	33,861,572	-	33,861,572
Deferred sale receivables and other receivables, net	230,401,314	185,754,230	416,155,544
Unconverted loans-net	18,874	18,874	37,748
Financial assets at fair value through unrestricted investment accounts	13,128,172	25,747,173	38,875,345
Financial assets at fair value through shareholders' equity -self financed	17,700	-	17,700
Financial Assets at Amortized Cost- Net	-	54,878,000	54,878,000
Investment in associate	377,262	-	377,262
Ijara Muntahia Beltamleek assets, net	29,969,671	225,738,948	255,708,619
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	21,299,772	21,299,772
Intangible assets-Net	-	1,449,583	1,449,583
Deferred tax assets	599,815	-	599,815
Other assets	7,527,176	-	7,527,176
Total assets	442,406,400	515,396,240	957,802,640
<u>Liabilities and equity of unrestricted investment accounts' holders</u>			
Banks and financial institutions' accounts	876,288	-	876,288
Customers' current accounts	120,068,965	-	120,068,965
Cash margins accounts	22,746,048	-	22,746,048
Income tax provision	2,603,048	-	2,603,048
Other provisions	84,603	-	84,603
Other liabilities	15,331,453	-	15,331,453
Fair value reserve — net	(820,121)	-	(820,121)
Unrestricted investment accounts	631,064,315	21,856,824	652,921,139
Investment risk fund	-	4,150,430	4,150,430
Provision of investment risk fund tax	1,695,297	-	1,695,297
Total liabilities and equity of unrestricted investment accounts holders	793,649,896	26,007,254	819,657,150
Net	(351,243,496)	489,388,986	138,145,490

31 December 2016

	Within one year	More than one	Total
	JD	year	JD
	JD	JD	JD
Assets			
Cash and balances with Central Bank	204,028,359	-	204,028,359
Balances at Banks and financial institutions	5,644,597	-	5,644,597
International Wakala investments	26,717,327	-	26,717,327
Deferred sale receivables and other receivables, net	221,619,047	156,718,481	378,337,528
Deferred sale receivables and other receivables, net	23,714	23,714	47,428
Financial assets at fair value through unrestricted investment accounts	7,357,161	14,717,377	22,074,538
Financial assets at fair value through shareholders' equity -self financed	-	-	-
Financial Assets at Amortized Cost- Net	-	27,439,000	27,439,000
Investment in associate	370,362	-	370,362
Ijara Muntahia Beltamleek assets, net	15,236,303	208,507,668	223,743,971
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	21,778,481	21,778,481
Intangible assets-Net	-	1,742,566	1,742,566
Deferred tax assets	599,815	-	599,815
Other assets	6,569,368	-	6,569,368
Total assets	488,166,053	431,436,947	919,603,000
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	2,142,078	-	2,142,078
Customers' current accounts	104,741,900	-	104,741,900
Cash margins accounts	8,111,831	-	8,111,831
Income tax provision	2,438,733	-	2,438,733
Other provisions	84,603	-	84,603
Other liabilities	11,989,540	-	11,989,540
Fair value reserve – net	(976,767)	-	(976,767)
Unrestricted investment accounts	632,306,079	19,209,390	651,515,469
Investment risk fund	-	5,526,435	5,526,435
Provision of investment risk fund tax	1,597,067	-	1,597,067
Total liabilities and equity of unrestricted investment accounts holders	762,435,064	24,735,825	787,170,889
Net	(274,269,011)	406,701,122	132,432,111

**(53) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)****A- Contingent credit commitments.**

	31 December 2017	31 December 2016
	JD	JD
Letters of credit	5,515,404	11,683,336
Acceptances	41,983,881	160,178
Letter of guarantees:		
Payment	1,249,115	1,431,979
Performance	1,080,654	1,589,862
Others	63,065	32,638
Irrevocable commitments to extend credit	82,461,132	89,602,441
Total	132,353,251	104,500,434

A letter was received by the Bank from the Central Bank of Jordan on 9 march 2016 along with a copy of the Prime Minister's letter and the legal opinion issued by the Legislation and Opinion Bureau regarding the balances of the so-called " The accounts of differences in interest rate of the loans given to the Industrial Development Bank previously". In response the management here assures that during the year 2010 the bank has recorded all balances of the Interest differences deposits(which relates to external loans granted to Jordanian institutions) to the Ministry of Planning and International Cooperation upon their request. Whereas the subject related to the Interest differences on the loans given to the Industrial Development Bank previously, in the management's opinion and the legal opinion, all the procedures followed by the Bank in relation to this subject are correct and have no effect on the accompanied financial statements.

(54) LAWSUITS AGAINST THE BANK

The Bank is defendant in number of lawsuits amounted to JD 2,512,624 as at 31 December 2017 (31 December 2016: JD 84,790). Management and its legal advisor believes that the lawsuits provision which amounts to JD 60,785 is sufficient to face any liabilities that may arise from lawsuits.

(55) COMPARATIVE FIGURES

Some of 2016 balances were reclassified to correspond with 2017 presentation. The reclassifications did not have any effect on profit and equity at 2016 .



(56) THE EFFECT OF NEW ISLAMIC STANDARDS 'ISSUED AND NOT YET EFFECTIVE'

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued financial accounting standard 30 "Impairment, credit losses and onerous commitments", which aims to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic Financial Institutions. The requirements of this standard regarding expected credit losses are similar to those of IFRS 9. This standard shall be effective from the financial periods beginning on or after 1 January 2020, early adoption is permitted.

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

Applying FAS 30 might require amending some law articles, or obtaining a legal opinion that allows the Islamic financial institution to use the remaining balance of the Investment Risk fund to cover any shortage in the calculated provisions according to the standard. Noting that the application of FAS 30 won't have a significant financial effect on the consolidated financial statements.

Knowledge

that fulfills your needs



Disclosure Requirements





Bank Competitive Situation as Part of Banking Activity Sector

The Bank finance portfolio went up, in the total finance in the Jordanian banking market, from 2.6% to 2.7%, as the finance portfolio achieved growth of JOD 64mn, by 11%, compared to 8% in the banking sector, while Bank assets increased by JOD 38mn, by 4% compared to 1% in the banking sector, which represents a share by 13% of the total banking sector growth.

As for deposits, they increased by JOD 17mn, by 2%, as the deposits at the Bank represent a market share of 2.3% in the Jordanian banking sector.

- **There is no reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively.**
- **There is no government protection or any privileged enjoyed by the Bank or any of its products, subject to the laws and regulations, as there are no patents or franchises acquired by the Bank**
- **There are no resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities.**
- **There are no contracts, projects or agreements held by the Bank with subsidiaries, sister companies, affiliate companies, chairman, board members, general managers or any of Bank employees, or their relatives.**
- **The international quality standards apply to the Bank, as it acquired:**
 - 1- Certificate of the international standard «PCI DSS» for applying the best international standards of information security in banking card transactions.
 - 2- ISO-9001:2008 certificate, for applying the international quality standards by SGS Company, with authorization from UKAS, United Kingdom.
 - 3- ISO-27001:2013 certificate for information security by SGS Company, with authorization from UKAS, United Kingdom.

Bank Capital Investment Volume

The total investment in the budget of 2017 reached JOD 950, including JOD 23mn investment in fixed and intangible assets, and JOD 927mn including investment in Bank portfolio, direct finance, and cash balances at banks, taking into consideration that the Bank authorized capital is JOD 100mn, while shareholders' equity reached JOD 138mn on 31/12/2017.

Fees of Bank and Subsidiaries' Auditors

The fees of Bank and subsidiaries' auditors reached JOD 77,176 in 2017, including sales tax. The fees of Bank and subsidiaries' tax auditors reached JOD 20,740, including sales tax. The fees for reviewing the policies of anti-money laundering and terrorism finance for the subsidiary (MISC For Financial Brokerage Co) reached JOD 3,463 including sales tax, as it was paid to the external auditors, and the due measures were adopted to maintain independency of the external auditor and obtaining approval of the auditing committee that emerged from the Bank Board of Directors.

Analysis of the Bank's financial position and the results of its operations during the financial year:

Most important results of the operations	2017	2016
Total revenue from unrestricted investments	50,970,727	44,734,724
Bank's share of revenue from unrestricted investments as Mudarib and Rab Mal	26,351,038	22,734,320
Net profit before taxes	8,750,732	8,836,214
Net profit after taxes	5,707,350	5,697,316
Most important items of financial position		
Total assets	957,802,640	919,603,000
Finance and investment	800,421,450	679,239,814
Total deposits	772,990,104	756,257,369
No of shares	100,000,000	100,000,000
Some financial ratios		
Return on assets	0.61%	0.67%
Return on shareholders' equity	4.22 %	4.28 %
Operating expenses/operating revenues	57 %	61 %
Shareholders' equity/total assets	14.42 %	14.40 %
Off balance sheet items		
Letters of credit	5,515,404	11,683,336
Letters of guarantees	2,392,834	3,054,479
Acceptances	41,983,881	160,178



The financial effect of non-frequent operations, occurred during the financial year, and don't enter into the Bank's main activity.

In 2017, the Bank, as part of its non-recurring activities, sold repossessed assets by the Bank against debts. The selling process resulted in capital profit of JD 26,000.

The Bank in 2017 paid exceptional and non-recurring expenditures for Rebranding Campaign for a total amount of JD 996,000, in addition to paying demnity to executive management members who resigned during the year.

Time series for the profits or losses incurred and the dividends, net shareholders' equity, and the prices of securities:

Item/year	2013 JD	2014 JD	2015 JD	2016 JD	2017 JD
Operating profits	17,305,945	18,261,362	22,662,226	27,613,894	31,258,090
Net profits before taxes	2,170,312	2,700,831	4,781,999	8,836,214	8,750,732
Net Shareholders' equity	129,315,082	130,452,868	133,734,795	132,432,111	138,145,490
Earnings per share	0.015	0.019	0.033	0.057	0.057
Share price	0.84	0.95	1.07	1.28	1.22
Dividend payout	-	-	%7 Cash	-	%5 Cash *

* Proposed distribution to shareholders

Donations and Grants Provided by The Bank in 2017:

1	The Jordanian Hashemite Fund	24,056
2	Young Muslim Women Association	10,000
3	United Pioneering Business	5,480
4	Jordan Medical Aid For Palestinians	5,400
5	Ministry of Awqaf Islamic Affairs and Holy Places	5,000
6	Al Aman Fund For the Future of Orphans	3,600
7	The Jordanian Association for Supporting the Children of Gaza Charity	3,000
8	Tag for Art Production and Distribution	3,000
9	Psychological Health Society	2,500
10	Association of Hadith and Revival of Heritage	2,000
11	Khair Jordan Foundation for Development	1,250
12	Saving Fund for Irbid Electricity Company Staff	1,000
13	Jasmine Fouondation for Training Courses	1,000
14	Jordan Administrative Leadership Society	1,000
15	Rawafed Cultural Forum	1,000
16	National Society For Investor Protection	1,000
17	Mohammad Al-Minwer Al-Hadeed Mosque Elementary School	983
18	The King Hussein Cancer Foundation	700
19	Bab El-Khair Association for Voluntary Work	600
20	Global Forum for Moderation	500
21	Jordan Today Centre for Development	500
22	National Society for Consumer Protection	500
23	Institute of Public Administration	500
24	Middle East University	500
25	Ahmad Abdalraheem Ahmed El-Horani	500
26	Ibn Sina Cerebral Palsy Society	450
27	Arab women Foundation	300
28	National Association for Political Development	300
TOTAL		76,619



Most Important Lawsuits Filed by and against Safwa Islamic Bank

First: Below are the most important lawsuits filed against the Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court
1871/2017	preventing claim of	JOD 1,996,751	Amman First Court of Instance
1292/2017	invalidating procedures of implementation of debt bonds worth	JOD 200,000 for the purposes of fees	Amman First Court of Instance
3155/2017	damage for the purposes of fees	JOD 200,000 for the purposes of fees	Amman First Court of Instance

The Bank management and lawyer believe that lawsuits provision, which amounts JOD 60,785 is enough for facing the liabilities that may be imposed on the Bank as a result of all lawsuits filed against the same.

Second: Below are the most important lawsuits filed by the Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court
91/2016	financial claim	JOD 379,970	Amman First Court of Instance
2728/2017	financial claim	JOD 2,932,000	Amman First Court of Instance
660/2016	financial claim	JOD 672,696	Amman First Court of Instance
354/2016	claim of compensation for acquisition	JOD 102,176	Irbid First Court of Instance
92/2016	financial claim	JOD 379,970	Amman First Court of Instance

The Bank management and lawyer believe that the Bank has a very strong opportunity to win such cases and collect the due debts.

Number of securities owned by members of the Board of Directors for the year 2017

31/12/2017							
Member's Name (representative of legal entity)	Nationality	executive / not executive	independent /not independent	Name of representative of the legal person	Nationality	Number of shares held by the legal entity	Percentage of shares held in the Bank's capital %
"Mohammed Nasser" Abu Hammour	Jordanian	not executive	not independent	Al-Etihad Islamic for Investment Co.	Jordanian	61,794,249	61.79%
Basem Salfiti	Jordanian	not executive	not independent				
Deema Aqel	Jordanian	not executive	not independent				
khaled Al-Gonsel	Libyan	not executive	not independent				
Dr.Ahmed Amneisi	Jordanian	not executive	not independent				
Fayez Al-Maremi	Libyan	not executive	not independent				
Dr.Nofan Al- Aqeil	Jordanian	not executive	not independent	Government Contributions Management Company	Jordanian	5,550,000	5.55%
Hamdan al-Fawair	Jordanian	not executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.93%
Name of Board Member (representing his personal capacity)	Nationality			Number of shares owned by a member of the Board of Directors		Percentage of shares held in the Bank's capital%	
Samir Abu lughod	Jordanian	not executive	independent	1,500		0.002%	
Haytham Kamhiyah	Jordanian	not executive	independent	2,000		0.002%	
Dr. Ibrahim Saif	Jordanian	not executive	independent	1,500		0.002%	
Member of the Board of Directors who owns shares in the Bank in his or her personal capacity	Nationality	Number of shares owned by a member of the Board of Directors		%Percentage of shares held in the Bank's capital			
Dr.Nofan Al- Aqeil	Jordanian	1,000		0.001%			
"Mohammed Nasser" Abu Hammour	Jordanian	-		-			
Basem Salfiti	Jordanian	-		-			
Deema Aqel	Jordanian	-		-			
khaled Al-Gonsel	Libyan	-		-			
Dr. Ahmed Amneisi	Jordanian	-		-			
Fayez Al-Maremi	Libyan	-		-			
Hamdan al-Fawair	Jordanian	-		-			



Number of securities owned by members of the Board of Directors for the year 2016

31/12/2016							
Member's Name (representative of legal entity)	Nationality	executive /not executive	independent /not independent	Name of representative of the legal person	Nationality	Number of shares held by the legal entity	%Percentage of shares held in the Bank's capital
Mohammad Al Sharif	UAE	not executive	not independent	MISC Investment Private Shareholding Company.	Jordanian	52,005,000	52.01%
Mohammad Al Falasi	UAE	not executive	not independent				
Dr. Omar Al Jazi	Jordanian	not executive	not independent				
Yanal Tsibneh	Jordanian	not executive	not independent				
Samer Haddad	Jordanian	not executive	not independent				
Jamel Anz	Jordanian	not executive	not independent	FCP FUND	Cayman Islands	9,795,249	9.80%
Dr. Nofan Al- Aqeil	Jordanian	not executive	not independent	Government Contributions Management Company	Jordanian	5,550,000	5.55%
Dr. Hasan Hasan	Jordanian	not executive	not independent	Social Security Corporation/ Social security Investment fund	Jordanian	5,967,651	5.97%
Dr. Faysal Al Hyari	Jordanian	not executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.93%
Name of Board Member (representing his personal capacity)	Nationality			Number of shares owned by a member of the Board of Directors		Percentage of shares held in the Bank's capital%	
Raslan Diranyeh	Jordanian	not executive	independent	1,780		0.002%	
Dr. Walid Al Nasaan	Jordanian	not executive	independent	1,000		0.001%	
Member of the Board of Directors who owns shares in the Bank in his or her personal capacity	Nationality	Number of shares owned by a member of the Board of Directors		%Percentage of shares held in the Bank's capital			
Dr. Omar Al Jazi	Jordanian	1,500		0.002%			
Mohammad Al Sharif	UAE	-		-			
Mohammad Al Falasi	UAE	-		-			
Yanal Tsibneh	Jordanian	-		-			
Samer Haddad	Jordanian	-		-			
Jamel Anz	Jordanian	-		-			
Dr. Nofan Al- Aqeil	Jordanian	-		-			
Dr.Hasan Hasan	Jordanian	-		-			
Dr. Faysal Al Hyari	Jordanian	-		-			

Names of major shareholders and the number of shares they own compared to the previous year

Members Name (representative of legal entity)	Nationality	31/12/2017		31/12/2016	
		Percentage of shares held in the Bank's capital %	Number of shares held by the legal entity	Percentage of shares held in the Bank's capital %	Number of shares held by the legal entity
Al-EtiHAD Islamic for Investment Co.	Jordanian	61.79%	61,794,249	-	-
Social Security Corporation	Jordanian	5.97%	5,967,651	5.97%	5,967,651
Government Contributions Management Company	Jordanian	5.55%	5,550,000	5.55%	5,550,000
MISC for financial brokerage	Jordanian	-	-	52.01%	52,005,000
FCP FUND	Cayman Islands	-	-	9.80%	9,795,249

* There is no ownership of securities owned by relatives of the BOD.

* There is no ownership of companies owned by the Board or their relatives except for what is mentioned above.

* There is no ownership for any of the top management or their relatives or companies owned by them.



Rewards and Bonuses of the Board of Directors Chairman and Members

Board of Directors Members	mobility Allowances & attending BOD meetings	Committees' membership	Bonus of 2016 that was paid in March 2017	Deducted taxes	Net
Dr. "Mohammad Naser" Abu Hammour	104,400	13,000	-	8,218	109,182
Hamdan Al Fawair	14,620	5,000	-	1,373	18,247
Dr. Nofan Al Aqeil	5,100	3000	-	567	7,533
Government Contributions Management Company	15,300	1,500	5,000	-	21,800
Deema Aqel	20,400	14,500	-	2,443	32,457
Basem Salfiti	20,400	13,500	-	2,373	31,527
Fayez Maremi	20,400	15,000	-	2,478	32,922
Khaled Al Gonsel	20,400	5,000	-	2,540	22,860
Dr. Ahmed Menesi	14,620	2,500	-	1,712	15,408
Saleh Al Ateeqi	7,820	1,000	-	882	7,938
Samir Abu Lughod	14,620	5,000	-	1,373	18,247
Haytham Kamhiyah	14,620	12,500	-	2,090	25,030
Dr. Ibrahim Saif	3,948	500	-	311	4,137
Social Security corporation	5,780	2,500	5,000	930	12,350
Dr. Faisal Al Hayari	5,780	3,000	5,000	965	12,815
Jameel Anz	3,230	3,000	1,875	567	7,538
FCP FUND	2,550	-	-	255	2,295
Raslan Deraneh	5,780	3,000	5,000	965	12,815
Dr. Waleed Al Nasaan	5,780	4,500	5,000	1,070	14,210
Dr. Omar Al Jazy	-	500	5,000	385	5,115
Mohammad Al Sharef	-	-	5,000	500	4,500
Mohammad El Falasi	-	-	5,000	500	4,500
Shahm Alwir	-	-	3,125	219	2,906
Yanal Tsibneh	-	-	5,000	350	4,650
Samer Hadad	-	-	5,000	350	4,650
Total	305,548	108,500	55,000	33,416	435,632

* Board of Directors members don't receive any salaries other than the allowance and the afore mentioned bonuses.

Benefits and Bonuses of the Members of the Shariah supervisory board

Members of Shariah supervisory board	Mobility allowance and attending Shariah Supervisory meetings	No of the meetings attended	Annual bonus	Deducted tax	Net
Prof. Dr. Hussein Hamed Hassan	6,381	6	7,090	1,347	12,124
Prof. Dr. Ali Mohi Al Din Ali Qora Daghi	4,254	4	7,090	1,134	10,210
Prof. Dr. Ali Muhammad Al Hussein Al Mossa	6,381	6	7,090	943	12,528
Dr. Ahmad Salem Bani Mulham	6,381	6	7,090	943	12,528
Total	23,397		28,360	4,367	47,390

- Number of meetings held during 2017 is (6)



Rewards and Bonuses of the Top Management

Employee's Name	Job	The amount of salaries and annual bonuses	Guaranteed Rewards	Mobility allowances	Total
Sami Al Afghani (resigned on 30/11/2017)	Chief Executive Officer	298,545	150,000	4,730	453,275
Dr. Haitham Jouher (resigned on 30/11/2017)	Deputy CEO Chief of Corporate Excellence	121,012	44,495	3,025	168,532
Rami Al Khayyat	Deputy CEO Chief of Corporate Banking	155,725	31,217	3,300	190,242
Ziad Kokash	Deputy CEO Chief of Risk Management	142,071	25,005	3,300	170,376
Hani Al Zrari	Deputy CEO Chief of Operations	143,650	16,972	3,300	163,922
Ibrahim Samha	Deputy CEO Chief of Finance & Corporate Strategies	147,285	37,949	3,300	188,534
Masoud Sakfal-Hait	Head of Legal & Board Secretariat	121,385	19,666	3,300	144,351
Rami Al Kailani	Head of Information Technology	89,617	5,108	2,900	97,625
Munir Farouneyah	Head of Sharia Supervisory	57,001	6,236	2,900	66,137
Khaled Al-Issa	Acting Head of Internal Audit	36,917	3,967	1,400	42,284
Nesfat Taha	Acting Head of Retail Banking	95,213	10,969	1,400	107,582
Wael Al-Bitar	Acting Head of Treasury and Investment	57,032	6,378	1,400	64,810
Yoaad Al-Dughmi	Acting Head of Corporate Communication and Marketing	24,174	2,629	1,200	28,003
Mohammed Al-Hawari	Acting Head of Human Capital Management	46,105	5,011	1,400	52,516
Ahmad Tarteer	Senior Manager - Head of Compliance and Anti-Money Laundering	53,358	5,893	1,400	60,651
Total		1,589,092	371,495	38,255	1,998,842

- Numbers mentioned above don't include indemnity which were given to resigned members during 2017.

Declarations of the Board of Directors

Each of the under signed Board of Directors declares that he / she did not gain any benefits , either cash or in -kind as a result of his position at the bank and was not declared whether for himself or any of his related parties during the year 2017 .

Chairman



Dr. "Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman



Hamdan Mustafa Al Fayad Al Fawair

Member



Basem Isam Halim Salfiti

Member



Deema Mufleh Mohammad Aqel

Member



Dr. Nouran Mansour Ageel Alaqil

Member



Khaled Amr E Algonseil

Member



Fayez Ahmed Hasan Maremi

Member



Dr. Ahmed Menesi Menesi

Member



Haytham Y.A. Kamhiyah

Member

Member

Samir H.A Abu Lughod



Dr. Ibrahim Hassan Mustafa Saif





Approval by the Board of Directors

1. The Board of Directors hereby declares that there are no material issues that may affect the Bank's continuity during the next financial year 2018.
2. The Board of Directors declares its responsibility for the financial statements and that the bank has an effective control system .

