

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE
PERIOD ENDED MARCH 31, 2017
TOGETHER WITH THE REVIEW REPORT

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN – JORDAN
MARCH 31, 2017

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Report on the Review of the Condensed Consolidated Interim Financial Statements

AM/ 8702

To the Chairman and the Members of the Board of Directors
Jordan Kuwait Bank
A Public Limited Shareholding Company
Amman – Jordan

Report on the Review of the Condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Jordan Kuwait Bank which (a Public Limited Shareholding Company) as of March 31, 2017 and the related condensed consolidated interim statements of income and comprehensive income, changes in owners' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for preparation and fair presentation of this condensed interim financial information in accordance with IAS 34 and in accordance with the Central Bank of Jordan's arrangements for calculating the provision for impairment loss for one of direct credit facilities customer. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with amended International Accounting Standard (34) relating to interim financial reporting, as stated in Note (2) to the accompanying condensed consolidated interim financial statements and the Central Bank of Jordan's arrangement for calculating the provision for impairment of direct credit facilities as stated in Note (7) to the condensed consolidated interim financial statements.

Explanatory Paragraph

The fiscal year ends for the bank in December 31, of each year, but the accompanying condensed consolidated interim financial statements prepared for the purposes of the management and Jordan Securities Commission in the Hashemite Kingdom of Jordan only.

Other Matter

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

Amman – Jordan
May 1, 2017

Deloitte & Touche
Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		March 31, 2017 (Reviewed Not Audited)	December 31, 2016
	Note	JD	JD
ASSETS			
Cash and balances at central banks	4	185,752,484	279,155,436
Balances at banks and financial institutions	5	260,264,042	212,859,226
Deposits at banks and financial institutions	6	-	14,166,627
Direct credit facilities-net	7	1,452,529,410	1,446,910,964
Financial assets at fair value through profit or loss	8	70,431,886	69,705,520
Financial assets at fair value through comprehensive income	9	28,416,263	27,306,153
Financial assets at amortized cost	10	454,278,749	479,195,403
Property and equipment - net		28,643,655	28,779,027
Intangible assets - net		6,308,836	7,003,148
Deferred tax assets		10,782,237	10,128,723
Other assets	11	168,122,950	164,775,189
TOTAL ASSETS		2,665,530,512	2,739,985,416
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits		319,053,345	384,284,349
Customers deposits		1,658,193,936	1,703,401,315
Cash margins		87,714,108	87,959,874
Borrowed funds		59,080,237	33,636,542
Other provisions		12,657,192	12,105,531
Provision for income tax	12	16,702,960	14,567,302
Deferred tax liabilities		3,177,384	2,937,750
Other liabilities		36,666,695	35,917,912
TOTAL LIABILITIES		2,193,245,857	2,274,810,575
OWNERS' EQUITY:			
EQUITY - BANK SHAREHOLDERS:			
Authorized and paid-up capital		100,000,000	100,000,000
Statutory reserve	22	81,803,089	81,803,089
Voluntary reserve	22	152,003,949	152,003,949
Pro-cyclicality reserve	22	227,597	227,597
General banking risks reserve		13,562,956	13,525,686
Financial assets valuation reserve - net of tax		5,449,107	6,133,272
Retained earnings	21	105,961,859	105,999,129
Income for the Period		8,654,800	-
TOTAL EQUITY - BANK'S SHAREHOLDERS		467,663,357	459,692,722
Non-controlling interest		4,621,298	5,482,119
TOTAL OWNERS' EQUITY		472,284,655	465,174,841
TOTAL LIABILITIES AND OWNERS' EQUITY		2,665,530,512	2,739,985,416

THE ACCOMPANYING NOTES FROM (1) TO (23) CONSTITUTE AN INTEGRAL
PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE
READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(Reviewed Not Audited)

	Note	For the Three Months Ended March 31,	
		2017	2016
		JD	JD
Interest income		32,339,835	32,226,233
Less: Interest expense		8,648,600	9,772,348
Net Interest Income		23,691,235	22,453,885
Net commission income		2,513,579	2,797,311
Net Interest and Commission Income		26,204,814	25,251,196
Foreign currency income		1,044,680	1,209,024
(Loss) from financial assets at fair value through profit or loss	13	(1,291,614)	(368,654)
Cash dividends from financial assets at fair value through comprehensive income	9	581,140	504,482
Other income		2,889,975	2,970,479
Gross Income		29,428,995	29,566,527
Employees expenses		6,363,207	5,900,881
Depreciation and amortization		1,566,089	1,370,509
Provision for impairment in direct credit facilities	7	1,994,791	4,498,302
Other provisions		637,681	1,056,294
Other expenses		6,982,258	5,161,740
Total Expenses		17,544,026	17,987,726
Income for the Period before Income Tax Expense		11,884,969	11,578,801
Less: Income tax expense		4,141,718	3,539,214
Income for the Period		7,743,251	8,039,587
<u>Pertains to:</u>			
Bank's Shareholders		8,654,800	8,094,184
Non-Controlling Interest		(911,549)	(54,597)
		7,743,251	8,039,587
<u>Earnings per Share for the Period Attributable to the Bank's Shareholders:</u>			
Basic and Diluted	14	0.087	0.081

