

The background of the cover features a silhouette of a person standing on a glass-enclosed balcony or rooftop, looking out at a dense urban skyline with several tall skyscrapers. The scene is bathed in the warm, golden light of a low sun, creating a strong lens flare effect. Overlaid on the image are several abstract, futuristic graphics: a network of white lines connecting small spheres in the upper right, and a similar network in the lower right. In the bottom left corner, there is a faint, stylized representation of a city grid or data map.

# ANNUAL REPORT 2016

Capitalbank  
كابيتال بنك





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





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



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**2015**

**Chairman of the Board of Directors**  
**Mr. Bassem Khalil Al-Salem**

**Vice Chairman of the Board of Directors**  
**Mr. Mazen Samih Taleb Darwazeh**

**2016**

**Chairman of the Board of Directors**  
**Mr. Bassem Khalil Al-Salem**

**Vice Chairman of the Board of Directors**  
**Mr. Mazen Samih Taleb Darwazeh**

**Directors**

**Mr. Kim Fuad Abu Jaber**

**Investment & Integrated Industries Company,**  
**represented by**  
**Mr. Omar Mohamed Shahrour**

**Social Security Corporation, represented by**  
**Mr. Issam Abdallah Al-Khatib**

**Al-Khalil Investments, represented by**  
**Mr. Khalil Hatem Al-Salem**

**Al-Jadara Company for Real Estate Investment,**  
**represented by**  
**Mr. Sultan Mohammed M. El-Seif**

**Hotaf Investment Company, represented by**  
**Mr. "Mohammed Ali" Khaldoun Al-Husry**

**Mr. Mazen Ahmed. Al- Jubeir**

**Mr. "Mohammed Said" Mohammed Shahin**

**Mr. Omar Akram Omran Bitar**

**Mrs. Reem Haitham Jamil Goussous**

**Mr. Jawad Abdel Reda Al-Kasab**

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**Mrs. Reem Haitham Jamil Goussous**

**Mr. Jawad Abdel Reda Al-Kasab**  
**Until 21/12/2016**

**Mr. Ahmad Hanandeh**



## Our Vision

To be a leading financial institution and the partner of choice for corporate and retail clients seeking innovative and holistic solutions in the Jordanian and Iraqi markets.

## Our Mission

- To create value for our Shareholders by providing consistent and profitable growth across the group.
- To serve our corporate and retail clients by capitalizing on our unique platform in the region and expanding the scope of our commercial, investment, and retail banking services.
- To become the employer of choice by providing a positive and challenging work environment with clear career development.
- To support the communities where we operate by promoting economic growth as well as providing direct support to educational and community development.





# Message from the Chairman

## Financing Renewable Energy Projects

Pioneers in designing exclusive banking solutions that serve the alternative and renewable energy sector, supporting its vital role in accelerating economic growth and environmental preservation.

**Ladies and Gentlemen, the Shareholders of Capital Bank**

I am pleased to extend you a warm welcome at the Capital Bank's General Assembly meeting, and submit to you in my name and on behalf of my colleagues on the board of directors, Capital Bank's annual report, the results of its work and the consolidated financial statements for the fiscal year ending as of December 31, 2016, as well as the future plans the bank is looking forward to implementing.

**Ladies and Gentlemen,**

Two thousand and sixteen came as a culmination of five difficult years during which the Jordanian economy was subjected to numerous setbacks. Starting with the oil crisis that hit Gulf countries, which impacted the Jordanian economy in areas such as direct investment opportunities, Jordanian expatriate transfers and income from tourism, continuing to the closure of Jordan's northern border that hindered the flow of Jordanian goods to foreign markets, coupled with the retreat of Iraq's position as a premium destination for Jordanian exports in 2012 and 2013 to hit a low level in 2016, and finally ending with the state of uncertainty that continues to veil the region. These setbacks have hindered the expansion of the private sector, which continues to live a state of anticipation pending any signs of a possible breakthrough in the region.

The signs of this much-awaited breakthrough began materializing gradually with the onset of 2017, with Iraq as the source, as the Iraqi authorities are currently working to rehabilitate the Treibil border crossing, opening it to Jordanian goods, and exempting them from customs duties that had been levied earlier, amounting to 30%.

Another initiative that calls for optimism is Iraq's completion of technical studies for its oil pipeline, which will connect the two countries and is expected to kick off this year. It is also worth noting the numerous Saudi Arabian investments announced on the sidelines of the Saudi-Jordanian summit that preceded the 2017 Arab League Summit.

