Capital Bank Of Jordan

Consolidated Financial Statements

31 December 2016

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Capital Bank of Jordan
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Capital Bank of Jordan (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in 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 Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Group 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.

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 2016. 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1) Provision for impairment losses of direct credit facilities

Impairment of loans and advances to customers is one of the most significant matters that impact the reported results of the Bank, in addition of being an area that requires a considerable amount of judgment for determining impairment event and the measurement of impairment loss.

Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral, inputs and calculation of specific and collective impairment and determining the default date, and as a result, impairment is calculated from that date. As at 31 December 2016, the gross loans and advances amounted to JD 1,060,616,013 against which accumulated loan loss provision of JD 55,263,051 were recorded.

How the key audit matter was addressed in the audit

Our audit procedures included obtaining the non-performing and watch list loans schedules, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default.

We also selected a sample from the performing loans to determine whether management had identified all impairment events.

Disclosures of impairment losses of direct credit facilities are detailed in note (9) to the consolidated financial statements.

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2) Suspension of interest on non- performing loans
Interest is suspended after 90 days from impairment event (default date) in accordance with Central Bank of Jordan (CBJ) regulations.

Judgment is applied as to determining when the default date occurred which affects the amount of interest to be suspended.

How the key audit matter was addressed in the audit

Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and tested suspended interest including recalculation in accordance with CBJ regulations, and assessing the criteria used by management for determining the impairment event.

3) Valuation of investments in unquoted equities

The valuation of investments in private equities is a complex area that requires the use of models and forecasting of future cash flows including other factors to determine the fair value of the investments. As at 31 December 2016, the unquoted equities amounted to JD 4,409,483.

How the key audit matter was addressed in the audit

Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data.

Disclosures for financial assets through other comprehensive income are detailed in note (8) to the consolidated financial statements.

4) Investment risks in Iraq

The Bank's Subsidiary, National Bank of Iraq (NBI), faces operational risks imposed by the political and economic situation in Iraq, particularly the regulations related to banking sector in Iraq that may impact NBI's operational results. The bank's inability to utilize the deposited balances at the Central Bank of Iraq (CBI) in Irbil and Sulaymaniyah, which were amounted to JD 119,000,861 as at 31 December 2016 compared to JD 134,208,191 as at 31 December 2015, is considered as the most prominent risk.

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How the key audit matter was addressed in the audit

Our audit procedures included reviewing correspondences with CBI in relation to NBI's operation, and correspondences with CBI branches at Irbil and Sulaymaniyah in relation to balances at these branches. We have reviewed management's assumptions to estimate the recoverable amount of deposited balances as at 31 December 2016. Additionally, we have assessed and reviewed the methodology and the appropriateness of key assumptions applied by management, including the discount rate and timing of estimated future cash flows. Also we have reviewed management's sensitivity analysis to assess the impact of reasonable possible changes in key assumptions.

Accordingly a provision of JD 25,354,563 is recorded against investment risks in Iraq and particularly the risk associated with the deposited balances. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Information Included in the Bank's 2016 Annual Report

Other information consists of the information included in The Bank's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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 ISAs, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, 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 Group 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 Group 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

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License No. 592

Amman – Jordan
28 February 2017, except for note (24) related to proposed cash dividends as at 27 April 2017.

Capital Bank Of Jordan
Consolidated Statement of Financial Position
As of 31 December 2016

	Notes	2016	2015
		JD	JD
Assets			
Cash and balances at central banks	4	260,950,882	345,676,987
Balances at banks and financial institutions	5	166,478,834	184,650,731
Deposits at banks and financial institutions	6	-	15,158,414
Financial assets at fair value through income statement	7	4,071,180	3,374,239
Financial assets at fair value through other comprehensive income	8	9,498,110	6,106,779
Direct credit facilities, net	9	970,472,231	910,492,278
Financial assets at amortized cost	10	450,742,440	377,457,019
Property and equipment, net	11	29,938,896	30,065,873
Intangible assets, net	12	5,537,532	4,225,580
Deferred tax assets	21	10,698,156	8,235,623
Other assets	13	98,935,781	100,787,786
Total Assets		**2,007,324,042**	**1,986,231,309**
Liabilities And Equity			
Liabilities			
Banks and financial institutions' deposits	14	142,757,612	45,841,305
Customer deposits	15	1,224,710,400	1,345,141,109
Margin accounts	16	145,005,158	116,442,118
Loans and borrowings	17	77,885,428	84,314,093
Subordinated loan	18	17,725,000	17,725,000
Secondary loan	19	4,521,452	7,672,563
Sundry provisions	20	25,363,744	12,035,722
Income tax provision	21	11,020,115	7,870,942
Deferred tax liabilities	21	424,086	862,360
Other liabilities	22	23,803,793	23,975,684
Total Liabilities		**1,673,216,788**	**1,661,880,896**
Equity			
Equity attributable to the Bank's shareholders			
Issued and paid in capital	23	200,000,000	200,000,000
Additional paid in capital		709,472	709,472
Statutory reserve	25	32,257,341	30,116,739
Voluntary reserve		-	9,690
General banking risk reserve	25	9,811,521	8,882,456
Foreign currency translation adjustments	26	(3,868,943)	379,962
Fair value reserve	27	(566,421)	(1,407,974)
Retained earnings	29	39,562,631	30,777,787
Total equity attributable to the Bank's shareholders		**277,905,601**	**269,468,132**
Non-controlling interest		**56,201,653**	**54,882,281**
Total Equity		**334,107,254**	**324,350,413**
Total Liabilities and Equity		**2,007,324,042**	**1,986,231,309**

The accompanying notes from 1 to 53 are an integrated part of these consolidated financial statements.

Capital Bank Of Jordan
Consolidated Statement Of Income
For the Year Ended 31 December 2016

	Notes	2016	2015
		JD	JD
Interest income	30	95,835,693	100,314,213
Interest expense	31	38,425,704	43,177,480
Net interest income		57,409,989	57,136,733
Net commission income	32	24,417,810	15,766,986
Net interest and commission income		81,827,799	72,903,719
Gain from foreign currencies	33	8,522,587	5,269,425
Gain (Loss) from financial assets at fair value through income statement	34	27,243	(4,409,815)
Dividends income from financial assets at fair value through other comprehensive income	8	344,265	68,144
Other income	35	3,461,145	1,733,549
Gross profit		94,183,039	75,565,022
Employees' expenses	36	20,985,521	18,124,484
Depreciation and amortization	11,12	4,449,788	3,823,218
Other expenses	37	16,297,481	16,118,600
(Loss) gain on sale of seized property		207,705	(1,356,394)
Impairment losses on direct credit facilities	9	8,670,583	8,756,722
Impairment losses and other sundry provisions	38	16,481,563	19,040,578
Total expenses		**67,092,641**	**64,507,208**
Income before tax		27,090,398	11,057,814
Income tax expense	21	10,954,422	9,988,942
Income for the year		**16,135,976**	**1,068,872**
Attributable to:		12,442,588	4,932,352
Bank's shareholders		3,693,388	(3,863,480)
Non - controlling interest		16,135,976	1,068,872
		JD/Fils	JD/Fils
Basic and diluted earnings per share	39	0/062	0/025

The accompanying notes from 1 to 53 are an integrated part of these consolidated financial statements.

Capital Bank Of Jordan

Consolidated Statement Of Comprehensive Income

For the Year Ended 31 December 2016

	2016	2015
	JD	JD
Income for the year	16,135,976	1,068,872
Add: Other comprehensive income items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	(6,632,611)	(7,756,671)
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		
Change in financial assets at fair value through other comprehensive income	253,476	(497,350)
Total other comprehensive income for the year, net of tax	**(6,379,135)**	**(8,254,021)**
Total comprehensive income for the year	**9,756,841**	**(7,185,149)**
Attributable to:		
Bank's shareholders	8,437,469	(587,452)
Non-controlling interest	1,319,372	(6,597,697)
	9,756,841	**(7,185,149)**

Capital Bank Of Jordan

Consolidated Statement of Changes in Owners Equity

For the Year Ended 31 December 2016

	Issued and Paid in Capital	Additional paid in capital	Reserves: Statutory	Reserves: Voluntary	Reserves: General banking risk	Foreign currency translation adjustments	Fair value reserve	Equity component of the convertible loan	Retained* earnings	Equity attributable to the Bank's shareholders	Non-controlling interest	Total equity
31 December 2016	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Beginning Balance	200,000,000	709,472	30,116,739	9,690	8,882,456	379,962	(1,407,974)	-	30,777,787	269,468,132	54,882,281	324,350,413
Total comprehensive income for the year	-	-	-	(9,690)	-	(4,248,905)	253,476	-	12,442,588	8,437,469	1,319,372	9,756,841
Realized losses from selling financial assets at fair value through other comprehensive income	-	-	-	-	-	-	588,077	-	(588,077)	-	-	-
Transferred to reserves	-	-	2,140,602	-	929,065	-	-	-	(3,069,667)	-	-	-
Ending balance	**200,000,000**	**709,472**	**32,257,341**	**-**	**9,811,521**	**(3,868,943)**	**(566,421)**	**-**	**39,562,631**	**277,905,601**	**56,201,653**	**334,107,254**
31 December 2015												
Beginning Balance	181,500,000	709,472	28,458,986	9,690	8,999,012	5,647,798	(1,156,006)	1,022,784	56,919,132	282,110,868	62,770,259	344,881,127
Total comprehensive income for the year	-	-	-	-	-	(5,267,836)	(251,968)	-	4,932,352	(587,452)	(6,597,697)	(7,185,149)
Capital increase fees	-	-	-	-	-		-	-	(142,500)	(142,500)	-	(142,500)
Transferred to reserves	-	-	1,657,753	-	(116,556)	-	-	-	(1,541,197)	-	-	-
								(1,022,784)	-	(1,022,784)		(1,022,784)
Dividends	18,500,000	-	-	-	-	-	-	-	(29,390,000)	(10,890,000)	-	(10,890,000)
Share of non-controlling interest in dividends from subsidiaries	-	-	-	-	-			-	-	-	(1,290,281)	(1,290,281)
Ending balance	**200,000,000**	**709,472**	**30,116,739**	**9,690**	**8,882,456**	**379,962**	**(1,407,974)**	**-**	**30,777,787**	**269,468,132**	**54,882,281**	**324,350,413**

* The balance of retained earnings includes a restricted amount of JD 10,698,156 as of 31 December 2016 (2015: JD 8,235,623) 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 1,125,859 as of 31 December 2016 (2015: JD 1,689,282) 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.

- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of

- An amount equals to the negative balance of fair value reserve is a restricted reserve that cannot be utilized.

Capital Bank Of Jordan

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	Note	2016	2015
Operating Activities		JD	JD
Profit before income tax		27,090,398	11,057,814
Adjustments for Non-Cash Items			
Depreciation and amortization		4,449,788	3,823,218
Impairment loss on direct credit facilities		8,670,583	8,756,722
loss from revaluation of financial assets at fair value through Income statement		137,043	172,257
Impairment losses and other sundry provisions		16,481,563	19,040,578
Net accrued interest		(2,959,375)	(442,921)
Effect of exchange rate changes on cash and cash equivalents		(2,647,437)	(1,928,644)
Cash flows from operating activities before changes in assets and liabilities		51,222,563	40,479,024
Changes in assets and liabilities -			
Restricted balances		(3,098)	(2,007)
Balances at central banks		14,517,249	(134,208,191)
Deposits at banks and financial institutions		15,158,414	(2,990,056)
Financial assets at fair value through Income statement		(833,984)	11,127,338
Direct credit facilities		(73,102,831)	(129,373,658)
Other assets		(799,917)	19,969,532
Banks and financial institutions' deposits maturing in more than three months		55,000	(37,270,000)
customers' deposits		(115,980,223)	117,285,181
margin accounts		30,330,196	(24,875,203)
Other liabilities		1,726,587	(10,093,404)
Paid sundry provisions		-	(113,000)
Net cash flow (used in) operating activities before income tax		(77,710,044)	(150,064,444)
Income tax paid		(10,993,283)	(14,836,007)
Net cash flow used in operating activities		(88,703,327)	(164,900,451)
Investing Activities			
Purchase of financial assets at fair value through other comprehensive income		(3,226,029)	(1,296,437)
Sale of financial assets at fair value through other comprehensive income		401,750	-
Purchase of financial assets at amortized cost		(174,233,774)	(68,808,871)
Matured financial assets at amortized cost		100,948,353	246,272,812
Change in financial assets pledged as collateral		-	37,473,878
Purchase of property and equipment		(2,676,935)	(5,018,266)
Sale of property and equipment		21,939	15,970
Purchase of intangible assets		(3,413,965)	(1,009,897)
Net cash flow (used in) investing activities		(82,178,661)	207,629,189
Financing Activities			
Capital increase fees		-	(142,500)
Proceeds from loans and borrowings		46,228,056	82,566,780
Repayment of loans and borrowings		(52,656,722)	(93,029,561)
Repayment of secondary loan		(3,151,111)	(3,151,111)
Cash dividends		-	(10,655,654)
Net cash flow (used in) financing activities		(9,579,777)	(24,412,046)
Net (decreases) increase in cash and cash equivalents		(180,461,765)	18,316,692
Effect of exchange rate changes on National Bank of Iraq		2,647,437	1,928,644
Effect of exchange rate changes on cash and cash equivalents		(6,740,749)	(11,417,659)
Cash and cash equivalent at the beginning of the year		351,162,628	342,334,951
Cash and cash equivalent at the end of the year	41	166,607,551	351,162,628

The accompanying notes from 1 to 53 are an integrated part of these 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 consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. 3/2017 held on 14 February 2017. The Board of Directors approved the action to recommend cash dividend distribution to the Shareholders' General Assembly on their meeting No. 5/2017 held on 27 April 2017, and the decision is subject to the approval of Central Bank of Jordan and the Shareholders' General Assembly.

(2) Significant Accounting Policies

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

The accompanying consolidated finanacial statements of the bank and its subsidiaries have been prepared in accordance with international Financial Reporting Standards (IFRS) and its interpretations (IFRICs) , and in conformity with the applicable laws and regulations of the Central Bank of Jordan .

The 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 consolidated financial statements. Moreover, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

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

(2-2) Changes in accounting policies:

Standards issued and effective

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015 except for the following:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)
In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1
The amendments to IAS 1 include narrow-focus improvements related to:

• Materiality.
• Disaggregation and subtotals.
• Notes structure.
• Disclosure of accounting policies.
• Presentation of items of other comprehensive income (OCI) arising from equity accounted investments.

