

Capital Bank Of Jordan

Public Shareholding Company
Interim Condensed Consolidated
Financial Statements (Unaudited)

31 March 2017

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF
CAPITAL BANK OF JORDAN PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated statements of financial position of Capital Bank of Jordan Public Shareholding Company (the "Bank") and its subsidiaries (the "Group") as of 31 March 2017, and the related interim consolidated statements of income, comprehensive income, changes in owners' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statement in accordance with International Accounting Standard (34) "Interim Financial Reporting (IAS 34)". Our responsibility is to express a conclusion on these interim condensed consolidated financial statement based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statement is not prepared, in all material respects, in accordance with International Accounting Standard (34) relating to interim financial reporting, except for that the consolidated financial statement as at 31 December 2016 is still subject to the Central Bank of Jordan's approval.

Explanatory Paragraph

The fiscal year of the Group ends on 31 December of each year. However, the accompanying interim condensed consolidated financial statement have been prepared in accordance with the instructions of Listing Securities on Amman Stock Exchange and for Management purposes only, and do not require the approval of Central Bank of Jordan.

Amman – Jordan
27 April 2017



Capital Bank Of Jordan - Public Shareholding Company
Interim Consolidated Statement of Financial Position
As of 31 March 2017

	Notes	31 March 2017	31 December 2016
		JD	JD
<u>Assets</u>		(Unaudited)	
Cash and balances at central banks	4	257,381,297	260,950,882
Balances at banks and financial institutions	5	94,845,618	166,478,834
Financial assets at fair value through income statement	6	4,364,529	4,071,180
Financial assets at fair value through other comprehensive income	7	9,831,199	9,498,110
Direct credit facilities, net	8	938,892,588	970,472,231
Financial assets at amortized cost	9	468,873,668	450,742,440
Property and equipment, net		29,540,112	29,938,896
Intangible assets, net		5,827,002	5,537,532
Deferred tax assets		11,894,398	10,698,156
Other assets		98,566,075	98,935,781
Total Assets		1,920,016,486	2,007,324,042
<u>Liabilities And Equity</u>			
Liabilities -			
Banks and financial institutions' deposits		109,580,157	142,757,612
Customer deposits	10	1,133,625,084	1,224,710,400
Margin accounts		144,638,290	145,005,158
Loans and borrowings	11	107,852,382	77,885,428
Bonds payable	12	17,725,000	17,725,000
Secondary loans		4,521,452	4,521,452
Other provisions	14	28,559,847	25,363,744
Income tax provision	13	10,906,115	11,020,115
Deferred tax liabilities		542,734	424,086
Other liabilities		23,972,029	23,803,793
Total Liabilities		1,581,923,090	1,673,216,788
Equity-			
Equity attributable to the Bank's shareholders			
Issued and paid in capital		200,000,000	200,000,000
Share premium		709,472	709,472
Statutory reserve	22	32,257,341	32,257,341
General banking risk reserve		9,811,521	9,811,521
Foreign currency translation adjustments reserve		(4,018,661)	(3,868,943)
Fair value reserve		(540,564)	(566,421)
Retained earnings		39,369,224	39,562,631
Net Income for the period attributable to the Bank's shareholders		3,453,234	-
Total equity attributable to the Bank's shareholders		281,041,567	277,905,601
Non-controlling interest		57,051,829	56,201,653
Total Equity		338,093,396	334,107,254
Total Liabilities and Equity		1,920,016,486	2,007,324,042

The accompanying notes from 1 to 23 are part of these interim condensed consolidated financial statements.

Capital Bank Of Jordan - Public Sharehold
Interim Consolidated Statement Of Income
For the three month Period Ended 31 March 2017 (Unaudited)