**Ladies and Gentlemen,**

Capital Bank Group has succeeded, in spite of numerous challenges, to achieve positive operational results in 2016, with profits before taxes and provisions against investment risks in Iraq amounting to approximately JD 40 million, compared to JD 23 million in 2015. The National Bank of Iraq, 62% of which is owned by Capital Bank, achieved unprecedented financial results that culminated in a net profit after taxes of JD 9.5 million, which is the highest since the bank's establishment. The group's net profit after taxes amounted to JD 16 million in 2016, compared to JD 1 million in 2015.

This improvement was propelled by a tangible growth in the bank's main activities, with the net growth in interest and commissions growing by 12% to reach JD 81.8 million, compared to JD 72.9 million in 2015. This reflected positively on the total income, which grew by 24.6% during the year to reach JD 94.2 million, compared to JD 75.5 million in 2015. The net credit facilities also increased by about JD 60 million, reaching JD 970 million, an increase of 6.6%, supported by a solid base of customer deposits amounting to JD 1.225 billion at the end of the year.

Due to the prevailing economic conditions in Iraq and in line with the bank's risk-hedging policies, which aim to strengthen our financial position, the group's management team has decided to continue its precautionary approach to confront these conditions by allocating additional allowances in 2016, amounting to JD 13 million, bringing the total allocations during 2015 and 2016 to JD 25 million.

**Ladies and Gentlemen,**

As a reinforcement to the bank's advanced level of services presented to its customers, Capital Bank will continue to implement its strategy to launch new products in the local market, designed to attract a larger number of big corporates. It will also work to deliver an integrated package of competitive and innovative banking and investment services for its customers by launching specialized banking programs that cater to their needs, while continuing to provide outstanding services to SMEs through developing exclusive and targeted programs.

**Ladies and Gentlemen,**

The group's regional expansion through Capital Bank and Capital Investments in Jordan, National Bank of Iraq and Capital Bank Corporate Advisory at the Dubai International Financial Center has reinforced our work by delivering an integrated group of banking solutions and financial services locally and regionally. This will have a tangible effect on the development of the group's work and services regionally.

Allow me to extend my sincerest gratitude and appreciation to the Central Bank of Jordan, which has played a fundamental role in enhancing growth, reinforcing confidence in the Jordanian economy and preserving monetary stability through its continued support of the banking sector.

I would also like to thank the bank's shareholders for their continued support and confidence, and my colleagues on the board of directors for their effective and tireless contribution and insight in identifying the bank's strategic goals and continuous supervision of the bank's performance.

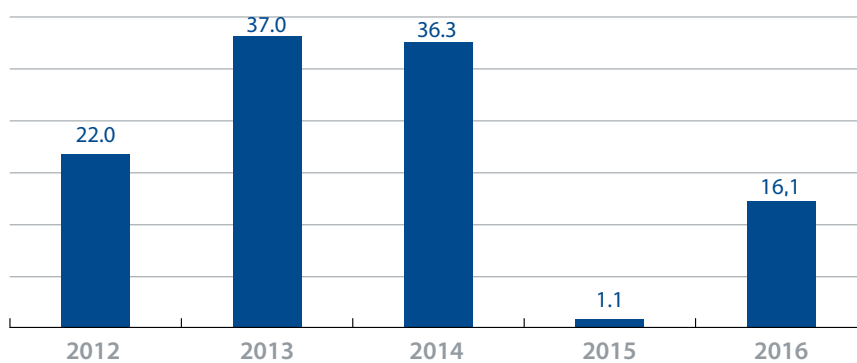
I would also like to take this opportunity to acknowledge the executive management team and all the bank's employees for their continuous efforts and dedication in performing their duties and responsibilities.

May the peace, blessings and mercy of God be upon you all.