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CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Reviewed Not Audited)

	<u>For the Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Income for the Period	7,743,251	8,039,587
<u>Other Comprehensive Income Items:</u>		
<u>Items not subsequently transferable to condensed interim consolidated statement of income:</u>		
Net change in financial assets at fair value valuation reserve - net of tax	<u>(633,437)</u>	<u>266,650</u>
Total Comprehensive Income for the Period	<u>7,109,814</u>	<u>8,306,237</u>
<u>Total Comprehensive Income for the Period Pertains to:</u>		
Bank's shareholders	7,970,635	8,401,482
Non-controlling interest	<u>(860,821)</u>	<u>(95,245)</u>
Total	<u>7,109,814</u>	<u>8,306,237</u>

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JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
(Reviewed Not Audited)

Description	Equity - Bank's Shareholders									
	Reserves					Financial Assets - Valuation Reserve After Tax				
	Authorized and Paid-up Capital	Statutory	Voluntary	Pro-cyclical	General Capital Banking Risks			Retained Earnings	Income for the Period	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the three months ended March 31, 2017										
Balance - Beginning of the Period	100,000,000	81,803,089	152,003,949	227,597	13,525,686	6,133,272	105,999,129	-	459,692,722	5,482,119
Income for the Period	-	-	-	-	-	-	-	8,654,800	8,654,800	(911,549)
Net change in financial assets at fair value- net of tax	-	-	-	-	-	(684,165)	-	-	(684,165)	50,728
Total Comprehensive Income for the Period	-	-	-	-	-	(684,165)	-	8,654,800	7,970,635	(860,821)
Transferred to reserves	-	-	-	-	37,270	-	(37,270)	-	-	-
Balance - End of the Period	100,000,000	81,803,089	152,003,949	227,597	13,562,956	5,449,107	105,961,859	8,654,800	467,663,357	4,621,298
For the three months ended March 31, 2016										
Balance - Beginning of the Period	100,000,000	77,479,744	143,357,259	227,597	13,353,038	4,280,152	109,880,864	-	448,578,654	5,674,815
Income for the Period	-	-	-	-	-	-	-	8,094,184	8,094,184	(54,597)
Net change in financial assets at fair value- net of tax	-	-	-	-	-	307,298	-	-	307,298	(40,648)
Realized loss from financial assets at fair value through comprehensive income	-	-	-	-	-	1,920	(1,920)	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	-	309,218	(1,920)	8,094,184	8,401,482	(95,245)
Transferred to reserves	-	-	-	-	28,000	-	(28,000)	-	-	-
Balance - End of the Period	100,000,000	77,479,744	143,357,259	227,597	13,381,038	4,589,370	109,850,944	8,094,184	456,980,136	5,579,570

- Out of retained earnings, an amount of JD 10,782,237 as of March 31, 2017 (JD 10,128,723 as of December 31, 2016) is restricted, according to the Central Bank of Jordan instructions, against deferred tax assets.
- Retained earnings include an amount of JD 3,927,791 as of March 31, 2017 and December 31, 2016 is restricted against the effect of adopting International Financial Reporting Standard No. (9) according to the Jordan Securities Commission instructions in relation to the unrealized revaluation of financial assets at fair value through profit or loss, net of amounts recognized through sales.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.

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JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Reviewed Not Audited)