Chairman

Dr. "Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman

Hamdan Mustafa Al Fayad Al Fawair

Member

Basem Isam Halim Salfiti

Member

Deema Mufleh Mohammad Aql

Member

Dr. Noufan Mansour Ageel Alaqil

Member

Khaled Amr E. Algonseil

Member

Fayez Ahmed Hasan Maremi

Member

Dr. Ahmed Menesi Menesi

Member

Haytham Y.A. Kamhiyah

Member

Samir H.A Abu Lughod

Member

Dr. Ibrahim Hassan Mustafa Saif

Approval by the Board of Directors

We, the undersigned, declare that all information and data provided in this report are complete, accurate and comprehensive .



Chairman

Dr. "Moh'd Naser" Salem Mohammad Abu-Hammour



Chief Executive Officer

Samer Sa'di Hasan AlSaheb Al Tamimi



Chief of Finance& Corporate Strategies

Ibrahim Salah Mohammad Samha





In the Name of Allah, Most Gracious, Most Merciful

Declaration of not receiving any benefits

Peace be upon you,

Referring to Corporate Governance's instructions of Islamic Banks No (64/2017), we, the Sharia Supervisory Board Members, did not get any benefits which we didn't disclose during our work, whether materialistic or non-materialistic, whether to our personal benefit or to any of the stakeholders, in the past year 2016.

Therefore, hereunder are our signatures

Date: 29/1/2018

Chairman and Executive Member

Prof. Dr. Hussein Hamed Hassan

Board Member

Prof. Dr.
Ali Al Quradaghi

Board Member

Dr.
Ahmad Mulhem

Board Member

Prof. Dr.
Ali Al Mousa Al-Sawa

Number of the Bank's and subsidiaries' employees by qualification:

Qualification	Safwa Employees
PhD	-
Master	41
Bachelor	482
Higher diploma	3
Community college diploma	-
Diploma	22
Tawjihi (High school)	11
Lower than high school	13
Total	572

Training and qualification program for the Bank's employees:

Name of the Program	Number of Programs	Number of Participants	General Description of Program Objectives
Sharia Education Programs	4	188	These programs aim to develop employees' skills in the Sharia compatible banking, as well as to provide employees with the bases of Sharia compatible banking that enable them to serve clients properly and to avoid violating sharia in the implementation of transactions.
Education Programs of Applicable Policies, Laws, and Work Procedures	25	991	The Bank management has been keen to abide by all applicable policies and laws, which contributes to monitoring commitment to relevant regulations and legislations, including Central Bank requirements.
Cross Selling Skills	6	278	These programs aim to develop the skills of branch employees and direct sale besides getting them familiar with the bases of correct sale and serving clients in accordance with the highest quality standards.
Adopting Positive Behaviors and Communication Skills	15	70	They aim to develop employees' personal and administrative skills.



Name of the Program	Number of Programs	Number of Participants	General Description of Program Objectives
Programs of Favorable Practices in Customer Service	7	239	They aim to ensure employees' skills in terms of excellence in customer service, maintaining them, handling complaints, Affirming Bank message in respect of providing distinctive and innovative services that aim to build permanent partnership.
Programs for Training and Qualifying New Employees	4	242	Qualifying new employees and providing all information and required support for them to ensure their integration in the work environment and achievement of the performance expected from them as well.
Developing leadership and administrative skills	15	93	These programs aim to develop the leadership skills of managers as well as to help leaders achieve Bank objectives, besides providing them with the required skills that would enable them perform their works in a professional manner.
Specialized Banking Programs	143	765	They aim to ensure and enable employees to get familiar with their specialized work fields, as well as to be aware of the developments and updates of their fields, which boosts the capability and efficiency and of doing their various works.
Specialized Professional Certificates	36	98	Qualifying a number of employees and enable them to get the knowledge, as well as to boost their skills by obtaining specialized professional certificates.
Conferences and Forums	40	68	Attendance of Conferences and Forums.
Total	295	3032	

Risks Faced by Bank

The risks faced by Safwa Islamic Bank as part of the acceptable level by Bank Board of Directors, the Risk Management Committee, emerged from Board of Directors, determines the guidelines of risk management strategies and policies, being adopted by the Board of Directors. On the executive level, risks are managed in the Bank by a specialized Department consisted of qualified calibers, in line with Board directions and Bank general strategy, where this Department works on applying the best international practices in risk management (Basel Standards) II & III, in conformity with the requirements and guidelines of the Central Bank of Jordan.



The Bank Bonus Policy

The Bank adopts a clear-cut bonus policy which aims at creating excellent results through promoting the employees' excellence and high performance culture; that in return contributes to attracting distinctive, high-qualified and skilled calibers, in addition to maintaining, supporting and developing and the incumbent efficiencies to upgrade the Bank and increase its competitiveness.

The bonuses are annually distributed over the employees based on the annual performance assessment and the extent of achieving goals determined at the beginning of the year; while the bonus system is characterized by transparency and fairness; and is in line with the human capital policies and the institutional governance instructions.

Subsidiaries

Misc For Brokerage (Misc)*

- Established in 2011, with a capital of JOD 750,000.
- Its capital stood at JD 2 million by 2017-end.
- The company's major business is financial brokerage on the Amman Stock Exchange (ASE).
- The Bank owns a 100% stake in Misc.
- Jabel Amman Area, next to the Islamic Scientific College.
- Staff number: seven
- Misc's objectives: Trading securities on behalf of other persons and a broker for its account.

Jordan Dubai Real Estate Investment*

- Founded in October 2012 with a capital of JD 100,000.
- The Bank owns a 100% stake in Jordan Dubai Properties.
- The company's objectives: Setting up all types of housing and construction projects, along with their residential, trade, industrial, investment objectives; in addition to land development, real estate management, purchasing and selling real estate land plots; the sale, development, organization, division, distribution real estate land plots.

* In 2018, the Bank board directly took over the management of these firms.



Safwa Bank geographic locations and number of employees in each branch

Branch	District Name	Street	Building	Building No.	Telephone	Fax	Number of Employees
Headquarter	Abdali Abdali Project	Suleiman Al Nabulsi Str.	-	-	064602200	064602407	318
Main Branch	Abdali Abdali Project	Suleiman Al Nabulsi Str.	-	-	064602100	064602728	10
Jabal Amman	2 nd Circle – Jabal Amman	Islamic Scientific College	-	-	064602100	064602723	10
Al-Bayader	Al-Rawnaq / Wadi Essir	Hosni Sober	Mahmoud Bin Zakariiah Abzakh	33	064602100	064602711	10
Al Madina Al Monawarah	Assalam / Tela' Al Ali	Al Madinah Al Monawarah	Jordan properties	121	064602100	064602712	11
Shmeisani	Abdali Area	Elia Abu Madi	Wael Abu Hamdan	6	064602100	064602713	10
Al Wehdat	Al-Oudeh / Yarmouk Area	Prince Hassan	Eid Al-Fayez Building	313	064602100	064602714	8
Al Khaldi	Al Radwan Quarter / Zahran Area	Ibn Khaldoun	Khaldi Medical Plaza	38	064602100	064602719	5
Khalda	Khalda Neighborhood / Tela Al Ali Area	Amer Bin Malek	-	49	064602100	064602720	7
Al Jubaiha	Sweileh	Queen Rania Al Abdullah	-	-	064602100	064602722	8
Al Sweifiyeh	Al Sweifiyeh	Abdul Rahim Al Haj Mohammad	Hijazi Plaza	70	064602100	064602718	6
Taj Mall	Abdoun	Prince Hashem Bin Al Hussein Intersection	Taj Mall	-	064602100	064620721	13
Irbid	-	Al Hashmi	Al Rousan Building	-	064602100	064602715	10
Irbid	-	-	City Center	-	064602100	064602727	10
Zarqa	New Zarqa	36 Mecca Street	Al Kurdi Complex	-	064602100	064602716	9
Sahab	King Abdullah II Bin Al Hussein Industrial City	Banks Street	-	-	064602100	064602724	7
North Hashmi	North Hashmi	Batha' Street	-	-	064602100	064602725	7

Branch	District Name	Street	Building	Building No.	Telephone	Fax	Number of Employees
Jabal Al Hussein	Jabal Al Hussein	Khalid Bin Al Walid Street	-	203	064602100	064602726	9
Marj Al Hamam	-	Al Bakri Circle	-	-	064602100	064602729	7
Istiqlal Mall	-	Istiqlal Street	-	-	064602100	064602730	9
Abu Nseir	-	Abu Nseir Main Street	-	-	064602100	064602731	8
Wasfi Al Tal Street	-	Wasfi Al Tal	Walid Abbasi Complex	106	064602100	064602732 064602109	12
Tabarbour	Tareq	Tareq St. 78	Fahmawi Complex	-	064602100	064602733	10
Dabouq	-	King Abdullah II St.	-	149	064602100	064602734	10
Zarqa	-	Al Sa'adah St.	-	74	064602100	064602735	8
Arrabiyeh		Abdullah Bin Rawaha St.	-	17	064602100	064602737	10
Upcoming branches employees	-	-	-	-	-	-	30
Total							572



The Risk Management Department

In 2017, the Bank Risk Management Department has developed the reporting and policy system through updating general framework for comprehensive risk management by adding a special section on sharia risks and their management system. Furthermore, adopting the accepted level of risks for 2018 via an integrated document for all risks, that is supported by statistical and economic studies in order to demonstrate the system of adopting ratios and amounts for accepted risk levels.

The Bank Risk Management Department last year contracted with one of the international experts in (IFRS9); the project's first phase was completed, along with working on adopting an integrated automated system for (IFRS9), which is in accordance with the requirements of the CBJ's requirements and the international state-of-the-art practices.

The Risk Management Department has pursued the implementation of the operation risk management systems through completing the workshops of risk and control self-assessment (RCSA) with the Bank different departments and units, as well as the recent departments according to the Bank organizational structure; following up the enforcement of the corrective measures on control gaps; fulfilling the system of checking the current control regulations.

The Department has provided risk files for the Bank internal auditing department and internal control unit in a bid to set the base of applying the risk-based review and audit systems.

In the information security realm, the Department has managed the Payment Card Industry Data Security Standard (PCI DSS) version 3.2 and obtaining the international certificate.

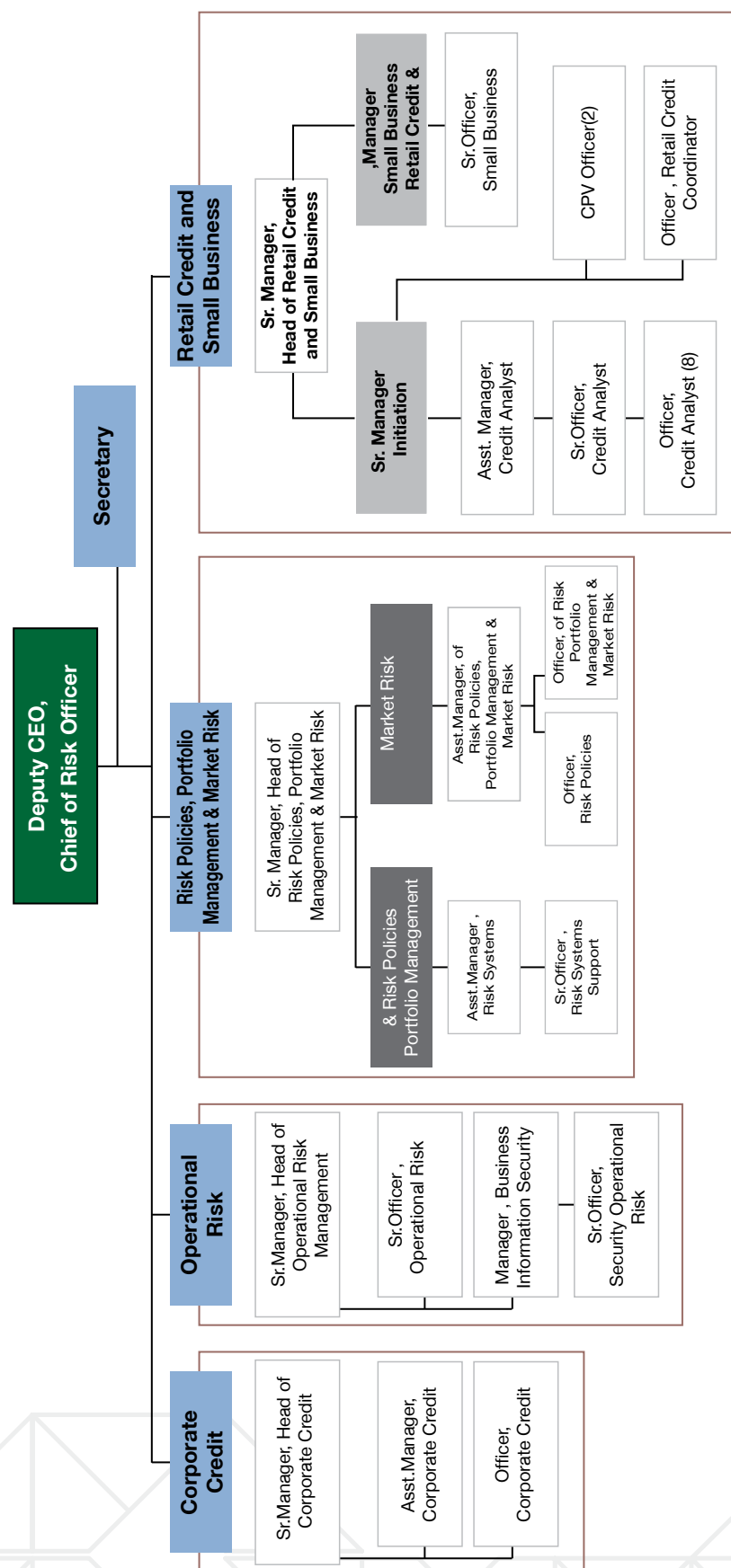
The Department also developed a full-fledged information security strategy at the Bank through completing and developing the information security policies according to the up-to-date practices; the management of projects which aim at improving the control stipulations system in the Bank technological environment.

In accordance with the CBJ's instructions, the Department took part in the implementation project of Control Objectives for Information and Related Technologies (COBIT5).

In the same vein, the Department has managed an information classification project, including paper-based and electronic information at all the Bank departments; these information was classified on the importance and confidentiality basis.

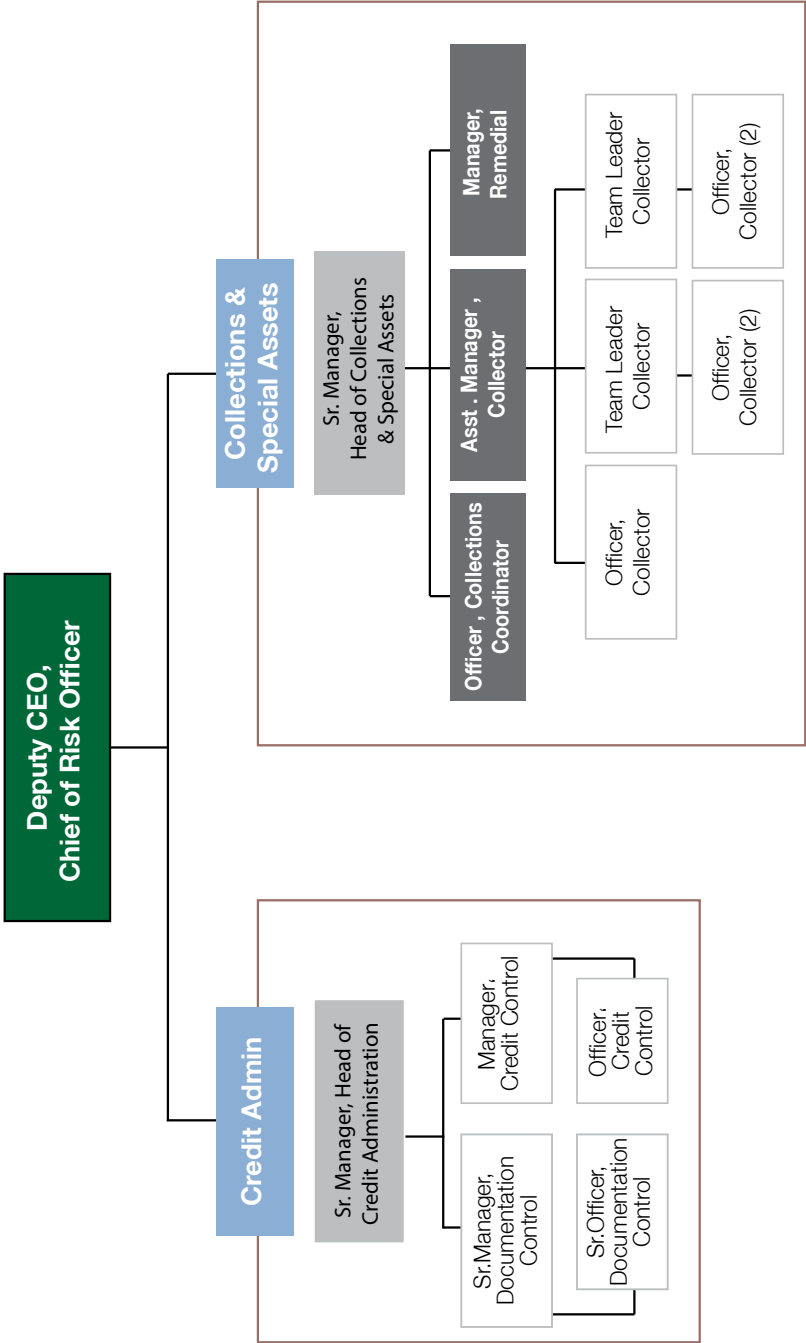
As for business continuity plans, the Department has managed the project of developing the Bank business continuity schemes in response to the external risk factors; checks and tests have been conducted in an effort to ensure readiness levels in the alternative sites.

Organization Chart – Risk Management 2017





Organization Chart – Risk Management 2017





Executive Management's Evaluation of the Effectiveness of Internal Control Systems:

The Bank's strategy, operational plans emanating from it, and related policies in various fields (credit, risk, human resources, information technology) are adopted by the Board of Directors. The Bank's Executive Management prepares the working procedures that govern all the Bank's operations, works to implement the policies adopted efficiently and effectively, conducts periodic review of these procedures, ensures alignment with the environment and work requirements, and makes sure of their ability to optimally implement the policies adopted.

The Board of Directors of Safwa Islamic Bank and the Executive Management are responsible for the development, implementation and maintenance of control systems and internal control at the Bank and is able to ensure and achieve the following:

- The accuracy of the information mentioned in the annual report
- The accuracy and integrity of the financial and operating statements issued by the Bank.
- Efficiency and effectiveness of the Bank's operations.
- The effectiveness of procedures for protecting the assets and property of the Bank.
- Compliance with internal policies and procedures and applicable laws and regulations.
- The adequacy of the systems of Sharia controls.

This comes from the Bank's belief in the importance of having adequate and effective internal controls which is the responsibility of the executive management to develop, implement and verify its effectiveness after adoption of the Board of Directors, in addition to the Executive Management of the Bank to develop strategies and policies and work on them to be applied after approval by the Board, in addition to the preparation and updating of work procedures in a manner that ensures the identification, measurement and control the risks facing the Bank and the application of these procedures, and the Board of Directors of the Bank is continuously monitoring And assess the efficiency and effectiveness of these systems and their ability to achieve the desired objectives and work to strengthen them.

In this context, the Board has outlined strategic objectives of the Bank as well as oversight of its executive management which is responsible for day-to-day operations. The Board also approves internal control and verification systems of their effectiveness and the Bank's compliance with the strategic plan, policies and procedures adopted or required by law and the instructions issued thereunder, in addition to ensuring that all the Bank's risks have been properly managed.



The implementation of supervision and internal control procedures is achieved through the following authorities:

Sharia Supervisory:

Sharia Supervisory is an essential part of the control systems falling within the Bank's organizational structure, as the Sharia Supervisory Board examines all issues, inquiries and funding formulas that the Bank handles.

The Sharia Supervisory Department within the Bank examines and assesses the extent of the institution's adherence to the principles and provisions of the Islamic Sharia, Fatwas, guidelines and instructions issued by the Sharia Supervisory Board of the Bank and the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Sharia Supervisory Board expresses its conviction and issues reasonable assurance that the Bank's management took on responsibility to abide by the principles and rules of Islamic Sharia.

The Sharia Supervisory Apparatus at the Bank obtains full and continuing support from Management and the Board of Directors, and this ensures the independence of belief among Sharia internal observers during performance of Sharia supervisory activities.

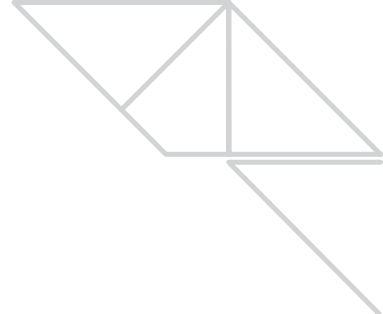
The Sharia Supervisory Board issues a report attached to the annual report of the Bank about the Sharia opinion on the Bank's work and activities, including the balance sheet and profit and loss account based on the Sharia audit reports and any other clarifications stating the presence of any violations of Sharia.

Human Capital Management:

Human Resources Department activities include the development and activation of all controls to place every employee in the proper position, according to the qualifications and job requirements, in addition to the continuous follow-up of his performance and evaluation on a semi-annual basis. This will be achieved by the preparation of a job description specifically for each employee in line with the organizational structure of the Bank and the human capital management policy, as well as what can be achieved through continuous training for all Bank employees in order to promote their competencies to make sure they possess the qualifications required to perform their job professionally.

Internal Audit:

The basis for the process of internal audit are the internal audit policy, the Charter of the Internal Audit Committee, the internal audit, and the annual plan approved for the audit process within the Bank. A documented audit process is conducted for all operations, branches and departments of the Bank periodically to ensure the accuracy of work in each of them to determine the extent



of progress in achieving the target in work, and to prepare a report that includes the extent of the correction required in each area. The Internal Audit Department also develops its working methods towards risk-based audit approach in order to increase its effectiveness, and the audit procedures are implemented with complete independence and reports are submitted to the Audit Committee of the Board.

The charter of the internal audit was also prepared and approved by the Board of Directors which includes functions of the Audit Department, its responsibilities, powers and working methodology.

Key features of the Charter:

The Service is fully independent and does not undertake any executive work.

- Obtain any information and contact any employee within the bank and enjoy all the powers that enable it to perform
- The tasks entrusted to it best.
- Provide reasonable assurance about the effectiveness and efficiency of the Bank's internal control systems and their ability to achieve the accuracy and reliability of financial and operational data, operational efficiency and compliance with the regulations, Instructions and laws in force and the preservation of the assets and property of the Bank and the continuity of work under all circumstances.

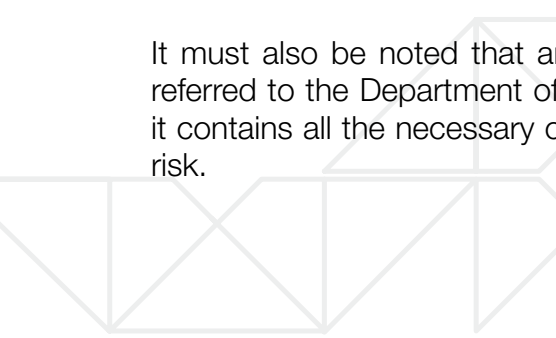
The activity of the department includes all the work centers, activities and operations of the bank and its subsidiaries in a way that the department can assess the adequacy and effectiveness of internal control systems, risk management processes, ;and compliance with the Bank's internal policies, international standards and relevant legislation in accordance with the established annual audit plan.