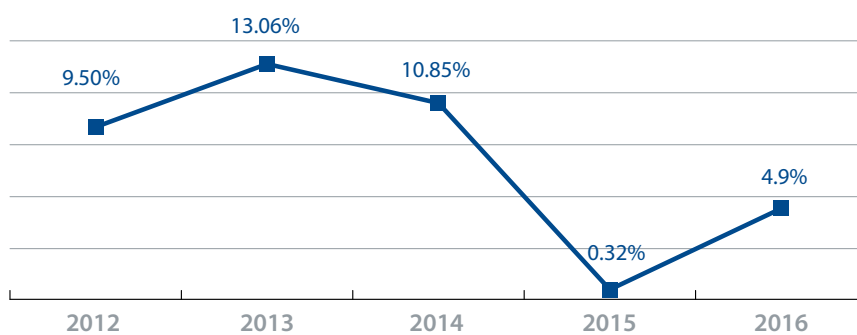
**Bassem Khalil Al-Salem**

Chairman of the Board of Directors

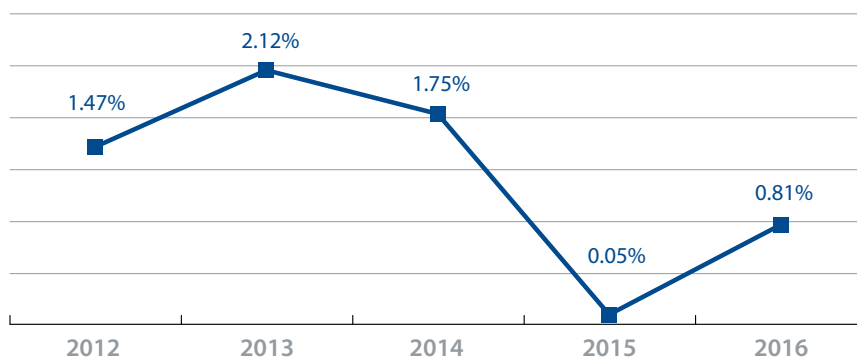
### Net Profit (Million JOD)



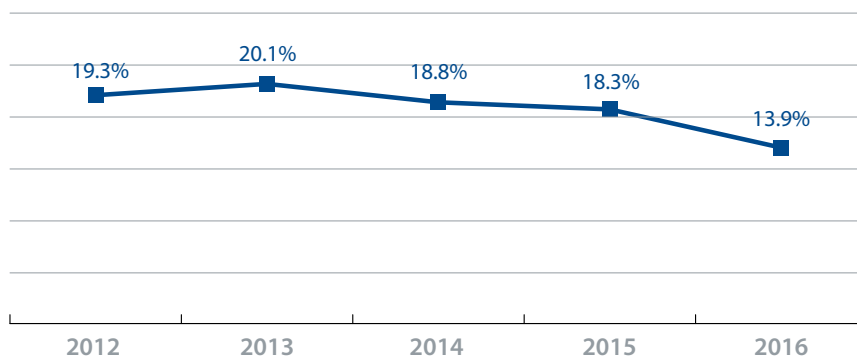
### Return on Average Total Shareholder's Equity