		For the Three Months Ended March 31,	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		JD	JD
Income for the period before Income tax		11,884,969	11,578,801
Adjustments:			
Depreciation and amortization		1,566,089	1,370,509
Provision for impairment in direct credit facilities	7	1,994,791	4,498,302
Net interest income		(10,636,916)	(4,410,716)
Provision for staff indemnity		521,121	1,011,294
Provision for lawsuits against the Bank and contingent claims		90,000	45,000
Valuation loss of financial assets at fair value through profit or loss	13	1,572,437	166,430
Effect of exchange rate fluctuations on cash and cash equivalents		(1,669)	(3,591)
Total		6,990,822	14,256,029
CHANGES IN ASSETS AND LIABILITIES:			
Decrease in deposits at banks and financial institutions		14,166,627	6,074,661
(Increase) decrease in direct credit facilities		(7,613,237)	146,880,263
(Increase) in financial assets at fair value through profit or loss		(2,298,803)	(2,887,435)
Decrease in other assets		13,977,449	7,828,714
(Decrease) in banks and financial institutions deposits due after three months		(33,289,893)	(21,741,733)
(Decrease) in customers deposits		(45,225,104)	(69,567,065)
(Decrease) increase in cash margins		(245,767)	2,088,516
(Decrease) in other provisions		(59,460)	(175,832)
(Decrease) in other liabilities		(5,939,511)	(1,368,929)
Net Cash Flows (used in) from Operating Activities before Income tax		(59,536,877)	81,387,189
Income tax paid		(2,659,574)	(3,447,997)
Net Cash Flows (used in) from Operating Activities		(62,196,451)	77,939,192
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (increase) in financial assets at amortized cost		24,916,654	(23,269,593)
(Increase) decrease in financial assets at fair value through comprehensive income		(1,554,641)	593,890
(Increase) in property, equipment and intangible assets		(736,405)	(1,679,615)
Net Cash Flows from (used in) Investing Activities		22,625,608	(24,355,318)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in non-controlling interest		50,728	(40,648)
Increase in borrowed funds		25,443,695	4,948,385
Net Cash Flows from Financing Activities		25,494,423	4,907,737
Effect of exchange rate fluctuations on cash and cash equivalents		1,669	3,591
Net (Decrease) Increase in Cash and Cash Equivalents		(14,074,751)	58,495,203
Cash and cash equivalent - beginning of the year		145,447,357	337,200,731
Cash and Cash Equivalent - End of the Period	15	131,372,606	395,695,934

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JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN – JORDAN
NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

1. GENERAL

- Jordan Kuwait Bank was established as a Jordanian public limited shareholding company under number (108) on October 25, 1976 in accordance with the Jordanian Companies Law No. (13) For the year 1964. The Bank's Head Office address is as follows: Omayya Bin Abdshams Street, Abdali – Amman. Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in all banking and financial related operations through its branches totaling 61 inside Jordan, Five foreign branches and three subsidiaries.
- Jordan Kuwait Bank is listed as a public limited shareholding company on the Amman Stock Exchange.
- The condensed consolidated interim financial statements have been approved by the Bank's Board of Directors on April 27, 2017.

2. Basis of Preparation of the Condensed Consolidated Interim Financial Statements

- The accompanying condensed consolidated interim financial statements as of March 31, 2017 of the Bank have been prepared in accordance with International Accounting standard (34): Interim financial reporting and the Central Bank of Jordan's arrangements for calculation the provision for one direct credit facilities customer.
- The condensed consolidated interim financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets stated at fair value through other comprehensive income and financial derivatives stated at fair value at the date of the condensed consolidated interim financial statements. Moreover, hedged financial assets and financial liabilities are also stated at fair value.
- The reporting currency of the condensed consolidated interim financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The condensed consolidated interim financial statements does not include all notes and information presented in the annual financial statements for the year ended December 31, 2016 and should be read with the Bank annual report for the year ended December 31, 2016. The results of the three months ended March 31, 2017 do not indicate the expected results for the year ending December 31, 2017, and do not contain the appropriation of profit of the current period which is usually performed at year end.

The accounting policies adopted in the condensed consolidated interim financial statements are consistent with those accounting policies applied in the year ended December 31, 2016, except for the following:

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS (12)
- Amendments to IAS (12) Income Taxes relating to the recognition of deferred tax assets for unrealized losses
- Amendments to IAS (7) Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Basis of condensed consolidated interim Financial Statements Consolidation

- The condensed consolidated interim financial statements include the interim financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain benefits from their activities. All transactions, balances, revenue and expenses between the Bank and its subsidiaries are eliminated.
- The financial statements of the subsidiaries relating to the same fiscal period of the Bank are prepared using the same accounting policies adopted by the Bank, except for the arrangements with the Central Bank of Jordan with regards to the calculation of the provision for impairment loss for a direct credit facilities customer. In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, necessary adjustments to the financial statements of the subsidiaries have to be made in order to match those applied by the Bank.
- Non-controlling interest represents the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of March 31, 2017 and December 31, 2016:

<u>Company's Name</u>	<u>Paid-up Capital</u> JD	<u>Ownership of the Bank</u> %	<u>Nature of Operation</u>	<u>Location</u>	<u>Date of Acquisition</u>
United Financial Investments Company	8,000,000	50.22	Financial Brokerage	Amman	2002
Ejarah for Finance Leasing Company	20,000,000	100	Finance Leasing	Amman	2011
Al Idariyya Al Mutakhasesah for Investment and Financial Consultation	530,000	100	Securities issuance Financial Consulting	Amman	2016

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

3. Accounting Estimates

Preparation of the accompanying condensed consolidated interim financial statements and the application of accounting policies require from the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, and the financial assets valuation reserve, and in a specific way, it requires the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

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

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

4. Cash and Balances at Central Banks

- Mandatory cash reserve amounted to JD 92,314,675 as of March 31, 2017 (JD 91,931,111 as of December 31, 2016).
- Except for the statutory cash reserve, there are no restricted balances as of March 31, 2017 and December 31, 2016.
- There are no Certificates of Deposits as of March 31, 2017 and December 31, 2016.