Investment entities (Amendments to IFRS 10 and IAS 28)
The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

• The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
• Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
• Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.
The implementation of the new amendments did not have impact on the Banks' financial position or performance and became effective for annual periods which started from 1 January 2017.

(2-3) Basis of consolidation

The 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 December 2016. 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 December 2016. 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 December 2016. 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 December 2016. 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.

Segment Information

• Business segment represents distinguishable components of the Bank that are engaged in providing products or services that are subject to risks and rewards that are different from those of other segments and reported based on the reports that are used by the Bank’s chief executive decision maker.

• The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economical environments.

Direct credit facilities

• Direct credit facilities are financial assets with fixed or determinable payments which are provided basically by the Bank or have been acquired and has no market price in the active markets .
The credit facilities are measured at amortized cost .

• Impairment of direct credit facilities is recognized in the provision for impairment loss when events occur after the initial recognition of the credit facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the consolidated statement of income.

• Interest and commission arising from non-performing facilities is suspended according to the Central Bank of Jordan's regulations.

• Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated statement of income, and cash recoveries of loans that were previously written off are credited to the consolidated statement of income.

Financial assets at amortized cost

• Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount.

• Debt instruments meeting these criteria are initially measured at cost plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of 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 interest rate.

• It is not permitted to reclassify assets to or from this category except in certain circumstances specified in Internatioal Finanacial Reporting Standards No.(9)

• If any of these assets are sold before maturity, the gain or loss arising is recognized in the consolidated statement of income.

Financial assets at fair value through Income Statement

• Financial assets which do not meet the business model for financial assets at amortized cost, and are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.

• Financial instruments at fair value through Income Statement are initially measured at fair value, unless if the Bank classified the financial investments as not for trading at fair value through other comprehensive income at the purchase date.

• Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated statement of income. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated statement of income .

• Dividend and interest income are recorded in the consolidated statement of income.

• It is not permitted to reclassify assets to or from this category except in certain circumstances specified in International Financial Reporting Standards.

• It is prohibited to classify financial assets that do not hold a market value in active markets, and actively traded instruments under this category. Active trading constitutes the trading of financial assets within three months of the purchase date.

Financial assets at fair value through other comprehensive income

- These assets represent investments in equity instruments that are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is classified from fair value reserve to retained earnings, and not through consolidated statement of income.
- It is not permitted to reclassify assets to or from this category except in certain circumstances specified in Internatioal Finanacial Reporting Standards.
- Dividend income is recognized in the consolidated statement of income
- These financial assets are not subject to impairment testing.

Fair value

- The Bank values the financial instruments, such as derivatives and non-financial assets, at fair value at the date of the financial statements. The fair value of the financial instruments classified at amortized cost, are also disclosed.
- The fair value represents the price that will be obtained when selling the assets or the amount that will be paid to transfer liability of regulated transaction between participants in the market.
- In the absence of the principal market, the most advantageous market will be used to trade the assets or liabilities.
- The bank needs the opportunities to reach the primary or most suitable markets.
- The fair value of an assets or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
- A fair value measurement of a non–financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

• The Bank uses the following valuation techniques in setting and disclosing the fair value of the financial instruments:
- All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
• For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

• The appraisal committee, along with the Group's external appraisers, compare the changes and the related external information on the fair value on the assets and liabilities to evaluate the reasonableness of the changes.

• For the purpose of the fair value disclosure, the Group classifies the assets and liabilities according to its nature, risks of the assets and liabilities, and fair value level.

• The valuation of the non–current assets and liabilities, and those that do not incur interest, in accordance with the discounted cash flow, and the effective interest rate, discount/ premium is amortized from the paid and received interest revenue in the consolidated income statement.

Impairment of financial assets

The Bank assesses at the date of each consolidated statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss.

Impairment is determined as follows:

• For assets carried at amortized cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.

Impairment is recognised in the consolidated statement of income . If in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the consolidated statement of income and it is recognized in the consolidated statement of other comprehensive income for equity instruments.

Property and equipment

• Property and equipment is measured at cost less accumulated depreciation and accumulated impairment in value. Depreciation (except for lands) is calculated using the straight-line method when property and equipment are ready to be used to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation rates used are as follows:

	%
Buildings	2
Equipment and furniture	2.5 - 15
Vehicles	15
Computers	25
Other	10

• When the carrying values 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.

• Useful life for property and equipment is reviewed each year. If expected useful life is different from the previous one, the difference is adjusted prospectively as a change in accounting estimate.

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

Provisions

Provisions are recognized when the Bank has a present obligation at the date of the consolidated financial position arising from a past event and the costs to settle the obligation are both probable and 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 disclosed 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.

Taxes are calculated based on tax rates confirmed under the laws, regulations and instructions of the Hashemite Kingdom of Jordan and the countries which subsidiaries are operating in.

The Deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the consolidated financial statements and the value of the tax basis profit. Deferred taxes are measured by adhering to the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when assets are realized or liabilities are settled.

The carrying amount of the deferred assets are reviewed at the date of the consolidated financial statements and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets be utilized.

Fiduciary assets

Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administering such assets are recognized in the consolidated statement of income . A provision is recognized for decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position 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.

Revenue and expense recognition

Interest income is recognized using the effective interest method except for fees and interest on non performing facilities, on which interest is transferred to the interest in suspense account and not recognized in the statement of income.
Expenses are recognized on an accrual basis.
Commission income is recognized upon the rendering of services. Dividend income is recognized when the right to receive payment is established.

Date of Recognition of Financial Assets

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase is enforceable to the bank).

Financial instruments and hedge accounting

Hedge Financial Instruments
For the purpose of hedge accounting derivatives are presented at fair value, and are classified as follows:

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of the Bank's recognized assets or liabilities that is attributable to a particular risk, for designated and qualifying effective fair value hedges, the change in the fair value of a hedging derivative is recognized in the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as adjustment to the carrying value of the hedged item and is also recognized in the consolidated statement of income.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in the Bank's actual and expected cash flows which is attributable to a particular risk associated with a recognized asset or liability.

For designated and qualifying effective cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, and is subsequently transferred to the consolidated statement of income in the period in which the hedged cash flows affect income, or at such time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the statement of income.

Hedge of net investments in foreign operations

• Hedges of net investments in a foreign operation are accounted for by measuring the fair value of the hedging instrument. The effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, while the ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the consolidated statement of income . On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the consolidated statement of income.

• For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument is recognized directly in the consolidated statement of income.

Derivative financial instruments held for trading

Derivative financial instruments (such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others), are initially recorded at cost as other assets / liabilities, and subsequently carried at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated and changes in fair value are recognized in the consolidated statement of income.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's financial consolidated statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies (where the buyer has the right to use these assets (sell or re-lien) they are reclassified as liened financial assets).
The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.
Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements as assets since the Bank is not able to control these assets. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between purchase and resale price is recognized in the consolidated statement of income over the agreement term using the effective interest method.

Financial assets pledged as collateral

The financial assets pledged by the Bank are for the purpose of providing collateral for the counter party to the extent that counter party is permitted (to sell and /or re-pledge the assets). The method of valuation is related to the financial policies for its original classification.

Assets Seized by the Bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "Other assets" at the lower of their carrying value or fair value. Assets are revalued at the consolidated statement of financial position date on an individual basis and losses from impairment are transferred directly to the consolidated statement of 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.

Intangible assets

Intangible assets are recognized on the basis of its useful life, whether it is a finite life or it has an infinite life.
Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and is recognized in the consolidated statement of income.
Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income.
Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at the date of the consolidated financial statements. Adjustments are reflected in the current and subsequent periods.
Intangible assets include trademarks, computer software and programs, Management estimates the useful life for each item. Amortization is calculated using the straight-line method at 25%.
The following is the accounting policy for each of the bank's intangible assets:
- Trademarks: Amortized using the straight line method at 25%.
- Computer software and programs amortized using the straight line method at 25%.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange prevailing at the date of the transaction.
Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.
Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
Any gains or losses are taken to the consolidated statement of income.
Exchange differences for non-monetary assets and liabilities in foreign currencies (such as equity instruments) are recorded as part of the change in fair value.
When consolidating the financial statements, the assets and liabilities of foreign branches and subsidiaries are translated into the functional currency of each entity at the average exchange rates of the Central Bank of Jordan prevailing at the date of the consolidated statement of financial position. Income and expense items are translated at the average rates for the year. Any exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and cash balances at banks and financial institutions that mature within three months, less banks and financial institutions deposits 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 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 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 as a minimum reference and according to International Financial Reporting Standards as well.

- impairment losses on repossessed assets are determined based on The appraisal reports prepared by certified appraisers and are reviewed periodically.

- Management periodically re-evaluates the useful lifes 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 impairmant is charged to the consolidated income statement.
- The income tax provision is calculated based on the prevailing laws and regulations and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the related provisions are recorded.
- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.
- Impairment of non-financial assets.

- The group assessed any indicators of impairment on non-financial assets as at 31 December 2016. The group estimates the recoverable amount of those assets if impairment indicators were found, or the annual depreciation testing surfaced an issue. The recoverable amount represents the fair value net of whichever is higher; the selling expenses or used amount. This calculation is executed on each asset separately, unless the asset has a separate fund-generating unit. If the asset's book value is higher than the recoverable amount the asset value is impaired to reflect the recoverable amount. To calculate the used amount, the asset's future cash flows are discounted back to the present value using a pre-tax discount rate. This in turn reflects the market evaluation of the time value of money and risks bared by the asset. Current market conditions are examined, if possible, when calculating the net fair value of these assets, otherwise proper valuation methods are used. Impairment losses are recorded on the consolidated income statement.

- Impairment booked on those assets in prior periods are revisited on the date of the consolidated financial statements to examine whether the conditions in which those impairments were calculated have changed or changed in value. The group estimates the recoverable value of the asset. Impairment losses booked in prior periods are reversed only if the assumptions used to calculate the recoverable amount have changed. Impairment reversals are reflected on the consolidated statement of income. Impairment testing of these non-financial assets are based on the following:

• Goodwill: Goodwill impairment testing is examined annually or if indicators of impairment is detected. Goodwill impairment losses cannot be reversed in future periods.
• Intangible assets with indefinite life: Impairment testing on intangible assets with indefinite life are examined annually or if indicators of impairment is detected.

(4) Cash and Balances with Central Banks

	2016	2015
	JD	JD
Cash on hand	25,981,287	27,441,066
Balances at Central Banks:		
Current and demand deposits	164,636,332	151,431,287
Time and term deposits	-	30,000,000
Statutory cash reserve	70,333,263	100,704,634
Certificates of deposit	-	36,100,000
Total	**260,950,882**	**345,676,987**

• There are no balances maturing within three months as of 31 December 2016 and 2015.

• National Bank of Iraq balances at the Central Bank of Iraq's Irbil and Al - Sulaymaniah branches amounted to JD 85,997,791 and JD 33,003,070 respectively , as of 31 December 2016 (2015: 90,515,771 and 43,692,420 respectively). 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

	Local banks and financial institutions		Foreign Banks and Financial Institutions		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Current and demand deposits	9,166,372	1,885,253	63,613,358	68,210,775	72,779,730	70,096,028
Deposits maturing within or less than 3 months	87,411,704	60,160,453	6,287,400	54,394,250	93,699,104	114,554,703
Total	**96,578,076**	**62,045,706**	**69,900,758**	**122,605,025**	**166,478,834**	**184,650,731**

• Non-interest bearing balances at banks and financial institutions amounted to JD 72,735,758 as of 31 December 2016 (2015: JD 69,135,245).

• Restricted balances amounted to JD 1,118,692 as of 31 December 2016 (2015: JD 1,115,594).

(6) Deposits at Banks And Financial Institutions

	Local banks and financial institutions		Foreign Banks and Financial Institutions		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Deposits maturing within 3 to 6 months	-	13,000,000	-	2,158,414	-	15,158,414
	-	**13,000,000**	**-**	**2,158,414**	**-**	**15,158,414**

- There is no restricted deposit as of 31 December 2016 and 2015.

(7) Financial Assets at Fair Value through income statement

	2016	2015
	JD	JD
Equities	2,785,111	1,374,070
Bonds	479,257	979,041
Investment funds	806,812	1,021,128
Total	**4,071,180**	**3,374,239**

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

	2016	2015
	JD	JD
Quoted shares	5,088,627	2,297,033
Unquoted shares	4,409,483	3,809,746
Total	**9,498,110**	**6,106,779**

- Realized losses resulted from sales of financial assets at fair value through other comprehensive Income as of 31 December 2016 amounted to JD 588,077 (31 December 2015:Nil).

- The cash dividends amounted to JD 344,265 and it reflects the shares that the bank owns in other companies as of 31 December 2016 (2015: JD 68,144).

(9) Direct Credit Facilities, Net

	2016	2015
	JD	JD
Retail customers		
Overdrafts	11,189,619	15,678,807
Loans and bills *	93,913,407	99,135,555
Credit cards	6,760,968	5,755,621
Realestate Mortgages	155,234,146	141,154,973
Corporate Lending		
Overdrafts	117,608,731	91,548,209
Loans and bills *	461,309,457	454,684,957
Small and medium enterprises "SMEs" facilities		
Overdrafts	31,071,059	24,519,091
Loans and bills *	85,423,928	53,179,504
Government and public sector lending	98,104,698	102,225,542
Total	**1,060,616,013**	**987,882,259**
Less: Suspended interest	34,880,731	30,216,917
Less: Allowance for impairment in direct credit facilities	55,263,051	47,173,064
Net direct credit facilities	**970,472,231**	**910,492,278**

* Net of interest and commissions received in advance amounted to JD 955,928 as of 31 December 2016 (2015: JD 1,793,976).

- Non-performing credit facilities amounted to JD 100,019,129 as of 31 December 2016 (2015: 86,182,972 JD), represents 9.43% of total direct credit facilities as at 31 December 2016 (2015: 8.72%).
- Non-performing credit facilities, net of suspended interest, amounted to JD 65,138,398 as of 31 December 2016 (2015: JD 55,966,055) represents 6.35 % (2015: 5.84 %) of total direct credit facilities after excluding the suspended interest.
- Government and public sector facilities amounted to JD 86,540,369 as of 31 December 2016 (2015: JD 89,625,521) represents 8.16% (2015: 9.07%) of total direct credit facilities as of 31 December 2015.