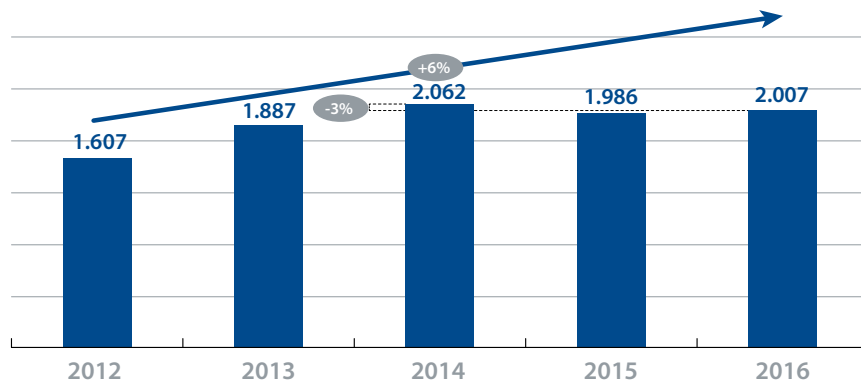
### Return on Average Assets



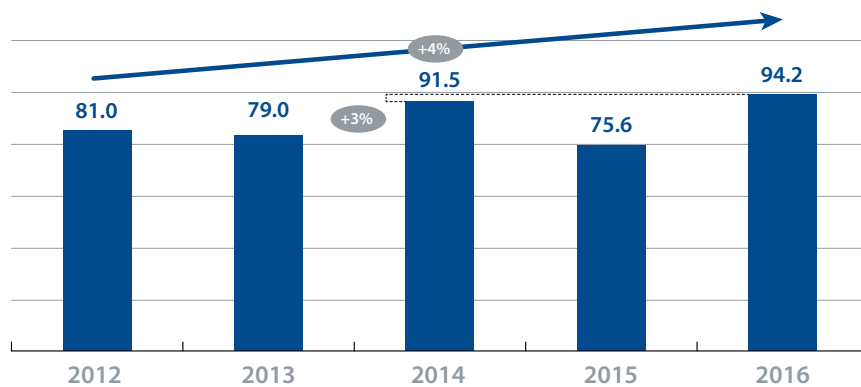
### Capital Adequacy



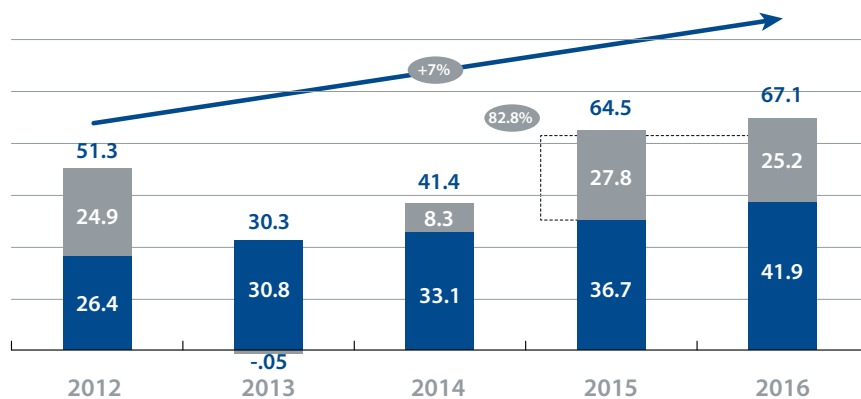
### Total Assets (Million JOD)



### Gross Income (Million JOD)

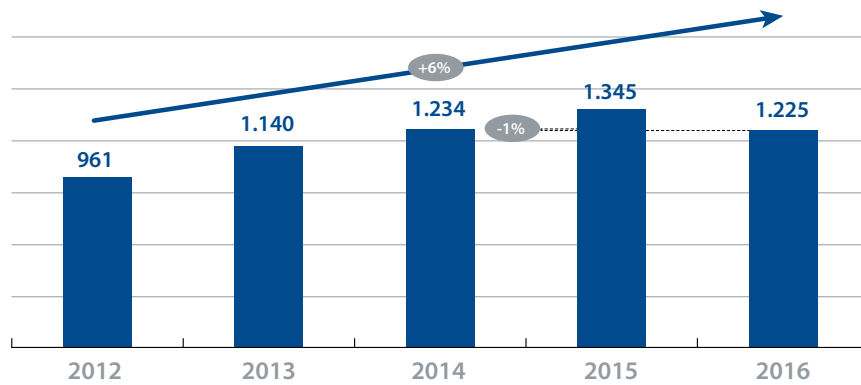


### Expenditures (Million JOD)

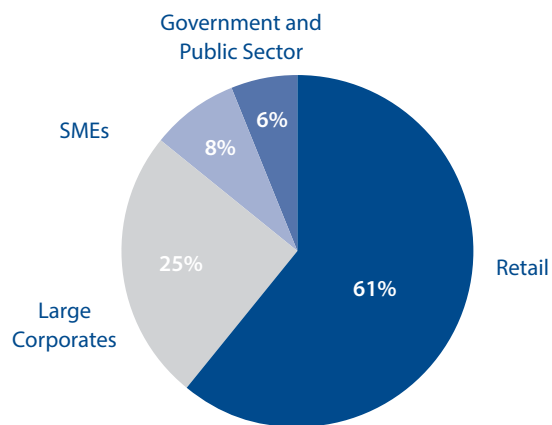


■ Employees and Other Operating Expenses ■ Provisions and Other Non-Operating Expenses

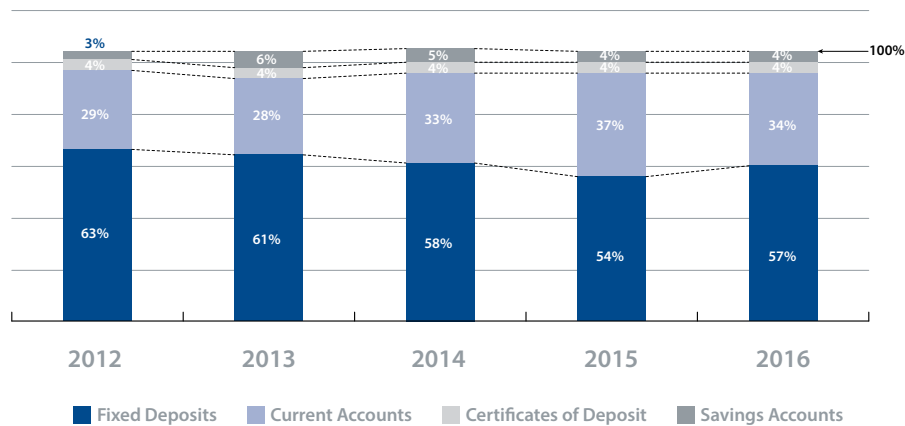
## Total Deposits of Clients (Million JOD)