The Audit Committee prepares an annual plan according to systems Internal control to reduce risks to the Bank and to make appropriate recommendations for correction of weaknesses. The quality service concept has been introduced in the Internal Audit Department with the aim to provide reasonable assurance to the relevant parties about internal audit activities and make sure they are within internationally recognized standards

Risk Management:

The general framework of risk management includes the main umbrella for risk management at the Bank, the ensuing credit guide, and operational risk management policy.

It must also be noted that any new product or action is prepared by the concerned party, referred to the Department of Risk / Operational Risk Management in advance to make sure it contains all the necessary controls and ensure their effectiveness in reducing the perceived risk.





The Department is also involved in making credit decisions after reviewing requests for banking facilities in a neutral and objective manner. In addition, the Department exercises through its various sections diligent oversight to facilities activities upon granting them, including dealers assessment on «Optimist Rating System» SunGard. Focused reviews on the credit portfolios and their evaluation are also performed from the risk management perspective. The level of privileges and completeness of guarantees offered to the Bank will be ascertained before using any credit facilities through various levels of control. Existing guarantees whose value is prone to change, and guarantees associated with specific deadlines are also reviewed.

Credit facilities will only be activated on the basic banking system after ensuring the safety of all granting procedures and proper legal documentation.

As for the accounts that show signs of delinquency, the early warning procedures and applicable vigorous follow-up ensure taking the necessary corrective and preventive steps, and these procedures adopt too conservative standards in order to allow for quick move to ward off the risk of delinquency.

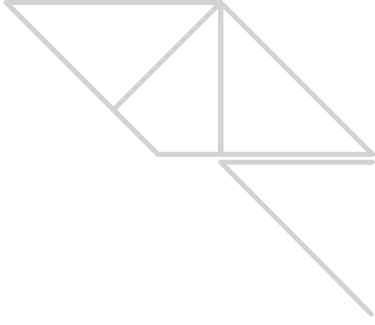
Finance Department:

The consolidated financial statements of the Bank and its subsidiaries are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in accordance with the applicable laws and regulations of the Central Bank of Jordan, Shareholders' equity separation is considered from the unrestricted investment accounts. The aim is to show the financial position of the Bank in a just and true manner and provide the necessary information needed for the decision-maker to take the appropriate decision.

The quarterly performance of the Bank is assessed objectively and impartially based on the targets specified in work plans and estimated budget. The Department of Finance also follows the implementation of policy approved for the measures to adjust current and capital expenses at the Bank, which include all relevant aspects in terms of the privileges, limits, approvals, exceptions, methods of measurement and analysis and monitoring of compliance with the action plans and estimated budget for the expenses of all departments, either the expenditure of new projects or ongoing expenses.

Operations Department:

The Operations Department is keen through its various sections to apply integrated steps in banking operations, the primary objective of which is to make sure that the implementation of these operations is in accordance with the banking principles and within an effective control framework. All procedures which show the implementation mechanisms of various banking operations that are prepared in accordance with international quality standards, including the



necessary regulatory procedures are also documented. The Internal Control Unit also undertakes the tasks of reviewing reports and daily audit engagements to records, reconciliations, bank accounts, foreign balances, investments, etc. and ensures compatibility of implementation with the instructions adopted.

Information Technology Department:

The Information Technology Department operates according to a methodology through which it determines owners of systems, thus specifying the responsibilities, so as to ensure the safety of the use of the automated system in accordance with effective controls in systems subject to constant monitoring, including system maintenance operations, and any emerging applications are made within strict procedures ensuring the protection of the systems and data at all times.

Compliance & AML Department

The Department as part of its functions ensures the Bank Commitment to rules, laws and instructions which organise its work, and related reports are delivered to Compliance & AML Committee deprived from the Board as well as revision of policies & procedures and products to make sure they comply with compliance & AML policy & Sharia Compliant.

Security and Safety Requirements:

The Bank is committed to the enforcement of strict requirements of security and safety in accordance with the best international and regulatory standards, and this is checked routinely and continuously.

Through this evaluation, the Executive Management can ascertain that the departments concerned with oversight and internal control had carried out their set plans, and that work was at a high level of discipline and professionalism.



Safwa Islamic Bank (SIB) key services and products

Corporate Banking Services:

The Bank offers diversified sharia compliant financial products that include the direct facilitations such as Al murabaha, murhabha by agency, and leases. In addition to indirect facilitations as documentary credits and letters of guarantee. The Corporate Banking Department offers the first account of its kind in Jordan, which is the investment saving account that is directed to companies and institutions, in addition to offering creative financial solutions for the customers operating under the umbrella of the Islamic banks systems. The services of the department also include financing of medium and big companies in different economic sectors, concentrating on establishing a strategic relationship with the customers based on the unique services offered to them, and understanding of their particular financial needs.

Retail Banking Services:

Banking services of VIP customers (Safwa Gold): SIB is Jordan's first Islamic lender offering sharia-compliant services for the VIP customers. Through its six Safwa Center s at the Bank branches, SIB is keen on providing Safwa Gold clients with a bundle of innovative and excellent services. Safwa Gold provides a dedicated Relationship Manager to help the VIP customers to meet their financial demands easily and accurately. The Bank also has signed strategic partnerships with leading institutions in the Jordanian market to offer special advantages and discounts to Safwa Gold customers.

Funding services: The retail banking department offers a various bundle of retail sharia-compliant products designed to fit the customers' different needs. Our products include:

Financing products under Murabaha

- Personal loans to purchase commodities, such as furniture, electrical appliances and building materials.
- Competitive equity funding service at the Islamic banks, which provide an option to purchase assets (equities) in companies with permissible activities.
- **Sharia compliant auto finance:** The Bank has managed to build strategic ties with the suppliers; providing competitive and funding offers with soft terms.
- Financing the travel expenses for performing Hajj and Umrah; the expenses of family holidays; the costs of wedding halls and school fees through Ijara Services funding program.
- Goods Murabaha funding product in Musawama Finance, under which the customers could finance their goods purchases at the same cash price without profits through a network of the Bank authorized dealers.

Financing products under Ijara and Ijara Muntahia Bittamleek:

- Financing the purchase of finished apartments and houses

- Financing the purchase of land plots that will be used in building and financing farms.
- Financing commercial offices such as clinics and engineering bureaus.
- Refinancing owned properties.

Account and deposit services: They include current and saving accounts, Children's Saving Accounts «Kinzy», Harir Ladies Accounts. The Bank is distinctive among the Islamic lenders in offering term deposits with a competitive price and features. The Bank provides monthly term deposits with quarterly return payment, which regards a cutting edge for the Bank. Moreover, the Bank also offers Islamic certificates of deposit (CDs) for individuals and financial institutions for the customers who seek to get a suitable return. Furthermore, the Bank provides the service of hiring iron vaults at some branches with various sizes to enable the customer put their valuables.

Electronic banking services: The Bank continuously aims at providing state-of-the-art methods for its customers to complete their transactions easily and around the clock through electronic channels comprising ATMs, online banking, SMS and mobile banking services. In addition, the bank provides call center service, which secures assistance to the customers concerning their banking accounts, the products and the offers as well as handling complaints and following them up to ensure the provision of distinguished services to the customers.

Bank Cards: The Bank offers free Visa Electron cards which enable customers to perform various services on their accounts such as cash withdrawals, payment of purchases locally and abroad, in addition to their inquiries about accounts and others.

The Bank also provides monthly payment cards, both classic and gold, which are designed to suit the customers' various purchasing needs. The cards can be used in Jordan and abroad. The Bank also launched Visa Signature cards for Elite Gold customers, which offer exclusive benefits and rewards to their holders such as entering VIP lounges at 500 airports in addition to numerous services, offers and discounts around the world.

Treasury and Investment Department: The Treasury and Investment Department provides regular and innovative financial services that comply with Islamic Shari'a for the various Bank departments and customers, which help to invest cash surpluses and manage the financial risks that the bank and customers may expose to and the most important among these services comprise:

- Exchange of current foreign currency.
- Exchange of future foreign currency for an agreed period of time
- Investment in international agencies and international murabaha.
- Investment in international and local instruments and local and regional stocks
- Investment in Certificate of Deposits issued by the Bank to customers and financial institutions.
- The service of arranging & issuing Sukuk for local corporations and secretariat of the issuance.
- Custody services.



A summary of the policy of regulating the relation between the Bank (the Mudarib) and the Investment Accounts Holders

Safwa Islamic Bank

First: Definition of the Investment Accounts:

Investment Accounts (Investment Deposits):

The amounts which the Bank receives from the investors on the basis of Mudaraba and their owners authorize the Bank to invest them on the basis of Mudaraba. The investment accounts are divided into investment accounts that are managed on the basis of unrestricted Mudaraba where the Mudarib is authorized to invest the money as its deems appropriate, and the investment accounts that are managed on the basis of restricted Mudaraba where the Mudarib is restricted by the type and method of certain investment determined by the owner of the money (Rub Al Mal). The relationship between the owners of these accounts and the Bank is a relation between the owner of the money and the Mudarib. In case the Mudarib is one and the owners of the money are more than one, the relation shall be subject to the Islamic Sharia controls on joint Mudaraba.

Joint Investment Accounts:

The amounts which the Bank receives from the investors where the owners of such amounts authorize the Bank to invest such amounts on the basis of unrestricted Mudaraba without linking with project or certain investment program. The accounts holders and the Bank share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The accounts holders bear all losses pro rata to their shares in the capital, except the losses resulting from negligence, willful misconduct or breach of conditions where such losses shall be borne by the Bank (Mudarib).

Restricted Investment Accounts:

The amounts which their owners authorize the Bank to invest them on the basis of restricted Mudaraba in a certain project or particular investment program. The Bank and account holder share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The owner of each account bears the loss pro rata to its shares in the capital, except the losses resulting default from negligence, willful misconduct or breach of conditions where such losses shall be borne by the institution.

Second: Investment Priority / Equal Investment Opportunities:

The principle of equal investment opportunities is applied between the funds of the shareholders and the funds of investment accounts holders in the joint Mudaraba. The Bank's self-investments are reflected in accounts separated from the joint investment accounts.

Third: Elements / Basics of Profits Distribution:

Calculate the net profits of the common pool.

Determine the amounts of the shareholders invested in the common pool.

Determine the amounts of the owners of the unrestricted / restricted investment accounts in the common pool.

Determine the points (Allocation of weightages to average balances).

The profits allocation before reserves and the Mudarib's share of the profits and the shareholders contribution in certain deposit categories.

Transfers to or from the investment risks Reserve (IRR).

Allocation of the Mudarib share in the common pool profits.

Transfers to or from the Profit Equalization Reserve (PER).

Allocation of share from the shareholders' profits to the unrestricted / restricted investment accounts holders.

The income tax of the unrestricted / restricted investment holders "withholding tax".

Fourth: Zakat:

The responsibility for paying Zakat rests with shareholders and the unrestricted/restricted investment accounts holders where the Bank's Management is not authorized to pay it directly and due to the absence of a law to collect it. In addition, as the Bank's article of association or the decision of the General Assembly don't stipulate and due to the absence of authorization from the shareholders, the shareholder and the unrestricted/restricted investment account holder pay zakat on his shares and funds when the zakat requirements and legal controls are met.

Fifth: Profit Equalization Reserve (PER):

This reserve is created / composed in order to distribute appropriate and competitive rates of return to the unrestricted / restricted investment accounts holders as well as to the shareholders in case of exceptional circumstances and sharp fluctuations in the markets that make the realized profits rates less than the expectations of the unrestricted / restricted investment accounts holders. This also applies to the Bank's shareholders. This reserve is composed with the prior approval of the Sharia Supervisory Board and the consent of the unrestricted investment accounts holders.

This reserve is allocated from the profits of the unrestricted / restricted investment accounts



holders and shareholders from the common pool before deducting the share of the Mudarib. The remaining balance in the reserve account is invested in the common pool and the profits realized from investing this balance are added to the reserve account.

Sixth: Points (Allocation of weightages to average balances:

“It is implicitly agreed that the return on deposits is paid on the full value of the deposit and the weighting weights are just a means to calculate the investor’s share of the joint common pool revenues.”

The weighting weight is allocated based on:

- The deposit value (according to a preset schedule determines the weights and explained to the customers)
- Deposit Term
- Recurrent payment of profits to the customer: Will the payment be recurrent during the period of retaining the investment deposit or it will be only paid on the final maturity date of the deposit?

Seventh: Investment Risks Reserve (IRR):

The Bank is committed to maintain investment risks reserve in the joint investment accounts to cover any losses in excess of the total investment profits in a given year. This reserve is fed as follows:

- Deduct not less than (10%) of the net investment profits realized from different current operations during the year.
- Increase the percentage specified above upon the order of the Central Bank where the increase will take place in the fiscal year following the year in which it was decided to make the amendment.
- Stop the deduction when the amount in the reserve becomes two times the Bank’s paid-up capital, or any other amount determined by the Central Bank.
- The balance of the investment risks reserve shall be devolved upon the Zakat Fund / Ministry of Awqaf and Islamic Affairs and Holy Places after paying and covering all expenses and losses for which the Reserve was established in case of liquidating the Bank.

Eighth: Allocation of the Mudarib share in the common pool profits:

After calculating the profits for each deposit category and making transfers to the investment risks Reserve, the Mudarib share of the profits will be calculated by applying (fixed percentage) the agreed upon Mudarib share to the net profit after transfers to or from the investment risks Reserve.

After deducting the Mudarib’s share from the profit, the annual profit rate for each category after the Mudarib share will be concluded in contrast to the deduction in each deposit

category (proportionally).

The annual profit rate for each category after the Mudarib share = the annual profit rate for each category after the investment risks Reserve x (1-Mudarib share%).

Ninth: Transfers to or from Profit Equalization Reserve (PER):

If the rate of return of the unrestricted / restricted investment accounts holders during the period of distributing certain profits is significantly higher than the market rates, the Management of Safwa Islamic Bank will be allowed, after taking the approval of the Sharia Supervisory Board, to deduct part of the common pool before deducting the Mudarib share and transfer it to the Profit Equalization Reserve (PER).

If the rate of return of the unrestricted / restricted investment accounts holders during the period of distributing certain profits is lower than the market rates, the Management of Safwa Islamic Bank will be allowed to compensate the unrestricted / restricted investment accounts holders and the shareholders by transferring the required amount from the said reserve account to increase the return of the unrestricted / restricted investment accounts holders and the shareholders.

Any movement on the Profit Equalization Reserve (PER) account must obtain the prior approved of the Sharia Supervisory Board.

Tenth: The income tax of the unrestricted / restricted investment accounts holders “withholding tax”:

5% income tax will be deducted from all profits of the unrestricted / restricted investment accounts holders upon the decision of the official concerned department (the Jordanian Income and Sales Tax Department) unless these deposits are exempted by law.

Eleventh: Profits Realization:

To achieve the distributable profits, it is conditioned that:

The soundness of the capital where the profits on the investment accounts cannot be realized without hedging the capital.

Actual or Legal Liquidation

The investment accounts profit is realized after liquidating the Mudaraba assets, whether it is actual by transferring all assets into cash and collecting all debts, or legally by evaluating the non-cash assets and evaluating the debt in terms of collectability and allocating provisions for the bad debts. Regarding the cash, it is stated in its amounts.



Covering the following expenses:

The expenses of investing the investment accounts balances to credit the direct costs to each process to implement it.

With respect to the investment of the investment accounts balances from the joint expenses without regard to the Bank's activity.

The investment accounts don't bear the expenses of the business which should be performed by the Mudarib, including the general and administrative expenses for the financing and investment departments, the administrative departments at the Bank such as, for example but not limited to, the Risk Management Department, the Retail Finance Department, the Corporate Finance Department, and the Financial Department.

Deducting the provisions and reserves related to the investment from investment income to reach the distributable profit, such as the investment risks Reserve and the Profit Equalization Reserve which are deducted from the gross profit before deducting the share of the Mudarib.

The following shall be considered in the profit realization:

If losses are incurred in some joint investment operations which began and completed in a given year, such losses shall be covered from the profits realized by the other joint investment operations which began and completed in the same year. If the losses are higher than profits in the same year, they will be covered from the investment risks Reserve.

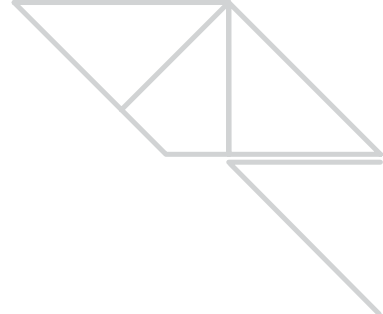
If the joint investment operations began and continued in previous years, and it was found in a given year that these investment operations suffered losses, such losses will be covered from the investment risk Reserve.

As the unrestricted investment accounts on the basis of ongoing joint Mudaraba are characterized by non-synchronization at the beginning and end of the deposits in the accounts, the profit of the deferred operations over subsequent periods will be distributed to their full terms pro rata to each period.

Twelfth: Profit Entitlement:

The Bank shall announce all types of accounts managed within the common pool portfolio as well as the ratios approved for distribution for each of these accounts at all Bank's branches in a prominent place clear to the customers.

"the unrestricted investment accounts holders shall be entitled to the profit upon sharing on the basis of the ratio and it may not be determined as a lump sum". The Bank may determine ratios differ from ratios of different segments of investment account holders, and the profit ratio



may be unified between the Bank and all investment accounts holders.

The profits ratios could be unified between the investment accounts holders, and may be different and determined on the basis of known weights.

If the Bank mixes the Mudaraba funds with its own funds (idiomatically), it becomes a partner and Mudarib in the others' funds and the realized profit will be distributed to both funds, the Bank will take the profit of its work and funds. What applies to the other investment accounts holders shall apply to the Bank's share of profit.

Thirteenth: Disengagement / Discharge:

An account holder may exit all or some of his amount in a reconciliation of his share in the Mudaraba assets, and not as a recovery of his cash amount (deposited in the account) in whole or in part. If the Bank determines the discharged amount to win nothing or to win less than it deserves if it has remained, this will be permissible, and not a deprivation of profit; rather, it is a disengagement per the supply and demand and the joint investment account holder discharges the other investors (investment accounts holders) upon the disengagement from any undistributed or unrealized profit, from the provisions for the investment risks, from the Profit Equalization Reserve, and the investment risks Reserve, and donate the remaining amount to the Zakat Fund upon the liquidation of the investment pool, and the investment accounts holders discharge the investor (the withdrawing investor) from any unrealized loss.

The investor shall bear the loss pro rata to the period in which the amount remains participating in the investment account before its recovery and shall not bear the loss of the remaining period in the year after its recovery.

Fourteenth: New products within the joint pool:

If the Bank launches any new product (obligations) falling under the concept of joint investment deposits and having impact on the profitability of the unrestricted investment accounts holders such as the Islamic deposit certificatesetc., this would require the prior approval of the Sharia Supervisory Board to be launched in accordance with the limitations and conditions approved by the Bank's Sharia Supervisory Board.

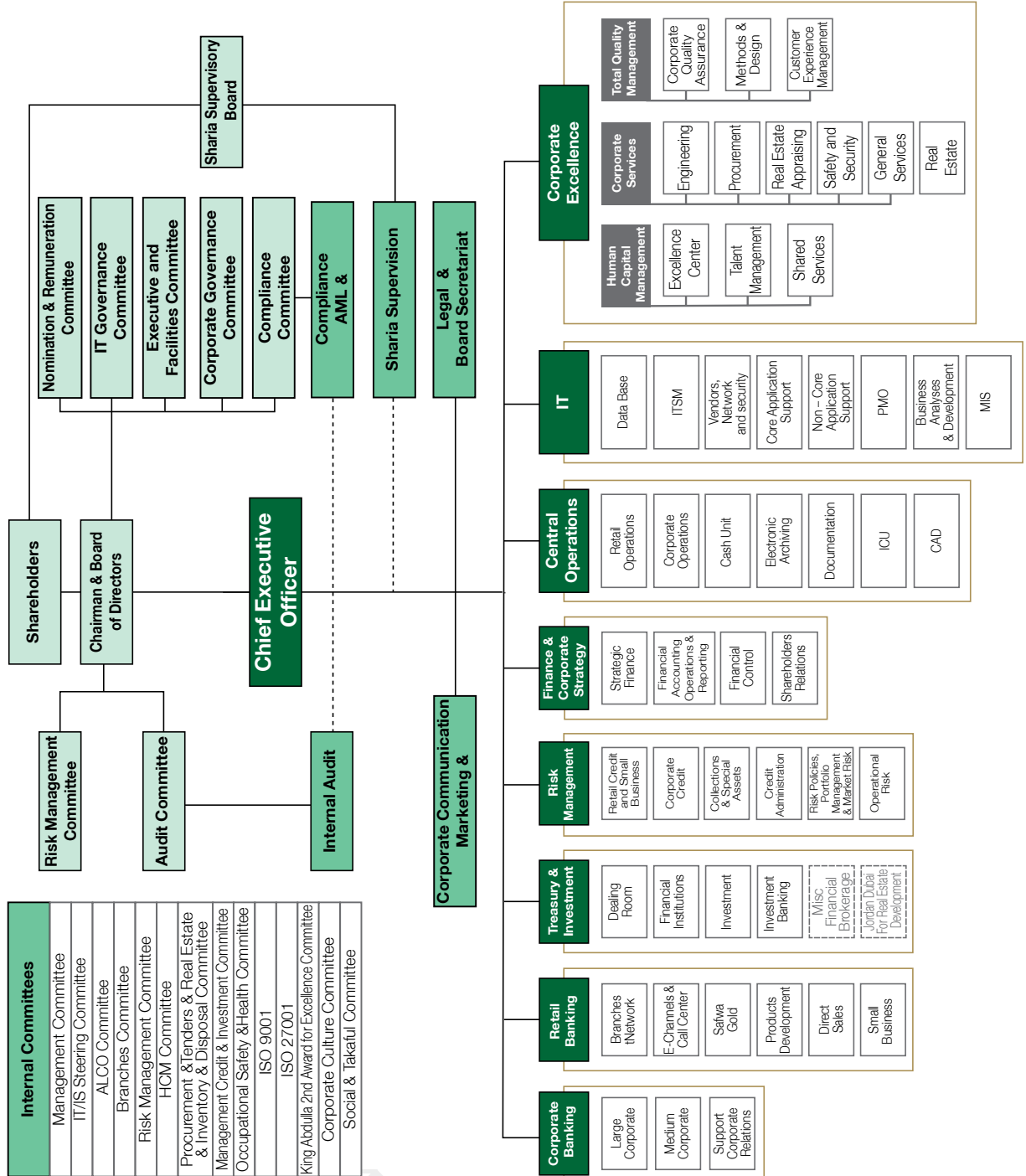


Customers' Complaints Center Annual Report

Customers' complaints center handled 690 complaints during the year 2017; and took the necessary procedures, statistics of complaints according to delivery methods as follows:

Complaint delivery method	number
Via phone	460
Approved form at the branch	17
Attendance at complaints center	57
Written book	33
Social media websites	48
E-mail	12
Central Bank of Jordan	13
Website of the Bank	50
Total	690

Bank's Organizational Structure 2017



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Corporate Governance Manual and Governance Report





Information and details regarding applying the provisions of Corporate Governance and Companies Governance Guidelines

The Bank Corporate Governance Manual and Governance Report have been prepared in line with the amended Corporate Governance Directives of Islamic banks no. (64/2016), which is issued by the Central Bank of Jordan and the Corporate Governance Regulations of listed companies for the year 2017 issued by Jordan Securities Commission. The Bank top management and under the supervision of the committees emerging from the Board of Directors perform the tasks and procedures necessary to comply with the instructions of the Central Bank of Jordan and the Jordan Securities Commission in addition to submitting periodic reports to the Board of Directors on the extent of compliance with the instructions and procedures taken in this regard.