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
31 December 2016	JD	JD	JD	JD	JD
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**
31 December 2015					
Balance at 1 January 2015	9,694,567	674,504	27,446,431	1,026,831	38,842,333
Charge for the year	525,055	699,657	6,921,174	610,836	8,756,722
Amounts written off	(125,414)	-	-	-	(125,414)
Foreign exchange differences	(233,106)	-	(67,471)	-	(300,577)
Balance at the end of the year	**9,861,102**	**1,374,161**	**34,300,134**	**1,637,667**	**47,173,064**
Impairment on individual basis	9,159,869	1,373,138	33,077,607	1,619,402	45,230,016
Watch list impairment on portfolio basis	701,233	1,023	1,222,527	18,265	1,943,048
Balance at the end of the year	**9,861,102**	**1,374,161**	**34,300,134**	**1,637,667**	**47,173,064**

The provisions no longer needed due to settlements or repayments and transferred against other debts amounted to JD 12,040,322 as at 31 December 2016 (2015: JD 4,834,897).

Interest in suspense

The movement of interest in suspense is as follow:

	Retail	Real estate	Corporates	SMEs	Total
	JD	JD	JD	JD	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	6,375,099	494,751	8,431,852
Less: interest transferred to income	(357,964)	(190,642)	(2,277,628)	(132,049)	(2,958,283)
Less: amounts written off	(156,397)	-	(500,986)	(36,818)	(694,201)
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**

	Retail	Real estate	Corporates	SMEs	Total
	JD	JD	JD	JD	JD
31 December 2015					
Balance at 1 January 2015	4,576,537	738,749	18,977,832	495,483	24,788,601
Add: Suspended interest during the year	1,289,397	233,339	5,429,227	391,936	7,343,899
Less: interest transferred to income	(1,029,806)	(78,306)	(162,982)	(38,891)	(1,309,985)
Less: amounts written off	(366,701)	(48,063)	(4,227)	(67,899)	(486,890)
Foreign exchange differences	(101,511)	-	(17,197)	-	(118,708)
Balance at the end of the year	**4,367,916**	**845,719**	**24,222,653**	**780,629**	**30,216,917**

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

	Inside Jordan	Outside Jordan	31 December 2016	31 December 2015
	JD	JD	JD	JD
Financial	40,121,399	-	40,121,399	25,423,471
Industrial	110,353,139	6,535,692	116,888,831	108,028,255
Commercial	141,549,647	33,926,159	175,475,806	190,453,363
Real estate	244,597,663	15,972,057	260,569,720	234,556,135
Tourism and hotels	12,725,637	19,115,164	31,840,801	21,154,383
Agriculture	15,277,379	9,926	15,287,305	17,847,238
Shares	81,392,765	-	81,392,765	62,821,790
Services utilities and public	92,831,674	-	92,831,674	90,683,971
transportation services (including air transportation)	12,027,272	38,564	12,065,836	10,780,238
Government and public sector	98,104,698	-	98,104,698	102,225,542
Retail	86,365,411	9,395,177	95,760,588	96,706,991
Other	40,276,590	-	40,276,590	27,200,882
Total	**975,623,274**	**84,992,739**	**1,060,616,013**	**987,882,259**

(10) Financial Assets At Amortized Cost

This item consists of the following:

	2016	2015
	JD	JD
Treasury bonds	376,502,517	323,812,579
Governmental debt securities and its guarantee's	38,835,386	34,667,918
Bonds, Corporate debt securities *	24,682,217	17,422,543
Other government bonds	10,722,320	1,553,979
Total	**450,742,440**	**377,457,019**
Analysis of bonds and bills:		
Fixed Rate	443,453,190	375,152,769
Floating rate	7,289,250	2,304,250
Total	**450,742,440**	**377,457,019**

* Net of impairment loss amounted to JD 500,000 as of 31 December 2016 and 2015.

- No Mortgaged financial assets at amortized cost were recorded on 31 Dec 2016, 31 Dec 2015.

(11) Property and Equipment - Net

31 December 2016	**Lands**	**Buildings**	**Furniture & Fixtures**	**Vehicles**	**Computers**	**Others****	**Total**
Cost	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Balance at 1 January 2016	12,464,582	7,214,907	8,215,426	538,392	4,257,431	8,406,698	41,097,436
Foreign exchange differences	-	-	2,438,256	3,892	1,417,982	478,902	4,339,032
Additions	-	-	(353,488)	-	(433,003)	-	(786,491)
Disposals	(201,551)	(44,470)	(126,350)	(5,316)	-	-	(377,687)
Balance at the end of the year	12,263,031	7,170,437	10,173,844	536,968	5,242,410	8,885,600	44,272,290
Accumulated depreciation:							
Balance at 1 January 2016	-	989,045	4,906,129	356,176	3,130,916	5,199,545	14,581,811
Depreciation charge for the year	-	101,191	1,261,238	55,757	493,826	739,545	2,651,557
Foreign exchange differences	-	-	(331,682)	-	(432,870)	-	(764,552)
Disposals	-	(6,264)	(51,417)	(4,853)	-	-	(62,534)
Balance at the end of the year	-	1,083,972	5,784,268	407,080	3,191,872	5,939,090	16,406,282
Net book value of property and equipment	12,263,031	6,086,465	4,389,576	129,888	2,050,538	2,946,510	27,866,008
Advanced payment to purchase property & equipment	177,250	284,814	527,410	-	-	1,083,414	2,072,888
Net book value of property and equipment at the end of the year	12,440,281	6,371,279	4,916,986	129,888	2,050,538	4,029,924	29,938,896

31 December 2015	**Land**	**Buildings**	**Furniture & Fixtures**	**Vehicles**	**Computers**	**Others****	**Total**
Cost	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Balance at 1 January 2015	9,766,442	7,397,530	7,594,930	533,727	3,659,069	7,969,056	36,920,754
Foreign exchange differences	2,788,983	-	1,046,668	36,740	714,027	483,565	5,069,983
Additions	-	(119,160)	(330,459)	(25,500)	(115,665)	(45,923)	(636,707)
Disposals	(90,843)	(63,463)	(95,713)	(6,575)	-	-	(256,594)
Balance at the end of the year	12,464,582	7,214,907	8,215,426	538,392	4,257,431	8,406,698	41,097,436
Accumulated depreciation:							
Balance at 1 January 2015	-	1,007,202	4,656,582	320,734	2,988,528	4,527,813	13,500,859
Depreciation charge for the year	-	112,484	631,067	65,465	257,882	710,837	1,777,735
Foreign exchange differences	-	(119,160)	(321,479)	(25,499)	(115,494)	(39,105)	(620,737)
Disposals	-	(11,481)	(60,041)	(4,524)	-	-	(76,046)
Balance at the end of the year	-	989,045	4,906,129	356,176	3,130,916	5,199,545	14,581,811
Net book value of property and equipment	12,464,582	6,225,862	3,309,297	182,216	1,126,515	3,207,153	26,515,625
Advanced payment to purchase property & equipment	145,310	-	2,141,858	-	953,329	309,751	3,550,248
Net book value of property and equipment as the end of the year	12,609,892	6,225,862	5,451,155	182,216	2,079,844	3,516,904	30,065,873

** Represents renovation, interior design and decoration of buildings and branch offices.

- The estimated costs to complete the projects in progress amounted to around JD 1,842,887 as of 31 December 2016.
- Fully depreciated property and equipment amounted to JD 6,772,316 as of 31 December 2016 (2015: JD 5,809,063).

(12) Intangible Assets, Net

2016	Computer Software	Goodwill	Total
	JD	**JD**	**JD**
Balance at 1 January 2016	2,987,808	-	2,987,808
Additions	3,159,232	-	3,159,232
Amortization	(1,798,231)	-	(1,798,231)
Foreign currency differences	(40,588)	-	(40,588)
Balance at the end of the year	4,308,221	-	4,308,221
Projects under construction	1,229,311	-	1,229,311
Balance as of 31 December 2016	5,537,532	-	5,537,532

2015	Computer Software	Goodwill	Total
	JD	JD	JD
Balance at 1 January 2015	3,507,884	4,070,152	7,578,036
Additions	1,588,147	-	1,588,147
Amortization	(2,045,483)	-	(2,045,483)
Good will impairment loss (Note 37)	-	(3,879,983)	(3,879,983)
Foreign currency differences	(62,740)	(190,169)	(252,909)
Balance at the end of the year	2,987,808	-	2,987,808
Projects under construction	1,237,772	-	1,237,772
Balance as of 31 December 2015	4,225,580	-	4,225,580

- As of 31 December 2016, the estimated cost to complete projects under construction is JD 882,378 .
- Fully amortized intangible assets amounted to JD 9,646,483 as of 31 December 2016 (2015: JD 4,594,140).

(13) Other Assets

The details are as follows:

	2016	2015
	JD	JD
Accrued interest and revenue	18,680,510	17,478,235
Prepaid expenses	1,607,113	1,416,270
Collaterals seized by the bank against matured debts*	54,812,646	59,503,052
Purchased banks acceptances	6,862,320	5,265,688
Export documents and bills purchased	317,897	272,107
Other assets seized **	12,113,849	14,132,822
Refundable deposits	2,822,610	1,644,899
Others	1,718,836	1,074,713
Total	**98,935,781**	**100,787,786**

* According to Central Bank of Jordan regulations the bank is required to dispose seized real estate in a maximum period of two years from the acquisition date. The Central Bank may approve an extension of up to two executive years at most. According to Central Bank circular No. 10/1/4076 , a provision has been calculated for real estate seized for a period longer than four years .

** The value of accumulated impairment of the other seized real estate is JD 8,075,894 as in 31 December 2016 compared to JD 6,056,921 in 31 December 2015.

The following is summary of the movement of assets seized by the bank:

			2016	2015
	Seized real estate	Other seized assets**	Total	Audited
	JD	JD	JD	JD
Balance at the beginning of the year	57,733,786	1,769,266	59,503,052	64,484,355
Foreign currency translation differences	(146,156)	-	(146,156)	(126)
Additions	7,128,094	-	7,128,094	4,527,709
Retirements	(10,454,621)	(107,974)	(10,562,595)	(8,390,986)
Impairment losses	(361,251)	-	(361,251)	(1,028,085)
Provision for seized real estate	(748,498)	-	(748,498)	(89,815)
Balance at the end of the year	**53,151,354**	**1,661,292**	**54,812,646**	**59,503,052**

*** This item represents shares seized by the Bank to settle debts.

(14) Banks and Financial Institutions' Deposits

The details are as follows:

	2016			2015		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and demand deposits	2,598,140	22,777,867	25,376,007	6,958	36,098,847	36,105,805
Term deposits	83,556,605	33,825,000	117,381,605	6,735,500	3,000,000	9,735,500
Total	**86,154,745**	**56,602,867**	**142,757,612**	**6,742,458**	**39,098,847**	**45,841,305**

(15) Customer Deposits

The details are as follows:

2016	Retail	Corporate	SMEs	Government and public Sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	183,632,902	129,739,569	63,723,430	38,377,529	415,473,430
Saving accounts	53,751,315	68,910	374,229	-	54,194,454
Time and notice deposits	458,760,802	174,611,782	34,126,263	35,619,784	703,118,631
Certificates of deposit	48,408,785	50,000	1,465,100	2,000,000	51,923,885
Total	**744,553,804**	**304,470,261**	**99,689,022**	**75,997,313**	**1,224,710,400**

2015	Retail	Corporate	SMEs	Government and public Sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	207,934,951	147,212,827	71,708,991	70,696,390	497,553,159
Saving accounts	58,261,705	398,899	565,181	-	59,225,785
Time and notice deposits	419,796,515	190,517,426	65,523,479	54,272,042	730,109,462
Certificates of deposit	53,981,703	74,000	2,197,000	2,000,000	58,252,703
Total	**739,974,874**	**338,203,152**	**139,994,651**	**126,968,432**	**1,345,141,109**

•The deposits of government and general public sector inside Jordan amounted to JD 75,997,313 representing 6.21% of the total deposits as of 31 December 2016 compared to 126,968,432 representing 9.44% as of 31 December 2015.

• Non-interest bearing deposits amounted to JD 383,926,252 representing 31.35 % of total deposits as of 31 December 2016 compared to JD 424,506,819 representing 31.56% of the total deposits as of 31 December 2015.

• No deposits are reserved (restricted withdrawals) as of 31 December 2016 and 31 December 2015.

• The dormant deposits reached the amount of JD 1,121,565 as of 31 December 2016 compared to JD 1,123,000 as of 31 December 2015.

(16) Margin Accounts

The details are as follows:	2016	2015
	JD	JD
Margins on direct credit facilities	33,940,773	29,429,577
Margins on indirect credit facilities	48,984,699	39,718,263
Margin dealings	403,314	1,272,093
Others	61,676,372	46,022,185
Total	145,005,158	116,442,118

(17) Loans and Borrowings

The details are as follows :

2016	Amount	Number of Instalments		Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	38,696,347	814	699	Monthly and semi annual payment and payment at	-	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				-		

2015	Amount	Number of Instalments Total	Outstanding	Frequency of Instalments	Collaterals	Interest rate	Re-financed Interest rate
	JD	JD	JD		JD	%	
Amounts borrowed from central banks	34,115,550	120	113	Monthly and semi annual payment and payment at maturity	-	1.75% - 2.75%	4.50 % - 5.00%
Amounts borrowed from local banks and financial institutions	30,000,000	3	3	One payment	-	3.80% - 4.50%	6.75%
Amounts borrowed from foreign banks and financial institutions	20,198,543	107	87	Monthly and semi annual payment and payment at maturity	-	1.02%- 3.50%	4.80% - 10.00%
Total	**84,314,093**				-		

• Borrowed money from the Central Bank include JD 38,696,347 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 - 2030.
• The amounts borrowed from local institutions are all borrowed from the Jordan Mortgagee Refinance Company. The total amount of the loans has amounted to JD 20 Million. The loans mature during 2018.
• 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.

(18) Subordinated Loans

2016	Amount	Frequency of instalments	Collaterals	Interest Rate
	JD		JD	%
Subordinated Loan	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.