	Notes	2017	2016
		JD	JD
Interest income		21,882,810	22,987,201
Interest expense		10,132,138	9,511,381
Net interest income		11,750,672	13,475,820
Net commission income		6,893,402	4,171,550
Net interest and commission income		18,644,074	17,647,370
Gain from foreign currencies		1,977,096	2,889,341
Gain (Loss) from financial assets at fair value through Income statement		345,993	(14,736)
Dividends income from financial assets at fair value through other comprehensive income	7	111,961	192,252
Other income		3,340,923	823,142
Gross profit		24,420,046	21,537,369
Employees' expenses		6,390,459	4,782,842
Depreciation and amortization		1,202,226	1,070,890
Other expenses		3,783,936	3,410,936
(Loss) gain on sale of seized property	8	3,472,107	853,238
Impairment losses on direct credit facilities		1,442,897	920,783
Impairment losses and other provisions	14	3,196,102	3,097,852
Total expenses		19,487,727	14,136,541
Income before tax		4,932,319	7,400,828
Income tax expense	13	510,171	3,151,654
Income for the period		4,422,148	4,249,174
Attributable to:		3,453,234	3,730,644
Bank's shareholders		968,914	518,530
Non-controlling interests		4,422,148	4,249,174
Basic and diluted earnings per share	15	JD/Fils 0/017	JD/Fils 0/019

The accompanying notes from 1 to 23 are part of these interim condensed consolidated financial statements.

Capital Bank of Jordan - Public Shareholding company
Interim Consolidated Statement Of Comprehensive Income
For the three month Period Ended 31 March 2017 (Unaudited)

	2017	2016
	JD	JD
Income for the period	4,422,148	4,249,174
Add: Other comprehensive income items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	(268,456)	-
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	(167,550)	(54,785)
Total other comprehensive income for the period, net of tax	(436,006)	(54,785)
Total comprehensive income for the period	3,986,142	4,194,389
Attributable to:		
Bank's shareholders	3,135,966	3,683,507
Non-controlling interests	850,176	510,882
	3,986,142	4,194,389

The accompanying notes from 1 to 23 are part of these interim condensed consolidated financial statements.

Capital Bank Of Jordan - Public Shareholding Company
Interim Consolidated Statement of Changes in Owners' Equity
For the three month Period Ended 31 March 2017 (Unaudited)

	Reserves												Total equity
	Issued and Paid in capital	Share premium	Statutory	Voluntary	General banking risk	Foreign currency translation adjustments reserve	Fair value reserve	*Retained earnings	Net Income for the period attributable to the Bank's shareholders	Equity attributable to the Bank's shareholders	Non-controlling interests		
												JD	
31 March 2017													
Balance at 01 January 2017	200,000,000	709,472	32,257,341	-	9,811,521	(3,068,943)	(566,421)	39,562,631	-	277,905,601	56,201,653	334,107,254	
Total comprehensive income for the period	-	-	-	-	-	(149,718)	(167,550)	-	3,453,234	3,135,966	850,176	3,986,142	
Realized losses from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	193,407	(193,407)	-	-	-	-	
Balance at 31 March 2017	200,000,000	709,472	32,257,341	-	9,811,521	(4,018,661)	(540,564)	39,562,631	3,453,234	281,041,567	57,051,829	338,093,396	
31 March 2016													
Balance at 01 January 2016	200,000,000	709,472	31,259,736	9,492	8,899,196	380,160	(1,407,974)	30,860,002	-	270,680,084	54,882,281	325,562,365	
Total comprehensive income for the period	-	-	-	-	-	-	(47,137)	-	3,730,644	3,683,507	510,882	4,194,389	
Realized losses from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	136,796	(136,796)	-	-	-	-	
Balance at 31 March 2016	200,000,000	709,472	31,259,736	9,492	8,899,196	380,160	(1,318,315)	30,723,206	3,730,644	274,363,591	55,393,163	329,756,754	

- * The balance of retained earnings includes a restricted amount of JD 11,894,399 as of 31 March 2017 (2016: JD 10,699,156) which represents the deferred tax assets that cannot be utilized according to Central Bank of Jordan Regulations.
- * The balance of retained earnings includes unrealized gain of JD 1,125,659 as of 31 March 2017 (2016: JD 1,125,859) which represents the effect of early adoption of International Financial Reporting Standard (9) and this amount is restricted from use except for the amounts that become realized as per Securities and Exchange Commission.
- An amount equals to the negative balance of fair value reserve is restricted from retained earnings.
- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan.