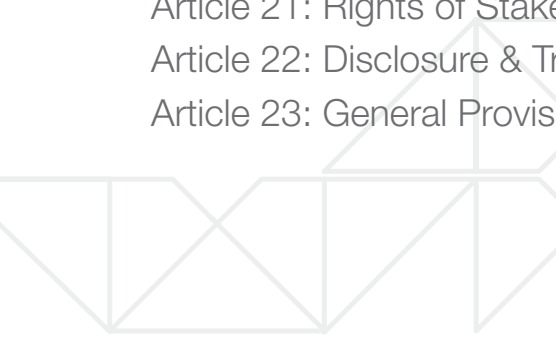
Dr. Mohamed Abu Hammour
Chairman



Corporate Governance Manual For Safwa Islamic Bank 2017

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Introduction

This corporate governance manual has been prepared in line with the modified instructions of the Islamic Bank's corporate governance No (64/2016) issued by the Central Bank of Jordan dated 25/9/2016, as well as the corporate governance principles issued by the Organization of Economic Cooperation & Development (OECD) and the directions issued by Basel Committee with a view to reinforce the corporate governance in banking institutions and in conformity with the applicable banking best practices in a manner to coincide with the Bank's needs and policies.

The application of corporate governance within the Bank provides a basis for future corporate development and performance; supports confidence in the Bank's activities and dealings, and enables the Bank to successfully contribute to the Jordanian banking system development which would enhance the efficiency of the National Economy and create an atmosphere of assurance to both the shareholders and clients.

This manual is based on a number of key principles that will effectively contribute to the application of the best practices of the corporate governance within the Bank, most notably:

- Fairness in dealing with all stakeholders like: depositors, shareholders, funders, Bank employees, and control authorities.
- Transparency and disclosure in a manner that enables related parties of evaluating the Bank's position and financial performance.
- Accountability in the relationship between the Bank's executive management and the Board of Directors; the Board of Directors and the shareholders; and the Board of Directors and other related parties.
- Responsibility in terms of clear segregation between responsibilities and delegation of powers.

Article 1: Definitions

The following words and phrases, wherever remunerated in this manual, shall have the meanings ascribed hereunder:

Phrase	Definition
Corporate governance	The system that guides and manages the Bank and aims to define and achieve the Bank's corporate objectives, in order to safely manage its operations and safeguard interests of the depositors and holders of investment accounts, and to comply with the due liability vis-à-vis shareholders and other stakeholders, and the Bank's commitment with its policies and internal regulations.

Suitability	Existence of certain requirements among the Bank's board members, its top executive management, and members of the Sharia Supervision Board.
Board (BOD)	The Bank's Board of Directors.
The Authority	The Sharia Supervision Board of the Bank.
Stakeholders	Any party of interest in the Bank like the depositors, holders of investment accounts, shareholders, employees, creditors, clients, or the concerned control authorities.
Major shareholder	The person who holds 5% or more of the Bank's capital whether directly or indirectly.
Executive director	A member of the board of directors who participates in the daily operations of the Bank and receives payments for his work.
Independent member	A member of the board of directors who is not subject to any influences that limit his ability to make objective decisions for the interest of the Bank, and possesses the requirements set forth in this manual.
Top executive management	Includes the general Manager of the Bank, deputy general manager, CFO, Chief operations officer, chief risk officer, chief internal audit officer, director of Sharia internal audit department, chief treasury officer (investment), chief compliance officer, in addition to any Bank employee assuming executive authority equal to any of the authorities of any of the aforementioned and reports directly to the general manager without contravening the human capital policies.

Article 2: Dissemination of Corporate Governance Manual

Safwa Islamic Bank shall post its manual on its website and disseminate it in any other mean suitable to introduce it to the public. The Bank discloses in its annual report the existence of the corporate governance manual and discloses the information that concerns the stakeholders including the Manual as well as the extent of commitment to applying its provisions.

Article 3: Composition of the Board of Directors

- a- The number of the Board Members should not be less than eleven.
- b- None of the members may be an executive director.
- c- The number of independent directors may not be less than four.
- d- The conditions to be met and satisfied by the independent directors are as follows:
 - 1) The member was/is not an executive director in the Board during the three years preceding his election,



- 2) The member was not employed by the Bank or by any of its subsidiaries during the last three years preceding his election.
- 3) The member is not related to any of the other Board members, or to any member of the Board of directors of the Bank's subsidiaries or to one of the major shareholders in the Bank in any kinship up to the second degree.
- 4) The member has no relatives among the members of the top executive management of the Bank or any member of the top executive management of the Bank's subsidiaries up to the second degree.
- 5) The member is not a partner or employee of the external auditor of the Bank or was not a partner or employee during the three years preceding the date of his/her election as a member of the Board and he has no kinship with the partner in charge of the audit process up to the first degree.
- 6) The member is not a major shareholder in the Bank or proxy of a major shareholder or an ally to a major shareholder in the Bank, or his/her contribution with the ally contribution would constitute an amount equal to a major shareholder's share or a major shareholder in one of the Bank's subsidiaries.
- 7) The member has not assumed membership of the Bank's Board of director or its subsidiaries or has not been a Board director for more than eight consecutive years.
- 8) The member or any company in which he is a director of the Board or owner thereof or a major shareholder therein has not received a trust from the Bank in excess of 5% of the subscribed capital of the Bank and he/she is not a guarantor of a facilities from the Bank of value that exceeds that percentage.
- 9) The member is highly qualified and experienced in financial and banking matters.

Article 4: Meetings of the Board of Directors

- a) Members of the Board shall attend the Board's meetings in person, if the member cannot personally attend the meeting; the member may express his/her viewpoint via phone or videoconference, after obtaining the consent of the Chairman of the Board, but without having the right to vote or sign the minutes of meeting.
- b) The Bank shall record the minutes of meetings of the Board and its committees comprehensively and accurately as well as any reservations raised by any member. The Bank shall properly maintain such minutes of meetings.
- c) The top executive management, in an adequate time prior to the Board's meeting, shall provide the Board's members with complete and accurate information about the items of the meeting's agenda; the Chairman shall verify such action.

Article 5: Duties and Responsibilities of the Board

- a. The Board shall oversee and follow-up the top executive management's performance and

- ensure integrity of the Bank's financial situations and its solvency. It shall adopt proper policies and procedures to oversee and control the Bank's performance.
- b. The Board shall define the strategic objectives of the Bank and instruct the executive management to set a strategy to achieve these objectives, approve it together with any business plan in line with that strategy.
 - c. The Board shall endorse a policy to monitor and review the executive management's performance through setting the key performance indicators (KPIs) to determine, measure, and monitor the performance and progress towards achieving corporate objectives.
 - d. The Board shall ensure that the Bank has policies, procedures and action plans which include all the activities. The policies, procedures and action plans should be in line with the related regulations, circulated to all administrative levels, and regularly reviewed.
 - e. The Board shall determine the corporate values of the Bank; set clear lines of responsibility and accountability to all Bank's activities, and shall establish a high culture of ethical, impartial, and professional conduct standards among the managers of the Bank.
 - f. The Board shall assume liability for integrity of all the operations of the Bank, including the financial situation; liability for implementing requirements set forth by the Central Bank as well as the requirements of the other regulatory and control authorities, and shall observe the stakeholders and that the Bank is managed and governed under the framework of regulations and policies of the Bank and the effective control is in place at all times over the Bank's activities including those outsourced to external parties.
 - g. The Board shall, based on recommendations submitted to it by the competent committee, appoint the audit manager, the head of the risk management, and compliance officer and accepts their respective resignations or service termination. (Regarding the internal sharia auditing manager, the recommendation shall be given to the Board by the Sharia Supervision Board). The Central Bank's approval on the resignation or service termination of the above-mentioned should be obtained. The Central Bank is entitled to investigate the reasons behind the resignation or service termination of any management member.
 - h. The Board shall adopt internal control regulations; review them annually and make sure that the internal auditor and external auditor review the structure of these regulations at least once a year.
 - i. The Board shall ensure independence of the external account auditor at all times.
 - j. The Board shall ensure independence of the Sharia Supervision Board members from commencement and at all times in accordance with the conditions set forth in this manual.
 - k. The Board shall adopt and oversee the implementation of a risk management strategy. The proposed strategy includes level of risk appetite and ensures that the Bank will not be prone to high risks. The Board should be familiar with the operating business environment of the Bank and the associated risks; to ensure the presence of appropriate risk management tools and infrastructure in the Bank in order to determine, measure, control, and oversee all kinds of risks which the Bank is exposed to.
 - l. The Board shall ensure that the adequate and reliable management information systems (MIS) are in place and are covering all the Bank's activities.
 - m. The Board shall verify that the Bank's credit policy includes an assessment of the type of



corporate governance used by companies' clients not least the public joint stock companies so that the risks to the clients may be assessed by strengths and weaknesses in accordance with their exercising in the governance field.

- n. The Board shall make sure that the Bank adopts proper social initiatives in the field of environment protection, health, and education and observes the provision of funding to the small and medium-sized businesses at appropriate prices and terms.
- o. The Board shall take the necessary procedures to create a clear segregation between the authorities of shareholders' who own influential interests and the executive management; with a view to promote the sound corporate governance. It shall find proper mechanisms to eliminate impacts of shareholders who own influential interests through the following, examples include but are not limited to:
 - 1- None of the shareholders who possess an influential interest may hold a job in the top executive management.
 - 2- The top executive management shall derive its authority only from the Board and shall work within the delegations granted to it by the Board.
- p. The Board shall adopt the organizational structure of the Bank setting out the admin hierarchy including the committees of the Board, Sharia Supervision Board, and executive management.
- q. The Board shall determine the banking operations that require its approval taking into account the non-expansion thereof in order not to violate the control role of the Board. The Bank shall not delegate executive authorities to the Board's directors, or the Chairman, including the authority to individually grant credit.
- r. The Bank shall determine the duties of the Secretary of the Board so that they include the following:
 - 1- Attends all the Board's meetings; record all deliberations, suggestions, objections, and reservations, along with the voting means on the draft decisions of the Board.
 - 2- Determines the dates of the Board's meetings in coordination with the Chairman.
 - 3- Ensures that the members of the Board sign the minutes of meetings and decisions.
 - 4- Follows up the implementation of the decisions passed by the Board, and follows up the tackling of any topic that was not brought up in previous meetings.
 - 5- Keeps records and documents of the Board's meetings.
 - 6- Takes necessary procedures to ensure that the draft decisions intended to be passed by the Board are in harmony with the legislations.
 - 7- Prepares for the ordinary general meetings and cooperates with the Board's committees.
 - 8- Provides the Central Bank with the proper declarations signed by the members of the Board.
- s. Members and committees of the Board shall have direct communication with the executive management and secretary of the Board and facilitate their undertaking of the duties and tasks vested in them including outsourcing, when needed, at the expense of the Bank in coordination with the Chairman while making sure none of the members may influence the decisions of the executive management except through deliberations held within the meetings of the Board or its committees.

t. The Board shall undertake the following:

- 1- Ensures the presence of a suitable Sharia Supervision Board, and Sharia Controls system that includes the internal Sharia regulatory system through ensuring the existence of an effective Sharia supervision independent from all the Bank units.
- 2-Verifies that all banking activities are carried out in accordance with the provisions of Islamic principles, in particular Sharia Fatwas and Sharia decisions issued by the Sharia Supervision Board.
- 3-Ensures that the Sharia Supervision Board is provided with adequate, necessary, and timely information in order to assist it to exercise its duties and assignments represented in verifying the extent of the Bank's commitment by the provisions and principles of Islamic sharia, and formulating an independent opinion in this regard.
- 4-Ensures having opinion of the Sharia Supervision Board pertaining to all contracts, transactions, agreements and products, services, investment policies, dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
- 5-Adopts policy to regulate relations between the Bank/shareholders, and holders of investment accounts provided that it is reviewed by the Sharia Supervision Board. The Bank shall be committed by posting the policy on its website.
- 6-Approves the policies and procedures manual relating to the compliance with the provisions of Islamic principles provided that the manual shall at least include the following:
 - a-A mechanism to present any related topics to Sharia Supervision Board for Sharia Fatwa and/or decisions thereabout.
 - b-Manual/procedures of the Sharia Supervision Board business.
 - c-Mechanism to ensure compliance with the Sharia Fatwas or decisions issued by the Sharia Supervision Board.
 - d A mechanism to facilitate the communication between the different units of the Bank and the clients with the Sharia Supervision Board.
- 7-Ensures the presence of a mechanism to provide the Bank clients, upon request, with explanations to any Sharia Fatwa issued by the Sharia Supervision Board.
- 8-Commit by posting Sharia Fatwas and decisions issued by the Sharia Supervision Board on the Bank's website, and in case of bringing up a product or service or adapting a remedy or a mechanism pertaining to the product or service for which Sharia Fatwas and decisions have been issued, they shall be disseminated within a period of no more than six months from the bringing up/adoption date.
- 9-Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.

u. The Chairman of the Board shall, at minimum, undertake the following:

- 1-Be keen to establish constructive relations between the Board and the executive management within the Bank.
- 2-Be keen to establish constructive relations between the Board and Sharia Supervision Board, and between the Sharia Supervision Board and the executive management of the Bank.



- 3-Encourages constructive criticism of issues addressed in general and those having different viewpoints between the members, and encourages discussions and voting on such issues.
- 4-Ensures that all previous minutes of meetings are received by the Board members and to be signed, and agendas are delivered within an adequate time before any meeting. The agenda shall include adequate written information about the subjects to be discussed in the meeting. Delivery of the agenda is the responsibility of the secretary of the Board.
- 5-Ensures a charter regulating the Board business is in place and identified.
- 6-Discusses exhaustively the strategic and important issues in the Board's meetings.
- 7-Provides the board members, when elected, with the provisions of laws relating to the Bank's activities and relevant instructions of the Central Bank including these instructions as well as a manual showing the members' rights, responsibilities, and duties together with the duties, tasks, and assignments of the secretary.
- 8-Provides every member of the Board with an adequate summary of the Bank's businesses upon appointment or upon request.
- 9-With the help of the legal counsel of the Bank, deliberates with any new member about tasks and responsibilities of the Board in particular those pertaining to the legal and regulatory requirements to explain tasks, powers, and other issues related to the Board membership such as the duration of membership in the Board, meetings schedule, committees missions, remunerations, and possible access to independent specialized technical advice when necessary.
- 10-Meets the needs of the Board members in connection with upgrading their experience and continued learning. The new member shall be given the chance to attend orientation programs that consider the banking background of the member, provided that such program should, as minimum, include the following subjects:
 - a. The Bank's organizational structure, corporate governance, and the professional code of conduct and ethics.
 - b. Corporate objectives and the Bank's strategic plan and approved policies.
 - c. The financial situation of the Bank
 - d. The Bank's risk structure and its risk management framework.
 - e. Sharia controls.
- v. Each member of the Board shall undertake, as minimum, the following:
 - 1-Be familiar with the Islamic banking business-related regulations and principles, and the Bank's operating environment; keep abreast of the developments taking place as well as the external updates that are related to its business including recruitment requirements for of the top executive management of the Bank.
 - 2-Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
 - 3-Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.
 - 4-In all transactions made with any other company in which he/she has a personal interest, the interest of the Bank shall prevail. Never take the business opportunities of the Bank for

his/her own interest. Avoid conflict of interests and disclose any conflict of interest to the Board in details if happened while committing not to be present or not to take part in the decision passed during the meeting in which this subject is discussed and deliberated. Such disclosure should be recorded in the minutes of the Board's meeting.

5-Have enough time to undertake his tasks as a member of the Board.

The nomination and remuneration committee shall set in place a clear methodology to verify the above-mentioned including (for example) the members' relations and membership in other boards/authorities/forums...etc.

Article 6: Limits of liability and accountability

- a. The Board of Directors shall adopt clear limits of liability, accountability, and commitment. All managerial levels of the Bank shall abide by those limits.
- b. The Board shall ensure that the organizational structure clearly reflects lines of responsibility and authority provided that it includes at least the following regulatory levels:
 - 1-Board of Directors and its committees.
 - 2-Sharia Supervision Board.
 - 3-Separate departments of risks, compliance, internal audit, and Sharia internal audit which do not perform daily executive activities.
 - 4-Units/employees that do not participate in the daily operations of the Bank activities (such as credit audit officers and Middle Office employees).
- c. The Board shall ensure that the top executive management assumes their responsibilities pertaining to the daily operation management of the Bank and contributes the implementation of the corporate governance, it delegates authorities to the officers, establishes an effective managerial structure that would enhance accountability, and implements tasks and missions of the various business activities and fields in conformity with the policies and procedures approved by the Board as well as the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
- d. The Board shall adopt regulatory and Sharia controls to hold accountable the top executive management.
- e. Despite the provisions of the Companies' Law, the combination between the positions of Chairman and general manager shall be prohibited, and the Chairman or any of the Board's directors or major shareholders may not have kinship with the general manager below the fourth degree.
- f. The general manager shall, in addition to the provisions of regulations, undertake the following:
 - 1-Develop the strategic orientation of the Bank
 - 2-Implement the Bank's strategies and policies
 - 3-Carry out the decisions of the Board of Directors
 - 4-Implement and comply with the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
 - 5-Provide guidance to implement short and long term business plans.



- 6-Communicate vision, mission and strategy of the Bank to the staff members
- 7-Notify the Board of all the important aspects of the Bank's operations
- 8-Manage the Bank's day-to-day operations.

Article 7: Board of Directors Committees

The Board of Directors shall form committees from among its members and determine their objectives and delegates authorities to them in accordance with a charter setting out the same. These committees shall submit periodic reports to the Board. Existence of such committees may not relieve the Board as whole from assuming its liabilities. The Board shall form, as minimum, the following committees:

a)Corporate Governance & Compliance Committee:

- 1-The committee is composed at least of three members (most of the members shall be independent members) including the Chairman. The committee shall assume guiding and overseeing the preparation of the corporate governance manual, and updates and controls its implementation.
- 2-Through its Chairman, the committee has the authority to access any information from the executive management in addition to being entitled to call any executive officer or director to attend its meetings if this is provided for in writing in the committee charter that includes duties and responsibilities of the committee.
- 3-The committee shall assume the following duties:
 - Organize the relationship between the Bank and shareholders and ensures the necessary disclosure reports are issued.
 - Produce periodic reports to the Board about the extent of the Bank's compliance with the corporate governance practices.
 - Work and coordinate with the Board's other committees to promote the corporate governance in the Bank and ensure transparent activities of the committees in front of the Board.
 - Promote the concepts of transparency and disclosure.
 - Supervise practices of the corporate governance of the Bank and ensures presence of all corporate governance basic substrates.
 - It is the responsibility of the committee to ensure compliance in accordance with the policies, procedures and requirements of the Central Bank of Jordan and the other legislative authorities including anti-money laundering and terrorist financing requirements.
 - Oversee the preparation of the compliance policy, the annual plan and updating it and increase awareness of the compliance issues within the Bank.
 - Review compliance policies and strategies; anti-money laundering and terrorist financing at the Bank and approve the same by the Board. It is the responsibility of the Bank executive management to implement these strategies in addition to develop policies and procedures for managing the different kinds of non-compliance risks.

- Keep abreast of the rapid developments and the increasing complications arising to the compliance department inside the Bank; and submit periodic reports to the Board about those developments.
- Evaluate effectiveness degree whereby the Bank manages the (noncompliance risks) and issue periodic reports to the Board of Directors on compliance with the supervisory authorities.
- Ensure presence of an effective internal regulatory system to implement the compliance policies and verify good performance thereof.

b) Audit Committee (AC)

1. Subject to the provisions of the Banking Law, the majority of the members of the Committee, including the Chairman of the Committee, shall be independent members and the Chairman of the Committee shall not be the Chairman of the Board of Directors or the Chairman of any other Off the Board Committees.
2. All members of the committee should be holders of academic qualifications and have proper practical experience in accounting or finance or any other discipline or related similar fields. In case of lack of the proper Islamic Bank-related experience, they shall join the suitable training programs in accounting, audit and controls standards, and Islamic standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
3. Subject to the provisions of the Banks Law concerning the duties and authorities of the committee, the Audit Committee shall review the following matters:
 - a- Scope, results, and adequacy of internal and external audit of the Bank.
 - b- Accounting issues of material impact on the Bank's financial statements.
 - c- The internal control systems in the Bank.
4. The committee shall provide recommendations to the Board relating to the external auditor, his/her termination, remuneration and any other contracting-related conditions in addition to evaluating his/her independence taking into account any other activities assigned to him/her beyond the audit scope.
5. The committee shall have the authority to access any information from the executive management and is entitled to call upon any Board member to attend its meetings provided that the same is mentioned in its charter.
6. The committee meets the external auditor, the internal auditor, and the compliance officer at least once a year without the attendance of any member from the top executive management.
7. The committee shall review and control procedures whereby the employee may confidentially notify of any error in the financial reports or any Sharia violations or any other matters. The committee shall ensure necessary arrangements for independent investigations and make sure that the results of the investigations are objectively pursued and addressed.
8. The committee shall ensure the ability of the external auditor to audit the extent of the Bank's commitment to the Sharia controls and the conditions provided for in the engagement letter signed with the auditor and makes sure he/she is undertaking the same.



9. The work of any other committee may not be combined with the work of this committee.

C. Nomination & Remuneration Committee (NRC)

1- This Committee shall consist of at least three members, with the majority of the members of the Committee including the Chairman of the Committee being independent members.

2- The NRC assumes the following tasks:

- a- Identifies the persons qualified to enroll in the Board's membership taking into account the abilities and qualifications of the nominated persons. Further, in case of nomination for several times, the member's number of attendance cases and his/her effective participation in the Board's meetings shall be taken into consideration.
- b- Identifies the persons qualified to join the Sharia Supervision Board, taking into account the abilities and qualifications of the nominated persons. Taking into consideration that the member of the Sharia Supervision Board should possess a jurisprudential talent conversant in understanding sedulous speech and able to work hard on jurisprudential matters and deriving from emerging issues. Further, the member should be characterized by Acumen and Vigilance, familiar with people's customs and conditions, watchful to their tricks in Forgery and to or changing speech in portraying illegal as legal. He should be versed in the country traditions and customs in order to understand intention of the persons who ask for Sharia Fatwa. Further, in case of nomination for several times, the number of attendance cases and the effective participation in the Sharia Supervision Board's meetings shall be taken into consideration.
- c- Nominates the qualified persons to the Board to join the top executive management.
- d- Ensures the Board members and members of Sharia Supervision Board attend workshops or symposiums on the banking matters specially the risk management, corporate governance, and the latest developments in the Islamic Banking business.
- e- Defines whether the member satisfies the independent member's capacity taking into account the least conditions prescribed herein, and review the same annually.
- f- Follows specific and approved bases in evaluating the performance of the Board, Sharia Supervision Board and the general manager so that the performance evaluation standard is objective.
- g- Provides information and briefs about the background of certain important Bank topics to the Board members and Sharia Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
- h- Ensures the existence of a remuneration policy to the Bank's Employees and that this policy is revised periodically and applied according to the committee recommendations to determine the salary of the general manager and the remaining top executive management along with other remuneration and benefits.

d. Risk Management Committee

1- This committee shall be formed of at least 3 Board members, with one independent member.