5. Balances at Banks and Financial Institutions

- Non-interest bearing balances at banks and financial institutions amounted to JD 43,836,435 as of March 31, 2017 (JD 35,132,679 as of December 31, 2016).
- Restricted balances amounted to JD 2,575,797 as of March 31, 2017 and (JD 2,558,072 as of December 31, 2016).

6. Deposits at Banks and Financial Institutions

- There are no deposits mature after one year as of March 31, 2017 and December 31, 2016.
- There are no deposits mature after six months to one year as of March 31, 2017 (JD 14,166,627 December 31, 2016).
- There are no deposits mature within three to six months as of March 31, 2017 and December 31, 2016.

7. Direct Credit Facilities - Net

The details of this item are as follows:

	March 31, 2017 JD	December 31, 2016 JD
Individuals (retail):		
Overdraft accounts*	3,192,685	3,588,010
Loans and promissory notes**	116,508,257	109,586,230
Credit cards	9,592,437	9,076,996
Real estate loans	202,982,349	196,452,307
Companies:		
Large		
Overdraft accounts	254,553,757	246,307,707
Loans and promissory notes**	733,832,417	738,868,655
Small and Medium		
Overdraft accounts*	4,662,649	8,511,888
Loans and promissory notes**	79,763,278	77,477,202
Government and public sector	137,654,606	144,577,428
Total	1,542,742,435	1,534,446,423
<u>Less:</u> Provision of impairment loss in direct credit facilities	75,115,164	73,120,373
Interest in suspense	15,097,861	14,415,086
Net Direct Credit Facilities	1,452,529,410	1,446,910,964

* These items include JD 5,136,716 as of March 31, 2017 , which represents credit facilities granted by the subsidiary companies (JD 7,065,768 as of December 31, 2016).

** Net after deducting interest and commission received in advance of JD 329,208 as of March 31, 2017 (JD 383,975 as of December 31, 2016).

- Non-performing credit facilities amounted to JD 126,016,071 which is equivalent to (8.2%) of total direct credit facilities as of March 31, 2017 (against JD 131,802,453 which is equivalent to (8.6%) of total direct credit facilities as of December 31, 2016).
- Non-performing credit facilities net of interest and commissions in suspense amounted to JD 110,918,210 which is equivalent to (7.3%) of total direct credit facilities balance after deducting suspended interest as of March 31, 2017 (against JD 117,387,367 which is equivalent to (7.7%) of total credit facilities balance after deducting suspended interest as of December 31, 2016).
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to JD 73,717,961 which is equivalent to (4.8%) of total direct credit facilities as of March 31, 2017 (against JD 80,146,314 which is equivalent to (5.2%) as of December 31, 2016).
- Direct credit facilities include facilities granted to one customer in an amount of JD 35.4 million (net after deducting interest and commissions in suspense) as of March 31, 2017. The provision of impairment against these direct credit facilities amounted to JD 32.7 million as of March 31, 2017 based on the arrangements with the Central Bank of Jordan with regards to the calculation of the provision of impairment whereby the remaining provision will be gradually allocated during the current year.

Provision of Impairment Loss in Direct Credit Facilities

The following is the movement on the provision of impairment loss in direct credit facilities during the period / year:

	Companies					Total
	Individuals	Real Estate Loans	Large	Small and Medium	Government and Public Sector	
<u>For the three months Ended March 31, 2017</u>	JD	JD	JD	JD	JD	JD
Balance – beginning of the period	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373
Deducted from income during the period	1,545,322	554,654	3,780,909	365,715	-	6,246,600
Surplus in provision of credit facilities	<u>1,129,849</u>	<u>2,786,013</u>	<u>41,635</u>	<u>294,312</u>	-	<u>4,251,809</u>
Balance – End of the Period	<u>6,858,012</u>	<u>3,239,763</u>	<u>62,812,209</u>	<u>2,205,180</u>	-	<u>75,115,164</u>
Total of watch list provisions	481,479	267,390	1,469,004	194,049	-	2,411,922
Total non-performing provisions	<u>6,376,533</u>	<u>2,972,373</u>	<u>61,343,205</u>	<u>2,011,131</u>	-	<u>72,703,242</u>
	<u>6,858,012</u>	<u>3,239,763</u>	<u>62,812,209</u>	<u>2,205,180</u>	-	<u>75,115,164</u>
<u>For the Year Ended December 31, 2016</u>						
Balance – beginning of the year	5,163,412	3,526,473	43,039,005	2,029,619	-	53,758,509
Deducted from income during the year	3,074,485	2,677,535	16,450,684	300,725	-	22,503,429
Surplus in provision of credit facilities	1,415,879	732,886	416,754	154,118	-	2,719,637
Used from provision during the year (written-off)	<u>379,479</u>	-	-	<u>42,449</u>	-	<u>421,928</u>
Balance – End of the Year	<u>6,442,539</u>	<u>5,471,122</u>	<u>59,072,935</u>	<u>2,133,777</u>	-	<u>73,120,373</u>
Total of watch list provisions	429,441	68,720	1,536,091	25,617	-	2,059,869
Total non-performing provisions	<u>6,013,098</u>	<u>5,402,402</u>	<u>57,536,844</u>	<u>2,108,160</u>	-	<u>71,060,504</u>
	<u>6,442,539</u>	<u>5,471,122</u>	<u>59,072,935</u>	<u>2,133,777</u>	-	<u>73,120,373</u>

- The disclosure above is related to provisions against debts calculated on the basis of the individual customer.
- The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 4,251,809 as of March 31, 2017 (against JD 2,719,637 as of December 31, 2016).

Interest in Suspense

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

	Companies					
	Real Estate		Small and			Government and
	Individuals	Loans	Large	Medium	Public Sector	
<u>For the Three Months Ended March 31, 2017</u>	JD	JD	JD	JD	JD	JD
Balance – beginning of the period	643,062	1,819,453	11,537,660	414,911	-	14,415,086
<u>Add: Interest suspended during the period</u>	174,615	156,044	390,141	44,044	-	764,844
<u>Less: Interest reversed to income</u>	13,543	45,761	-	22,765	-	82,069
Balance - End of the Period	804,134	1,929,736	11,927,801	436,190	-	15,097,861
<u>For the Year Ended December 31, 2016</u>						
Balance – beginning of the year	457,342	1,184,303	9,568,870	269,077	-	11,479,592
<u>Add: Interest suspended during the year</u>	370,965	711,026	1,968,790	264,368	-	3,315,149
<u>Less: Interest reversed to income</u>	148,590	75,876	-	102,673	-	327,139
Interest in suspense written-off	36,655	-	-	15,861	-	52,516
Balance - End of the Year	643,062	1,819,453	11,537,660	414,911	-	14,415,086

Total suspended interest on non-performing credit facilities out of the system amounted to JD 43,038,653 as of March 31, 2017 (JD 41,365,916 as of December 31, 2016).

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Quoted shares in active markets	10,611,031	10,794,946
Quoted bonds in active markets	53,434,355	52,414,574
Unquoted bonds in active markets	6,386,500	6,496,000
Total	70,431,886	69,705,520

Bonds Analysis:

Fixed rate	56,328,244	55,434,516
Floating rate	3,492,611	3,476,058
Total	59,820,855	58,910,574

9. Financial Assets at Fair Value through Comprehensive Income

The details of this item are as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Quoted shares in active markets	7,742,175	7,378,426
Unquoted shares in active markets	20,674,088	19,927,727
Total	28,416,263	27,306,153

- Cash dividends on the above investments amounted to JD 581,140 for the three months ended March 31, 2017 (JD 504,482 for the three months ended March 31, 2016).

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	March 31, 2017	December 31, 2016
	JD	JD
<u>Quoted Financial Assets:</u>		
Companies' bonds and debentures	15,843,795	15,842,727
Total Quoted Financial Assets	15,843,795	15,842,727
<u>Unquoted Financial Assets:</u>		
Treasury bonds and bills	426,026,954	447,399,676
Companies' bonds and debentures	12,408,000	15,953,000
Total Unquoted Financial Assets	438,434,954	463,352,676
Total	454,278,749	479,195,403
<u>Bonds and Bills Analysis:</u>		
Fixed rate	443,378,749	464,750,403
Floating rate	10,900,000	14,445,000
Total	454,278,749	479,195,403

11. Other Assets

The details of this item are as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Accrued interest and revenue	17,325,210	16,944,811
Prepaid expenses	5,900,882	2,252,548
Assets seized by the Bank against due debts - net	135,757,561	136,494,967
Debtors *	924,987	933,086
Clearing checks	6,064,010	6,448,782
Others *	2,150,300	1,700,995
Total	168,122,950	164,775,189

* Debtors and other assets include balances relating to the subsidiary companies of JD 518,346 as of March 31, 2017 (JD 206,931 as of December 31, 2016).