Capital Bank Of Jordan - Public Shareholding Company
Interim Consolidated Statement of Cash Flows
For the three month Period Ended 31 March 2017 (Unaudited)

	Notes	2017	2016
		JD	JD
<u>Operating Activities</u>			
Income before tax		4,932,319	7,400,828
<u>Adjustments for non-cash items</u>			
Depreciation and amortization		1,202,226	1,070,890
Impairment loss on direct credit facilities		3,472,107	853,238
Loss from revaluation of financial assets at fair value through income statement		(246,953)	95,986
Impairment loss on seized assets		1,442,897	920,783
Impairment losses and other provisions		3,196,103	3,097,852
Net accrued interest		2,571,594	211,326
Effect of exchange rate changes on cash and cash equivalents		(910,744)	(2,879,559)
Cash flows from operating activities before changes in assets and liabilities		15,659,549	10,771,344
Changes in assets and liabilities -			
Restricted balances		(1,151)	(423)
Deposits at banks and financial institutions		(46,396)	(841,586)
Financial assets at fair value through income statement		(99,451)	706,948
Direct credit facilities		27,804,412	20,962,488
Other assets		(4,930,624)	(5,985,932)
Banks and financial institutions' deposits maturing in more than three months		2,055,000	(2,000,000)
Customers' deposits		(90,680,162)	30,778,848
Margin accounts		(50,154)	(6,444,474)
Other liabilities		1,331,961	4,245,638
Other provisions		98,250	-
Net cash flow (used in) from operating activities before income tax paid		(48,858,766)	52,192,851
Income tax paid		(1,727,404)	(1,149,751)
Net cash flow (used in) from operating activities		(50,586,170)	51,043,100
<u>Investing Activities</u>			
Purchase of financial assets at fair value through other comprehensive income		(893,411)	(1,962,506)
Sale of financial assets at fair value through other comprehensive income		418,410	578,733
Purchase of financial assets at amortized cost		(35,969,382)	(74,525,696)
Matured financial assets at amortized cost		17,838,154	15,644,456
Purchase of property and equipment		(503,194)	(1,300,202)
Sale of property and equipment		1,150	1,730
Purchase of intangible assets		(636,720)	(49,741)
Net cash flow used in Investing activities		(19,744,993)	(61,613,226)
<u>Financing Activities</u>			
Proceeds from loans and borrowings		52,009,886	27,749,676
Repayment of loans and borrowings		(22,042,932)	(34,310,147)
Net cash flow from (used in) financing activities		29,966,954	(6,560,471)
Net decreases in cash and cash equivalents		(40,364,209)	(17,130,597)
Effect of exchange rate changes on National Bank of Iraq		407,362	-
Effect of exchange rate changes on cash and cash equivalents		910,744	2,879,559
Cash and cash equivalent at the beginning of the period		164,552,551	351,162,628
Cash and cash equivalent at the end of the period	16	125,506,448	336,911,590

The accompanying notes from 1 to 23 are part of these interim condensed consolidated financial statements.

(1) General Information

The Bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of (1989). Its registered office is in Amman.

The Bank provides its banking services through its twelve branches located in Amman - Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd, National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

The Bank has subsequently increased its capital during prior years from JD 20 million to reach JD 200 million. The increases in capital were effected through capitalizing its distributable reserves, retained earning and private placements to shareholders, in addition to the participation of International Finance Corporation (IFC) which became a strategic partner.

Capital Bank of Jordan shares are listed at Amman Stock Exchange.

The interim condensed consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. 5/2017 held on 27 April 2017.

(2) Significant Accounting Policies

(2-1) Basis Of Preparation of the Interim Condensed Consolidated Financial Statements

The accompanying interim condensed consolidated financial statements of the bank and its subsidiaries have been prepared in accordance with International Accounting Standard No.34 , and in conformity with the applicable laws and regulations of the Central Bank of Jordan .

The interim condensed consolidated financial statements are prepared on the historical cost basis except, financial assets at fair value through income statement, financial assets at fair value through other comprehensive income and financial derivatives which are presented at fair value as of the date of the interim condensed consolidated financial statements. Moreover, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

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

The accompanied interim condensed consolidated financial statements do not include all the information and disclosures included in the annual financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) and should be reviewed with bank's Annual report as of 31 December 2016. The bank's operations for the first three months ended 31 March 2017 is not an indicative of the bank's operations for the year ending 31 December 2017.

(2-2) Changes in accounting policies:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

(2-3) Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. Control exists when the bank controls the subsidiaries and relevant activities, and is exposed, or has right, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the Bank and the following subsidiaries are eliminated in full:

- Capital Investment and Brokerage Company Ltd Jordan; of which the Bank owns 100% of its paid in capital of JD 10,000,000 as of 31 March 2017. The company was established on 16 May 2005.
- National Bank of Iraq (NBI); of which the Bank owns 61.85% of its paid in capital of IQD 250 billion (JD142,483,923) as of 31 March 2017. National Bank of Iraq was acquired effective 1 January 2005.