(19) Secondary loan (convertible to shares)

	Amount	Number of Instalment Total	Outstanding	Frequency of instalments	Collaterals	Interest Rate
2016					JD	%
Secondary loan	4,521,452	9	3	Semi-annual instalments	-	variable rate LIBOR 6 month +3.5%
Total	4,521,452				-	

The convertible loans details are as follows:

	2016	2015
	JD	JD
Nominal value of the convertible loan	4,726,667	7,877,778
Less: Equity component	-	-
Less: Issue cost	205,215	205,215
Total	**4,521,452**	**7,672,563**

On 2 January 2008, the Bank signed a subordinated loan agreement with the International Finance Corporation (IFC), amounting to USD 20 million, equivalent to JD 14,180,000 for a period of 10 years convertible to shares starting from the fourth year till the seventh year. The applicable conversion factor shall be (JD 1.75) from the book value per share according the Bank last audited financial statement that were issued before the conversion date and interest price of 6 months LIBOR loan + 3.5%.
The loan is subject to certain financial covenants which include the following:
• Capital adequacy ratio not less than12%.
• Equity to Assets ratio not less than 15%.
• Comply with other ratios regarding credit concentration and uses of fund.

On 2 January 2015, the option of converting a portion of these secondary loans to shares expired and accordingly that portion amounting to JD 1,022,784 was reclassified from equity to secondary loans.

(20) Sundry Provisions

2016	Balance at the beginning of the year	Provided	Utilized	Transferred to income	Balance at the end of the year
	JD	JD	JD	JD	JD
Provision for lawsuits raised against the bank	34,000	-	-	-	34,000
Provision against Iraq risks (Note 37)	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**
2015					
Provision for lawsuits raised against the bank	125,000	22,000	113,000	-	34,000
Provision against Iraq risks (Note 37)	-	12,001,722	-	-	12,001,722
Total	125,000	12,023,722	113,000	-	12,035,722

- 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 25,354,563 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.

(21) Income Tax

A- Income Tax liabilities

The movement on income tax liability is as follows:

	2016	2015
	JD	JD
Balance at the beginning of the year	7,870,942	12,786,692
Foreign exchange translation differences	(49,282)	(134,672)
Income tax paid	(10,993,283)	(14,836,007)
Income tax charge for the year	14,234,562	10,153,649
Income tax on other comprehensive income	-	(349,147)
Income tax charge for previous years	(42,824)	250,427
Balance at the end of the year	11,020,115	7,870,942

	2016	2015
	JD	JD
Current income tax charge for the year	14,234,562	10,153,649
Previous years income tax charges	-	250,427
Deferred tax assets for the year	(2,647,314)	(932,257)
Deferred tax liabilities for the year	(632,826)	523,700
Foreign exchange translation differences	-	(6,577)
	10,954,422	9,988,942

• 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 2015.
• The management believes that the income tax provision recorded is sufficient to meet the tax obligations as of 31 December 2016.
•The Bank and its subsidiaries have submitted the tax return for the year 2015.

B- Deferred tax assets / Liabilities

The details is as follows:

Included accounts	2016 Balance the beginning of the year	Released	Additions	Balance the end of the year	Deferred Tax	2015
	JD	JD	JD	JD	JD	JD
a) Deferred tax assets						
Provision for lawsuits held against the bank	34,000	-	-	34,000	11,900	11,900
Impairment loss on seized shares	5,965,282	(35,299)	-	5,929,983	2,075,494	2,087,849
Impairment loss on financial assets through income statement	470,787	(312,479)	197,553	355,861	102,821	144,219
Provision for watch list facilities	579,227	(277,556)	2,847	304,518	106,280	202,729
Impairment loss on financial assets through other comprehensive income	2,811,899	(852,538)	375,866	2,335,227	718,765	903,547
Provision on other credit facilities	2,992,520	(14,532)	-	2,977,988	816,319	819,805
Losses on impairment of financial assets at amortized cost	500,000	(425,000)	425,000	500,000	175,000	175,000
Impairment of seized assets	7,628,983	(373,544)	3,128,722	10,384,161	3,634,456	2,670,144
Impairment loss in investment in subsidries	11,429,974	-	13,352,842	24,782,816	2,478,282	1,142,997
Other deferred tax assets	221,236	(67,407)	1,500,000	1,653,829	578,839	77,433
Total	**32,633,908**	**(2,358,355)**	**18,982,830**	**49,258,383**	**10,698,156**	**8,235,623**
b) Deferred tax liabilities						
Unrealized gains – financial assets at fair value though OCI	597,250	-	772,347	1,369,597	394,995	200,442
Unrealized gain from financial assets – at fair value through profit or loss	94,440	(62,939)	60,674	92,175	29,091	28,613
others	1,809,442	(1,809,442)	-	-	-	633,305
Total	**2,501,132**	**(1,872,381)**	**833,021**	**1,461,772**	**424,086**	**862,360**

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

	2016 Assets	2016 Liabilities	2015 Assets	2015 Liabilities
Balance at the beginning of the year	8,235,623	862,360	7,643,911	343,638
Additions	3,257,311	212,699	2,624,620	785,951
Released	(794,778)	(650,973)	(2,032,908)	(267,229)
Balance at the end of the year	10,698,156	424,086	8,235,623	862,360

- The Income tax rates on deffered tax assets and liabilities ranged between 24% - 35%.
- Reconciliation between taxable profit and the accounting profit is as follows:

	2016	2015
	JD	JD
Accounting profit	27,090,398	11,057,814
Non-taxable income	(2,122,750)	(10,477,456)
Non-deductible expenses	22,440,322	26,264,656
Taxable profit	47,407,970	26,845,014
Effective rate of income tax	40.44%	90.33%

(22) Other Liabilities

	2016	2015
	JD	JD
Accrued interest expense	5,611,559	7,368,659
Accrued expenses	2,273,266	255,625
Certified cheques	2,737,820	4,010,360
Cheques payable	2,141,389	1,559,084
Board of directors' remuneration	85,000	60,781
Brokerage payables	7,223,927	5,558,225
Negative fair value of derivatives	9,904	30,845
Others	3,720,928	5,132,105
Total	23,803,793	23,975,684

(23) Paid In Capital

The authorized and paid in capital amounted to JD 200,000,000 is divided into shares at a par value of JD 1 per share as of 31 December 2016 (2015: JD 200,000,000).

(24) Proposed Cash dividends

Board of Directors will advise the General Assembly to approve the proposed cash dividends amounting to JD 10,000,000 equivalent to 5% of the Bank's authorized and paid - in capital as at 31 December 2016.

(25) Reserves

Statutory Reserve

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

General banking risk reserve

This reserve is appropriated from retained earnings in compliance with the Central Bank of Jordan regulations.

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
	JD	
Statutory reserve	32,257,341	Companies Law and Banks law
General banking risk reserve	9,811,521	Central Bank of Jordan

(26) Foreign currency translation reserve

This represents exchange differences resulted from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

	2016	2015
	JD	JD
Balance at the beginning of the year	379,962	5,647,798
Disposals during the year	(4,248,905)	(5,267,836)
Balance at the end of the year	(3,868,943)	379,962

(27) Fair value reserve

The movement for this account is as follows:	2016	2015
	JD	JD
Balance at the beginning of the year	(1,407,974)	(1,156,006)
Change in fair value for financial assets at fair value through other comprehensive income	632,808	(265,548)
	588,078	-
Deferred tax liability	(194,552)	4,978
Deferred tax assets	(184,781)	8,602
Balance at the end of the year	**(566,421)**	**(1,407,974)**

Fair value reserve is stated at net after the deduction of deferred tax assets and liabilities.

(28) <u>Material partially - owned subsidiaries</u>

First: Proportion of equity interest held by non controlling interests is as follows:

31-Dec-16	**Country**	**Nature of activity**	**Country**	**Dividends distribution**
National Bank of Iraq	Iraq	Banking	38.15%	-
31-Dec-15				
National Bank of Iraq	Iraq	Banking	38.15%	1,096,243

Second: The following is the summarised financial information of these subsidiaries, this information is based on amounts before inter-company eliminations.

A. Summarized statement of financial position before elimination entries as of 31 December 2016:

	31 December 2016	**31 December 2015**
	National Bank of Iraq	**National Bank of Iraq**
	IQD	**IQD**
Cash, balances and deposits	242,449,078	218,069,091
Financial assets through other comprehensive income	920,533	971,597
Credit facilities, net	63,150,888	102,567,695
Other assets	48,291,353	26,715,370
Total assets	354,811,852	348,323,753
Banks, customers deposits' and margin accounts	191,137,936	190,222,335
Loans & borrowings	1,025,884	595,798
Provisions and other liabilities	15,736,754	14,039,030
Total liabilities	**207,900,574**	**204,857,163**
Shareholders' equity	146,911,278	143,466,590
Total liabilities and shareholder's equity	**354,811,852**	**348,323,753**
Non-Controlling interest	56,201,653	54,882,281

B. Summarized statement of comprehensive income before elimination entries as of 31 December 2016:

	31 December 2016	**31 December 2015**
	National Bank of Iraq	**National Bank of Iraq**
	IQD	**IQD**
Interest and commission income, net	20,559,491	13,477,516
Other income	7,296,195	2,309,877
Gross profit	27,855,686	15,787,393
General and administrative expenses	9,568,029	9,208,605
Provisions	6,187,277	15,351,988
Total expenses	**15,755,306**	**24,560,593**
Profit before tax	12,100,380	(8,773,200)
Income tax	2,419,154	1,353,877
Profit after tax	9,681,226	(10,127,077)
Other comprehensive income	(8,888)	(643,199)
Total comprehensive income for the year	**9,672,338**	**(10,770,276)**
Non-Controlling interest	3,693,388	(3,863,480)

C. Summarized cash flow for significant subsidiaries:

	31 December 2016	31 December 2015
	National Bank of Iraq	National Bank of Iraq
	IQD	IQD
Cash flows		
Operating	39,041,268	(29,989,575)
Investing	(1,453,233)	3,845,496
Financing	455,949	(2,246,142)
Net Increase (decrease)	**38,043,984**	**(28,390,221)**

(29) Retained Earnings

The details are as follow:

	2016	2015
	JD	JD
Balance at the beginning of the year	30,777,787	56,919,132
Profit for the year	12,442,588	4,932,352
Transferred to reserves	(3,069,667)	(1,541,197)
Realized losses from selling financial assets at fair value through comprehensive income	(588,077)	-
Capital decrease fees	-	(142,500)
Distributed dividends	-	(29,390,000)
Balance at the end of the year	**39,562,631**	**30,777,787**

* The balance of retained earnings includes a restricted amount of JD 10,698,156 as of 31 December 2016 (2015: JD 8,235,623) 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 1,125,859 as of 31 December 2016 (2015: JD 1,689,282) 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 a restricted reserve that cannot be utilized.

(30) Interest Income

The details are as follow:

	2016	2015
	JD	JD
Direct Credit Facilities:-		
Retail		
Overdrafts	894,847	719,829
Loans and bills	7,950,504	11,507,599
Credit cards	728,137	615,765
Real estate mortgages	11,144,943	8,504,466
Corporate		
Overdrafts	6,760,944	6,569,679
Loans and bills	29,478,371	28,316,908
Small and medium enterprises (SMEs)		
Overdrafts	2,454,349	1,874,334
Loans and bills	5,527,432	3,647,078
Government and public sectors	4,040,779	5,015,629
Balances at central banks	637,340	794,183
Balances at banks and financial institutions	2,357,958	181,503
Financial assets at amortized cost	23,860,089	32,567,240
Total	**95,835,693**	**100,314,213**

(31) Interest Expense

The details are as follow:

	2016	2015
	JD	JD
Banks and financial institutions deposits	1,625,713	1,368,777
Customer deposits :		
Current accounts and deposits	996,731	1,178,324
Saving deposits	608,971	816,073
Time and notice deposits	25,675,999	29,842,377
Certificates of deposits	1,994,720	2,318,964
Margin accounts	1,519,643	1,435,952
Loans and borrowings	3,795,172	4,137,604
Deposits guarantee fees	2,208,755	2,079,409
Total	**38,425,704**	**43,177,480**

(32) Net Commission Income

The details are as follow:

	2016	2015
	JD	JD
Commission income :		
Direct credit facilities	1,810,648	2,117,371
Indirect credit facilities	11,940,804	7,392,383
Other commission	11,775,675	8,017,291
Less: commission expense	(1,109,317)	(1,760,059)
Net Commission Income	**24,417,810**	**15,766,986**

(33) Net Gain From Foreign Currencies

The details are as follow:

	2016	2015
	JD	JD
Revaluation of foreign currencies	2,647,437	1,928,644
Trading in foreign currencies	5,875,150	3,340,781
Total	**8,522,587**	**5,269,425**

(34) Gain (Loss) from financial assets at fair value through income statement

The details are as follow:

2016 -	**Realized (Loss) Gain**	**Unrealized (loss)**	**Dividends income**	**Total**
	JD	JD	JD	JD
Equity shares	51,071	(130,169)	45,602	(33,496)
Bonds	67,613	(6,874)	-	60,739
Total	**118,684**	**(137,043)**	**45,602**	**27,243**
2015 -				
Equity shares	(4,691,391)	(157,343)	453,833	(4,394,901)
	-	(14,914)	-	(14,914)
Total	**(4,691,391)**	**(172,257)**	**453,833**	**(4,409,815)**

(35) Other Income

The details are as follow:

	2016	2015
	JD	JD
Recovery from written - off debts	1,350,471	101,270
Income and commission from investments and securities	1,830,611	1,489,537
Others	280,063	142,742
Total	**3,461,145**	**1,733,549**

(36) Employees' Expenses

The details are as follow:

	2016	2015
	JD	JD
Salaries and benefits	17,380,148	14,752,280
Bank's contribution in social security	1,619,589	1,414,179
Medical expenses	970,289	1,107,082
Training	491,108	403,509
Paid vacations	187,137	141,901
Bank's contribution to social activities fund	21,059	49,104
Others	316,191	256,429
Total	**20,985,521**	**18,124,484**

(37) Other Expenses

The details are as follow:	2016	2015
	JD	JD
Rent and building services	3,407,629	3,231,084
Consulting and professional fees	2,358,360	2,709,810
Stationary and printing	397,645	433,653
Board of Directors' transportation	776,890	376,629
Reuters' and Bloomberg subscription expense	155,987	154,095
Donations	362,367	551,963
Advertisement	2,358,333	3,274,485
Subscriptions, fees and licenses	842,135	544,966
Security services	193,259	144,360
Travel and transportation	581,287	570,316
Computer expenses	1,310,406	919,611
Post, telephone, swift and Internet	403,988	435,059
Subscriptions	318,268	299,362
Cash transportation services	57,084	61,735
Insurance	358,248	320,800
Hospitality	76,072	84,202
Board of directors' remuneration	85,000	60,781
Maintenance	600,207	686,180
Others	1,654,316	1,259,509
Total	**16,297,481**	**16,118,600**

(38) Impairment Losses and other Sundry Provisions

The details are as follow:	Note	2016	2015
		JD	JD
Goodwill impairment loss		-	(3,879,983)
Seized assets impairment loss		(3,128,722)	(3,136,873)
Other sundry provisions	20	(13,352,841)	(12,023,722)
Total		**(16,481,563)**	**(19,040,578)**

(39) Earnings Per Share

Basic and diluted earnings per share

The details are as follow:

	2016	2015
	JD	JD
Profit for the year attributable to Bank's shareholders	12,442,588	4,932,352
Weighted average number of shares during the year	200,000,000	200,000,000
	JD / Fils	JD / Fils
Basic and diluted earnings per share	0/062	0/025

(40) Fair Value Of Financial Assets Not Presented At Fair Value In The Financial Statements

	31 December 2016		31 December 2015	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets at amortized cost and pledged assets	450,742,440	458,018,026	377,457,019	396,379,280
Direct credit facilities, net	970,472,231	970,472,231	910,492,278	910,492,278

(41) Cash and Cash Equivalents

The details are as follow:

	2016	2015
	JD	JD
Cash and balances with central banks maturing within 3 months	260,950,882	345,676,987
Add: Balances at banks and financial institutions maturing within 3 months	47,477,973	50,442,540
Less: Banks and financial institutions' deposits maturing within 3 months	(140,702,612)	(43,841,305)
Less: Restricted cash balances	(1,118,692)	(1,115,594)
	166,607,551	**351,162,628**

(42) Derivative financial instruments

The table below shows the details of derivative financial instruments at the end of the year.