## Deposits of Clients as Per Sector (2016)

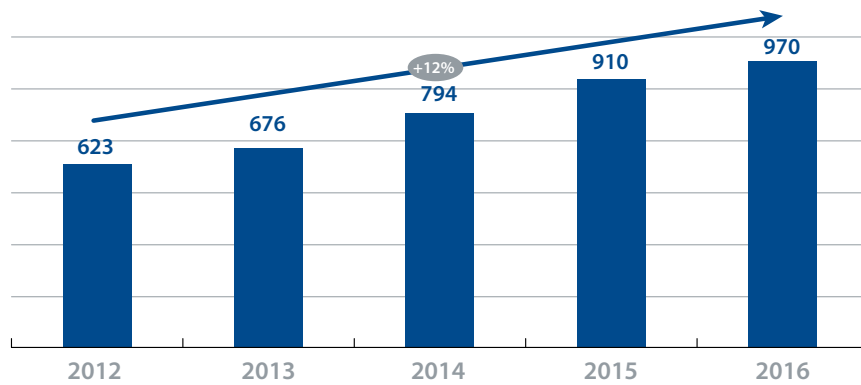


## Clients' Deposits According to Type (Million JOD)

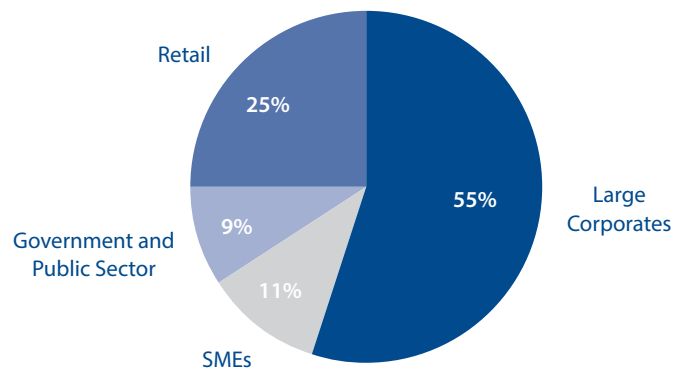




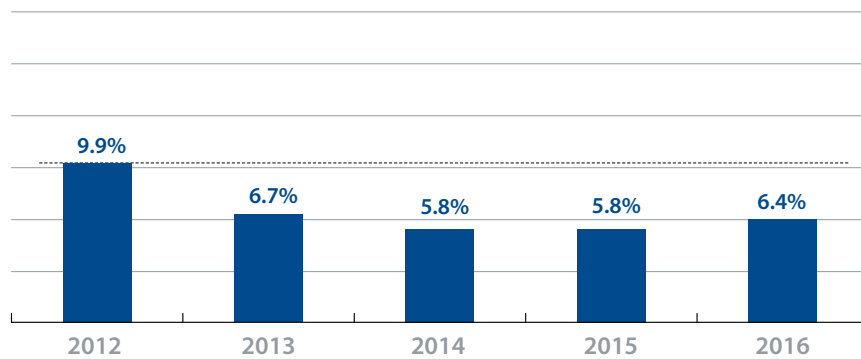
### Net Credit Facilities (Million JOD)



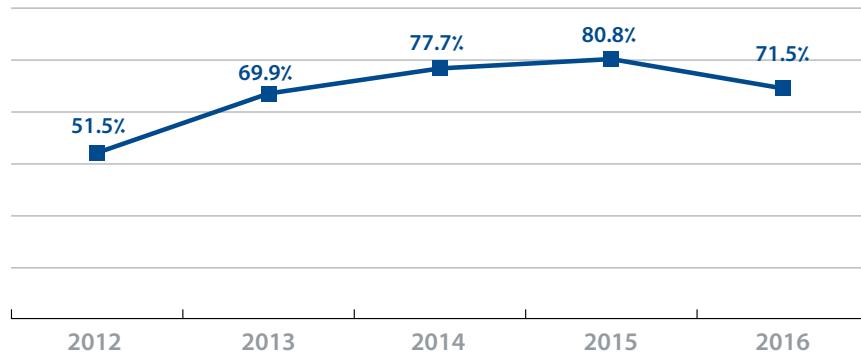
### Net Credit Facilities (2016)



### Net Non-Performing Loans Ratio



### Ratio of Coverage of Non-Performing Loans (After Deducting Suspended Interest)







# **Board of Directors' Report**

## **Large Corporates**

Comprehensive and premium services offered to large corporates – our partners in success, based on exceptional human expertise.