- Members of the top executive management may join the committee as members.
2. The committee shall assume the following tasks:
- a- Review the risk management framework of the Bank
 - b- Review the Bank's risk management strategy before being endorsed by the Board.
 - c- Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
 - d- Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.
 - e- Set up the proper circumstances to identify Substantial Risks and any activities carried out by the Bank that would expose it to greater risks than the risk appetite; submit reports to the Board accordingly and follow manipulation thereof.

It is prohibited for any member of the Board to be a Chairman for more than one committee of the above-mentioned committees. It is also prohibited for him/her to be a Chairman for more than two committees of all the Board's committees.

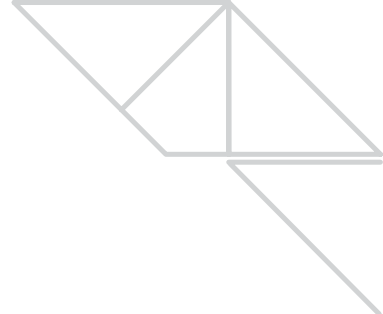
e. Executive and Facilities Committee:

- a- The Board of directors shall form the executive and facilities committee. The committee shall be responsible for making decisions related to the different tasks accomplished by the Bank and according to the powers determined by the Board as follows:
- 1. The members of the committee should not be less than five; one of the members may be an independent member provided that he/she is not a member in the audit committee. Members of the top executive management may participate in the committee's meetings to present their recommendations.
 - 2. The committee shall hold meetings six times annually; the number of meetings might be increased depending on the vision of the committee's Chairman and/or one of its members to ensure the effective performance of the committee and the Bank as a whole.
 - 3. The committee makes the proper decisions regarding the facilitations which were recommended to be accepted by the investment and credit committee.
 - 4. The committee defines the upper limits for powers vested to this committee and related to granting, modifying, renewing, or restructuring the facilities whereas the Board shall have clear powers in this regard.
 - 5. The quorum for the committee's meetings is at least four members and the decisions are taken by the majority of the members regardless of the number of attendees.
 - 6. The committee shall periodically report to the Board the details of the facilities that were agreed upon by the committee.
 - 7. The members of the committee shall personally attend the meetings and vote for its decisions. If a member cannot personally attend the meeting, he/she might express their point of view via videoconference or phone, and are entitled to vote and sign the minutes of meeting provided that this is documented according to the rules.
 - 8. The Board may delegate all or some of the powers of this committee regarding the

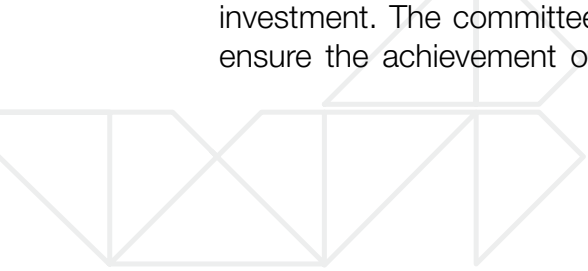


modification or restructuring of the facilitations granted to the investment and credit committee, with an emphasis on keeping the executive committee and facilitations updated with the decisions taken within the limits of these powers.

9. The committee shall have, through its Chairman, the powers to obtain any information from the executive management, in addition to its right in requiring the attendance of any executive employee or a Board member to its meetings provided that this is written in the committee's charter which includes the tasks and duties of the committee.
- b. The committee shall assume the following tasks, responsibilities, and powers:
 1. The committee shall make decisions regarding the grants applications, renewal and increase in credit facilities that are above the powers granted to the credit and investment committee, and gives opinions in these facilities in accordance with the powers vested in the committee by the Board of directors.
 2. The committee shall make decisions regarding the requests of credit terms modifications, irregularities, credit extension, postponement of documents for facilities that exceed the powers of the credit and investment committee and makes decisions about these requests in accordance with the powers vested in the committee by the Board.
 3. The committee shall make decision about profits reversing requests and the commissions due to the facilities that exceed the powers of the credit and investment committee and shall make decisions about these requests in accordance with the powers vested in the committee by the Board.
 4. The committee shall make decisions about requests of granting of funding tools, which have a special nature regarding the facilities that breach the limits of the powers vested to the credit and investment committee. Decisions in this regard are made accordance with the powers vested in the committee by the Board.
 5. The committee shall make decisions regarding the requests of (structuring/scheduling/ writing off debts partially or totally) for the facilities within the powers of the committee.
 6. The committee shall review the periodical supervision reports related to the facilities granted and in accordance with the approved work procedures.
 7. The committee shall make decisions about grants requests, renewal and modifications of the limits granted to Banks according to the powers vested to the committee by the Board.
 8. The committee shall make decisions about the requests of temporal overrun of the financial institutions limits in the monetary market, the foreign currencies, commercial limits, the individual ceiling level, and for amounts that exceed the powers vested in the committee of credit and investment.
 9. The committee shall provide recommendations to the Board regarding the approval of policies related to credit facilities.
 10. The committee shall make decisions about the requests to override the investment limits for the irregularities that exceed the powers vested to the committee of credit and investment.
 11. The committee shall make decisions about investment requests in investment instruments.

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12. The committee shall make decisions in investment requests regarding the Initial Public Offering «IPO» or unlisted stocks.
 13. The committee shall make decisions about investment requests for investment in new companies and for all amounts.
 14. The committee shall make decisions in the requests of exceeding the treasury approved limits, and for the amounts exceeding the powers of the credit and investment committee.
 15. The committee shall give recommendations to the Board to approve the policies related to the treasury and investment.
 16. The committee shall approve the Bank's strategic plan before being authenticated by the Board along with the continuous follow up of the actual accomplishment.
 17. The committee shall make credit and investment decisions about the requests that are beyond the approved credit policy of the Bank, provided that the Board have to be notified by these decisions quarterly within the report that must be sent to the Board along with the details of the decisions that were approved by the committee.
 18. The committee shall make decisions regarding the preparation of the estimated annual budget before approving it by the Board along with the continuous follow up of the actual accomplishment.
 19. The committee shall approve the financial claims within the limits defined in the financial powers manual.
 20. The committee shall approve all the required policies that govern the work of the Bank except the policies related to human resources (HR) and policies related to compliance, and provide recommendations to the board to approve it.
 21. The committee shall approve all the financial, credit, and administrative powers in addition to the powers related to investment and recommends the approval of the Board of directors on such powers.
 22. The committee shall undertake any other additional tasks based on a request from the Bank's Board of directors without a conflict with the instructions of the Central Bank.

f. IT governance committee

1. The committee have to be formed of three members at least that will be elected based on their experience and strategic knowledge in the IT area.
 2. The committee shall hold meetings on a quarterly basis at least, and shall keep records of its meetings.
 3. The committee shall assume the following tasks:
 - a. The committee shall approve the strategic objectives of IT and the appropriate organizational structure including the steering committees, specifically on top executive management level (the steering IT committees) in order to guarantee the achievement of the Bank's strategic objectives and the best value added from the projects and IT resources investment. The committee shall use the tools and needed measures to supervise and ensure the achievement of these objectives, such as IT Balance Scorecards, and the
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- return on investment (ROI). The committee shall measure the impact of contributions made to enhance the financial and operational efficiency.
- b. The committee shall approve the general framework of managing, regulating, and supervising IT resources and projects that simulates the best approved international practices in this regard especially (Control Objectives for Information and related Technology-COBIT) that conform with and achieve the objectives and the requirements of our instructions through the continuous fulfilment of the institutional objectives, along with the achievement of the accompanying IT objectives' matrix, and covering the processes of IT governance.
 - c. The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its givens as minimum requirements, and describes the sub-objectives needed to achieve them.
 - d. The committee shall approve the (RACI chart) matrix regarding the main processes of IT governance along with the secondary processes related to: the entity/s or person/s or party/s primarily (responsible), and those who are ultimately responsible (accountable), and those who are (consulted), and those who are (informed) for all processes in light of (COBIT5 Enabling Processes) in this regard.
 - e. The committee shall ensure that a general framework for IT risk management is in place. And will be consistent and integrated with the overall framework of the risk management in the Bank considering and achieving all IT governance processes.
 - f. The committee shall approve the IT projects and resources' budget in accordance with the Bank's strategic objectives.
 - g. The committee shall undertake the general supervision and monitoring of IT processes, projects, and resources to ensure their sufficiency and effective contribution in achieving the Bank's requirements and works.
 - h. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
 - i. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

Article (8): Sharia Supervision Board

- Subject to Article 58 of the Banks Law No. 28 of 2000, as amended, the bank shall commit to:
 1. Appoint the Supervision Authority members upon recommendations made to it by the Board of Directors and upon submissions of the Nomination and Remuneration Committee for a term of four renewable years.
 2. A letter of engagement between the Bank and the Sharia Supervision Board shall be signed defining the scope of the Sharia Supervision Board's works, duties and remuneration is determined.
 3. Sharia Supervision Board's meetings:
 - a- The committee shall periodically meet to make periodic reviews and follows sharia

commitment of the Bank's operations provided that its meetings may not be less than six meetings a year. It also holds meetings with the Board of Directors, audit committee and external auditor at least twice a year (every six months) to discuss issues of common interest.

b- The Sharia Supervision Board members shall attend the meetings in person. If not, the member may express his/her opinion via phone or videoconference having obtained consent of the Chairman of the committee. He/she is entitled to vote or sign the minutes of meeting. The member may lose this right in any of the following cases:

- If failed to attend personally without acceptable excuse.
- If the personal attendance rate of the member is less than 50% of the Supervision Authority meetings.

c- Minutes of meeting shall fully and accurately be recorded in addition to any reservations raised by any member. The Bank shall keep all these minutes properly.

d- The top executive management, within an adequate time before the Sharia Supervision Board's meeting, shall provide accurate and complete information to the Sharia Supervision Board's members. The Chairman of the Sharia Supervision Board shall verify this.

4. The Sharia Supervision Board shall prepare a manual that includes its work system, job description, responsibilities, along with the organization of its relation with the Board of directors and the executive management, in addition to the reporting mechanism for the management, the Board of directors, and shareholders, and its methodology regarding sharia supervision, and the mechanism of holding meetings.

5. The Sharia Supervision Board shall observe the Sharia environment – taking into account Article 53/A of the Banks Law No. 28 of 2000, as amended- and legislations in the Kingdom.

6. The Code of Conduct of the Bank shall apply to the members of the Sharia Supervision Board.

7. To ensure the independence of the member of the Sharia Supervision Board, the following, as minimum, shall be met:

a- The member has not received any funding whether to him/her or to his/her family members up to the second degree from the Bank or from any of its subsidiaries.

b- The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.

c- The member has not been a member in any Sharia Supervision Boards in any other Islamic Bank licensed in the Kingdom and has not been a member in any Sharia Supervision Boards for more than four financial institutions that do not accept deposits and operating in the Kingdom, subject to no conflict of interests.

d- The member must not be a member in the bank's Board of Directors, or is not an owner of a company with which the Bank is dealing, except for the transactions arising due to services and/or normal business that the Bank renders to its clients, provided that they are governed by and subject to the same conditions of similar transactions with any other party and without any preferential terms.

e- The member must not be related to any of the members in the Bank's Board, or the top executive management in any kinship up to the second degree. He/she does not



receive any salary or amount or remuneration or benefits or gifts from the Bank except the remuneration received in consideration of his/her membership in the Sharia Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.

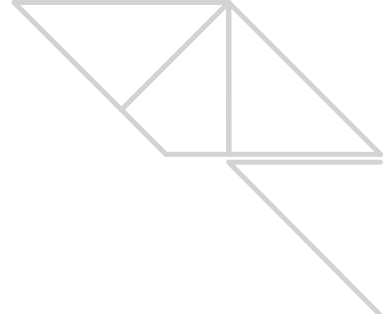
f- The member must not be a shareholder in the Bank or proxy of a major shareholder or a shareholder in one of the Bank's subsidiaries or a shareholder in the group owning the Bank.

8) The Sharia Supervision Board member should strive to achieve the following:

- a. Establishes justice and fairness among the stakeholders.
- b. Acts in a manner allowing him/her to preserve his/her honesty and integrity.
- c. Takes into account, while making any decisions, the legal and sharia aspects, in addition to the technical aspects for sharia commitment.
- d. Regards the different opinions between the various jurisprudential doctrines and variance of experience between the coworkers in the Sharia Supervision Board.

9. The Sharia Supervision Board shall assume Sharia fatwa and Sharia supervision as follows:

- a. Monitoring the Bank's business and activities in terms of conformity and non-contravention with the Islamic provisions, and follows-up and reviews operations to verify they are free of any Sharia prohibitions.
- b. Expresses opinion and approves all contracts, transactions, agreements, products, services and investment policies and the policy that regulates the relationship between the shareholders and the investment account holders including dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
- c. Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
- d. Makes and expresses opinion on the extent of the Bank's compliance with the Islamic provisions and principles. The Sharia Supervision Board also:
 - 1- Reviews and adopts the annual Sharia audit report and reports it to the audit committee
 - 2- Releases semi-annual/annual report about the Sharia compliance. This report includes the effectiveness of the internal Sharia controls and any weak points in the Sharia controls system and internal legal control with a fundamental impact. The semi-annual report is submitted to the Board of Directors while the annual report to the shareholders general assembly both copied to the Central Bank.
- e. Reviews and approves the policies and guidance relating to the Islamic provisions.
- f. Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
- g. Ensures adequacy and effectiveness of the internal Sharia control in the Bank.
- h. Ensures adequacy and effectiveness of the internal Sharia audit department through reviewing the internal Sharia audit reports and response of the management thereto and submits directions to the internal Sharia audit department.
- i. Coordinates with the (corporate governance and compliance committee) and the audit

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- committee to ensure compliance of the Bank to the Islamic provisions and principles.
 - j. Proposes any necessary Sharia training to the Bank's staff members.
 - k. Identifies all reports including review of compliance with the Islamic provisions and principles including the reports by the Central Bank, auditor and responses of the management thereon.
 - l. Attends meetings of the shareholders general assembly, and the Chairman of the Authority reads the Authority's report or chooses one of the members to do so.
 - m. Makes opinion on the Bank's memorandum of association and articles of association and ensure they are in harmony with the Islamic provisions and principles.
 - n. Makes submissions to the Board of Directors on appointment/dismissal of the Sharia internal audit manager.
10. Head of the Sharia internal audit department shall be appointed as the Sharia Supervision Board's Secretary.
11. The Secretary shall assume the following duties:
- a. Attends all the Sharia Supervision Board's meetings; record all deliberations, proposals, objections and reservations and method of voting on the Sharia Supervision Board's draft decisions.
 - b- Determines the schedule of the Sharia Supervision Board's meetings in coordination with the head of the Sharia Supervision Board and communicate the same to the members.
 - c. Prepares the Sharia Supervision Board meetings; receives Sharia inquiries from all organizational units paving the way for submitting them to the Sharia Supervision Board.
 - d. Ensures that all members have signed the minutes of meeting and decisions.
 - e. Follows-up the implementation of Sharia Fatwa and decisions taken by the Sharia Supervision Board and provide the Sharia internal audit department and the compliance department for action and follows discussion of any topic brought forward from the previous meetings.
 - f. Keeps meetings' records and documents of the Sharia Supervision Board.
 - g. Document the name/s of member/s who absence the meeting and clarifying whether excused or not and state the same in the minutes of meeting.
 - h. Provides the Central Bank with the suitability declarations signed by the Sharia Supervision Board members.
12. The Sharia Supervision Board shall have free access to any information without restriction to the activities of the Bank and can communicate with any employee within the Bank. It shall be delegated with all authorities and powers to perform the duties and tasks entrusted with it as required, including summon of any employee.
13. If necessary of the board, and after having obtained the consent from the Board, the Sharia Supervision Board may resort to outsourcing at the expense of the Bank to help it undertake the tasks vested in it to the fullest.

Article 9: Suitability

Members of the Board of Directors, members of the Sharia Supervision Board, and top executive





management shall have the utmost integrity, credibility, competence, experience, and ability to commit and dedicate time to the Bank's business. It is the responsibility of the Board and NRC to ensure the same.

Article 10: Suitability of Board Members

- a- The Board shall adopt an effective policy to ensure Suitability of its members provided that such policy encompasses the minimum standards, requirements and conditions to be met by the nominated and appointed member. This policy should be reviewed when needed. Adequate procedures and regulations should be set to ensure all members satisfy the appropriate standards at all times. The Bank should provide the Central Bank with a copy of the policy approved by the Board.
- b- The Chairman or member of the Board of Directors shall meet the following conditions:
 - 1- Not less than 25 years old
 - 2- He/she is not a member of the Board of Directors of another Bank within the Kingdom or is not its general manager or regional manager or employed by it unless such other Bank is a subsidiary.
 - 3- He/she is not a lawyer or legal counsel or auditor of the Bank.
 - 4- Holding the first university degree as minimum whether in economy or finance or accounting or business administration or any other similar discipline. The NRC may consider addition of other disciplines if coupled with bank-related business experience.
 - 5- He/she is not a government employee or any other public official institution unless he/she is its representative.
 - 6- He/she is not a member in the Board of directors of more than five public joint stock companies within the Kingdom in his/her personal capacity in some and representative of a legal person in the others.
 - 7- He has experience in the Bank business, finance or similar fields of no less than five years. He is familiar with the banking activities compliant with the Islamic provisions.
- c- The Central Bank may make objections to the nomination of any person to the membership of the bank's Board of Directors should it find that he/she doesn't meet any of the conditions set forth in clause (b) above.
- d- The Chairman or members of the Board shall sign a declaration (in accordance with the annexed form No. (1)) to be kept with the Bank copied to the Central Bank along with the member's C.V.
- e- The Chairman of the Board shall make sure that the Central Bank was notified with any material information that may negatively affect the consistency of the members.

Article 11: Suitability of Top Executive Management Members

- a- The Board shall adopt a policy to ensure Suitability of members of the top executive management in the Bank provided that such policy encompasses the minimum standards, requirements, and conditions to be met by the member. The Board shall review this policy

- from time to time. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy
- b- The Board shall appoint a general manager characterized by integrity, technical competence, and banking experience. The prior consent of the Central Bank should be obtained before such appointment.
 - c- The approval of the Board shall be obtained before appointing any member of the top executive management in the Bank.
 - d- The Board shall approve a succession plan to the members of the top executive management. The Board shall review the plan once a year at least.
 - e- The Board shall notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
 - f- Top executive managers shall meet the following conditions:
 - 1- He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
 - 2- Should be full time dedicated to the Bank business.
 - 3- Holder of the first university degree as a minimum in economics or finance or accounting or business administration or any other similar discipline that is related to the bank business.
 - 4- He/she has experience in bank's business and related businesses of no less than five years except for the position of the general manager for which experience is not less than ten years.
 - 5- Among the experiences set out in the previous clause, at least two years in the Islamic banks field, otherwise the member of the top executive management shall undergo a comprehensive qualifying program in the Islamic banks field, accounting standards, audit and legal controls, and standards issued by the Accounting and Auditing Organization for the Islamic financial institutions and the standards issued by the Islamic Financial Services Board (IFSB) for no less than three months.
 - g- No objection letter should be obtained from the Central Bank prior to the appointment of any member in the top executive management and thus the Bank should, before appointment of any member in the top executive management, have the C.V of the nominated person annexed with the scientific documents and certificates, experience certificates and good conduct certificate and other supporting documents. The candidate is asked to sign the declaration exhibit No.2 and the Bank should provide the Central Bank with a copy of the declaration together with the relevant C.V.

Article 12: Suitability of the Sharia Supervision Board

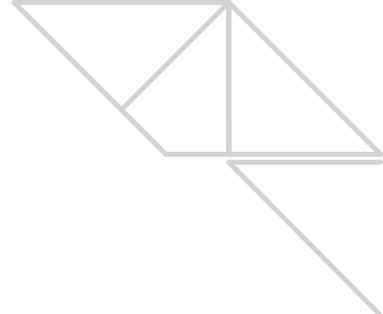
- a- The Board shall adopt an effective policy to ensure Suitability of members of the Sharia Supervision Board provided that such policy should encompass the minimum standards, requirements and conditions to be met by the nominated and appointed member. The Board should review this policy when needed. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the



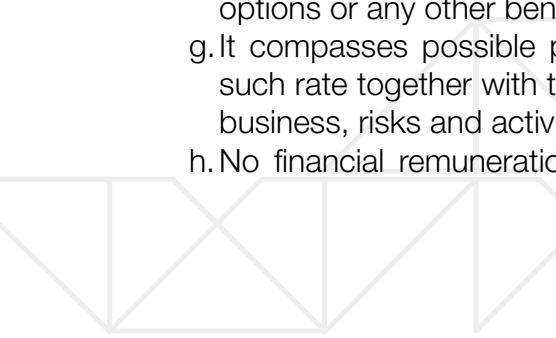
- Central Bank with a copy of the policy approved by its Board of Directors.
- b- The Chairman or member of the Board shall meet the following conditions:
 - 1-He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
 - 2-He/she has experience of no less than 3 years in issuing Sharia Fatwas and Islamic provisions and/or experience in teaching or scientific research of no less than four years following graduation.
 - c-The Central Bank may object on the nomination of any person to the membership of the Board of Directors of the Bank if found not meeting any of the conditions outlined in clause (b) above.
 - d- The Chairman or members of the Supervision board shall sign the declaration in exhibit 3 to be kept with the Bank copied to the Central Bank and annexed with the members' C.V.
 - e-The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Sharia Supervision Board members.
 - f- If there is a need to appoint members of the Sharia Supervision Board of those residents abroad, the number is stipulated not to exceed half of the number of the Sharia Supervision Board members.

Article 13: Performance Appraisal of administrators and Sharia Supervision board Members

- a. The Board shall create a system for appraisal of its works and members provided that it encompasses as a minimum the following:
 - 1- Sets specific objectives and determines role of the Board in achieving the measurable objectives.
 - 2- Determines the key performance indicators (KPIs) that may be deduced from the strategic plans and goals and use them to measure the Board's performance
 - 3-Periodic communication between the Board of Directors and the shareholders
 - 4-Periodic meetings of the Board of Directors with the top executive management.
 - 5-Role of the member in the Board's meetings; compare its performance to that of other members' performance. Feedback should be obtained from the concerned member with a view to improve the appraisal process.
- b.The NRC shall evaluate annually the Board's business as whole and its committees and members provided that the NRC shall notify the Central Bank of the results of such evaluation.
- c. The Board shall evaluate the Sharia Supervision Board and its members' performance in accordance with a predetermined evaluation by the NRC and encompasses setting the KPIs to include the Sharia Supervision Board and its members' performance evaluation standards through the role of the member in the Sharia Supervision Board's meetings; comparison of his/her performance with that of the Sharia Supervision Board's other members. Feedback of the concerned member should be obtained in order to improve the appraisal process. The evaluation system should include also the extent of the Sharia Supervision Board's achievement of its duties and tasks and effectiveness of the Sharia control system in the Bank.