			Par (nominal) value maturity		
2016	**Positive fair value**	**Negative fair value**	**Total nominal amount**	**Within 3 months**	**3-12 months**
	JD	JD	JD	JD	JD
Currency sale contract	-	-	4,683,648	4,683,648	-
Currency purchases contract	-	9,904	4,673,744	4,673,744	-

			Par (nominal) value maturity		
2015	**Positive fair value**	**Negative fair value**	**Total nominal amount**	**Within 3 months**	**3-12 months**
	JD	JD	JD	JD	JD
Currency sale contract	-	-	14,812,407	14,812,407	-
Currency purchases contract	-	30,846	14,781,561	14,781,561	-

The par (nominal) value indicates the value of the outstanding transactions at the year end and does not indicate market risk or credit risk.

(43) Related Party Transactions

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

Company name	Ownership 2016	Ownership 2015	Paid in capital 2016	Paid in capital 2015
	%	%	JD	JD
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 year:

	Related party				Total	
	BOD members	Executive management	Subsidiaries	Major Shareholders	2016	2015
	JD	JD	JD		JD	JD
Statement of financial position items:						
Bank Deposits with related parties	-	-	38,266,462	-	38,266,462	37,352,400
Bank Deposits	17,874,166	307,614	11,807,597	1,675	29,991,052	55,965,270
Margin accounts	112,716	0	70,021,684	300	70,134,700	41,891,322
Direct credit facilities	33,921,037	1,261,226	-	628,209	35,810,472	24,250,245
Direct credit facilities - watch list	4,298,964	-	-	-	4,298,964	16,266,366
Direct credit facilities-non-performing	-	-	-	-	-	3,245,233
Off-balance sheet items:						
Indirect credit facilities	3,542,618	-	40,617,815	300	44,160,733	44,129,004
Statement of income items:						
Interest and commission income	2,008,841	58,011	668,002	8,691	2,743,545	1,971,237
Interest and commission expense	1,815,050	5,122	825,866	-	2,646,038	873,700
The distribution of the profits of subsidiaries	-	-	-	-	-	1,831,597

- Interest rates on credit facilities in Jordanian Dinar range between 4% - 9.55%
- No credit facilities were granted in foreign currency.
- Interest rates on deposits in Jordanian Dinar range between 1.87% - 2.5%.
- Interest rates on deposits in foreign currency between 0.15% - 0.75%.

Compensation of the key management personnel is as follows:

	2016	2015
	JD	JD
Benefits (Salaries, wages, and bonuses) of executive management	**2,281,561**	**2,603,313**

(44) Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, direct credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

There are no material differences between the fair value of financial instruments and their carrying value.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
2016 -				
Financial assets-				
Financial assets at fair value through income statement	3,264,368	806,812	-	4,071,180
Financial assets at fair value through other comprehensive income	5,088,627	4,409,483	-	9,498,110
Financial liabilities-				
Derivative instruments	-	-	(9,904)	(9,904)
2015 -				
Financial assets-				
Financial assets at fair value through income statement	2,353,111	1,021,128	-	3,374,239
Financial assets at fair value through other comprehensive income	2,297,033	3,809,746	-	6,106,779
Financial liabilities-				
Derivative instruments	-	-	(30,846)	(30,846)

(45) Risk Management Policies

The Bank follows a comprehensive strategy aimed at maintaining the best practices in risk management relating to (Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Concentration Risk, Information Security Risk, in addition to Other types of risk) in order to maintain both the financial position and profitability of the Bank.

The process of identifying, managing, and mitigating risk, as well as complying with the instructions of regulatory authorities and The Basel Committee is considered an overall shared responsibility throughout the bank. These tasks are carried out by several entities within the Bank; beginning with the Board of Directors and its committees, such as the Risk Committee, the Audit Committee, the Compliance Committee, in addition to other internal committees within the Bank such as the Internal Risk Management Committee, Assets and Liabilities Committee, the various Credit Committees, in addition to all of the Bank's branches and departments.

As an independent and specialized department in the Bank, the Risk Management Department focuses its efforts in accordance with its approved policies, in identifying the existing and potential threats (Financial & Non-Financial). The Risk Management Department designs methods that help in measuring and dealing with such threats and report them to the relevant parties on a regular basis. In addition to adapting and complying with instructions set by CBJ and Basel Committee, and keeping up with the best practices in relation to measuring and managing risk.

The Risk Management Department also participates in evaluating the Bank's Capital Adequacy as well as its effectiveness in employing this capital in order to achieve its strategic goals, and determine the requirements needed to manage and control the strategy related risks.

In addition, the Risk Management Department at the Bank operates within the general principles and corporate governance code which are consistent with the regulator's instructions, international best practices in relation to the Bank's size, volume of its activities, and complexity of its operations. These principles are as follows:

1. The Board of Directors and its risk committee both review and approve the Bank's Risk Appetite for potential losses associated with the various risk factors, as well as review and approve the Risk Management Policies in order to ensure that these policies keep up with all developments in the banking industry in terms of growth its operations and expansion of its services. In addition the Board of Directors ensures that the Bank's strategies are being implemented in relation to the bank's risk management.
2. The General Manager is considered the primary responsible person for risk management and its associated practices within the activity framework of the Bank, and is also the head of the Internal Risk Management Committee.
3. The risk management philosophy at the Bank is based on knowledge, experience ,the judgment capability of the supervisory management , and the availability of a clear authority matrix set by the Board of Directors.
4. Continuously developing the risk management systems and taking on the necessary steps and measures needed to make sure that the Bank is in compliance with the new international standards, namely the requirements of Basel II and more recently Basel III.
5. The Risk Department manages the Bank's risks according to a comprehensive centralized methodology, with the presence of systems that assist in managing these risks, and by providing various business units at the Bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, which is headed by the Risk Management Department Manager, is linked to the Board's Risk Committee. There is also a direct link that connects the Risk Management Department Manager with the General Manager.
6. Risk management is the responsibility of all employees.
7. The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
8. The Internal Audit Department provides an independent assurance on the compliance of the Bank's business units with the risk management policies and procedures, and the effectiveness of the Bank's risk management framework.
9. The Chief Financial Officer (CFO) is responsible for identifying the financial risks, as well as monitoring and maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.
10. The Compliance Department Manager is responsible for ensuring that the Bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.

During 2016 the Bank has worked on several primary principles in risk management, mainly on the following:

1. Review of risk management policies in relation to new requirements and the strategic vision of the Bank as well as to enhance the measurement and management of risk.
2. Reviewing, renewal and adaptation of the Risk Appetite Framework and monitoring this framework on a monthly basis.
3. Develop a score card rating model using Moody's to evaluate and classify Banks, Financial Institutions as well as Countries.
4. Evaluate the Bank's ability to adapt to the implementation of IFRS 9.
5. Measure Capital Adequacy Ratio(CAR%) according to Basel III regulation.
6. Measure Internal CAR using ICAAP.
7. Continue working on PCI (Payment land Industry).

For the year 2017, the Bank is planning to work on several primary principles in risk management, mainly on the following:

1. Prepare for the implementation of IFRS 9.
2. The implementation of the second phase of Moody's Credit Rating System for classifying the facilities in order to apply the Foundation Internal Rating Approach for credit risk management.
3. Perform stress testing based on new regulations
4. Continue working on ISO requirements.
5. Implementing the ISO 27001 & 27002 requirments for Information Security.
6. Implement new systems for Information Security, such as Fire Eye and BCP
7. Apply the standardized approach to measure Operational Risk.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail or will be unable to meet his contractual obligations towards the bank in accordance with the agreed terms which could lead to possible losses. Credit Risk comprises the default and concentration risk that may arise from direct or indirect borrowings in addition to treasury investments classified within the Bank's portfolio.

The Bank generally manages Credit Risk through:

- A clear and comprehensive policy for managing credit risk in addition to approved credit policies.
- Setting clear and specific limits for credit risks level that are set by the Board of Directors and then circulated to the different business units.
- Adopting the concept of credit committees to ensure that the credit decisions are not made on individual or
- Having a clear criteria for selecting clients, the target market and the acceptable level of credit.
- A comprehensive and thorough financial and credit analysis covering the various aspects of risk for each clients and/or credit processes.
- The results of Moody's Credit Rating System in determining each client's risk classification.
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators.
- Evaluating and monitoring constantly to avoid high credit concentration, and implementing the required remedial
- Adopting early warning indicators and recognition of possible risks in the credit portfolio while revising them on a
- Effective management and follow up of the preservation of the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate the undertaking of
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

Credit Risk Management Methods:

1- Credit Risk Appetite & Early Warning Procedures:

Key Risk Indicators for credit risk are set along with their corresponding limits which represent the general framework of the credit risk profile for the Board of Directors and are monitored on a monthly basis. In addition, early warning procedures are set in advance within pre-agreed upon limits in order to avoid any breaches, they are also reviewed on an annual basis to keep up with any developments.

2- Internal Risk Rating :

Clients are internally rated according to specialized and advanced internally developed systems through Moody's Credit Rating System to classify Corporate, SMEs, Retail, Banks and Financial Institutes clients as well as countries relative to a set of pre-determined standards, in addition to a score card rating system for lending the companies' employees. The results of these systems are then used to identify client's risk upon which the credit decision is made. The credit portfolio is monitored periodically to ensure that each client is rated and re-distributed according to the rating grades.

3- Stress Testing:

Stress testing is an imperatively effective and robust tool used by the Bank as part of the risk management process in general, including credit risk. It is highly effective in alerting the Board of Directors and the Executive Management on the impact of unexpected adverse events that may increase default rates, and in measuring the impact of such events on the Bank's profits/ losses and capital adequacy ratio, in order to take the necessary actions and precautions to be in compliance with the Central Bank of Jordan instructions and enhance the risk management at the Bank.

Credit Risk Mitigation Techniques:

The Bank follows several techniques to reduce credit risk:

1- Collaterals against Loans and Facilities, which include:

a- Real estate mortgages.
b- Car and vehicle mortgages.
c- Machinery and equipment mortgages.
d- Possession of goods stored in the bonded warehouse on behalf of the Bank mortgages.
e- Financial instruments' such as stocks and bonds mortgages.
f- Bank guarantees.
g- Cash collateral.
h- Governmental guarantees.
i- Assignment of Proceeds.
j- Debt instruments, whereby the external ratings issued by international rating agencies such as Standard & Poor's, Moody's and Fitch or other equivalent agencies, are used in managing credit risk exposure to debt instruments.

The Credit Review Department and Business Units determine the acceptable collaterals and its terms, taking into consideration:

a- Accepting quality collaterals that can be easily liquidated at the appropriate time and value as needed by the Bank.
b- The lack of correlation between the value of the collateral and the client activity.
c- Monitoring the market value of collaterals on a regular basis, and in case of a decrease in the value of the collateral, the Bank requests additional collaterals to cover the deficit.
d- Evaluating periodically the collaterals that are against non-performing loans.
e- The Bank also sets insurance policies on some portfolios and set the appropriate provisions to mitigate the credit risks.

2- Credit Evaluation, Monitoring and Follow-up:

The Bank develops the necessary policies and procedures to determine the method of evaluating credit, while maintaining the impartiality and objectivity of the decision-making process in an institutional manner and within clear credit standards and principles.

According to the structure of the business units (Corporate, SMEs, Retail, Financial Analysis, and Credit Departments), the credit process follows these phases:

A- Business Departments: attract clients and prepare the credit study reports, as well as prepare the credit rating for the clients.

B- Credit Review Department: receives credit reports and the attached documents prepared by the business units, in order to conduct its own analysis whether credit-related, financial or non-financial) as well as to contribute their own recommendation and review the credit rating of the client

C- Credit Control Department: reviews credit decisions, monitors credit limits ,collaterals, and follow-up to obtain any missing documents, and prepares the necessary control reports. In addition, the department monitors the compliance with the credit policies of the Bank, and directives of the Central Bank of Jordan in this regard.

The Bank adapts the principle of segregation of duties between the commercial function and credit management and executing operations, to ensure control over the credit granting process, so as to ensure that all the conditions are in full compliance with the bank credit policy, in terms of credit ceilings, guarantees and any other limitations. Moreover, the Bank authenticates all the documents and credit contracts prior to execution. Furthermore, the credit policies specify clear and detailed granting authority matrixes, according to the credit size, cash flow, and pertinent guarantees and collateral.

The Bank also places a great importance to provide training courses and programs for the employees working in the credit field, in order to enable them to carry out their duties and responsibilities proficiently and competently.