**In the name of God, the Most Gracious, the Most Merciful****Ladies and Gentlemen, the Shareholders,**

The Board of Directors of Capital Bank is pleased to present you its annual report in respect to the financial statements and the recognized accomplishments as well as the activities, services and innovative products provided by the bank throughout 2016, during which it accomplished its strategic objectives. The Bank earned the confidence of both local and regional financial and banking institutions, and was recognized through numerous awards as the best bank in providing outstanding services, allowing us to attain a prestigious and distinguished position on which we pride ourselves within the banking sector. To enhance our position, we were not only keen to continue with actualizing the objectives in place, but surpassing them.

**Ladies and Gentlemen,**

In an effort to stay up to date with the latest technological solutions, Capital Bank has developed a number of services within its electronic channels, with the goal of saving time and effort when conducting banking transactions. We increased the number of our ATM machines from 31 to become 50 machines, and development is underway to equip these machines with a bundle of special and exclusive services like instant cash deposit, check deposit and cash withdrawal in US dollars in some of the ATM machines; in addition to bill payment through eFAWATEERcom service and credit card outstanding payments either through transfer from account or cash deposit. Moreover, Capital Mobile service was launched to enable our clients to perform numerous banking transactions in a secure and easy manner through using their mobile phones.

**Ladies and Gentlemen,**

In accordance with the bank's strategic directions to best serve our clients' programs and products' needs, the bank launched a bundle of services and products such as a campaign for personal loans that targets a specific segment of our clients and which serves to increase profit of the retail sector. The bank also launched a special promotion to its credit card holders, a 15% cashback on the client's bills at all local restaurants. The bank will continue to launch various products that serve our clients and position Capital Bank as their preferred bank of choice.

The bank will continue to implement its plan to activate new financing products in the local market, with preferential rates, to finance key sectors in the national economy. The bank will also work on attracting various companies that operate in stable economic sectors; in addition to continuing to giving SMEs the proper attention that they deserve, as they are considered to be the prime initiator for economic growth and the considerable role they play in availing employment opportunities.

Regarding corporate social responsibility, the bank will work on reinforcing its role in support of the local community through its active participation in local community development. The bank will continue to give financial and moral support for social initiatives in areas covering education, humane, social and entrepreneurship; in addition to other initiatives that contribute to socio-economic sustainability.

**Corporate Department**

The Bank continued providing a wide spectrum of financing and commercial services and banking products to large corporations in various sectors through an integrated team that boasts the finest banking experience. The corporate team partners with clients to meet and support their needs as well as to reach the department's primary objective, which is increasing the Bank's share in the market while adopting a cautious credit policy by relying on advanced banking tools. This year, the department carried out the following activities:

- Attracted various large corporates and offered them banking facilities backed by sound collateral.
- Continued to work with a number of specialized programs in cooperation with international institutions such as the Saudi Fund for Development for Exports Promotion, the Arab Trade Financing Program (ATFP) with the Arab Monetary Fund (AMF) and the Corporate Finance Program under the auspices of the US Overseas Private Investment Corporation (OPIC).

- Activated financing products for sectors such as renewable energy, tourism, industry, agriculture, and information technology at reduced interest rates and supported by the Central Bank of Jordan.
- Applied intensive control of the credit portfolio's quality and addressed all accounts not meeting their obligations due to economic conditions.

### SME Department

As Capital Bank believes in the significance of the SMEs sector in driving the national economy forward, providing new job opportunities and realizing economic development in various sectors, the bank continued focusing on this sector by providing integrated packages of programs and products that are consistent with the sector's requirements. This had a significant impact in recognizing accomplishments set by the SME Department, which reinforces the success of the strategy adopted by the Bank in serving this sector. The most prominent accomplishments include:

- Specialized finance programs were created to support the sector under a clear and simple mechanism to be marketed through specialized centers at some of the Bank's branches throughout the Kingdom. These programs are characterized by the capability of applicants to obtain preliminary approval for their project within 72 hours from the date of the application. Such programs include: financing of working capital, procurement and sales, financing of procurement against check deposits, fixed asset financing, government and private payment certificates financing, and housing project financing.
- The department also developed products for emerging projects (start-ups), with facilities extended based on feasibility. An agreement has also been signed with the Jordan Loan Guarantee Corporation (JLGC) to provide guarantees for such projects at 85%.
- The department continuously utilized the support provided by the Central Bank to certain sectors through credit extended to important and vital sectors in the Kingdom such as industry, agriculture, renewable energy, tourism, and information technology.
- In order to contribute towards the development of these vital sectors, the Bank signed a number of agreements with local and international institutions including the Jordan Loan Guarantee Corporation (JLGC) and the Overseas Private Investment Corporation (OPIC) to provide guarantee ratios between 70% to 85% of the extended loan's amount. Another agreement was signed with the French Development Agency (AFD) to provide collateralized and long-term loans to finance environment-friendly projects with settlement periods of up to 10 years. A new agreement with the European Bank for Reconstruction and Development (EBRD) was inked, that will extend a loan to Capital Bank for an amount of \$10 million to be re-extended to SMEs at preferential rates, in addition to JD 1 million to provide technical support to develop their businesses. Additionally, Capital Bank has signed a new agreement, the second of its type, with the International Bank for Reconstruction and Development (IBRD) for an amount of JD 3.5 million. Furthermore, the Bank maintained its cooperation agreement with the Business Development Centre to support entrepreneurs and small enterprises.
- During the past year, the Bank has launched unique SME Bundles, offering comprehensive financial solutions through the Bank, and non-financial advisory solutions provided through agreements signed with seven selective corporations in different fields (Telecommunication and Information Technology Solutions, Financial Advisory, Legal Consultation, Human Resources Solutions, Business Process Management and IT Consultation, Marketing Solutions, and Commercial Services). The bundles were introduced within 3 categories: Plus, Gold, and Platinum, presenting financial and non-financial advantages, and banking services at preferential prices, to enable SMEs access to finance, support their business growth, and to further empower them to play their vital role serving the national economy.
- Overall, the SME Department's direct facilities portfolio reached approximately 49% growth, which is one of the highest growth rates in its segment at the local market level.
- The department modified the credit policy of SMEs in order for it to be consistent with the Central Bank's instructions and its definition for the sector, granting them a broader scope to extend facilities to sectors that contribute to enhancing GDP growth as well as combat poverty and unemployment.

### **Branches and Direct Sales Department**

The Branches and Direct Sales Department aims to provide outstanding services to customers by developing the skills of the department's employees in order for them to provide comprehensive banking solutions to all of Capital Bank's customers.

The department achieved all the targets and numbers set forth in 2016, and saw retail deposits and facilities portfolios of its various products growing through its focus on sales and after-sales services, as well as by launching innovative services and products in the credit card segment.

To implement the VIP customer and exceptional service strategies, branches were modernized and staff members were trained with a focus on customer and sales services.

To put into effect the instructions of the Central Bank of Jordan, and as the Branches and Direct Sales Department is eager to maintain open lines of communication with its clients, several projects to develop e-services were launched, including customer data updates that will enable the bank to deliver banking services more easily. In addition, electronic banking services were further improved and developed.

### **Retail Credit Facilities Department**

The Bank continued to realize its objectives to provide secure banking products that are consistent with the customer needs by developing and launching retail programs to maintain its existing clients and expand its customer base. This policy enhanced the Bank's competitive edge and increased its market share.

### **Product Development Department**

In line with the Bank's strategic direction, the Product Development Department has successfully launched a host of services and products to upgrade the level of services provided to clients and best meet their banking needs. On the retail level, the department launched a campaign for personal loans that aims to serve the bank's target segments as well as enhance its profitability as per our strategic direction. Moreover, the department, in cooperation with other divisions at the Bank, launched exclusive benefits for Capital Bank credit card holders that allow them to enjoy 10% Cashback of the value of purchases at a number of supermarkets and department stores as well as 15% Cashback at local restaurants. Furthermore, the team improved "Certificates of Deposit" and "Time Deposit" products by incentivizing the acquisition of pre-approved credit cards for the holders of such accounts.

As for the SMEs, the Product Development Department used all necessary means to launch a set of packages that provide comprehensive solutions for the sector's financial activities, and partnered with a large number of specialized entrepreneurs to provide consultancy services to the Bank's SME customers.

During 2016, the Product Development Department focused on growing the Bank's retail customer base by developing corporate approval mechanisms to grant credit facilities to approved corporate employees and promoting all relevant banking services. The department also offered various training courses for bank employees, focusing on branches, call center, and direct sales employees to fully acquaint them with the various benefits of the bank's products in order to better market them.

The department continued developing and launching banking products, services, and features that aim to reinforce the fact that Capital Bank is the best choice and ideal partner in providing banking solutions.

Going forward, the Product Development Department is looking to launch new and unique sets of banking services that are consistent with the Bank's strategic direction.