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- d. The Board shall evaluate performance of the general manager on annual basis in accordance with the predetermined evaluation by the NRC and encompasses setting the KPIs. The performance evaluation standards of the general manager include the financial and admin performance of the Bank, commitment to apply the legal controls approved by the Bank, extent of achievement of the Bank's medium and long term strategies and plans, provided that the committee notifies the Central Bank of the evaluation results.
 - e. The Board shall adopt a system to measure performance of the Bank members other than the members of the Board of Directors and the general manager provided that such system should include, at minimum, the following:
 - 1-The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
 - 2-Total income or profit is not the only element to measure performance; however, other elements to measure performance of members like the risks associated with the basic operations and customer's satisfaction wherever applicable should be taken into consideration.
 - 3-Not to exploit influence and conflict of interests.

Article 14: Financial Remunerations of Directors and Sharia Supervision Board's Members

- 1-The Board shall set procedures to determine remuneration of its members based on the approved evaluation system.
 - 2-The Board shall set procedures to determine board members' based on the approved evaluation system.
 - 3-NRC of the Bank shall set the financial remuneration policy to the directors characterized by objectivity and transparency. The policy should be adopted and approved by the Board and the Central Bank is provided with a copy thereof.
 - 4-The financial remuneration policy shall provide, at minimum, the following elements:
 - a. Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
 - b. Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
 - c. It takes into account the risks, liquidity, and profits situation and timing.
 - d. Granting remuneration may not be based only on the current year's performance but also on the performance in the medium and long term (3-5 years).
 - e. It reflects the Bank's goals, values and strategy.
 - f. Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits.
 - g. It compasses possible postponement of payment of reasonable rate of remuneration, such rate together with the postponement period are determined based on the nature of business, risks and activities of the concerned member.
 - h. No financial remuneration to the members of the regulatory and control departments
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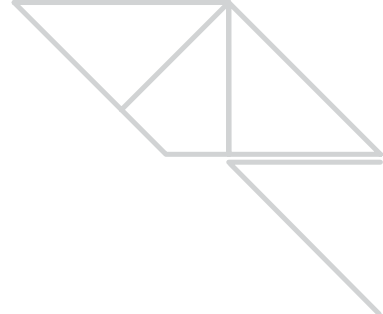
will be granted (risk management, audit, compliance and others) based on results of departments' activities under control.

Article 15: Conflict of Interests

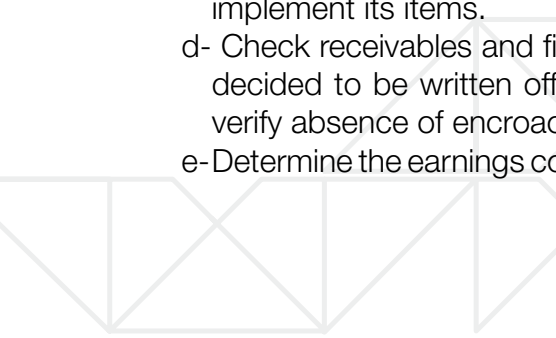
- 1- Administrators and members of Sharia Supervision Board shall avoid conflict of interests.
- 2-The Sharia Supervision Board shall approve a policy and procedures to address conflict of interests.
- 3-The Board shall adopt policies and procedures for transactions with stakeholders to include definition of stakeholders taking into account the regulations, transactions conditions, approval procedures and control mechanism over such transactions. These policies and procedures may not be passed over and encroached.
- 4-The control regulatory departments in the Bank shall ensure that the stakeholders' transactions are carried out and processed in accordance with the approved policy and procedures. The audit committee reviews and controls all these transactions and introduces them to the Board of Directors.
- 5-The Board shall ensure that the top executive management implements the approved policies and procedures.
- 6-The Board shall adopt controls for information circulation movement between the different departments and such controls would prevent personal exploitation.
- 7-The Board shall adopt and circulate policies and charter of professional conduct to all members to include as minimum the following:
 - a-None of the administrators may use the internal information of the Bank for their own personal benefit.
 - b- Rules and procedures regulating transactions with the stakeholders.
 - c-Cases from which conflict of interest may arise.
8. The Board shall ensure that the executive management enjoys high level of integrity in exercising its business and avoids conflict of interest.

Article 16: Internal Audit

- 1-The Board shall ensure that the internal audit department in the Bank is able to undertake the following tasks, as minimum:
 - a-Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
 - b- Verify compliance with the Bank's internal policies and international standards and related regulations.
 - c-Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
 - d- Review compliance to the corporate governance manual.
 - e-Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.

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- f- Ensure the accuracy of the applicable procedures for the Internal Capital Adequacy Assessment Process (ICAAP).
- 2-The Board ensures and enhances the independence of the internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3-The Board shall take necessary actions to enhance effectiveness of internal audit through the following:
- The Board gives necessary importance to the audit process and establishes the same in the Bank.
 - The Board monitors the correction of audit notes.
4. The audit committee shall verify the provision of adequate resources and trained number of human personnel qualified to the internal audit department.
5. The audit committee shall verify that the internal audit staff members are rotated on auditing the Bank's activities every three years as maximum.
6. The audit committee shall verify that the internal audit personnel are not assigned to any executive assignments.
7. The audit committee shall verify that all the Bank activities are audited including the outsourced activities.
8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the audit department and circulate it within the Bank.
9. The Board shall verify that the internal audit department is under the direct supervision of the audit committee and reports directly to the audit committee and the general manager.
10. The audit committee, in coordination with the nomination and remuneration committee shall evaluate performance of the internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 17: Sharia Internal Audit

- 1-The Sharia Supervision Board shall ensure that the Sharia internal audit in the Bank is able to undertake the following tasks and duties, as minimum:
- a-Check and evaluate adequacy and effectiveness of the Sharia internal control system of the Bank.
 - b- Monitor the compliance of the Bank's management with the legal aspects, Sharia Fatwas, and decisions issued by the Sharia Supervision Board.
 - c-Set the annual Sharia audit plan to be approved by the Sharia Supervision Board and implement its items.
 - d- Check receivables and finances that are classified under non-operating facilities or those decided to be written off which are funded by the joint investment accounts in order to verify absence of encroachment or default on the part of the Bank.
 - e-Determine the earnings contravening the Islamic principles and dispose them in accordance
- 

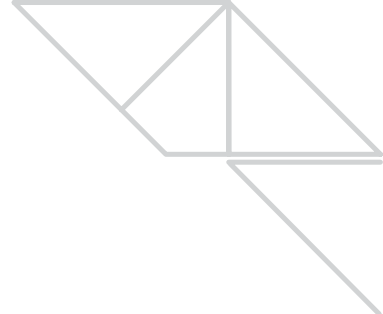


with the decisions of the Sharia Supervision Board.

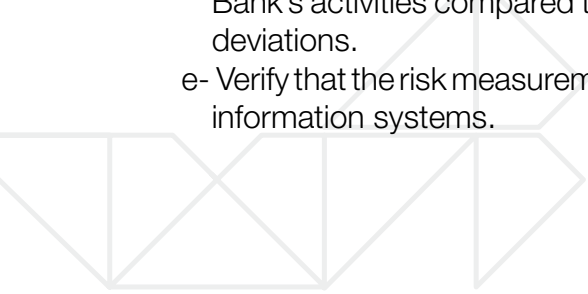
- f- Verify that executive management complies with the policy that regulates relations between the shareholders and investment account holders, in particular distribution bases of dividends.
- 2-The Board shall ensure and enhance independence of Sharia internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3-The Board shall take necessary actions to enhance effectiveness of Sharia internal audit through the following:
 - a. Give due importance to the Sharia audit process and establish the same in the Bank.
 - b. Monitor the correction of Sharia audit notes.
- 4- The Board shall verify provision of adequate resources and qualified number of human personnel to the Sharia internal audit department and that they are well trained. The personnel in the department should, as minimum, meet the following requirements:
 - a-A related university degree and familiarity with the Islamic financial transaction principles, respective conditions of each contract, and reasons of contracts termination.
 - b- Familiar with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 5-The Board shall verify that the Sharia internal audit personnel are rotated to audit the Bank's activities every three years as maximum
- 6-The Board shall verify that the Sharia internal audit personnel are not assigned to any executive assignments.
- 7-The Board shall verify that all the Bank's activities are legally audited including the outsourced activities.
- 8-The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the Sharia audit department and circulate it within the Bank.
- 9- The Board shall verify that the Sharia internal audit department is under the direct supervision of the Sharia Supervision Board and reports directly to the Chairman of the Sharia Supervision Board and send copies of the reports to the audit committee and the general manager.
- 10- The Sharia Supervision Board, in coordination with the nomination and remuneration committee, shall evaluate the performance of the Sharia internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 18: External Audit

- 1-The Board shall ensure that the external auditor is regularly rotated between the audit offices and their subsidiaries or allied or associated companies in any way every seven years as maximum as of the election date.
- 2-The seven years period is calculated on the application commencement as of 2010.
- 3-The first year (at rotation) of the new office shall be (joint) with the old office.

- 
- 4-The former office may not be re-elected before the lapse of at least two years from the last election to it in the Bank unlike the joint audit duty.
 - 5-The Sharia Supervision Board shall verify that the external auditor has audited the adequacy and effectiveness of the Sharia internal control system in the Bank.
 - 6-The audit committee shall annually verify the independence of the external auditor.
 - 7-The Board shall take proper actions to address weaknesses in the internal control systems or any other weak points demonstrated by the external auditor.

Article 19: Risk Management

- 1-The risk management shall monitor the compliance of the Bank's executive managements with the risk appetite levels.
 - 2-The Board shall verify that the irregularities at the risk appetite levels are addressed, including holding the concerned top executive management accountable for these irregularities.
 - 3-The Board shall ensure that the risk management department periodically undertakes stress testing to measure the Bank's ability to tolerate shocks and face the elevated risks. The Board shall have a key role in approving the adopted assumptions and scenarios, discuss testing results, and adopt actions to be taken based on the results.
 - 4-The Board shall approve the internal evaluation methodology of the Bank's capital adequacy so that it is comprehensive and effective and able to determine all risks including the legal ones that the Bank is likely to face; and it takes into account the Bank's strategic plan and capital plan. This methodology should be periodically reviewed and its application shall be ensured. It should be verified that the Bank maintains a capital adequate to meet all faced risks.
 - 5-The Board, prior to approval of any activity expansion, shall take into account the resulting risks, competence, and qualifications of the risk management department personnel.
 - 6-The Board shall ensure independence of the risk management department in the Bank through submitting its reports to the risk management committee and granting the department authorities and powers necessary to be able to access information from the Bank's other departments and cooperate with the other committees to undertake the respective duties.
 - 7-The Board shall adopt the risk appetite charter of the Bank.
 - 8-Duties of the risk management departments, as minimum, are as follows:
 - a-Review the risk management framework before the Board's approval.
 - b- Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
 - c-Setting methodologies to determine, measure, and control each type of the risks.
 - d- Submit reports to the Board through the risk management committee copied to the top executive management including information about the actual risk profile for all the Bank's activities compared to the risk appetite; and monitor the addressing of the negative deviations.
 - e- Verify that the risk measurement mechanisms are integrated with the adopted management information systems.
- 



- f- Study and analyze all risk types faced by the Bank.
- g- Make recommendations to the risk management committee about the Bank's exposures to risks; record exemptions from the risk appetite levels.
- h- Provide necessary information about the Bank's risks to be used for disclosure purposes.

Article 20: Compliance Department

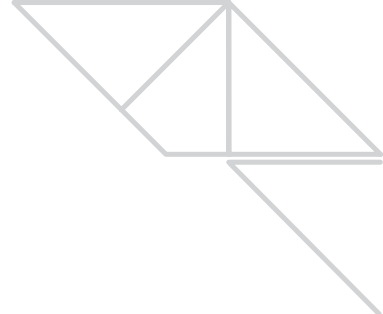
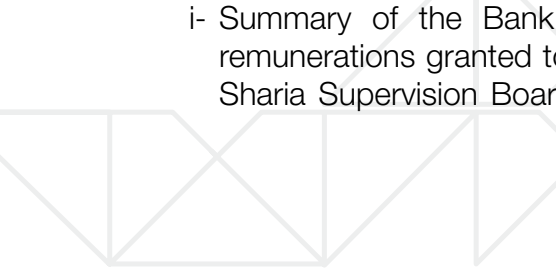
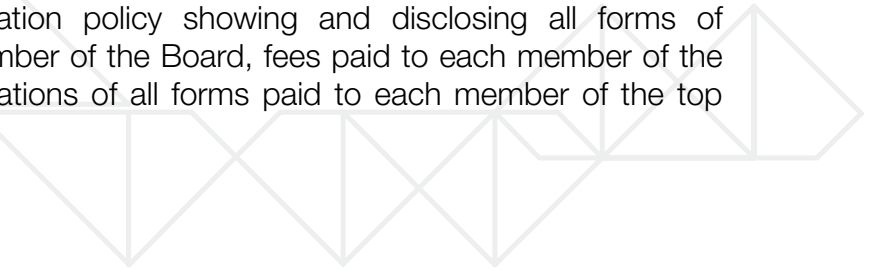
- 1-The Board shall ensure the independence of the compliance department whereas it includes the Sharia compliance department. The Board shall also ensure that the compliance department is continuously provided with adequate and well-trained personnel.
- 2-The Board shall adopt a policy to ensure the Bank's compliance with the related legislations, Sharia Fatwas, and decisions issued by the Sharia Supervision Board; and review the policy periodically and verify its application.
- 3-The Board shall approve the tasks and responsibilities of the compliance department.
- 4-The compliance department shall report to the corporate governance and compliance committee of the Board, and to the Sharia Supervision committee and send a copy of the reports to the general manager.

Article 21: Rights of Stakeholders

- 1-The Board shall provide a specific mechanism to ensure communication with the stakeholders through disclosure and to provide information of significance about the Bank's activities to the stakeholders through the following:
 - a-General assembly meetings.
 - b- Annual report.
 - c-Quarterly reports containing financial information, in addition to reports of the Board about the Bank's stock exchange, and its financial position during the year.
 - d- The Bank's website.
 - e-Shareholders' relation division.
- 2-The Board shall ensure the designation of a part of the website to include explanations and clarifications of the shareholders rights and encourage them to attend the general assembly meetings and vote therein as well as dissemination of meetings-related documents including the full text of convocation and minutes of meetings.
- 3-The Board shall ensure the designation of a part of the website to include clarifications about rights of the investment account holders and disseminates the policy that regulates their relations with the shareholders to include quantitative and qualitative disclosures.

Article 22: Disclosure & Transparency

- 1-The Board shall ensure the dissemination of financial and non-financial information of concern to the stakeholders.

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- 2-The annual report of the Bank should encompass a text stating that the Board is responsible for the accuracy and adequacy of the financial statements of the Bank, the information contained in that report, and the adequacy of the internal control systems and Sharia control systems.
 - 3-The Board shall ascertain compliance of the Bank with the disclosures determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and compliance with the disclosures issued by the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in case Islamic Standards are not made available, along with the directions of the Central Bank and other related regulations. It shall make sure that the executive management is familiar with the changes to the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Financial reporting Standards.
 - 4-The Board shall ensure that the annual report of the Bank and its quarterly reports include disclosures that enable the current or potential shareholders of reviewing the operation results and the financial position of the Bank.
 - 5-The Board and the Sharia Supervision Board shall ensure that the annual report of the Bank includes disclosures that enable the current or potential investment account holders of reviewing the operation results and the legal and the financial situation of the Bank.
 - 6-The Board shall ensure that the annual report includes, as minimum, the following:
 - a-Summary of the organizational structure of the Bank.
 - b- Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
 - c-The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
 - d- Information about each member of the Board in terms of respective qualifications, experience and his/her share in the Bank's capital and whether he/she is independent or not, and his/her membership in the Board's committees, date of appointment and any other memberships in the Boards of other companies, remuneration of all forms received from the Bank for the previous year as well as the funding granted to him/her from the Bank and any other operations made between the Bank and the member or the parties related to him/ her.
 - e-Information about each member of the Sharia Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
 - f- Information about the risk management department including structure, nature of operations, and developments made to it.
 - g-Frequency of meetings of the Board, committees, and the Sharia Supervision Board and the number of meetings attended.
 - h-Names of independent members of the Board, top executive management, and Sharia Supervision Board during the year.
 - i- Summary of the Bank's remuneration policy showing and disclosing all forms of remunerations granted to each member of the Board, fees paid to each member of the Sharia Supervision Board, remunerations of all forms paid to each member of the top



executive management for the previous year.

- j- Names of shareholders holding 1% or more of capital while determining the ultimate beneficial owners of these shares or any part thereof and demonstrating whether any of these contributions are mortgaged wholly or partly.
- k-Declarations by all Board members and Sharia Supervision board members that the member has not received any benefits through his/her work at the Bank that has not been disclosed whether such benefits are financial or in-kind and whether personal or to any related party, for the past year.

Article 23: General Provisions

- 1-The Chairman of the Board shall invite the Central Bank to attend the general assembly meeting in a suitable time before the meeting to enable the nomination of its representative.
- 2-The Chairman of the Board shall provide the Central Bank with the general assembly minutes of meetings within a period not exceeding five days from the date of endorsement of the meetings' minutes by, or on behalf of, the Companies General Controller.
- 3-The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the external auditor to be elected or re-elected by the general assembly.
- 4-The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the Sharia Supervision Board's member to be elected or re-elected by the general assembly.
- 5-The Bank shall notify the Central Bank of the number of shares mortgaged by the Bank's shareholders holding 1% or more of the capital and of the mortgagee.
- 6-The Bank shall, semi-annually and whenever a change takes place, provide the Central Bank with the information related to the members of the Board and its committees, members of the Sharia Supervision Board, and members of the top executive management, in accordance with the annexed formats (4/1, 4/2, 4/3, 4/4).
- 7-The Bank shall, semi-annually or when change takes place, provide the Central Bank with information related to the members of the Board of directors and the top executive managements of its subsidiaries and affiliates within the Kingdom and abroad in accordance with the annexed formats (5/1, 5/2, 5/3).



GOVERNANCE REPORT FOR SAFWA ISLAMIC BANK 2017

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Names of current and resigned Board members during 2017

Dr «Mohammed Nasser» Abu Hammour

representative of Al-EtiHAD Islamic for Investment Co.,

Chairman of
the Board as of
4/1/2017non-executive
member,
non-independent**Hamdan Al-Fawair**representative of Orphans Fund
Development FoundationDeputy
Chairman as of
13/4/2017non-executive
member,
independent**Basem Salfiti**

representative of Al-EtiHAD Islamic for Investment Co.

a member as of
4/1/2017non-executive
member
non-independent**Deema Aqel**representative of Al-EtiHAD Islamic for Investment Co.
a member as of 4/1/2017a member as of
4/1/2016non-executive
member
non-independent**Dr. Nofan Al – Aqeil**representative of Government Contributions
Management Company LLCa member as of
3/8/2016non-executive
member
non-independent**Khaled Al-Gonsel**

representative of Al-EtiHAD Islamic for Investment Co.

a member as of
4/1/2017non-executive
member
non-independent**Fayez Al-Maremi**

representative of Al-EtiHAD Islamic for Investment Co.

a member as of
4/1/2017non-executive
member
non-independent**Dr. Ahmed Amneisi**

representative of Al-EtiHAD Islamic for Investment Co.,

a member as of
13/4/2017non-executive
member,
non-independent**Dr. Ibrahim Saif**a member as of
22/10/2017non-executive
member,
independent**Samir Abu Lughod,**a member as of
13/4/2017non-executive
member,
independent**Haytham Kamhiyah,**a member of
13/4/2017non-executive
member,
independent



Resigned Board members during 2017

Saleh Al Ateeqi

resignation date non-executive
as of 31/8/2017, member,
independent

Note: a new Board of Directors was elected in the General Assembly ordinary meeting that was held in 13/4/2017, the change in the Board of Directors included Dr. Faisal Abdul Razzaq Al-Hayari, representative of Orphans Fund Development Foundation, Dr. Hassan Naser Hassan Hassan, representative of Investment funds Social Security Fund, Mr. Jamil Nabil Jamil Anz, representative of FCB Fund, Mr. Raslan Nouri Raslan Diraniyeh and Dr. Walid Ali Shehadeh Al-Naasan.



Names of the Board of Directors members, their representation, date of designation and their profiles:

Dr. “Mohammed Nasser” Abu Hammour

Chairman of the Board

Representative of: Al-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017.

Date of birth: 20/12/1961.

Qualifications :

- Ph. D. in Economics/Financial, University of Surrey,UK, 1997.
- Master in Economics, University of Jordan, 1989.
- Bachelor in Economics, Yarmouk University, 1984.

Practical experience and memberships:

- Ministry of Finance, Minister 14/12/2009 -17/10/2011.
- The Arab Potash Company, Chairman of the Board of Directors 1/11/2007-14/12/2009.
- Executive privatization commission, Chairman, 11/7/2005- 20/11/2007.
- Ministry of Finance, Minister 25/10/2003 – 5/4/2005.
- Ministry of Industry and Trade, Minister 21/7/2003 – 22/10/2003.
- Ministry of Finance, Secretary General 8/2/2000 - 21/7/2003.
- Ministry of Finance, Advisor to the Minister of Finance 8/11/1998 - 7/2/2000.
- Ministry of Finance, Chairman, Fiscal Monitoring Unit 15/3/1999 - present.
- University of Jordan, Part time lecturer/graduate students in Economics 1998 - 2003.
- Member of committees discussing master's degrees dissertations, 1998-1999.
- Central Bank of Jordan, Chief, Public Finance Division 1997 - 1998.
- Central Bank of Jordan, Chief, External Economy and Balance of Payments Division 1992 - 1994.
- Central Bank of Jordan, Researcher, Research and Studies Division 1/1/1987.
- Member of the Board of Directors of Jordan Telecom Company.
- Chairman of the Board of Al Salam Transport Company.

Hamdan Al-Fawair

Deputy Chairman of the Board.

Representative of: Orphans Fund Development Foundation.

Date of designation in the Board: 13/4/2017.

Date of birth: 2/3/1960.

Qualifications :

- Bachelor of Law from Alexandria University in 1985.

Practical experience and memberships:

- General Manager of the Foundation for the Orphans Fund Development Foundation from 2/10/2017 until now.

- Acting Director General of the Foundation for Orphans Fund Development Foundation from 2/1/2017-1/10/2017.
- Director General Assistant of the Foundation Orphans Fund Development Foundation 2010 till 2016.
- Director of Administrative Affairs and Human Resources for Orphans Fund Development Foundation 2009-2010.
- Director of Internal Control for Orphans Fund Development Foundation 2008-2009
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008.
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau 2005-2007.
- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 - 2005.
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004.
- Assistant Director, Internal Control, Audit Bureau 1999-2001.
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999.

Basem Salfiti

Member of the Board

Representative of: Al-EtiHAD Islamic for Investment Co.

Date of designation in the Board: 4/1/2017.

Date of birth: 29/4/1972 .

Qualifications :

- 1998-2000 COLUMBIA BUSIENSS SCHOOL New York, NY MBA, Finance and Corporate Strategy.
- 1989-1993 BROWN UNIVERISTY Providence, RI. BS, Honors, Electrical Engineering

Practical experience and memberships:

- General Partner and Co Manager, Hummingbird Ventures London, UK 2013-2017.
- Managing Director, Head of European Technology Investment Banking, Perella Weinberg Partners London, UK 2006-2013.
- Executive Director, Technology Investment Banking, Morgan Stanley & Co. London, UK 2000-2006.
- Chief Operating Officer, BEST IC Laboratories, Inc. Sunnyvale, CA 1994-1998.
- Non-Executive Board Member, Bank Al-EtiHAD Amman, Jordan 2009-Present.

Deema Aqel

Member of the Board

Representative of: Al-EtiHAD Islamic for Investment Co.