1) Credit Risk Exposures (after impairment provisions and suspended interest and before collateral held or other mitigation factors):

	2016	2015
	JD	JD
Statement of financial position items:		
Balances at Central Banks	234,969,595	318,235,921
Balances at banks and financial institutions	166,807,232	184,788,108
Deposits at banks and financial institutions	-	15,211,259
Financial assets at fair value through income statement	486,160	988,151
Direct credit facilities		
Retail	100,874,273	108,813,751
Mortgages	154,172,938	140,125,935
Corporate	512,257,512	493,066,776
Small and medium enterprises (SMEs)	114,416,121	75,838,485
Governmental and public sector	99,411,546	103,541,367
Bonds and treasury bills:		
Financial assets at amortized cost , net	458,420,444	383,815,168
Other assets	7,187,263	5,564,513
Total statement of financial position Items	**1,849,003,084**	**1,829,989,434**
Off - statement of financial position items		
Letters of guarantee	142,028,092	137,397,191
Letters of credit	92,455,386	84,434,447
Issued acceptances	40,732,449	16,207,048
Unutilized credit facilities	33,381,425	32,326,307
Forward purchase contracts	2,241,000	6,200,877
Total off - statement of finanacial position items	310,838,352	276,565,870
Total	**2,159,841,436**	**2,106,555,304**

• The table above represent the maximum limit of the Bank's credit risk exposure as of 31 December 2016 and 2015, without taking into consideration the collateral and the other factors which will decrease the Bank's credit risk.

• For the statement of financial position items, the exposure in the above table is based on the balances as appeared on the consolidated statement of financial position, in addition to the related accrued interests.

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

2016	Retail	Real estate mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	6,310,869	673,171	8,944,395	10,709,329	579,596,599	-	606,234,363
Acceptable risk	93,686,245	148,455,234	454,705,705	100,830,343	178,061,950	184,721,426	1,160,460,903
Past due:							
Up to 30 days	1,628,116	55,499	12,084,209	799,203	-	-	14,567,027
From 31 to 60 days	839,919	12,700	16,660,098	142,213	-	-	17,654,930
Watch list	3,433,874	970,890	66,404,701	1,623,005	-	-	72,432,470
Non performing:							
Substandard	1,013,897	211,104	753,181	571,459	-	-	2,549,641
Doubtful	1,754,500	2,465,674	742,466	76,090	-	-	5,038,730
Loss	9,009,026	3,788,787	76,008,725	3,624,220	-	-	92,430,758
Total	**115,208,412**	**156,564,861**	**607,559,174**	**117,434,445**	**757,658,549**	**184,721,426**	**1,939,146,866**
Less: Suspended interest	(5,117,313)	(916,174)	(27,740,731)	(1,106,513)	-	-	(34,880,731)
Less: Allowance for impairment losses	(9,216,828)	(1,475,749)	(42,658,663)	(1,911,811)	-	-	(55,263,051)
Net	**100,874,271**	**154,172,938**	**537,159,780**	**114,416,121**	**757,658,549**	**184,721,426**	**1,849,003,085**

2015	Retail	Real estate mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	8,753,578	413,192	7,621,664	7,177,251	605,983,822	-	629,949,507
Acceptable risk	50,292,285	137,728,895	442,777,088	67,360,004	179,412,104	207,620,121	1,085,190,497
Past due:							
Up to 30 days	10,300,331	1,794	11,062,203	135,079	-	-	21,499,407
From 31 to 60 days	1,474,574	6,337	33,351,105	29,870	-	-	34,861,886
Watch list	49,954,914	68,164	54,862,818	1,170,543	-	-	106,056,439
Non performing:							
Substandard	1,214,282	759,120	19,373	-	-	-	1,992,775
Doubtful	1,627,806	492,821	1,246,350	45,983	-	-	3,412,960
Loss	10,179,318	2,883,623	65,211,296	2,503,000	-	-	80,777,237
Total	**122,022,183**	**142,345,815**	**571,738,589**	**78,256,781**	**785,395,926**	**207,620,121**	**1,907,379,415**
Less: Suspended interest	(3,977,213)	(845,719)	(24,613,356)	(780,629)	-	-	(30,216,917)
Less: Allowance for impairment losses	(9,231,219)	(1,374,161)	(34,930,017)	(1,637,667)	-	-	(47,173,064)
Net	**108,813,751**	**140,125,935**	**512,195,216**	**75,838,485**	**785,395,926**	**207,620,121**	**1,829,989,434**

• Credit exposure includes facilities, balances and deposits at banks, bonds, treasury bills, and any other assets with credit exposure.
• The total debt balance is considered due if one instalment or interest is due.
• The overdraft account is considered due if it exceeds it limit.

The following table shows the distribution of collaterals measured at fair value over credit facilities:

2016	Retail	Real estate mortgages	Corporate	SMEs	Governmental and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	6,310,869	673,171	8,944,395	10,709,329	-	26,637,764
Acceptable risk	36,776,437	109,307,828	116,826,259	44,130,045	-	307,040,569
Watch list	1,029,208	1,608,411	35,857,468	1,162,633	-	39,657,720
Non performing:						
Substandard	404,221	-	115,428	103,778	-	623,427
Doubtful	584,915	1,308,798	392,362	150,092	-	2,436,167
Loss	821,124	3,560,247	14,796,880	2,335,364	-	21,513,615
Total	**45,926,774**	**116,458,455**	**176,932,792**	**58,591,241**	**-**	**397,909,262**
Comprising of:						
Cash margin	6,310,869	673,171	8,944,395	10,709,329	-	26,637,764
Real Estate	20,601,475	115,785,284	123,511,751	39,411,370	-	299,309,880
Quoted equities	-	-	14,178,315	2,942,236	-	17,120,551
Vehicles and machinery	19,014,430	-	30,298,331	5,528,306	-	54,841,067
Total	**45,926,774**	**116,458,455**	**176,932,792**	**58,591,241**	**-**	**397,909,262**

2015	Retail	Real estate mortgages	Corporate	SMEs	Governmental and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	8,753,578	413,192	7,109,895	7,177,251	-	23,453,916
Acceptable risk	52,157,129	87,041,615	122,665,354	36,753,683	-	298,617,781
Watch list	4,750,252	62,066	40,308,208	188,089	-	45,308,615
Non performing:						
Substandard	911,461	356,642	-	-	-	1,268,103
Doubtful	769,058	164,736	535,580	-	-	1,469,374
Loss	4,073,334	1,489,594	10,362,977	803,975	-	16,729,880
Overdraft accounts	-	-	511,769	-	-	511,769
Total	**71,414,812**	**89,527,845**	**181,493,783**	**44,922,998**	**-**	**387,359,438**
Comprising of:						
Cash margin	8,956,889	413,192	7,118,222	7,177,251	-	23,665,554
Real Estate	41,331,869	89,114,653	145,227,670	32,833,900	-	308,508,092
Quoted equities	-	-	9,860,305	1,623,922	-	11,484,227
Vehicles and machinery	21,126,054	-	19,287,586	3,287,925	-	43,701,565
Total	**71,414,812**	**89,527,845**	**181,493,783**	**44,922,998**	**-**	**387,359,438**

The fair value of collaterals shown above does not exceed the value of the loan for each individual client.

Rescheduled loans

Are defined as loans that were classified as “Non-performing” credit facilities, and subsequently removed and included under “Watch List” based upon a proper rescheduling that complies with the Central Bank of Jordan’s regulations. These loans amounted to JD 16,236,208 as of 31 December 2016, against JD 52,641,532 as of 31 December 2015.
The rescheduled loans balances represents the scheduled loans either still classified as watch list or transferred as to performing.

Restructured loans

Restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferment of instalments, or extending the grace period and accordingly are classified as “Watch List” in case of restructuring twice during the year according to the Central Bank of Jordan instructions number 47/2009 issued on 10 December 2009 and its amendments. These debts amounted to JD 70,126,546 as of 31 December 2016, against JD 33,963,784 as of 31 December 2015.

3) Bonds and Treasury Bills

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies as in 31 December 2016:

Bonds and Bills

Risk Rating Class	Financial assets at fair value through income statement	Financial assets at amortized cost	Financial assets at fair value through other comprehensi	Pledged financial assets	Total
	JD	JD		JD	JD
Non-rated	-	10,231,253	-	-	10,231,253
Governmental	-	415,337,903	-		415,337,903
Baa1/ Moodys	-	-	-	-	-
A-/ S&P	-	2,308,492	-	-	2,308,492
BBB+/ S&P	-	22,864,792	-	-	22,864,792
Total	**-**	**450,742,440**	**-**	**-**	**450,742,440**

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

Geographic sector	Inside Jordan	Other Middle Eastern countries	Europe	Asia*	America	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	68,510,147	166,459,448	-	-	-	-	234,969,595
Balances at banks and financial institutions	104,873,871	19,801,013	13,286,582	2,770,013	25,959,123	116,630	166,807,232
Financial assets at fair value through income statement	486,160	-	-	-	-	-	486,160
Direct credit facilities:							
Retail	92,526,675	8,347,598	-	-	-	-	100,874,273
Real Estate morgages	154,172,938	-	-	-	-	-	154,172,938
Corporate lending:							
Large corporations	455,213,413	57,044,099	-	-	-	-	512,257,512
Small and medium enterprises (SMEs)	113,420,369	995,752	-	-	-	-	114,416,121
Governmental and public Sector	99,411,546	-	-	-	-	-	99,411,546
Bonds and treasury bills within:							
financial assets at amortized cost	440,588,607	15,757,032	-	-	423,525	1,651,280	458,420,444
Other assets	4,211,879	2,975,384	-	-	-	-	7,187,263
Total 2016	**1,533,415,605**	**271,380,326**	**13,286,582**	**2,770,013**	**26,382,648**	**1,767,910**	**1,849,003,084**
Total 2015	**1,432,947,643**	**292,354,684**	**71,989,947**	**3,142,552**	**29,173,747**	**380,861**	**1,829,989,434**

* Excluding inside the Kingdom and Middle east countries

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

Economic sector	Financial	Industrial	Commercial	Real estate*	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	-	-	-	-	-	-	-	234,969,595	-	234,969,595
Balances at banks and financial institutions	166,807,232	-	-	-	-	-	-	-	-	166,807,232
Deposits at banks and financial institutions	-	-	-	-	-	-	-	486,160	-	486,160
Financial assets at fair value through income statement	-	-	-	-	-	-	-	-	-	-
Credit facilities	39,234,865	115,818,947	161,222,775	248,396,884	14,780,406	54,996,059	88,497,173	99,411,546	158,773,735	981,132,390
Bonds and treasury bills :										
Financial Assets at amortized Costs, net	10,339,019	10,975,490	-	-	-	-	-	432,569,552	4,536,383	458,420,444
Pledge financial assets	-	-	-	-	-	-	-	-	-	-
Other assets	6,862,327	-	-	-	-	-	-	324,936	-	7,187,263
Total 2016	**223,243,443**	**126,794,437**	**161,222,775**	**248,396,884**	**14,780,406**	**54,996,059**	**88,497,173**	**767,761,789**	**163,310,118**	**1,849,003,084**
Total 2015	**239,159,872**	**118,312,252**	**180,439,951**	**225,602,505**	**17,145,115**	**36,475,685**	**84,661,354**	**785,395,926**	**142,796,774**	**1,829,989,434**

* The balance includes real estate loans granted to large corporations and housing loans .

Market Risk

Market Risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business units. The risks include the following:

• Interest Rate Risk
• Exchange Rate Risk
• Equity Price Risk

The Bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed.

The Market Risk Unit has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

1. Policies and procedures that are approved by the Board of Directors and the Central Bank of Jordan.
2. Market Risk Policy that includes principles of identifying, managing, measuring and monitoring this type of risk and having it approved by the relevant committees.
3. Monitoring reports for managing and monitoring market risk.
    • Sensitivity Analysis
    • Basis Point Analysis
    • Value at Risk (VaR)
    • Stress Testing
    • Stop-Loss Limit Reports
    • Monitoring the Bank's investment limits
    • Monitoring the Bank's investment portfolio at fair value through other comprehensive income and conducting revaluations of the portfolio on a regular basis.

5. The Middle Office Unit is tasked with monitoring, on a daily basis, all the investment limits in the money market and the foreign exchange transactions.

Interest Rate Risk:

Interest rate risk arises from the possible impact of changes in interest rates on the Bank's profits or the fair value of financial instruments. The Bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The Bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which it is affected by the current and expected interest rates, while comparing it with the approved limits, and implementing hedging strategies when needed.

The Bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

Interest Rate Risk Reduction Methods:

The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the assets and liabilities maturity gaps, and the extent of their exposure to the impacts of current and expected interest rates are examined. In addition, solutions are proposed to reduce the impact of these risks.

Balancing due dates of assets and liabilities; the management of the Bank seeks to harmonize the impact of interest rates changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

Interest Rate Gaps:

The Bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities that links and balances the maturities and interests.

Interest Rate Hedging:

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at 31 December 2016.

2015

Currency	Increase in interest rate	Sensitivity of interest income (profit and loss)	Sensitivity of equity
	%	JD	JD
US Dollar	1	2,250,704	-
Euro	1	6,970	-
Pound Sterling	1	4,847	-
Japanese Yen	1	30,228	-
Other Currencies	1	11,561	-

2015

Currency	Increase in interest rate	Sensitivity of interest income (profit and loss)	Sensitivity of equity
	%	JD	JD
US Dollar	1	154,488	-
Euro	1	1,278	-
Pound Sterling	1	4,869	-
Japanese Yen	1	16,721	-
Other Currencies	1	(13,879)	-

2016

Currency	Decrease in interest rate	Sensitivity of interest income (profit and loss)	Sensitivity of equity
	%	JD	JD
US Dollar	1	(2,250,704)	-
Euro	1	(6,970)	-
Pound Sterling	1	(4,847)	-
Japanese Yen	1	(30,228)	-
Other Currencies	1	(11,561)	-

2015

Currency	Decrease in interest rate	Sensitivity of interest income (profit or loss)	Sensitivity of equity
	%	JD	JD
US Dollar	1	(154,488)	-
Euro	1	(1,278)	-
Pound Sterling	1	(4,869)	-
Japanese Yen	1	(16,721)	-
Other Currencies	1	13,879	-

2- Currency Risks

The currency risk is the risk of change in the value of financial instruments due to change in exchange rates. The Jordanian Dinar is the base currency of the Bank. The Board of Directors imposes limits for the financial position of each currency at the Bank. The foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies’ positions within the approved limits.