- Capital Investment Fund Company Bahrain; of which the Bank owns 100% of its paid in capital of BHD 1,000 (JD 1,888) as of 31 March 2017. The purpose of the company is to manage mutual funds and it has not started its operations as of the date of preparing these consolidated financial statements.

- Capital Bank Corporate Advisory (DIFC) UAE, of which the bank owns 100% of its paid in capital of USD 250,000 (JOD 177,250) as of 31 March 2017. The purpose of the company is to offer in financial consulting services. The company was registered and incorporated on 23 February 2015.

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

The result of operations of the subsidiaries are consolidated in the consolidated statement of income from the acquisition date which is the date on which control over the subsidiaries is gained by the bank. The results of operations of the disposed subsidiaries are consolidated in the consolidated statement of income up to the disposal date which is the date of the bank loses control over the subsidiaries.

Non-controlling interests represent the portion of equity and profit or loss not owned by the Bank.

When preparing separate financial statements, investment in subsidiaries is recorded at cost.

According to IFRS standard (11) amendments, There was no reflection on the Banks' financial position or financial performance.

(3) Use of Estimates

The preparation of the interim condensed 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 shareholder equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Furthermore, actual results may differ resulting in future changes in such provisions.

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

- Provision for impairment in direct credit facilities: The Bank reviews its credit facilities according to the regulations of the Central Bank of Jordan.
- impairment losses on seized assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.
- Management periodically re-evaluates the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and the general status of these assets. Any related impairment is charged to the consolidated income statement.
- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.

(4) Cash and Balances with Central Banks

Cash reserves balance recorded at JD 71,687,842 as of 31 March 2017 (2016: JD 70,333,263).

National Bank of Iraq balances at the Central Bank of Iraq's Irbil and Al - Sulaymaniah branches amounted to JD 85,452,212 and JD 32,623,255 respectively , as of 31 March 2017. Due to the current political and economic conditions in Iraq, exploitation of these balances through banking operations is limited.

(5) Balances at Banks and Financial Institutions

Non-interest bearing balances at banks and financial institutions amounted to JD 54,767,425 as of 31 March 2017 (2016: JD 72,735,758).

Restricted balances amounted to JD 1,119,843 as of 31 March 2017 (2016: JD 1,118,692).

(6) Financial Assets at Fair Value through income statement

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	
Equities	3,395,588	2,785,111
Bonds	144,576	479,257
Investment funds	824,365	806,812
Total	4,364,529	4,071,180

(7) Financial Assets at Fair Value through Other Comprehensive Income

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	
Quoted shares	5,394,542	5,088,627
Unquoted shares	4,436,657	4,409,483
Total	9,831,199	9,498,110

- The cash dividends amounted to JD 111,961 and it reflects the shares that the bank owns in other companies as of 31 March 2017 (31 March 2016: JD 192,252).
- Realized losses resulted from sales of financial assets at fair value through other comprehensive income as of 31 March 2017 amounted to JD 193,407 (31 March 2016: JD 136,796).

(8) Direct Credit Facilities, Net

	31 March 2017	31 December 2016
	JD	JD
Retail customers	(Unaudited)	
Overdrafts	9,549,924	11,189,619
Loans and bills *	89,900,982	93,913,407
Credit cards	6,658,949	6,760,968
Realestate Mortgages	153,901,495	155,234,146
Corporate Lending		
Overdrafts	89,916,053	117,608,731
Loans and bills *	424,676,036	461,309,457
Small and medium enterprises "SMEs"		
Overdrafts	33,801,672	31,071,059
Loans and bills *	92,987,341	85,423,928
Government and public sector lending	97,505,771	98,104,698
Total	998,898,223	1,060,616,013
Less: Suspended interest	19,203,499	34,880,731
Less: Allowance for impairment of direct credit facilities	40,802,136	55,263,051
Net direct credit facilities	938,892,588	970,472,231