- The Central Bank of Jordan's instructions require that the Bank dispose of seized assets within a period not exceeding two years from the start date of seizure and to the central bank, in exceptional cases, extending this period for a maximum another sequential two years.

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

	For the Three Months Ended March 31, 2017			For the Year Ended December 31, 2016
	Seized Property	Other Seized Assets **	Total	Total
	JD	JD	JD	JD
Balance - beginning of the period / year - net	135,039,492	1,455,475	136,494,967	156,912,370
Additions	2,252,007	-	2,252,007	6,910,198
Disposals	(1,762,162)	-	(1,762,162)	(23,907,498)
Provision as per CBJ instructions ***	(1,243,648)	-	(1,243,648)	(2,382,899)
Impairment reversal (loss)	16,397	-	16,397	(1,037,204)
Balance - End of the Period / Year	134,302,086	1,455,475	135,757,561	136,494,967

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

*** This item represent aprovision of properties seized by the bank based on the instruction of the central bank of Jordan regarding this issue for which the bank started to calculate a gradual provision for the seized assets against debts which has been owned for a period more than 4 years.

12. Income Tax

A. Income Tax Rates:

	%	%
Jordan branches	35	35
Palestine branches	20	20
Cyprus branches	12.5	12.5
Subsidiary companies	24	24

B. Tax status

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

Branches / Companies	Income Tax Return up to End of the Year	Final Settlement up to End of the Year	Payment to Income and Sales Tax Department	Years under Dispute
Jordan Branches	2015	2014	Accrued tax has been paid	None
Palestine Branches	2015	2014	Accrued tax has been paid	2008 & 2007
Cyprus Branch	2015	2015	Accrued tax has been paid	None
Ejarah for Finance Leasing	2015	None	Accrued tax has been paid	None
United Financial Investments Company	2015	2014	Accrued tax has been paid	2013
Specialized Managerial Company for Investments and Financial Services	None	None	None	None

- In the opinion of the Management and the Tax Consultant of the bank and subsidiaries the provision for income tax is sufficient.

13. (Loss) from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

For the Three Months Ended March 31, 2017

	Realized Gains	Unrealized Gains	Shares Dividends	Total
	JD	JD	JD	JD
Companies shares	(25,836)	(2,431,877)	115,200	(2,342,513)
Companies bonds	191,459	859,440	-	1,050,899
Total	165,623	(1,572,437)	115,200	(1,291,614)

For the Three Months Ended March 31, 2016

	Realized (Losses)	Unrealized (Losses)	Shares Dividends	Total
	JD	JD	JD	JD
Companies shares	(226,024)	(572,561)	23,800	(774,785)
Companies bonds	-	406,131	-	406,131
Total	(226,024)	(166,430)	23,800	(368,654)

14. Earnings Per Share for the Period Attributable to Bank's Shareholders

The details of this item are as follows:

	For the Three Months Ended March 31,	
	2017	2016
	JD	JD
Income for the period attributed to the Bank's Shareholders	8,654,800	8,094,184
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
Earnings per share pertains to the Bank's Shareholders: (Basic and Diluted)	JD/Share 0.087	JD/Share 0.081

15. Cash and Cash Equivalent

The details of this item are as follows:

	March 31,	
	2017	2016
	JD	JD
Balances at central banks due within three months	185,752,484	404,880,021
<u>Add:</u> Balances at banks and financial institutions due within three months	260,264,042	261,532,885
<u>Less:</u> Banks and financial institutions deposits due within three months	312,068,123	268,158,901
Restricted balances	2,575,797	2,558,072
Total	131,372,606	395,695,933

16. Information on the Bank's Business Activities

1. Bank Activities Information

The Bank is organized, for managerial purposes, into four major sectors. These sectors are measured according to reports used by the Chief Executive Officer and key decision makers at the Bank. Moreover, the Bank owns three subsidiaries: the financial brokerage, finance leasing and consultation services sectors as of the consolidated financial statements date:

- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit facilities, credit cards, and other services.
- Corporate accounts: This item includes following up on deposits, credit facilities, and other banking services related to corporate customers.
- Treasury: This item includes providing dealing services and managing the Bank's funds.
- Others: This industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
- Financial brokerage services: This item includes practicing most of the brokerage and financial consultation services.
- Finance leasing services: This item includes leasing services and real estate development projects.
- Consulting and Issuance Services: This item includes providing financial consultation and issuance management services.