The Bank’s investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of shareholders’ equity for each currency, and that the gross foreign currencies position does not exceed 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, complex market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that ensure the Bank is not exposed to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the Jordanian Dinar, assuming that all other variables remain constant:

2016 -

Currency	Change in currency exchange rate	Effect on profit and loss
	%	JD
Euro	5	41,037
Pound Sterling	5	4,441
Japanese Yen	5	645
Other currencies	5	5,167,350

2015 -

Currency	Change in currency	Effect on profit and loss
	%	JD
Euro	5	(1,212,442)
Pound Sterling	5	(4,323)
Japanese Yen	5	865
Other currencies	5	5,951,530

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

3- Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments. The Bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the Bank's equity investments are listed in Amman Stock Exchange.

The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

Indicator	Change in indicator	Effect on profit and loss	Effect on equity
2016 -	%	JD	JD
Amman Stock exchange	5	153,688	238,533
Regional Markets	5	13,805	236,256
International markets	5	12,103	-

Indicator	Change in indicator	Effect on profit and tax	Effect on equity
2015 -	%	JD	JD
Amman Stock exchange	5	119,591	232,934
Regional Markets	5	168	72,405
International markets	5	-	-

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

The sensitivity of the interest rates is as follows:

The following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	Non-interest bearing	Total
31 December 2016	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Assets-								
Cash and balances at Central Banks	-	-	-	-	-	-	260,950,882	260,950,882
Balances at banks and financial institutions	75,712,949	17,957,449	-	-	-	-	72,808,436	166,478,834
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities	206,043,058	66,439,844	58,488,420	104,623,307	241,654,788	279,398,363	13,824,451	970,472,231
Financial assets at fair value through income statement	-	-	-	-	-	479,257	3,591,923	4,071,180
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	9,498,110	9,498,110
Financial assets at amortized Cost, net	5,886,278	11,950,389	4,746,758	67,735,832	190,562,676	169,860,507	-	450,742,440
Property and equipment (net)	-	-	-	-	-	-	29,938,896	29,938,896
Intangible assets(net)	-	-	-	-	-	-	5,537,532	5,537,532
Deferred tax assets	-	-	-	-	-	-	10,698,156	10,698,156
Other assets	5,121,898	2,721,772	3,592,618	2,884,256	3,950,395	4,346,317	76,318,525	98,935,781
Total Assets	**292,764,183**	**99,069,454**	**66,827,796**	**175,243,395**	**436,167,859**	**454,084,444**	**483,166,911**	**2,007,324,042**
Liabilities-								
Banks and financial institution deposits	126,522,450	14,180,000	2,055,000	-	-	-	162	142,757,612
Customers' deposits	181,825,929	204,991,420	127,331,047	226,495,917	96,478,535	3,661,300	383,926,252	1,224,710,400
Cash Margin accounts	33,260,114	9,487,297	9,144,244	16,076,760	35,072,351	41,964,392	-	145,005,158
Loans and borrowings	2,570,078	8,348,771	3,576,061	1,593,949	32,941,128	28,855,441	-	77,885,428
Subordinated loans	-	-	-	-	-	17,725,000	-	17,725,000
Secondary loans	-	-	4,521,452	-	-	-	-	4,521,452
Sundry provisions	-	-	-	-	-	-	25,363,744	25,363,744
Income tax provisions	-	-	-	-	-	-	11,020,115	11,020,115
Deferred tax liabilities	-	-	-	-	-	-	424,086	424,086
Other liabilities	8,456,392	1,356,865	865,367	1,547,090	647,470	25,029	10,905,580	23,803,793
Total liabilities	**352,634,963**	**238,364,353**	**147,493,171**	**245,713,716**	**165,139,484**	**92,231,162**	**431,639,939**	**1,673,216,788**
Interest rate sensitivity gap	(59,870,780)	(139,294,899)	(80,665,375)	(70,470,321)	271,028,375	361,853,282	51,526,972	334,107,254
31 December 2015								
Total Assets	**408,989,878**	**63,314,025**	**37,459,340**	**122,464,454**	**286,365,305**	**589,883,074**	**477,755,233**	**1,986,231,309**
Total Liabilities	**283,609,800**	**266,020,011**	**175,853,154**	**273,714,897**	**112,393,649**	**53,116,604**	**497,172,781**	**1,661,880,896**
Interest rate sensitivity gap	**125,380,078**	**(202,705,986)**	**(138,393,814)**	**(151,250,443)**	**173,971,656**	**536,766,470**	**(19,417,548)**	**324,350,413**

Concentration in Foreign currency risk:

2016	US Dollar	Euro	Pound sterling	Japanese Yen	Other	Total
Assets						
Cash and balances at Central Bank of Jordan	46,676,662	637,849	465,043	-	158,466,087	206,245,641
Balances at banks and financial institutions	112,057,751	5,487,542	6,473,090	2,768,800	17,486,090	144,273,273
Financial assets at fair value through income statement	479,257	-	242,060	-	201,410	922,727
Financial assets at fair value through other comprehensive income	513,846	-	-	-	3,484,825	3,998,671
Financial assets at amortized cost, net	71,070,909	-	-	-	-	71,070,909
Direct credit facilities	179,025,835	14,402	895,095	-	21,561,541	201,496,873
Property and equipment (net)	1,707,918	-	-	-	8,157,222	9,865,140
Intangible assets (net)	2,493	-	-	-	1,439,300	1,441,793
Other assets	8,197,046	776,244	4,391	-	9,421,024	18,398,705
Total Assets	**419,731,717**	**6,916,037**	**8,079,679**	**2,768,800**	**220,217,499**	**657,713,732**
Liabilities						
Banks and financial institution deposits	39,493,679	8,309,614	7,048	2,661	1,121,756	48,934,758
Customers' deposits	291,521,398	22,010,975	8,095,246	2,742,154	72,371,641	396,741,414
Margin accounts	49,775,106	2,657,306	17,575	11,082	36,904,969	89,366,038
Loans and borrowings	12,016,643	-	-	-	1,025,884	13,042,527
Subordinated loans	17,725,000	-			-	17,725,000
Secondary loans	4,521,452	-	-	-	-	4,521,452
Sundry provisions	25,329,744	-	-	-	-	25,329,744
Income tax provision	-	-	-	-	2,438,979	2,438,979
Other liabilities	1,171,661	534,393	1,338	-	3,007,264	4,714,656
Total Liabilities	**441,554,683**	**33,512,288**	**8,121,207**	**2,755,897**	**116,870,493**	**602,814,568**
Net concentration in the statement of financial position	(21,822,966)	(26,596,251)	(41,528)	12,903	103,347,006	54,899,164
Forward contracts	(7,024,421)	27,417,000	130,350	-	-	20,522,929
Net concentration in foreign currency	**(28,847,387)**	**820,749**	**88,822**	**12,903**	**103,347,006**	**75,422,093**

2015	US Dollar	Euro	Pound sterling	Japanese Yen	Other	Total
Total Assets	**437,307,711**	**11,959,622**	**7,367,230**	**3,142,552**	**228,053,002**	**687,830,117**
Total Liabilities	**467,448,609**	**36,208,464**	**7,347,641**	**3,125,248**	**109,022,398**	**623,152,360**
Net concentration in the statement of financial position	(30,140,898)	(24,248,842)	19,589	17,304	119,030,604	64,677,757
Forward contracts	57,653	-	(106,050)	-	-	(48,397)
Net concentration in foreign currency	**(30,083,245)**	**(24,248,842)**	**(86,461)**	**17,304**	**119,030,604**	**64,629,360**

Liquidity Risk

Liquidity risk Which is the risk arising from the probability of the Bank being unable to raise adequate funds in any geographical region, currency and time, to meet its obligations when they are due, or to finance its activities without bearing high costs or incurring losses because of resorting to:

1. Selling Bank assets at low prices; leading to a decrease in the expected returns and the financial profits of the Bank.
2. Acquiring high-cost obligations in order to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the Bank.

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the Bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The Bank should provide the assets that can be sold at a price that is close to its fair value. Accordingly, the liquidity risk which the Bank may be subject to can be divided into the following:

A- Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments

B- Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

Managing, measuring and monitoring the liquidity risk are all activities that are governed by pre-set policies and procedures as well as the Contingency Funding Plan and through the Asset and Liability Committee (ALCO). The Committee is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the Bank assets and liabilities, whether in the on/off-statement of financial position items of it in coordination with the head of Treasury and Investment Department. The management of liquidity risk is conducted within the following group of inputs:

1- A set of policies and procedures approved by the committees which determine principles, definition, management, measurement and monitoring of liquidity risk.
2- Contingency Funding Plan, which includes:
   a. Specific procedures for liquidity contingency management.
   b. A specialized committee for liquidity contingency management.
   c. Liquidity Contingency Plan.
   d. Analysis of the liquidity position of the Bank based on the following liquidity reports:

- Duration gap analysis of assets and liabilities
- Legal liquidity ratio, liquidity according to maturity ladder (in Jordanian dinar and foreign currencies).
- Certificate of Deposits (CDs) issued by Capital Bank (in Jordanian dinar and foreign currencies).
- Customers Deposits (in Jordanian dinar and foreign currencies)
- Liquidity Indicators Report
- Stress testing

The Treasury and Investment Department, in coordination with the Market Risk Unit, diversifies funding sources and matches its maturity dates, and maintains sufficient liquid assets, in order to mitigate liquidity risk. Accordingly, this is accomplished through:

Analysis and monitoring of assets and liabilities maturity dates: the Bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the Bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.

Liquidity Contingency Plan: Assets and Liabilities Risk Management Committee submits its recommendations regarding the liquidity risk management and its procedures and sets necessary orders to apply the effective monitoring controls and issues reports regarding liquidity risk and the ability to adhere to the policies and controls. In addition to providing analytical resources to top management including monitoring all the technical updates related to the measurements and liquidity risk and its application.

Geographical and sectorial distribution: the assets and liabilities of the Bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing customer and corporate credit. Furthermore, the Bank seeks to diversify the sources of funding and their maturity dates.

Cash reserves at the banking monitoring authorities: The Bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JD 70,333,263 million.

First: The table below summarizes the undiscounted cash flows of the financial liabilities:

31 December 2016	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	No fixed maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities-								
Banks and financial institution deposits	126,750,562	14,280,678	2,084,181	-	-	-	-	143,115,421
Customers' deposits	566,161,227	207,174,579	130,043,198	236,144,643	108,808,491	4,441,157	-	1,252,773,295
Margin accounts	33,298,548	9,520,977	9,209,169	16,305,985	36,566,433	44,943,864	-	149,844,976
Loans and borrowings	2,577,789	8,423,910	3,640,430	1,651,331	36,498,769	34,049,420	-	86,841,649
Subordinated loans	-	-	-	-	-	23,884,438	-	23,884,438
Secondary loans	-	-	1,604,171	1,632,786	1,519,671	-	-	4,756,628
Sundry provisions	-	-	-	-	-	-	25,363,744	25,363,744
Income tax provision	2,438,979	8,581,136	-	-	-	-	-	11,020,115
Deferred tax liabilities	-	417,170	6,916	-	-	-	-	424,086
Other liabilities	15,126,445	1,490,715	959,622	1,747,386	784,510	32,383	-	20,141,061
Total Liabilities	746,353,550	249,889,165	147,547,687	257,482,131	184,177,874	107,351,262	25,363,744	1,718,165,413
Total Assets	404,570,208	91,038,928	64,063,668	176,104,886	420,559,502	440,427,464	410,559,386	2,007,324,042

31 December 2015	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	No fixed maturity	Total
Liabilities-								
Banks and financial institution deposits	36,105,805	7,790,422	2,028,400	-	-	-	-	45,924,627
Customers' deposits	641,600,526	245,052,107	144,976,401	251,295,001	88,538,412	-	-	1,371,462,447
Margin accounts	23,046,728	4,764,245	6,107,977	5,195,169	12,824,595	69,816,640	-	121,755,354
Loans and borrowings	807,092	8,896,191	17,141,154	26,187,128	23,094,167	13,846,411	-	89,972,143
Subordinated loans	-	-	-	-	-	23,884,438	-	23,884,438
Secondary loans	-	-	1,604,171	1,632,786	5,014,166	-	-	8,251,123
Sundry provision	-	-	-	-	-	-	12,035,722	12,035,722
Income tax provision	-	7,870,942	-	-	-	-	-	7,870,942
Deferred tax liabilities	-	862,360	-	-	-	-	-	862,360
Other liabilities	6,288,312	2,271,720	1,349,812	2,374,468	828,864	-	-	13,113,176
Total Liabilities	707,848,463	277,507,987	173,207,915	286,684,552	130,300,204	107,547,489	12,035,722	1,695,132,332
Total Assets	345,010,992	67,178,788	74,256,016	127,066,913	289,840,983	557,732,279	525,145,338	1,986,231,309

Second: The table below summarizes the maturities of financial derivatives as of the date of the consolidated financial statements:

Financial derivatives / liabilities which are settled in net include; foreign currency derivatives, off-the statement of Financial position items market currency options, currency futures, and on-statement of financial position foreign currency swap contract

Foreign Currency Derivatives

2016	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Total
	JD	JD	JD	JD	JD
Derivatives held for trading:					
Outflows	-	2,241,000	-	-	2,241,000
Inflows	-	2,301,977	-	-	2,301,977

2015	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Total
	JD	JD	JD	JD	JD
Derivatives held for trading:					
Outflows	-	6,249,274	-	-	6,249,274
Inflows	-	6,200,877	-	-	6,200,877

Third: Off-the statement of Financial position items:

2016	Up to 1 year	1 – 5 years	Total
	JD	JD	JD
Acceptances and Letters of Credit	40,732,449	92,455,386	133,187,835
Unutilized credit limits	-	33,381,425	33,381,425
Letters of guarantee	142,028,092	-	142,028,092
Foreign Currency Forward Deals	2,241,000	-	2,241,000
Total	185,001,541	125,836,811	310,838,352

2015	Up to 1 year	1 – 5 years	Total
	JD	JD	JD
Acceptances and Letters of Credit	16,207,048	84,434,447	100,641,495
Unutilized limits credit	-	32,326,307	32,326,307
Letters of guarantee	137,397,191	-	137,397,191
Foreign Currency Forward Deals	6,200,877	-	6,200,877
Total	159,805,116	116,760,754	276,565,870

Operational risk:

Operational risk is defined as the risk of loss arising from inadequate or failure of internal processes, human factor or systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk and reputational risk for the purposes of managing these types of risk.