Date of designation in the Board: 4/1/2017.

Date of birth: 13/2/1968.

Qualifications :

- Master in Business Administration 2001, Imperial College, School Of Management,



London, U.K.

- Master of Science (M.Sc.) in Banking & Financial Studies/Capital Markets 1998.
- B.Sc. in Electrical Engineering, 1990.

Practical experience and memberships:

- Deputy General Manager, Bank Al Etihad from 01/2012.
- Assistant General Manager, Risk Management and Compliance, Bank Al Etihad until 01/2012.
- Assistant General Manager Risk Management and Compliance Division, Jordan Ahli Bank 2005- 2007.
- Head of Credit Policy Risk Management Division, Housing Bank for Trade and Finance 2004 – 2005.
- Credit Risk Manager ARAB BANK 1990 – 2004.
- Member of the Board of Directors, AL Etihad Brokerage Company.
- Member of the Board of Directors, AL Etihad Leasing Company.
- Member of the Board of Directors, Palestine Commercial Bank 9/2011-7/2013.

Khaled Al-Gonsel

Member of the Board

Representative of: Al-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017.

Date of birth: 13/8/1973.

Qualifications :

- Masters in Banks and Finance, The European University 2003.
- Masters in Financial Accounting, Libyan Academy 1996.
- Bachelor in Financial Accounting, College in Accounting, Gharian, Libya 1992.

Practical experience and memberships:

- Managing Director and Board Member, Libyan Foreign Investment Company (LAFICO) 2012 -2017.
- Board Member, Arab Petroleum Investment Corporation (APICORP) 2012-2018.
- Board Member, International company for Hotel Investment 2015-2018.

Fayez Al-Maremi

Member of the Board

Representative of: Al-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017.

Date of birth: 24/8/1961.

Qualifications and memberships :

- Masters Degree in Banking and Finance Arab Banking Institute for Financial and Banking Studies Amman Jordan 1992-1994.
- Bachelor Degree in Accounting University Benghazi Libya 1979-1983.

Ahmed Amneisi

Member of the Board

Representative of: Al-EtiHAD Islamic for Investment Co.

Date of designation in the Board: 13/4/2017.

Date of birth: 28/12/1938.

Qualifications

- PhD in Economics from the University of Cologne / Germany in 1972.
- Post PhD studies from Stanford University- CA- USA 1978.
- Bachelor of Economics from the Libyan University in 1963.

Practical experience and memberships:

- Chairman of the Board, Libyan Economists Association 1990-1999.
- Chairman of the Board and General Manager of Al-Wahda Bank- Libya 9/9/2000-23/3/2001.
- Governor of the Central Bank of Libya 3/3/2006-23/3/2011.
- Secretary of the Public General Committee for Finance (Minister of Finance) 3/3/2006 - 3/1/2007.
- Ambassador of Libya to the State of Austria 1/7/2007-4/4/2012.
- Professor at the Department of Economics, University of Garyounis-Libya, 1973 - 2001.

Dr. Nofan Al-Aqeil

Member of the Board

Representative of: Government Contributions Management Company.

Date of designation in the Board: 3/8/2016.

Date of birth: 1/1/1971.

Qualifications

- PhD in public law (Administrative law/Administrative Jurisdiction) Ain Shams University - Egypt in 2005.
- Master in Public Law (administrative law) Al al-Bayt University, 1997.
- Bachelor in Law , Mu'tah University , 1994.

Practical experience and memberships:

- Head of Legislation and Opinion Bureau - Prime Ministry Jordan, 30/6/2013 up to date.
- Acting Chairman of the Board of Grievances from 31/12/2014 until 18/10/2015.
- Minister of State for Prime Ministry Affairs from 8/10/2012 until 30/03/2013.
- Minister of Political Development from 2/5/2012 until 07/10/2012.
- Associate professor of Public Law at the University of Jordan since 2006 until now.
- Lawyer and legal advisor from 2006 to 2012.
- Head of the legal department / Telecommunications Regulatory Authority from 8/1/2003 until 20/1/2004.
- Legal Researcher in the Office of the Jordanian accounting from 1/1/1999 until 8/12/1999
- Member at the company of Aldamaan for Energy Investment .



Samir Abu Lughod

Member of the Board.

Elected Member.

Date of designation in the Board: 13/4/2017.

Date of birth: 7/12/1951 .

Qualifications

- Bachelors Degree in Accounting 1976.

Practical experience and memberships:

- Chairman of the Audit Committee - The International Criminal Court / The Hague, Netherlands March 2017.
- Member of the Audit Committee - The International Criminal Court / The Hague, Netherlands January 2016.
- Country Senior Partner - PwC, Jordan 2009-2012.
- Managing Partner EY, Jordan, 2002-2009.
- Office Managing Partner, Arthur Andersen, Jordan, 1979-2002.
- Senior Auditor - Saba&Co 1976-1979.

Haytham Kamhiyah

Member of the Board.

Elected Member.

Date of designation in the Board: 13/4/2017.

Date of birth: 1/8/1969.

Qualifications

- High Diploma in AMP from Insead University France.
- CMA (Certified Management Accountant) certification, IMA (Institute of Management Accountants), 1998.
- CPA (Certified Public Accountant) certification, AICPA (American Institute of Certified Public Accountants), 1995.
- Bachelor's degree in Accounting and Management, University of Jordan 1992.

Practical experience and memberships:

- Executive chairman for Emirates Development Bank- UAE- July 2017.
- General Manager of Capital Bank / Jordan, March 2005-2017.
- Deputy Chairman and Financial Department Head of Capital Bank / Jordan August 2003- May 2005.
- Financial manager, Capital Bank / Jordan- April 1996- May 2000.
- Finance controller, Capital Bank / Jordan- May 2000- August 2003.
- Board member in the company of Ethmar for Islamic Finance/ Jordan- May 2017.
- Board member in Military Credit Fund/ Jordan- June 2017.
- Audit committee head in King Hussein Foundation/ Jordan- March 2016.
- Board member in Jordan International Investment Company/ Jordan- March 2016.



Dr. Ibrahim Hassan Mustafa Saif

Member of the Board.

Elected Member.


Date of designation in the Board: 22/10/2017.

Date of birth: 10/8/1965.

Qualifications

- PhD in Economics from University of London 2001.
- MSc. in Economics from University of London 1988.
- BA in Economics and Accounting from Yarmouk University 1986.

Practical experience and memberships:

- Minister of Planning and International Cooperation 2013 –2015, and in March 2015 assumed the position of Minister of Energy and Mineral Resources till June 2017.
 - Researcher at Carnegie Middle East Center, as his researches focused on Middle East Economics, 2012-2015.
 - Secretary General, Economic and Social Council, Jordan 2009 -2012 .
 - Professor of Economics, and manager of the Center for Strategic Studies, Jordan University, 2002-2008.
- 



Names of the Members of Sharia Supervisory Board and a Brief Introduction on Each Member

His Eminence Prof. Dr. Hussein Hamed Hassan / Chairman of the Sharia Supervisory Board & Executive Member

Date of Birth: 1932.

Qualifications: PHD of Jurisprudence and its Principles (Islamic Law & Sharia) Al Azhar University, Egypt 1965.
Master of Comparative Jurisprudence, International Institute of Comparative Law, New York University – USA, 1964.
Diploma of Comparative Law, New York University – USA, 1963.
Diploma of Islamic Sharia, Cairo University – Egypt, 1962.
Diploma of Special Law, Cairo University – Egypt, 1961.
High Certificate of Sharia, Al Azhar University – Egypt, 1960.
Bachelor of Law and Economy, Cairo University – Egypt, 1959.

Experience: Chairman of Sharia Supervisory Boards for more than 13 Islamic Financial Institutions.
Member of the Sharia Supervisory Board for more than 9 Islamic Banks & Financial Institutions.
Chairman of Sharia Jurists Assembly in USA.
Member of Islamic Jurisprudence Assembly of the World Islamic Assembly.
Member of the Sharia Board of Accountancy & Revision Committee for Islamic Financial Institutions.

His Eminence Prof. Dr. Ali Muhieddin Al Quradagi / Member of the Sharia Supervisory Board

Date of Birth: 1949

Qualifications: Ph.D. in Sharia & Law, in the field of Financial Contracts and Transactions, Al Azhar University, 1985.
Master of Comparative Jurisprudence, Sharia & Law College, Al Azhar University, 1980.
Bachelor of Islamic Sharia, Baghdad, 1975.
Scientific Certificate of Islamic Sciences at the hands of the sheikhs, 1970.
Graduate of Islamic Institute, 1969.

Experience: Secretary-General of the World Federation of Muslim Scholars.
Islamic Jurisprudence Assembly Expert affiliated to ICO, Jeddah.
Vice-Chairman of the European Council of IFTA' & Research Professor & Head of the Department of Jurisprudence at the Faculty of Sharia, Law and Islamic Studies at Qatar University (formerly).
Member of the Sharia Assembly for Reviewing Islamic Financial Institutions.

Chairman of Kurd Islamic Foundation.
Chairman & Executive Member of Sharia FATWA & Supervisory Boards for several Islamic Banks and Islamic Insurance Companies in Qatar, like Qatari Islamic Insurance Co., and outside Qatar, including Dubai Islamic Bank, Investors Bank in Bahrain, and the First for Investment in Kuwait.

His Eminence, Prof. Dr. Ali Mohamad Al Hussein El Moussa “Al Sawa”/ Member of the Sharia Supervisory Board.

Date of Birth: 1948
Qualifications: PHD of Comparative Jurisprudence, Al Azhar University, Egypt 1978.
Master of Comparative Jurisprudence, Al Azhar University, Egypt 1973.
Bachelor of Sharia, Al Azhar University, Egypt, 1970.
Experience: Worked at more than 7 Universities in Jordan and the GCC as Professor or Associate Professor or Dean of Sharia Colleges.
Committee Membership: Member of several Preparatory Committees.
Permanent Member of the Islamic Studies Association.
Permanent Member of Jordan AL-AFAF Charity Foundation.
Chairman of Sharia Committee of Advice House Center, Jordan 2004 to date.
Member of Sharia Supervision Committee of the Islamic Insurance Co., Jordan, 1996 to date.
Chairman of the Sharia Supervision Committee of the Engineers Union Investment Funds, Jordan, 2000 to date.
Member of the Sharia Committee of Advice House Center, Kuwait 2002-2004.

His Eminence, Dr. Ahmed Salim Mulhim/ Member of Sharia Supervisory Board

Qualifications: Ph.D. of Comparative Jurisprudence 1994.
Master of Jurisprudence & Sharia 1987.
Bachelor of Jurisprudence & Sharia 1982.
Experience: Legal Advisor to the Sharia Supervisory Board affiliated to World Federation of Takaful Companies and Islamic Insurance in Khartoum.
Legal Advisor to North Africa Bank Consultative Committee, Libya.
Part-time Lecturer at Arab Academy of Financial & Banking Sciences.
Part-time Lecturer at Al Zaitounah Private University.



Executive Management

Samer Tamimi

Director General / Chief Executive Officer

Rami Alkhayyat

Deputy Chief Executive Officer, Chief of Corporate Banking

Hani Al-Zrari

Deputy Chief Executive Officer
Chief of Central Operations

Ziad Kokash

Deputy Chief Executive Officer, Chief of Risk Management

Ibrahim Samha

Deputy Chief Executive Officer, Chief of Finance and Corporate Strategies

Masoud "Saqf El-Hait"

Head of Legal Affairs and Board Secretariat

Rami Al-Kilani

Head of Information Technology

Mr. Muneer Mohammed Fayyad Faronyeh

Head of Sharia Supervisory

Yoaad Al Dughmi

Acting Head of Corporate Communication and Marketing

Wael Al-Bitar

Acting Head of Treasury and Investment

Nasfat Taha

Acting Head of Retail Banking

Khaled Al-Issa

Acting Head of Internal Audit

Ahmad Tarteer

Senior Manager - Head of Compliance and Anti-Money Laundering

Mohammed Al-Hawari

Acting Head of Human Capital Management

Resigned Executive Management members during 2017

Sami AL-Afghani

General Manager/Chief Executive Officer

Dr. Haitham Jouher

Deputy Chief Executive Officer, head of Business Excellence (Human Capital Management, Corporate Services, and Quality Assurance Management)



Samer Tamimi/ Director General, Chief Executive Officer

Samer Tamimi joined Safwa Islamic Bank on 01/03/2018 with extensive banking and management experience in banks and financial institutions for more than 28 years during that he worked in prominent financial institutions in the Hashemite Kingdom of Jordan, United Arab Emirates, Qatar and USA, The last of which was before joining Safwa Islamic Bank, as an Acting Chief Executive Officer for United Arab Bank in the UAE.

Samer began his professional career at Deloitte & Touché, and then at Global Audit Group as Senior Auditor, then he moved to Arab Bank - New York as Assistant Vice President and Credit Risk Manager then as Vice President and Portfolio Manager before moving to Arab Bank -General Management as Senior Vice President – Credit Department then as Executive Vice President Head - Head of Global Corporate & Financial Institutional Banking, and then he moved to Arab Bank in Qatar as Executive Vice President and Country Manager, moving to United Arab Bank in UAE as Acting Chief Executive Officer.

Samer holds a Master's Degree of Science in Professional Accountancy from Walsh University of Accounting and Business Administration in Michigan, USA in 1991 and a Bachelor's Degree of Science and Business Administration from the University of Jordan in 1988, and Certified Public Accounting (CPA) from the University of Illinois, Chicago.

Rami Alkhayyat/ Deputy Chief Executive Officer, Chief of Corporate Banking

Rami Khayat joined the Bank on 03/01/2010 serving as Deputy CEO, Chief of Corporate Banking with considerable experience of more than 23 years in financing and corporate banking in prestigious commercial and Islamic Jordanian and regional banks.

Rami started his career as Facilitations Officer at Cairo Amman Bank in 1995 and then moved to work in Saudi Arabia as the Head of Business Services Unit in the Western Region at the Arab National Bank. Afterwards, he served as Head of the Dubai Northern Emirates Facilitations Department at Abu Dhabi Islamic Bank in the United Arab Emirates. He also worked as a part-time lecturer at the Arab Academy for Financial and Banking Sciences.

Rami presides several subsidiaries for the bank and foreign companies, also he is a Board member in such and he holds a Master's Degree in Banking from the Arab Academy for Financial and Banking Sciences since 1995 and a bachelor's degree in Accounting from Yarmouk University in Jordan 1994.



Hani Al-Zrari/ Deputy Chief Executive Officer, Chief of Central Operations

Hani Al Zrari joined the Bank on 01/07/2010 functioning as Deputy CEO, Chief of Central Operations and Information Technology with vast experience of about 27 years in central operations and information technology.

He started his career at Cairo Amman Bank as Head of Remittances and Foreign Exchange Department and then moved on to work at Citibank as Head of Internal Control Unit, then moved to Dubai to work at Dubai Islamic Bank as Head of International Project Support Unit. Currently, he assumes the position of Deputy CEO, Chief of Central Operations.

Hani holds a Bachelor's degree in Economics from Yarmouk University in Jordan 1985.

Ziad Kokash/ Deputy Chief Executive Officer, Chief of Risk Management

Ziad Kokash joined the Bank on 09/16/2012 holding the position of Deputy CEO, Chief of Risk Management and bringing wide experience of around 26 years in risk management.

He started his career at Cairo Amman Bank / Department of Facilitations working as Credit Facilitations Officer then became Credit Facilitations Director at Arab Banking Corporation and then moved on to work at Al Ahli Bank, and the last job he occupied was Assistant Director-General, Chairman of the Risk Management Group.

Ziad holds a Master's degree in Financial Management from the Arab Academy for Banking and Financial Sciences 2006, and a Bachelor's degree in Finance and Banking Sciences from Yarmouk University in Jordan 1992.

Ibrahim Samha/ Deputy Chief Executive Officer, Chief of Finance and Corporate Strategies

Ibrahim Samha joined the Bank on 31 / 03 / 2013 working as Deputy CEO, Chief of Finance and Corporate Strategies with around 23 years of experience in financial management. He started his career at HSBC Bank in the Financial Management Department then moved to work at Capital Bank as Assistant Director-General, Chief of Financial Management. He later moved to work at Al Rajhi Bank as Chief of Financial Management.

Ibrahim holds a Master's Degree in Finance and Banking Sciences from the Institute of Banking Studies 2005 and a Bachelor's degree in Accounting from Jordan University 1994.

Masoud Saqf El-Hait/ Head of Legal and Board Secretariat

Mr. Masoud Saqf-Hait joined the Bank on 01/04/2012 as Head of the Legal Department with considerable experience of up to 25 years in the legal business. He started his life as a lawyer at the Arab Bank and then moved to work at Capital Bank as Head of the Legal Department. Later, he worked as lawyer at Ali Sharif Al Zoubi's Office.

Currently, he assumes the position of Head of Legal and Board Secretariat. Masoud holds a Bachelor's degree in Law from Jordan University in Jordan 1992.

Rami Al-Kilani/ Head of Information Technology

Rami Al-Kilani joined the bank in 02/10/2011 as Senior Manager, Deputy Head of IT with an extensive experience up to 24 years in IT filed. He started his professional career as an IT Analyst in Housing Bank then moved to work as Head of banking applications Support at Cairo Amman Bank then moved to work as Head of IT in Audi Bank.

Rami hold Bachelor's degree in Computer Engineering from Amman Private University in 1993 and a Master's Degree in Business Administration from the University of HerriotWatt-Edinburgh in 2016 and was awarded the following certificates of competence: (ITIL, PMP, ISO27001, COBIT5, TOGAF, CISSP, CPP).

Muneer Faronyeh/ Head of Sharia Supervisory

Muneer joined the Bank on 01/08/2010 as a Sharia Auditor with an extensive experience of 22 years in Islamic banking and Sharia audit. Mr. Muneer worked in the Jordan Islamic Bank in many locations and departments and His last position was Senior Auditor, Internal and Sharia Audit.

Muneer holds a Master's Degree in Finance and Banking specialty Islamic banks from the Arab Academy for Banking and Financial Sciences and a BA in Finance and Banking from Yarmouk University in as well as observer and forensic auditor's certificate (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions - Bahrain (AAOIFI)

Yoaad Abd Al Dughmi/ Acting Head of Corporate Communication and Marketing

Yoaad Al-Dughmi joined the Bank on 02/05/2012 as a Senior Officer - Corporate Communications and Marketing bringing with her 12 years of experience. She started her career path as an Office Manager for the General Manager Office in Space Telecommunications. Afterwards, she moved to the Prime Ministry of Jordan to work with the Prime Minister's Consultant as a Researcher for Parliamentary Affairs.

She holds a Bachelor's Degree in English Language and Literature from the University of Jordan (2005).



Wael Al-Bitar/ Acting Head of Treasury and Investment

Wael Al Bitar joined the Bank on 3/1/2010 as a Senior Manager / Head of Financial Institutions Relations with 23 years of experience in many fields including Corporate Facilitations, Treasury, Investment, Credit and Financial Institutions at several banks in Jordan in various important positions, such as: Arab Bank, Bank ABC, Jordan Financial Bank.

Wael holds a Master's Degree in Business Administration / Finance from the University of Jordan (1999), and a Bachelor's Degree in Economics / Finance from Yarmouk University (1994).

Wael is currently a member of several companies' committees (Deputy Chairman of Sukuk National Electricity Owners' Committee, Deputy Chairman of the Authority of Owners of the Ministry of Finance Sukuk, Member of the Board of Directors of Misk Brokerage Company, Member of the Board of Directors of Jordan Dubai Real Estate Company, and Member of the Board of Directors of Group of Jordan Banks).

Nasfat Taha/ Acting Head of Retail Banking

Nesfat joined the Bank on 21/02/2010 as a Head of Branch Network holding a portfolio of around 24-year experience in Retail Banking. he started his career path as Area Manager - Jordan Branches / VIP Customers at Arab Bank.

Nesfat holds a Bachelor's Degree in Business Administration from the American University in Cairo (1993).

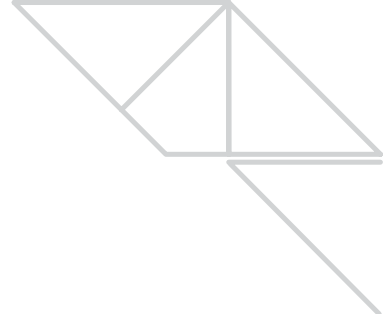
Khaled Al-Issa/ Acting Head of Internal Audit

Khaled Al-Issa joined the Bank on 20/02/2011 as a Financial Manager of the Financial Audit and Operations Department with an extensive banking experience of 13 years. He started his career at the Housing Bank in the Internal Audit Department, his last position was Operations Auditor.

Khaled holds a Bachelor's Degree in Accounting from Al Albayt University in 2004. He also holds a number of International certificates: CIA, DIP-IFRS, CCSA, CGAP

Ahmad Tarteer/ Senior Manager - Head of Compliance and Anti-Money Laundering

Ahmed Tarteer joined the Bank on 21/6/2015 with the position of Senior Manager - Head of Compliance and Anti-Money Laundering holding a portfolio of over 10 years of experience in the field of banking. He started his career path at ABC Bank as an Internal Auditor, soon after, he served as Assistant Manager / Compliance and Anti-Money Laundering Department at Arab



Bank. The last position he occupied was Head of Compliance and Anti-Money Laundering (NBK – Jordan).

Ahmed holds a Bachelor's Degree in Accounting and Commercial Law from the Hashemite University (2007) and he holds different International certificates: CAMS, CAMS AMLA, CCM, CCOS, CPT

Mohammed Al-Hawari/ Acting Head of Human Capital Management

Mohammed Al-Hawari joined the bank on 18/1/2010 as a Manager / Human Resources Operations with a banking experience of over 14 years in the field of banking. He started his career working at Jordan Kuwait Bank in the Finance Department.

Mohammed holds a Bachelor's Degree in Accounting from Mu'tah University in 2003 and a Master's Degree in Accounting from Amman Arab University for Graduate Studies in 2005. He holds a Professional Certificate (CHRM) - Certified Human Resource Manager.



Name of Governance Office

Ahmad Tarteer

Senior Manager - Head of Compliance and Anti-Money Laundering

Names of Committees Originating from the Board and their Members

Risk Committee	Compliance Committee
Deema Aqel/ Chairman	Dr. Nofan – Aqeil/ Chairman
Khaled Al-Gonsel	Dr. Ahmed Amneisi
Dr. Ibrahim Saif	Deema Aqel

NRC Committee	Governance Committee
Haytham Kamhiyah/ Chairman	Dr «Mohammed Nasser» Abu Hammour/ Chairman
Basem Salfiti	Hamdan Al-Fawair
Samir Abu Lughod	Samir Abu Lughod

IT Steering Committee	Audit Committee
Basem Essam Halim Salfiti/ Chairman	Samir Abu Lughod/ Chairman
Khaled Al-Gonsel	Fayez Al-Maremi
Dr. Ibrahim Saif	Hamdan Al-Fawair

Excutive & Facilities Committee
Dr «Mohammed Nasser» Salem Abu Hammour/ Chairman
Basem Salfiti
Deema Aqel
Fayez Al-Maremi
Haytham Kamhiyah

Audit Committee Members Brief:

Samir Abu Lughod (Head of the Committee)

Qualifications

- Bachelors Degree in Accounting 1976.