- * Net of interest and commissions received in advance amounted to JD 896,164 as at 31 March 2017 against JD 955,928 as at 31 December 2016.
- Non-performing credit facilities amounted to JD 79,501,317 as at 31 March 2017 (2016: 100,019,129 JD), which represents 7.96% of total direct credit facilities as at 31 March 2017 (2016: 9.43%).
- Non-performing credit facilities, net of suspended interest, amounted to JD 60,297,818 as at 31 March 2017 (2016: JD 65,138,398) represents 7.90% (2016: 6.35 %) of total direct credit facilities after excluding the suspended interest.
- Government and public sector facilities amounted to JD 86,289,085 as at 31 March 2017 (2016: JD 86,540,369) represents 8.34% (2016: 8.16%) of total direct credit facilities as at 31 December 2016.

Provision for impairment losses:

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

	Retail	Real estate mortgages	Corporates	SMEs	Total
	JD	JD	JD	JD	JD
31 March 2017 (Unaudited)					
Balance at 1 January 2017	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051
Charge for the period	1,823,071	556,650	789,144	303,242	3,472,107
Amounts written off	(2,261,045)	(242,124)	(14,807,220)	(555,740)	(17,866,129)
Foreign exchange differences	(6,387)	-	(60,498)	(8)	(66,893)
Balance at the end of the period	8,772,467	1,790,275	28,580,089	1,659,305	40,802,136
Impairment on individual basis	7,997,849	1,762,424	25,966,586	1,627,181	37,354,039
Watch list impairment on portfolio basis	774,619	27,851	2,613,503	32,124	3,448,097
Balance at the end of the period	8,772,467	1,790,275	28,580,089	1,659,305	40,802,136
31 December 2016					
Balance at 1 January 2016	9,861,102	1,374,161	34,300,134	1,637,667	47,173,064
Charge for the year	(443,313)	101,588	8,738,164	274,144	8,670,583
Amounts written off	(66,914)	-	(25,493)	-	(92,407)
Foreign exchange differences	(134,047)	-	(354,142)	-	(488,189)
Balance at the end of the year	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051
Impairment on individual basis	9,091,587	1,463,822	34,109,073	1,885,952	46,550,434
Watch list impairment on portfolio basis	125,241	11,927	8,549,590	25,859	8,712,617
Balance at the end of the year	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051

The provisions no longer needed due to settlements or repayments and transferred against other debts amounted to JD 1,831,205 as at 31 March 2017 (2016: JD 12,040,322).

Interest in suspense

The movement of interest in suspense is as follow:

	Retail JD	Real estate JD	Corporates JD	SMEs JD	Total JD
31 March 2017 (Unaudited)					
Balance at 1 January 2017	5,117,309	916,174	27,740,735	1,106,513	34,880,731
Add: Suspended interest during the period	167,616	139,887	1,323,472	171,944	1,802,919
Less: interest transferred to income	(307,641)	27,980	270,094	(58,121)	(67,688)
Less: amounts written off	(1,585,144)	(291,462)	(15,084,745)	(434,445)	(17,395,796)
Foreign exchange differences	(5,957)	-	(10,710)	-	(16,667)
Balance at the end of the period	3,386,183	792,579	14,238,846	785,891	19,203,499
	Retail JD	Real estate JD	Corporates JD	SMEs JD	Total JD
31 December 2016					
Balance at 1 January 2016	4,367,916	845,719	24,222,653	780,629	30,216,917
Add: Suspended interest during the year	1,300,905	261,097	6,112,180	494,751	8,168,933
Less: interest transferred to income	(357,964)	(190,642)	(2,277,628)	(132,049)	(2,958,283)
Less: amounts written off	(156,397)	-	(238,067)	(36,818)	(431,282)
Foreign exchange differences	(37,151)	-	(78,403)	-	(115,554)
Balance at the end of the year	5,117,309	916,174	27,740,735	1,106,513	34,880,731

Direct credit facilities portfolio is distributed as per the following geographical and industrial sectors classification:

	Inside Jordan JD	Outside Jordan JD	31 March 2017 JD (Unaudited)	31 December 2016 JD
Financial	32,128,078	-	32,128,078	40,121,399
Industrial	104,639,702	5,356,078	109,995,780	116,888,831
Commercial	147,183,054	55,611,216	202,794,270	175,475,806
Real estate	244,401,521	12,630,274	257,031,795	260,569,720
Tourism and hotels	14,116,806	19,036,568	33,153,374	31,840,801
Agriculture	14,828,506	17,184	14,845,690	15,287,305
Shares	76,993,241	-	76,993,241	81,392,765
Services utilities and public	70,424,183	550,807	70,974,990	92,831,674
transportation services (including air transportation)	12,137,901	36,014	12,173,915	12,065,836
Government and public sector	97,505,771	-	97,505,771	98,104,698
Retail	86,587,497	5,308,024	91,895,521	95,760,588
Other	35,311,369	-	35,311,369	40,276,590
Total	936,257,629	98,546,165	1,034,803,794	1,060,616,013

(9) Financial Assets At Amortized Cost

This item consists of the following:

	<u>31 March 2017</u>	<u>31 December 2016</u>
	JD	JD
	(Unaudited)	
Treasury bonds	377,281,672	376,502,517
Governmental debt securities and its guarantee's	43,817,678	38,835,386
Bonds, Corporate debt securities and others	37,055,525	24,682,217
Other government bonds	10,718,793	10,722,320
Total	468,873,668	450,742,440
Analysis of bonds and bills:		
Fixed Rate	462,470,668	443,453,190
Floating rate	6,403,000	7,289,250
Total	468,873,668	450,742,440

* Net of impairment loss amounted to JD 500,000 as at 31 March 2017 and 31 December 2016.

* There are no pledged financial assets at amortized cost as at 31 March 2017 and 31 December 2016.

(10) Customer Deposits

	<u>31 March 2017</u>	<u>31 December 2016</u>
	JD	JD
	(Unaudited)	
Current and demand accounts	357,629,723	415,473,430
Saving accounts	55,280,826	54,194,454
Time and notice deposits	667,899,516	703,118,631
Certificates of deposit	52,815,019	51,923,885
Total	1,133,625,084	1,224,710,400

• The deposits of government and general public sector inside Jordan were amounted to JD 58,404,213 which represent 5.15% of the total deposits as at 31 March 2017 compared to 75,997,313 which represent 6.21% as at 31 December 2016.

• Non-interest bearing deposits amounted to JD 338,291,994 representing 29.84% of total deposits as at 31 March 2017 compared to JD 383,926,252 representing 31.35% of the total deposits as at 31 December 2016.

• No deposits are reserved (restricted withdrawals) as at 31 March 2017 and 31 December 2016.

• The dormant deposits reached the amount of JD 1,161,751 as at 31 March 2017 compared to JD 1,121,565 as at 31 December 2016.

(11) Loans and Borrowings

The details are as follows :

	Amount	Number of Instalments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
31 March 2017 (Unaudited)	JD	JD	JD		JD	%	
Amounts borrowed from central banks	38,281,121	1272	1190	Monthly and semi annual payment and payment at maturity	-	0.70% - 3.29%	4.00% - 6.50%
Amounts borrowed from local banks and financial institutions	50,000,000	5	5	One payment	-	4.05% - 5.75%	4.00% - 11.00%
Amounts borrowed from foreign banks and financial institutions	19,571,261	111	81	Monthly and semi annual payment and payment at maturity	-	1.77% - 3.50%	3.75% - 10.00%
Total	107,852,382						
31 December 2016							
Amounts borrowed from central banks	38,696,347	814	699	Monthly and semi annual payment and payment at maturity	-	0.70% - 3.05%	4.00% - 6.50%
Amounts borrowed from local banks and financial institutions	20,000,000	2	2	One payment	-	4.05% - 4.50%	3.38% - 11.75%
Amounts borrowed from foreign banks and financial institutions	19,189,081	103	73	Monthly and semi annual payment and payment at maturity	-	1.77% - 3.50%	3.50% - 10.00%
Total	77,885,428						

- Borrowed money from the Central Bank include JD 38,281,121 that represents amounts borrowed to refinance the customers' loans in the medium term financing programs that have been re-borrowed. These loans mature during 2017 - 2025.
- The amounts borrowed from local institutions are all borrowed from the Jordan Mortgage Refinance Company. The total amount of the loans has amounted to JD 50 Million. The loans mature during 2018 - 2020.
- The amounts borrowed from foreign banks / institutions are all borrowed from the European Bank for Reconstruction and Development and amounted to JD 10 million and fall due during 2020.
- All the above mentioned loans are bearing fixed - interest rates.