Due to the continuous change in the working environment and the management’s desire to remain in-sync with all the technological advancements and to introduce new banking services and products. Operational Risk Policy has been designed and developed the Bank’s departments, branches and its subsidiary, whereby the main principles are included and the policy’s objectives are aligned with the Bank’s strategic objectives.

As a result Bank’s strategies has been implemented to enhance the role of operational risk management which is represented by Operational Risk Management Framework, which includes all the bank’s divisions, branches and subsidiaries. This requires determining, evaluating, supervising and rendering the operational risk to each branch separately as it is outlined in Basel committee accords through which control Risk Self Assessment (CRSA) made by:

1. holding “Workshops” based on adopted analysis procedures and audit reports thus identifying risks, controls, and determine the regulatory gap through the matrix of risk, In this context, a model of “regulatory examinations” manager of the unit/ department/ branch or his representative “coordinator or responsible”.
2. Building key risk indicator to cover all Bank and its branches.
3. Provide a mechanism to collect operational events and calculate expected losses based on the events using “Actuarial Model” thus determine the carrying capacity” Risk Appetite” at every level all alone.
4. Supervising over the renovation and development of a business continuity plan in the Bank and its subsidiaries.

From this point, the continuity and effectiveness of operational risk management is an integral part of the responsibilities of all those concerned in the applications in the Bank and on all levels through:

1- Adherence to regulatory examinations conducted by their schedules and without delay.
2- Showing the result of regulatory tests with transparency and accuracy.
3- Reporting and disclosing any losses or operating events without delay or hesitation.
4- Adopt and implement the recommendations “Remedial Actions/ Recommendations/ Mitigations” that are put forward by the operational risk unit, that would mitigate the risks identified through workshops/ Reporting of events or operating losses/ Regulatory examinations.
5- The role of the board of directors, Risk and compliance committee, Senior management, Audit department to activate the importance of operational risk and make it an integral part of the daily activities.

To ensure that the above is implemented, the operational risk management unit is keen on spreading knowledge and increasing awareness about operational risk management by conducting training courses and workshops for all Bank departments and by creating an effective work environment between the operational risk management unit and the concerned parties from each department. In addition, the operational risk management unit is responsible for raising reports to the Internal Risks Committee concerning any short comings or violations. This will ultimately lead to the development of risk profile at each department / unit level and the Bank level as a whole.

In addition to the above, the operational risk management unit is concerned with the following:
1 - Reviewing the Bank's internal policies and procedures to highlight the associated risks and work on minimizing such risks prior to implementation.
2 - Conducting stress testing and observing the results.
3 - Internal assessment of capital with respect to operational risks in accordance with Central Bank of Jordan
4 - Continuous development of the systems used to manage.
5 - Continue the development of the integrated program for business continuity plans.

Information Security :

The responsibility of the Information Security / Risk management unit lies in ensuring security, availability and accuracy of the Banks information through the following:

1. Developing an Information security program based on leading International standards (ISO 27k, PCI DSS), that is in line with the Bank's strategy.
2. Providing the tools and means necessary to reduce Information security risks.
3. Developing security policies related to Information systems and resources.
4. Continuous security awareness for the Bank's employees and ensuring their compliance to the security program.
5. Managing security incidents related to Information management systems and raising recommendations to Top Management.
6. Developing security standards for various Information systems.
7. Working on developing a business continuity plan to ensure business continuity in the event of any disaster.
8. Identifying the appropriate controls to mitigate the risks faced by the bank through analyzing various Information security risks.
9. Preparing and developing security measures related to Information systems security
10. Managing Information systems security incidents and raising relevant recommendations to Top Management.
11. Ensuring the security and Integrity of hardware, software and various applications through risk analysis and periodic testing to ensure safe use of these resources.

(46) <u>Segment Information</u>

1. Information about bank Activities:

Retail banking: Includes handling individual customers' deposits, credit facilities, credit card, and other services.

Corporate banking: Includes monitoring deposits, credit facilities, and other banking facilities provided to corporate customers.

Corporate finance: Principally arranging structured financing, and providing services relating to privatizations, IPOs, and mergers and acquisitions.

Treasury: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

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

	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total 2016	Total 2015
	JD	JD	JD	JD	JD	JD	JD
Total revenue	25,767,025	55,855,416	-	36,877,158	15,236,820	133,736,419	125,366,209
Impairment losses on direct credit facilities	341,723	(9,012,306)	-	-	-	(8,670,583)	(8,756,722)
Segment results	10,652,751	25,499,116	-	34,123,769	15,236,820	85,512,456	66,808,300
Unallocated expenses						(58,422,058)	(55,750,486)
Profit before tax						27,090,398	11,057,814
Income tax						(10,954,422)	(9,988,942)
Net profit						16,135,976	1,068,872
Other information							
Segmental assets	277,012,257	693,459,974	-	891,741,446	145,110,365	2,007,324,042	1,986,231,309
Segmental liabilities	744,553,804	625,161,755	-	242,889,492	60,611,737	1,673,216,788	1,661,880,896
Capital expenditure						(6,090,900)	(6,028,163)
Depreciation and amortization						(4,449,788)	(3,823,218)

2. Geographical Information

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America and the Far-East.

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

	Inside Jordan		Outside Jordan		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total revenue	122,525,272	136,737,593	11,211,147	(11,371,384)	133,736,419	125,366,209
Total assets	1,815,695,759	1,725,075,637	191,628,283	261,155,672	2,007,324,042	1,986,231,309
Capital expenditure	4,098,727	3,510,450	1,992,173	2,517,713	6,090,900	6,028,163

(47) Capital Management

The Bank maintains an appropriate paid in capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL to comply with the Central Bank of Jordan's regulations.

According to Central Bank of Jordan regulations (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011 and the capital for the foreign banks in Jordan should not be less than half of the capital for the Jordanian banks in accordance to article (12) and article (8) from the Law and Banks number (28) for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 6%.

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator; noting that the instructions impose a ratio of no less than 14%.

The Bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the Bank's capital structure during 2016 and 2015.

Description of paid in capital

According to CBJ regulations regarding Basel III, regulatory capital comprises of:

1- Tier 1 capital, which refers to the Bank's core capital, and consists of:

- Common Equity Tier 1 (CET1) which includes the following: (paid in capital, retained earnings, statutory and voluntary reserves,cumulative change in fair value, foreign currency translation adjustment, minority interest (recognizable under CET1)), it also includes the following deductions (year/period losses, goodwill and intangible assets, deferred tax assets, treasury stocks, shortage in required provisions, shortages in tier 2 capital, restricted balances, gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies and unconsolidated subsidiaries.
- Additional Tier 1 (AT1), Additional Tier 1 capital consists of the sum of the following elements:

(convertible bonds, preferred stocks, financial instruments issued by the bank and holds the characteristics of additional capital, minority interest (recognizable under AT1), it also includes the following deductions (gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.

2- Tier 2 capital, which is the supplementary capital, consists of the following elements; subordinated debt, general banking risk reserve and minority interest, and deducts the following; insignificant investments (<10%) and significant investments (>10%) in other banks, financial institution, insurance companies and unconsolidated subsidiaries.

The transition period for the deductions in tier 1 and tier 2 related to the investments in banks, financial institutions, insurance companies and unconsolidated subsidiaries occurs gradually over 5 years according to CBJ regulations. By the end of the year 2020, these deductions will be fully deducted from Tier 1.

Central Bank of Jordan emphasized on the importance of complying with Basel III regulation in building up addition capital as a percentage of risk weighted assets, which restricts cash dividends, through the following buffers:

* Conservation Buffer
*Countercyclical Buffer
*D-SIBs

Regulatory Requirements for paid in capital

Capital adequacy ratio is calculated based on the simplified approach (standardized approach) in accordance with the regulations of the Central Bank of Jordan, which in turn are based on the verdicts of the Basel committee. Below are the comparative figures of the capital adequacy ratio:

	2016	2015
	JD	JD
Primary capital-		
Paid in capital	200,000,000	200,000,000
Statutory reserves	32,257,341	30,116,739
Voluntary reserves	-	9,690
Share premium	709,472	709,472
Retained earning	39,562,631	29,848,682
Fair value reserve	(566,000)	-
Foreign Currency translation reserve	(3,868,943)	379,962
Non-controlling interest	50,354,657	-
Proposed issue of shares	(10,000,000)	-
Less-		
Intangible assets	5,537,532	4,225,580
Deferred tax assets	10,698,155	8,235,623
Investments at other financial institutions less than 10%	-	-
Balances at Central Bank of Iraq (net)	94,218,045	-
50% of investments in banks and other financial companies capital	-	870,382
Total Primary capital	197,995,426	247,732,960
Supplementary Capital		
General banking risk reserve	9,811,521	8,882,456
Fair value reserve	-	(1,407,974)
Non-controlling interest	1,800,013	-
Subordinated loans	10,950,111	15,407,610
Less-		
Effective investments in other financial institutions less than 10%	-	-
50% of Investments in banks and other financial institutions capit	-	870,382
Total Supplementary Capital	22,561,645	22,011,710
Total Regulatory Capital	220,557,071	269,744,670
Total Risk weighted assets	1,589,768,876	1,473,568,168
Capital adequacy (%)	13,87٪	18.31%
Primary Capital (%)	12,45٪	16.81%

* According to Basel II 50% of investments value in banks and subsidiaries should be deducted from primary paid in capital, and 50% of organizational paid in capital.

- Capital adequacy ratio at 31 December 2016 was calculated in accordance with BASEL III.
- Capital adequacy ratio at 31 December 2015 was calculated in accordance with BASEL II.

(48) Fiduciary Accounts

Investment custody accounts amounted to JD 23,255,244 as of 31 December 2016 compared to JD 11,878,898 in 31 December 2015.
In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Bank (Horizon fund) in a fiduciary capacity amounting to JD 1,994,831 as of 31 December 2016 are segregated from the Bank's assets and are not included in the Consolidated financial statements.

(49) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2016 -	Up to 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at CBJ	141,950,021	119,000,861	260,950,882
Balances at banks and financial institutions	166,478,834	-	166,478,834
Direct credit facilities , net	478,205,159	492,267,072	970,472,231
Financial assets at fair value through income statement	4,071,180	-	4,071,180
Financial assets at fair value through other comprehensive income	-	9,498,110	9,498,110
Financial assets at amortized cost ,net	90,319,257	360,423,183	450,742,440
Property and equipment (net)	-	29,938,896	29,938,896
Intangible assets (net)	-	5,537,532	5,537,532
Deferred tax assets	699,141	9,999,015	10,698,156
Other assets	17,521,122	81,414,659	98,935,781
Total Assets	899,244,714	1,108,079,328	2,007,324,042
Liabilities			
Banks and financial institution deposits	142,757,612	-	142,757,612
Customers' deposits	1,124,570,565	100,139,835	1,224,710,400
Margin accounts	67,968,415	77,036,743	145,005,158
Loans and borrowings	16,088,859	61,796,569	77,885,428
Subordinated loans	-	17,725,000	17,725,000
Secondary loans	3,151,111	1,370,341	4,521,452
Sundry provisions	-	25,363,744	25,363,744
Income tax provision	8,581,136	2,438,979	11,020,115
Deferred tax liabilities	424,086	-	424,086
Other liabilities	19,204,056	4,599,737	23,803,793
Total Liabilities	1,382,745,840	290,470,948	1,673,216,788
Net	(483,501,126)	817,608,380	334,107,254

2015-	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	211,468,796	134,208,191	345,676,987
Balances at banks and financial institutions	184,650,731	-	184,650,731
Deposits at banks and financial institutions	15,158,414	-	15,158,414
Direct credit facilities	347,869,287	562,622,991	910,492,278
Financial assets at fair value through income	2,395,198	979,041	3,374,239
Financial assets at fair value through other comprehensive income	-	6,106,779	6,106,779
Financial assets at amortized cost	101,994,396	275,462,623	377,457,019
Property and equipment (net)	-	30,065,873	30,065,873
Intangible assets (net)	-	4,225,580	4,225,580
Deferred tax assets	-	8,235,623	8,235,623
Other assets	13,064,976	87,722,810	100,787,786
Total Assets	876,601,798	1,109,629,511	1,986,231,309
Liabilities			
Banks and financial institution deposits	45,841,305	-	45,841,305
Customers' deposits	1,266,635,691	78,505,418	1,345,141,109
Margin accounts	38,953,256	77,488,862	116,442,118
Loans and borrowings	51,736,735	32,577,358	84,314,093
Subordinated loans	-	17,725,000	17,725,000
Secondary loans	3,151,111	4,521,452	7,672,563
Sundry provisions	-	12,035,722	12,035,722
Income tax provision	6,735,634	1,135,308	7,870,942
Deferred tax liabilities	862,360	-	862,360
Other liabilities	12,131,941	11,843,743	23,975,684
Total Liabilities	1,426,048,033	235,832,863	1,661,880,896
Net Assets	(549,446,235)	873,796,648	324,350,413

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

a) The total outstanding commitments and contingent liabilities are as follows:

	2016	2015
	JD	JD
Letters of credit	92,455,386	84,434,447
Acceptances	40,732,449	16,207,048
Letters of guarantee -		
Payments	31,155,007	32,740,446
Performance	64,938,282	60,527,770
Other	45,934,803	44,128,975
Foreign currency forward	2,241,000	6,200,877
Unutilized direct credit limits	33,381,425	32,326,307
Total	310,838,352	276,565,870

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

	2016	2015
	JD	JD
Intangible assets contracts	882,378	2,552,351
Fixed assets contracts	788,206	1,345,967
Construction contracts	1,054,681	2,497,802
	2,725,265	6,396,120

Annual rent of the Bank's main building and branches amounted to JD 1,343,611 as 31 December 2016 (2015: JD 997,110).

(51) Lawsuits against the Bank

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 24,545,479 as of 31 of December 2016 compared to JD 25,819,755 in 31 December 2015. 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 of 31 of December 2016 compared to JD 355,840 in 31 December 2015. 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 IQD 1,700 million (JD 3,579,196) as of 31 of December 2016 as no lawsuits were raised against National Bank of Iraq as of 31 December 2015. According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases.

(52) New And Amended International Financial Reporting Standards
Standards issued but not yet effective

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

(53) Comparative Figures:

Some of 2016 balances were reclassified to correspond with 2015 presentation. The reclassification did not have any effect on profits or equity for 2016.