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

	Total									
	For the Three Months Ended March 31,									
	Individuals	Corporations	Treasury	Brokerage	Leasing	Financial Consulting	Others	2017	2016	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Gross income for the period	7,747,325	13,552,964	8,597,213	(2,199,310)	1,302,894	86,900	341,009	29,428,995	29,566,527	
Less: Provision of impairment loss in direct credit facilities	(1,830,833)	3,810,677	-	-	14,947	-	-	1,994,791	4,498,302	
Results of Business Sector	9,578,158	9,742,287	8,597,213	(2,199,310)	1,287,947	86,900	341,009	27,434,204	25,068,225	
Less: Expenditures not distributed over sectors	-	-	-	213,028	245,893	54,787	15,035,527	15,549,235	13,489,424	
Income before Income Tax	9,578,158	9,742,287	8,597,213	(2,412,338)	1,042,054	32,113	(14,694,518)	11,884,969	11,578,801	
Less: Income tax expense for the period	-	-	-	(581,332)	(250,093)	(1,065)	(3,309,228)	(4,141,718)	(3,539,214)	
Income for the Period	9,578,158	9,742,287	8,597,213	(2,993,670)	791,961	31,048	(18,003,746)	7,743,251	8,039,587	
Other Information										
Capital Expenditures							736,405	736,405	1,679,615	
Depreciation and Amortization							1,566,089	1,566,089	1,370,509	

	Total	
	March 31, 2017	
	JD	JD
Sector's Assets	338,511,888	1,097,096,142
Sector's Liabilities	1,015,532,821	739,427,746
		1,013,525,571
		387,834,624
		10,901,482
		1,618,787
		56,708,073
		27,963,019
		577,415
		145,907,861
		16,367
		20,852,493
		2,663,228,432
		2,193,245,857
		2,739,985,416
		2,274,810,575

b. Information on the Geographical Allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations, which represent local operations, mainly in the Hashemite Kingdom of Jordan. Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

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

	Inside Kingdom				Outside Kingdom				Total	
	For the Period Ended March 31,				For the Period Ended December 31,				For the Period Ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Gross income for the period	24,283,752	25,485,739	5,145,243	4,080,788	29,428,995	29,566,527	736,405	1,679,615	29,428,995	29,566,527
Capital Expenditures	736,405	1,679,615	-	-	-	-	-	-	736,405	1,679,615
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Total assets	2,183,897,966	2,269,777,110	479,330,466	470,208,306	2,663,228,432	2,739,985,416	2,663,228,432	2,739,985,416	2,663,228,432	2,739,985,416

17. Transactions with Related Parties

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

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

	Affiliates	Board of Directors Members	Executive Managers	Others **	Total	
					March 31, 2017	December 31, 2016
On- Condensed Consolidated Interim Statement of Financial Position Items:	JD	JD	JD	JD	JD	JD
Direct credit facilities *	-	109,394	2,281,102	267	2,390,763	2,026,391
Banks and financial institutions deposits	-	730,170	-	-	730,170	932,461
Deposits	-	6,114,897	1,592,850	206,257	7,914,004	10,628,682
Deposits at banks and financial Institutions	466,853	243,349,341	-	-	243,816,194	193,339,532
Cash margins	-	2,500	-	134,120	136,620	136,120
Financial assets at fair value through comprehensive income	16,000,002	-	-	3,230,000	19,230,002	18,930,095
Financial assets at amortized cost	-	14,843,346	-	-	14,843,346	14,842,209
Off- Consolidated Statement of Financial Position Items:						
Letters of guarantee	-	33,000	-	65,000	98,000	93,000
Letters of credit	309,320	165,197	-	4,254,000	4,728,517	4,636,870
					Total	
					For the Period Ended March 31,	
					2017	2016
Consolidated Statement of Income Items:	JD	JD	JD	JD	JD	JD
Interest and commission income ***	-	187,626	18,596	9	206,231	196,997
Interest and commission expense ****	140	938,459	5,504	-	944,103	738,802
Management fees	-	123,366	-	-	123,366	123,366
Financial assets dividends	542,385	-	-	-	542,385	443,851

* Included in the direct credit facilities to the directors members is an amount of JD 6,898 representing credit facilities granted to the board of directors members of United Financial Investments Company (subsidiary company) as of March 31, 2017 (JD 31,794 as of December 31, 2016).

* Included in the direct credit facilities to the executive management and board of directors are an amount of JD 856,584 representing credit facilities granted to the board of directors for members of Ejarah Finance Leasing Company (subsidiary company) as of March 31, 2017 (JD 549,549 as of December 31, 2016).

* Included in the direct credit facilities to the executive management are an amount of JD 587,173 representing credit facilities granted to the board of directors for members of Al Idariyya Al Mutakhasseh Company (subsidiary company) as of March 31, 2017 .

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

*** Interest income rate ranges from 4% to 9.5% .

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

- The Bank has three members on the Board of Directors of the United Financial Investments Company, four members in Ejarah for Finance Leasing Company and three members in the board of directors of Al Idariyya Al Mutakhasseh company for investment and financial advisory.