(12) Bonds Payable

	Amount	Frequency of Instalments	Collaterals	Interest Rate
	JD		JD	%
Bonds Payable	17,725,000	One payment maturing on 1 March 2020	-	6.85%
Total	17,725,000			

The bank has obtained the Amman Stock Exchange's approval to include these bonds in Amman Stock Exchange starting from 26 July 2015. These bonds are US Dollar bonds.

(13) Income Tax

A- Income Tax liabilities

The movement on income tax liability is as follows:

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	
Balance at the beginning of the year	11,020,115	7,870,942
Foreign exchange translation differences	(4,083)	(49,282)
Income tax paid	(1,727,404)	(10,993,283)
Income tax charge for the period/year	1,866,463	14,234,562
Income tax charge for previous years	(248,976)	(42,824)
Balance at the end of the period/year	<u>10,906,115</u>	<u>11,020,115</u>

	For the three month period ended 31 March	
	2017	2016
	JD	JD
Current income tax charge for the period	1,866,463	3,933,672
Prior years income tax charges	(187,900)	-
Deferred tax assets for the period	(1,209,083)	(611,643)
Deferred tax liabilities for the period	40,691	(170,375)
	<u>510,171</u>	<u>3,151,654</u>

- Legal income tax rate on the bank revenues is 35% and on the brokerage firm is 24%.
- Legal income tax on the bank revenues in Iraq is 15%.
- A final settlement has been made with the income tax department regarding the bank tax till the end of 2014.
- A final settlement has been made with the income tax department regarding the tax on the brokerage firm till the end of 2014.
- A final settlement has been made with the income tax department regarding the tax on National Bank of Iraq till the end of 2014.
- The management believes that the income tax provision recorded is sufficient to meet the tax obligations as at 31 March 2017.
- The Bank and its subsidiaries have submitted the tax return for the year 2015 and 2016.

(14) Other Provisions

31 March 2017 - (Unaudited)	Balance at the beginning of the period/year	Changes during	Balance at the end of the period/year
	JD	JD	
Provision for lawsuits raised against the bank	34,000	-	34,000
Provision against Iraq risks	25,354,563	3,196,103	28,550,666
Foreign Currency translation differences	(24,819)	-	(24,819)
Total	25,363,744	3,196,103	28,559,847
31 December 2016			
Provision for lawsuits raised against the bank	34,000	-	34,000
Provision against Iraq risks	12,001,722	13,352,841	25,354,563
Foreign Currency translation differences	(24,819)	-	(24,819)
Total	12,010,903	13,352,841	25,363,744

- Due to the current political and economic situation in Iraq and as a result of different risks faced by the bank particularly and the Iraqi economy generally, the bank booked a provision of JD 28,550,665 as at 31 March 2017 based on final outcome of discounting the future cash flow using the forecasted financial statements of National Bank of Iraq for the next 5 years. The provision will be reviewed annually.

(15) Proposed Cash dividends

Board of Directors will advise the General Assembly to approve in its meeting held on 27 April 2017 the proposed cash dividends amounting to JD 10,000,000 equivalent to 5% of the Bank's authorized and paid - in capital, retained on 31 December 2016.

(16) Earnings Per Share

Basic and diluted earnings per share

The details are as follow:

	For the three month period ended 31 March	
	2017	2016
	JD	JD
Profit for the year attributable to Bank's shareholders (JD)	3,453,234	3,730,644
Weighted average number of shares during the period (shares)	200,000,000	200,000,000
	JD / Fils	JD / Fils
Basic and diluted earnings per share	0/017	0/019

(17) Cash and Cash Equivalents

The details are as follow:

	For the three month period ended 31 March	
	2017	2016
	JD	JD
Cash and balances with central banks maturing within 3 months	257,381,297	220,484,263
Add: Balances at banks and financial institutions maturing within 3 months	(23,229,849)	144,217,182
Less: Banks and financial institutions' deposits maturing within 3 months	(107,525,157)	(26,673,838)
Less: Restricted cash balances	(1,119,843)	(1,116,017)
	125,506,448	336,911,590

(18) Related Party Transactions

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

Company name	Ownership		Paid in capital	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	%	%	JD	JD
	(Unaudited)		(Unaudited)	
Capital Investment and Brokerage Company	100%	100%	10,000,000	10,000,000
National Bank of Iraq	61.85%	61.85%	86,739,856	86,739,856
Bahrain Investment Fund Company	100%	100%	1,888	1,888
Capital Bank Corporate Advisory (DIFC) Limited	100%	100%	177,250	177,250

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates.