Practical experience:

- Chairman of the Audit Committee - The International Criminal Court / The Hague, Netherlands March 2017.
- Member of the Audit Committee - The International Criminal Court / The Hague, Netherlands January 2016.
- Country Senior Partner - PwC, Jordan 2009-2012.
- Managing Partner EY, Jordan, 2002-2009.
- Office Managing Partner, Arthur Andersen, Jordan, 1979-2002.
- Senior Auditor - Saba&Co 1976-1979.

Hamdan Al-Fawair (Deputy Head of the Committee)

Qualifications :

- Bachelor of Law from Alexandria University in 1985.

Practical experience:

- Director General of the Foundation for the Orphans Fund Development Foundation from 2/10/2017 until now.
- Acting Director General of the Foundation for Orphans Fund Development Foundation from 2/1/2017-1/10/2017.
- Director General Assistant of the Foundation Orphans Fund Development Foundation 2010 till 2016.
- Director of Administrative Affairs and Human Resources for Orphans Fund Development Foundation 2009-2010
- Director of Internal Control for Orphans Fund Development Foundation 2008-2009
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau 2005-2007
- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 - 2005
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004
- Assistant Director, Internal Control, Audit Bureau 1999-2001
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999

Fayez Al-Maremi (Member)

Qualifications:

- Masters Degree in Banking and Finance, Arab Banking Institute for Financial and Banking Studies Amman Jordan 1992-1994.
- Bachelor Degree in Accounting University of Benghazi Libya 1979-1983.



Number of BOD Meetings and its Committee's during 2027

Board / Committee	Excutive & Facilities Committee	Risk Committee	Governance & Compliance Committee *	Governance Committee	Compliance Committee	NRC Committee	IT Steering Committee	Audit Committee **	Board of Directors Meetings
No. of meetings	21	6	4	1	2	6	3	10	11
Member									
Dr. "Mohammad Naser" Abu Hammour	21 / 21	-	4 / 4	1 / 1	-	-	-	-	10 / 10
Hamdan Al Fawair	-	-	3 / 3	1 / 1	-	-	-	7 / 7	7 / 7
Dr. Nofan Al Aqeil	-	3 / 3	1 / 1	-	2 / 2	-	2 / 3	-	11 / 11
Deema Aqel	20 / 21	6 / 6	-	-	2 / 2	-	-	-	8 / 10
Basem Salfiti	14 / 21	-	-	-	-	3 / 3	3 / 3	-	10 / 10
Fayez Maremi	19 / 21	-	-	-	-	-	-	7 / 9	10 / 10
Khaled Al Gonsel	-	4 / 6	-	-	-	4 / 4	-	-	8 / 10
Dr. Ahmed Menesi	-	-	-	-	2 / 2	-	3 / 3	-	4 / 7
Mr. Saleh Ahmed Saleh Al Ateeqi	-	1 / 1	-	-	-	1 / 1	-	-	2 / 3
Samir Abu Lughod	-	-	-	1 / 1	-	3 / 3	-	7 / 7	5 / 7
Haytham Kamhiyah	16 / 16	-	3 / 3	-	-	1 / 1	-	4 / 5	7 / 7
Dr. Ibrahim Saif	-	1 / 1	-	-	-	-	-	-	1 / 2
Dr. Hassan Naser Hassan Hassan	-	2 / 2	-	-	-	-	-	3 / 3	4 / 4
Dr. Faisal Abdul Razzaq Musa Al Hayari	-	-	1 / 1	-	-	2 / 2	-	3 / 3	4 / 4
Jameel Nabil Jameel Anz	5 / 5	-	-	-	-	1 / 1	-	-	4 / 4
Raslan Nori Raslan Deraneh	-	-	1 / 1	-	-	2 / 2	-	3 / 3	4 / 4
Dr. Waleed Ali Shehada Al Nasaan	-	1 / 2	1 / 1	-	-	3 / 3	-	3 / 3	4 / 4
Dr. Omar Mashour Haditha Al Jazy	-	-	-	-	-	1 / 1	-	-	-

* Governance & Compliance Committee was separated into two committees in 22/10/2017

** Audit Committee met External Auditor 4 times during 2017.

IT Governance Manual and Associated Technology





GUIDE OF GOVERNANCE AND MANAGEMENT OF INFORMATION AND THE ASSOCIATED TECHNOLOGY

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GUIDE OF GOVERNANCE AND MANAGEMENT OF INFORMATION AND THE ASSOCIATED TECHNOLOGY

Introduction

In line with the instructions of information governance and the associated technology, Safwa Islamic Bank board of directors and its executive management approved a number of measures to equalize IT with other major business in the Bank. Usage of COBIT 5 framework for governance, information management, technology and IT projects assists in creating the optimal value of IT by maintaining a balance between achieving benefits and improving risks levels and using resources. COBIT 5 also enables IT to be managed in a comprehensive way for the full projects taking into account the functional and technological responsibilities from the beginning to the end, along with considering the interests regarding IT from the involved internal and external stakeholders in addition to working on managing IT risk framework in an integrated manner that complies with the Bank overall risk management operations and in accordance with the sound procedures and practices that lead to sound mechanisms for the risk-based decision-making. It also ensures achieving the value added at the lowest costs while mitigating expected losses and risks to reflect the vision of the Bank in this regard and within acceptable risk limits wherever possible.

Definitions

The following words and phrases, wherever stated in this regulation, shall have the meanings assigned to them below unless the context indicates otherwise

Concerned word	phrase
The Bank	Safwa Islamic Bank
The Board	Safwa Islamic Bank board of directors
The Committee	The committee of information governance and management and the associated technology
The Organizational structure	The Bank organizational structure mentioned in the annex
Top Executive Management	Comprises The Bank General Manager, Deputy General Manager, Financial Manager, Operations Manager, Risk Management Manager, Internal Audit Manager, Internal Sharia Audit Manager, Treasury Director (Investment), Compliance Manager, in addition to any employee at the Bank who has executive power parallel to any of the mentioned and directly linked to the General Manager and in a manner that doesn't conflict with human capital policie
Stakeholders	Those who have interest in the Bank such as stakeholders, employees, creditors, customers, external suppliers or concerned regulatory authorities.
Concerned Parties:	Persons, groups or institutions which have direct or indirect interest in the Bank as they affect or are affected by its practices or activities.



Guide	A guide to governance and management of information and the associated technology which aims to provide recommendation and guidance for the work of the Committee.
Information governance and the associated technology:	Distribution of roles and responsibilities and characterization of relations among different parties entities and stakeholders such as the Board of Directors and the Executive Management in order to maximize value added to the institution using the optimal approach that ensures the balance between the risks and expected returns, through adopting necessary rules, principles and mechanisms for decision-making and determining strategic objectives of the Bank and the mechanisms for monitoring and compliance verification which ensure development and sustainability of the bank.
Information Management and the associated technology.	A set of ongoing activities that fall within the responsibility of the Executive Management; Planning to achieve the strategic objectives including harmonization, organization, and construction and development activities including procurement and implementation, in addition to the operational activities including providing services and support, and monitoring activities including measurement and evaluation, ensuring the sustainability of the Bank objectives and strategic directions.
IT Governance Operations	A set of practices and activities emerging from the institution's policies which are required to achieve the objectives of the information and the associated technology.
Objectives of the information and the associated technology	A set of key and sub objectives related to the governance and management activities of the information and associated technology which are required to achieve the institutional objectives.
Institutional objectives	a set of objectives related to governance and institutional management which are required to achieve the needs of stakeholders and the objectives of these instructions.
On – Site building	for the general administration, operation place is in the same building of the General Administration of the Bank in Jordan.
Off – Site, for another building	operation place is in a building other than that of the General Administration of the Bank in Jordan, but in the same governorate.
Near – Site	operation place is in a governorate other than that of the General Administration of the Bank in Jordan.
Off – Shore, for another country	where the operation place is in a country other than that of the General Administration of the Bank

Scope of Work

The IT Department shall be the responsible entity for this evidence; compliance with the implementation is overseen by the Bank Control Departments; while the date of reviewing this evidence is set if a need arises.

The scope of implementing this evidence includes Safwa Islamic Bank all operations which use IT in various branches and departments. All parties regard concerned stakeholders in the implementation of these instructions; each according to their position and role.

1. General Policies & Provisions

1. Major stakeholders' responsibilities:

- The responsibilities of the Board Chairman, the Board members, external experts include managing the governance project/program; approving the project's tasks and dues, the support, and providing the necessary funds.
- The general director and the top management:

Their responsibilities involve employing experienced calibers at the Bank operations to represent them in the project; defining their duties and responsibilities.

- IT Department and Project Management Office:
They're responsible for managing the project/program.
- Internal Auditing:
They're responsible for directly controlling the instructions' implementation; the participation in the project/program; which represents the role of internal auditing in the executive issues as an independent advisor and supervisor to facilitate the project/program's success and achievement.
- Risk Management, Information Security, Compliance and Legal Departments:

Their responsibilities include the participation in the project/program in means representing the role of these departments.

The competent calibers; holders of professional and technical certificates (COBIT 5 Assessor, COBIT 5 Implementation, CGEIT certification), who are appointed from inside and outside the Bank:

Their responsibilities include the guide's role to disseminate knowledge and ease the implementation.

- Safwa Islamic Bank Board shall be responsible for overseeing the implementation of the five governance operations, which involve Administrative Regulation(Assessment, directives,



and monitoring), in addition to the operation of Risk Improvement Guarantee), « EDM 03 and APO12 Risk Management», in line with the Central Bank of Jordan's (CBJ) instructions.

1. Governance goals and Associated Information and Technology Management to achieve:

Governance and Associated Information and Technology aim at:

1. Meeting the stakeholders' needs and achieving the Bank goals through benefiting from the governance framework in:
 - Facilitating the added-value creation by offering online services complying with the instructions of Governance Guidelines and Associated Information and Technology Management, in means ensuring the deliberate management of risks and enhancing the optimum use of resources.
 - Securing information quality guarantee in order to support the decision-making process.
 - Providing infrastructure for online services, which enables the Bank to accomplish its objectives.
 - Ensuring the sustainability of the Bank operations through boosting the operations' automation and activating reliable and effective technological systems.
 - IT risk management in a bid to ensure the necessary protection of the Bank assets.
 - Setting up e-system complying with the requirements of laws, regulations and instructions.
 - Improving the reliability of the internal control environment.
 - Effective maximization of the IT users' satisfaction in a bid to meet their business needs.
 - Management of services provided by suppliers or partners (outsourcing) who provide their services / products to the Bank or execute operations, services and products to the Bank.
2. The use of COBIT 5 is the benchmark for designing all successful electronic systems and successful and effective solutions in a way that achieves the Bank objectives and all stakeholders.
3. Separation of governance and management in accordance with related internationally recognized standards of governance and management of information and technology.
4. Achieving the comprehensiveness in the governance and management of information and the associated technology not only technology itself but to provide the seven elements of enablers according to COBIT 5.
5. Building the practices and rules of work and organization according to the best international standards, including the areas of IT governance and projects and resources of IT.
6. Boosting the mechanisms of self and independent control and checking compliance in the areas of governance and management of information and technology in which they contribute to developing and improving work continuously.

2. Attribution

- 1-This guide is based on Central Bank of Jordan instructions No. 65/2016, in addition to COBIT 5,

(Noted that it shall be reviewed and updated regularly by the committee of information governance and the associated technology, or upon issuance of instructions in particular by the Central Bank of Jordan.

2-The Bank shall publish this guide on the Website in any manner appropriate to the public. The Bank shall disclose in its annual report the existence of a special guide for the governance and management of information and the extent of compliance with it.

3. Committees

Safwa Islamic Bank formed the following committees:

- 1- IT Governance Committee - The Board
- 2- IT Security Steering Committee
- 3- The Board of Directors of Safwa Islamic Bank adopted the organizational structures (hierarchical and committee structures) for managing resources and IT projects and risk management and information security, which meet the operational needs of the information governance and the associated technology system to achieve efficiency and effectiveness.

IT Governance Committee - The Board:

1. In line with the Central Bank of Jordan's (CBJ) instructions, the Bank has formed an IT governance committee including at least three members selected from calibers boasting of IT experience and strategic knowledge.
2. The committee shall hold at least one quarterly meeting and write the minutes of the meetings; the committee's regulation includes the following tasks:
 1. Adopting the IT strategic objectives and appropriate organizational structures, including the steering committees at the top executive management sphere, particularly the IT Steering Committee and the means guaranteeing the achievement of the Bank strategic objectives and accomplishing the optimum added-value of the projects and investments of IT resources; utilizing the necessary instruments and standards to monitor and put this into effect; such as using IT Balanced Scorecards, Return On Investment (ROI) , and measuring the impact of contribution to boosting the financial and operational efficiency.
 2. Adopting the common framework of managing, setting and monitoring IT resources and projects, which embraces the international state-of-the-art practices in this realm, especially Control Objectives for Information and Related Technologies (COBIT), in a compatible manner meeting the achievement of goals and requirements of the Governance Guidelines and Associated Information and Technology Management No. 65/2016 by fulfilling the institutional goals sustainably; the accomplishment of matrix of associated information and technology goals.



3. Endorsing the institutional goals matrix and its associated information and technology goals; considering its data as a minimum; defining the necessary sub-goals to achieve them.
4. Adopting a RACI chart (RACI Matrix) towards the fundamental operations of IT governance; its sub-operations stemming from it in regard to: the entity, entities, the person or the parties initially responsible; the (Responsible), the (Accountable) and the (Consulted), along with the ones that are briefed on all operations, using COBIT 5 Enabling Processes in this regard.
5. Making sure of existing a common framework to manage the IT risks in line with the comprehensive common framework of the Bank risk management, taking into its consideration all IT governance operations.
6. Adopting the budget of IT resources and projects in accordance with the Bank strategic goals.
7. General control of IT operations, resources and projects in an effort to guarantee their adequacy and effective contribution to achieving the Bank business program.
8. Reviewing IT auditing reports and taking any necessary measures to address the troubles.
9. Recommending the Bank board to take any necessary measures to fix any errors.

Information Technology (IT) Steering Committee:

The Bank has formed an Information Technology Steering Committee from the top executive management's members to ensure the IT strategic harmonization and accomplish the Bank key objectives that must be sustainable. Hence, the committee headed by the general director and with the membership of executive management's top managers, including IT and Risk Management heads, was appointed. A board member was elected to have an observer status in the committee, as well as the internal audit manager. Other parties could be invited for attending the meetings, if a need arises. The regulation states that the committee has to write the minutes its meetings that shall be periodically held at least once every three months.

The committee shall undertake the following tasks and functions:

- 1- Laying out the appropriate annual plans required to achieve the strategic goals set up by the board; supervising their implementation in a bid to guarantee their accomplishment, in addition to overseeing the internal and external conditions that affecting them consistently.
- 2- Linking the matrix of institutional goals to the goals of information and technology associated thereto, as well as adopting and reviewing them regularly in a way that ensures the attainment of the Bank strategic aims and the goals of instructions; taking into account the definition and revision of the set of the assessment criteria, and entrusting relevant parties of the Executive Management to constantly monitor them and brief the committee on the results.
- 3- Recommending the allocation of financial and non-financial resources necessary to fulfill the objectives and IT governance operations; using the assistance of competent human elements, the right person in the right place, through organizational structures including

all fundamental operations to support the objectives; taking in consideration the functional separation and non-conflict of interest; adapting the technological infrastructure and other services related to achieve the objectives; overseeing the implementation IT projects and governance.

4- Prioritizing IT projects and programs.

5- Monitoring the level of technological and technical services, and acting constantly to improve their efficiency.

6- Briefing the IT Governance Committee on the following matters:

A. Providing the necessary resources and efficient instruments needed to achieve duties of the IT Governance Committee.

B. Any deviations that may adversely affect the achievement of strategic goals.

C. Any unacceptable risks related to the technology, security and protection of information.

D. The reports of performance and compliance with the management's general framework; setting and controlling IT resources and enterprises.

7. Periodically providing the IT Governance Committee with the minutes of its meetings, along with obtaining an indication that these minutes have been reviewed.

4. Goals and IT governance operations

The committee of information governance and the associated technology shall adopt a set of objectives across the Bank level and IT in accordance with COBIT 5 framework. The objectives will be overviewed, reviewed and appropriately identified to meet the needs of stakeholders. Information Technology Steering Committee is primarily responsible for ensuring compliance through achieving its requirements; Information Technology Committee and the board as a whole are the final official in this regard. All Bank departments especially Information Technology, Information Security Management and Project Management Departments shall identify their processes and reformulate them in a way that covers the requirements of IT governance operations.

Safwa Islamic Bank has adopted successive objectives in COBIT 5 to interpret the needs of stakeholders into specified and customized objectives that can be implemented, in addition to IT-related goals and enablers' goals. Such interpretation allows setting specific objectives at all levels and in all departments and branches of the Bank to support the overall objectives and the requirements of stakeholders, and thus effectively support the alignment between Safwa Islamic Bank solutions and services of IT. The Board and the Risk Management Department are directly responsible for the process of ensuring smooth management of the risks included in the annexes to the instructions and risk management process (IT) respectively.

5. Principles, policies and frameworks

IT Governance Committee and the associated technology shall adopt necessary policies to ensure the management of IT operations and to consider them as the minimum, with the possibility of combining such policies as required according to the nature of the work.



IT Governance framework and associated technology at Safwa Islamic Bank rely on five key principles of COBIT 5:

- Principle 1: Meeting Stakeholder Needs
- Principle 2: Covering the Enterprise End to End
- Principle 3: Applying a Single Integrated Framework
- Principle 4: Enabling a Holistic Approach
- Principle 5: Separating Governance from Management

2. The Board or any of its authorized committees shall adopt principles, policies and frameworks, particularly those related to IT risk management, information security management, and human resource management in particular which meet the requirements of IT Governance operations.

6. Information and reports

The Board and the Top Executive Management shall develop infrastructure and information systems necessary for providing the information and reports for their users as a base for making decisions at the bank.

7. Services, programs and infrastructure of information technology

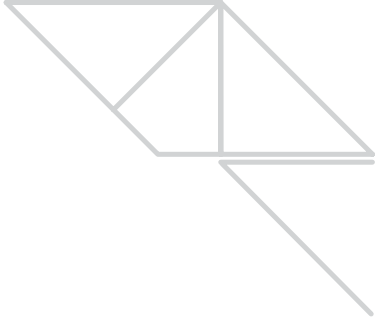
- The Board or any of its authorized committees in addition to the top management shall adopt the system of services, programs and infrastructure that support achieving the Bank objectives and reaching an acceptable level in the governance of information and associated technology.

8. Knowledge, skills and experience

A. The Board or any of its authorized committees shall approve HR Competencies and human resources policies which are necessary for achieving the requirements of IT governance of and the requirements of these instructions in general along with ensuring assigning the right man in the right place.

B. The Bank Management shall recruit qualified and trained personnel from persons with experience in the fields of Information Technology resources management, Risk Management, Information Security Management and Internal & External Information Technology Audit Management based on the criteria of academic and professional knowledge in addition to the practical experience recognized by qualified international associations under accreditation criteria ISO / IEC 17024 (and / or any other parallel standards in accordance with its competence, With the re-qualification and training of staff who are currently employed to meet these requirements within two years of the date of these instructions.

C) Executive Management shall be responsible for continuing to provide its staff with continuous



training and education programs to maintain a level of knowledge and skills that meets and achieves the IT governance operations.

D. Executive Management shall be responsible for the inclusion of objective measurement criteria into the performance evaluation mechanisms of the staff. These criteria will take into account the contribution made by the staff towards the realization of the objectives of the Bank through their posts.

9. The System of Values, ethics and behavior

A. The Board or any of its authorized committees shall adopt an institutional professional and ethical system that reflects the internationally accepted code of conduct in dealing with information and the associated technologies define clearly the desired and undesired behavioral rules and their consequences.

B. The Board and the Top Executive Management shall adopt different methods to encourage applying desired behaviors and avoiding undesired behaviors through following the governance approaches.



Bank's Branches

General Management – Al Abdali Al Abdali Project

P.O. Box 1982, Amman 11118,
Jordan
Tel: 06-4602200
Fax: 06-4602407

Main branch - Al Abdali

Boulevard Al Abdali – Suliman
Nabulsi St.
P.O. Box 1982, Amman 11118,
Jordan
Tel: 06-4602100
Fax: 06-4602728

Jabal Amman

Jabal Amman - 2nd Circle - Al
Koliyah Al Elmiyah Al Islamiyah St.
P.O. Box 1982, Amman 11118,
Jordan
Tel: 06-4602100
Fax: 06-4602723

Jabal Al Hussein

Khaled Bin Al Walid St. - Building
Number 203
Tel: 06-4602100
Fax: 06-4602726

Al Jubaiha

Queen Rania Al Abdullah Street
Beside Lubna's Furniture Store
Tel: 06-4602100
Fax: 06-4602722

AL Hashmi Al Shamali

Al Bathaa Street - Building No. 97
Tel: 06-4602100
Fax: 06-4602725

AL Gardens

Wasfi al Tal st. 108 walid Abbasi
building – Al-Barakeh Neighborhood
– Tla'a Alali - Next to Central Jabri
Restaurant
Tel: 06-4602100
Fax: 06-4602109

Khalda

Amer Bin Malek Street - Building 49
Tel: 06-4602100
Fax: 06-4602720

Shmeisani

Al Thaqafeh Street - Number 6 -
Wael Abu Hamdan Building
Tel: 06-4602100
Fax: 06-4602713

Al Madina Al Munawwara

Al Madina Al Munawwara Street -
Number 121
Tel: 06-4602100
Fax: 06-4602712

Al Khaldi

Ibn Khaldoun Street - Plaza Al
Khalidi in front of Al Khalidi Hospital,
Building 38
Tel: 06-4602100
Fax: 06-4602719

Rabiyeh

Abdullah Ben Rawaha St. Building
No.17
Tel: 06-4602100
Fax: 06-4602735

Sweifieh

Abdulrahman Haj Mohamad Street -
Wadi Al Seer Area Sweifieh District,
Building 70
Tel: 06-4602100
Fax: 06-4602718

Al Bayader

23 Hosni Sobar Street - Mahmoud
Bin Zakaria Abzagh Building
Tel: 06-4602100
Fax: 06-4602711

Marj il Hamam

Bakri circle
Tel: 06-4602100
Fax: 06-4602729

Al Wehdat

Prince Al Hasan Street - Number
313
Tel: 06-4602100
Fax: 06-4602714

Abu Nusair branch

Abu Nusair Street
Tel: 06-4602100
Fax: 06-4602731

Abdoun

Taj Mall
Tel: 06-4602100
Fax: 06-4602721

Istiklal Mall

Istiklal Mall branch - Istiklal mall -
Istiklal Street
Tel: 06-4602100
Fax: 06-4602730

Sahab

King Abdullah Al Thani Bin Al
Hussein Industrial City
Tel: 06-4602100
Fax: 06-4602724

Tabarbour

Tareq Street - Building Number. 78
Tel: 06-4602100
Fax: 06-4602733

Dabouj

King Abdullah II Street (Medical City)
Tel: 06-4602100
Fax: 06-4602734

Zarqa Branch

Saadeh St. Building Number. 74
Tel: 06-4602100
Fax: 05-4602735

Al Zarqa

Street no. 36 next to Safeway - Al
Kurdi Plaza
Tel: 064602100 Fax: 054602716

Irbid

Al Hashmi Street - Number 6 - Al
Rawzan Building
Tel: 06-4602100
Fax: 06-4602715

Irbid city center

City Center Mall
Tel: 06-4602100
Fax: 06-4602727