- The Salaries of Executive management for the Bank and the subsidiary companies amounted to JD 798,512 for period ended March 31, 2017.

18. Capital Adequacy

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

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

	March 31, <u>2017</u>	December 31, <u>2016</u>
	JD 000'	JD 000'
Primary capital for ordinary shareholders (CET 1)	429,100	426,167
Regulatory adjustments (dedication from the primary capital for ordinary shareholders)	(19,801)	(22,528)
Supplementary	<u>13,563</u>	<u>13,526</u>
Regulatory capital	<u>422,862</u>	<u>417,165</u>
Assets Weighted by Risks	<u>2,106,803</u>	<u>2,193,896</u>
 Primary capital Adequacy Ratio (CET 1)	 <u>19.43%</u>	 <u>18.40%</u>
Ratio of first tranche of the capital	<u>19.43%</u>	<u>18.40%</u>
Regulatory capital adequacy ratio	<u>20.07%</u>	<u>19.01%</u>

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

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

Credit commitments and contingencies:

	March 31, 2017	December 31, 2016
	JD	JD
Letters of credit	71,834,332	76,808,289
Letters of acceptances	24,498,775	42,337,535
Letters of guarantee:		
Payments	127,379,558	117,327,764
Performance bonds	101,986,819	100,811,325
Other	32,796,656	44,267,331
Unutilized credit facilities ceilings	<u>137,515,717</u>	<u>113,959,438</u>
Total	<u>496,011,857</u>	<u>495,511,682</u>

20. Lawsuits against the Bank

The Bank is a defendant in lawsuits amounting to JD 8,034,406 as of March 31, 2017 and December 31, 2016.

In the opinion of the Bank's management and its legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of JD 959,544 as of March 31, 2017 (JD 869,544 as of December 31, 2016).

As of March 31, 2017 and December 31, 2016, there were no lawsuits against the subsidiary companies.

21. Authorized and Paid-up capital and Proposed Dividends

- Proposed dividends to shareholders for the year 2016 is 20% of paid-up capital, which is equivalent to JD 20 million.

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

22. Statutory and Voluntary Reserves

The bank did not deduct the statutory and voluntary reserves according to the Companies Law and the pro-cyclicality reserve according to Palestine Monetary Authority instructions as this will be accounted for at the year end financial statements.

23. Fair Value Hierarchy

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

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

	Fair Value		The Level of	Evaluation Method	Important Intangible	Relation between the Fair Value
Financial Assets/Financial Liabilities	March 31, 2017	December 31, 2016	Fair Value	and Inputs used	Inputs	and the Important Intangible Inputs
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Companies shares	10,611,031	10,794,946	Level 1	Stated rates in financial markets and compare market price for similar financial statement Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Companies bonds	59,820,855	58,910,574	Level 1 and 2		N/A	N/A
Total	70,431,886	69,705,520				
Financial Assets at Fair Value through Comprehensive Income						
Shares with available market price	7,742,175	7,378,426	Level 1	Stated rates in financial markets and compare market price for similar financial statement Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Shares with no available market price	20,674,088	19,927,727	Level 2		N/A	N/A
Total	28,416,263	27,306,153				
Total Financial Assets at Fair Value	98,848,149	97,011,673				

There were no transfers between level 1 and level 2 during the period ended March 31, 2017.

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

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

	March 31, 2017		December 31, 2016		The Level of Fair Value
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Cash at Central Banks	139,050,052	139,062,379	362,947,946	362,986,181	Level 2
Balances at Banks and Financial Institutions	260,264,042	260,512,212	224,544,517	224,643,217	Level 2
Deposits at Banks and Financial Institutions	-	-	9,107,715	9,135,700	
Direct credit facilities	1,452,529,410	1,461,411,478	1,372,787,204	1,380,897,587	Level 2
Financial Assets at Amortized Cost	454,278,749	459,237,805	505,749,976	508,699,397	Level 1 and 2
Total Financial Assets of Non-specified Fair Value	2,306,122,253	2,320,223,874	2,475,137,358	2,486,362,082	
Financial Liabilities of Non-specified Fair Value					
Banks and Financial Institutions Deposits	319,053,345	319,852,933	316,010,975	316,602,646	Level 2
Customers' Deposits	1,658,193,936	1,662,927,237	1,900,905,886	1,906,064,901	Level 2
Cash Margin	87,714,108	88,064,111	86,902,100	87,316,683	Level 2
Borrowed Funds	59,080,237	59,400,611	24,015,900	24,300,739	Level 2
Total Financial Liabilities of Non-specified Fair Value	2,124,041,626	2,130,244,892	2,327,834,861	2,334,284,969	

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