The following related party transactions took place during the period:

	Related party				Total	
	BOD members	Executive management	Subsidiaries	Major Shareholders	31 March 2017	31 December 2016
	JD	JD	JD		JD	JD
Statement of financial position items:					(Unaudited)	
Bank Deposits with related parties	-	-	25,894,557	-	25,894,557	38,266,462
Bank Deposits	19,281,280	170,979	8,049,253	935,407	28,436,919	29,991,052
Margin accounts	127,501	-	59,951,850	300	60,079,651	70,134,700
Direct credit facilities	31,850,515	1,208,340	11,882	2,359,033	35,429,770	35,810,472
Direct credit facilities - watch list	6,084,446	-	-	-	6,084,446	4,298,964
Off-balance sheet items:						
Indirect credit facilities	4,636,768	-	31,297,982	300	35,935,050	44,160,733
Statement of Income Items:					For the three month period ended 31 March	
					2017	2016
Interest and commission income	555,417	11,258	463,321	24,101	1,054,097	1,065,922
Interest and commission expense	449,180	757	620,582	-	1,070,519	1,418,914
• Interest rates on credit facilities in Jordanian Dinar range between 3.75% - 10% • No credit facilities were granted in foreign currency. • Interest rates on deposits in Jordanian Dinar range between 2.375% - 5.25%. • Interest rates on deposits in foreign currency between 0.15% - 1.75%.						
					For the three month period ended 31 March	
					2017	2016
					JD	JD
					(Unaudited)	(Unaudited)
Benefits (Salaries, wages, and bonuses) of executive management					1,494,777	399,854

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

	Retail Banking	Corporate Banking	Treasury	Other	Total 31 March 2016
	JD	JD	JD	JD	JD (Unaudited)
Total revenue	5,412,677	13,734,971	9,487,187	2,700,906	31,335,741
Impairment losses on direct credit facilities	(84,152)	(769,086)	-	-	(853,238)
Segment results	1,381,306	7,533,982	9,067,937	2,700,906	20,684,131
Unallocated expenses					(13,283,303)
Profit before tax					7,400,828
Income tax					(3,151,654)
Net profit					4,249,174
					31 December 2016
					JD
Segmental assets	277,012,257	693,459,974	891,741,446	145,110,365	2,007,324,042
Segmental liabilities	744,553,804	625,161,755	242,889,492	60,611,737	1,673,216,788
					31 March 2016
					JD (Unaudited)
Capital expenditure					1,349,943
Depreciation and amortization					1,070,890

(19) Contingent Liabilities and Commitments (Off statement of financial position)

	31 March 2017	31 December 2016
	JD (Unaudited)	JD
Letters of credit	61,475,738	92,455,386
Acceptances	41,909,109	40,732,449
Letters of guarantee -		
Payments	29,876,308	31,155,007
Performance	62,900,733	64,938,282
Other	43,483,585	45,934,803
Foreign currency forward	26,782,800	2,241,000
Unutilized direct credit limits	34,906,909	33,381,425
Total	301,335,182	310,838,352

(21) Lawsuits against the Bank

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 24,745,278 as at 31 March 2017 (2016: JD 24,545,479). According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases except for two lawsuits amounting at JD 34 thousand, noting that full provision was taken against these lawsuits.
- The lawsuits raised against Capital Investment and Brokerage Company Ltd/Jordan, as part of the ordinary course of business, amounted to JD 355,686 as at 31 March 2017 against JD 355,686 as at 31 December 2016. According to the Bank's management, the Bank will not be liable in any of these cases.
- The lawsuits raised against National Bank of Iraq, as part of the ordinary course of business, amounted to JD 3,545,000 as at 31 March 2017 (2016: 3,579,196) . According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases.

(22) Statutory Reserve

The Bank didn't deduct any Statutory Reserve for the period ended 31 March 2017, as the financial statements are interim condensed consolidated financial statements.

(23) Comparative Figures:

Some of 2016 balances were reclassified to correspond with 2017 presentation. The reclassification did not have any effect on profits or equity for 2017.