### Electronic Channels Department

Capital Bank was steadfast in its strategy remaining up to date with the most recent technological developments; developing an integrated package of services within its electronic channels. This has added flexibility and saved time and effort when conducting banking operations. The department also launched a variety of services over the past year, including:

- The renovation and expansion of Capital Bank's ATMs, which was commenced at the beginning of 2016, in order to provide our clients with better services, including real-time cash deposits, check deposits, US Dollar cash withdrawal services a number of ATMs, bill payment via eFAWATEERcom, Visa credit card balances settlement either via transfer from the account or through a cash deposit, and PIN change for Visa credit cards. As a result, Capital Bank ATMs network has grown to 50, as opposed to 31 in the previous year. The ATMs are distributed in the branches and in vital areas throughout the Kingdom with state-of-the-art ATM control systems have been installed to ensure the continuity of the ATMs operations.
- Capital Mobile Service was launched so that clients conduct banking operations easily and safely; allowing them to enquire about balances, undertake internal and external transfers, settle Visa credit cards balance, request checkbooks, pay bills and numerous other services. The service gives easy access to accounts anywhere at any time. As a result, Capital Bank has witnessed a growth in the use of e-services by retail subscribers and corporate subscribers as they rose by 87% and 43.8% respectively.

### Treasury and Investment Department

The unrelenting regional tensions and conditions, as well as the global financial crisis, continued to impact the business environment, investment climate and commercial financing during 2016, which adversely affected the Kingdom's economic growth and the banking sector.

Despite the historically low interest rates on the Jordanian Dinar and foreign currencies, the Bank was able to maintain an acceptable interest margin by employing prudent management of funds through the financing of SMEs and the expansion of investments in fixed income instruments. Furthermore, the Bank managed money costs effectively, diversified its sources of money and utilized money market tools efficiently.

With Donald Trump's win in the US presidential elections, international markets witnessed remarkable changes due to their anticipation of the increase in the inflation levels. This was due to the financial policies announced by the president-elect, which were expected to result in the steady raising of the US dollar interest rate by the Federal Reserve, which will generally reflect on the JD interest rate as it is pegged to the US Dollar. The Bank's asset and liability management process has been prepared for the coming phase, which may witness radical changes according to financial sources.

#### Following are some of the department's most important activities for 2016:

- Investment in Jordanian treasury bills, bonds and securities guaranteed by the government.
- Investment in debt instruments issued by Jordanian or regional companies that have high financial and credit solvency.
- Investment in local, regional and international companies that enjoy high growth opportunities and good investment returns.
- Investment in funds that have an excellent performance history within the framework of acceptable risk levels.
- Investment in structured securities as per the requirements of the Bank.
- Management of foreign currency and Dinar positions in a manner that will achieve the best possible returns within the prescribed ratios and in a manner consistent with the instructions of the Central Bank of Jordan.

The Treasury and Investment Department continued to provide outstanding services for its clients in the spot and forward foreign currency markets, in addition to its usual services, which include:

- The issuance of certificates of deposit in Jordanian Dinars as well as major currencies for various terms at competitive prices.
- The provision of competitive rates of exchange for spot and forward foreign currencies against the Jordanian Dinar and the US dollar, for various terms to all client segments, including retail, corporates and money exchange companies.

- Dealing with money market and capital market instruments in favor of the clients, including treasury bonds and bills, commercial papers and various debt instruments.
- Cash and margin dealing in the spot and forward foreign currencies markets.
- Performing foreign currency and interest rate swap transactions.
- Offering advice and guidance to the bank's retail and corporate clients in order to hedge against the fluctuations of interest and exchange rates, as well as propose suitable hedging techniques by using traditional market tools or derivatives.
- Offering subscription services in the primary issues of government securities or those guaranteed by the government for retail and corporates, while simultaneously providing trustee services for them at competitive prices.

The Treasury and Investment Department continued expanding its business base in Iraq via the NBI and providing its staff with the necessary expertise to develop its market share while maximizing profits.

The money exchange unit, which is connected to the Treasury and Investment Department, continued its concerted activities provided to the money exchange businesses in terms of selling and buying currencies and accepting deposits and withdrawals. This is directly in line with the Bank's expansion strategy and its plan to provide services to all sectors in line with the policies of the Central Bank. Its objectives are based on the following:

- Provision of the adequate liquidity and growing the bank's cash reserves.
- Provision of foreign currencies in the local market.
- Increasing outgoing and incoming transfers.
- Facilitating the work of money exchange companies by centralizing services, which would reflect positively on the bank's profits.
- Following up on the sources of funds of money exchange companies in cooperation with the Department of Compliance in order to combat money laundering.
- Selling and buying foreign currencies, deposits and withdrawals in coordination with the Treasury and the Compliance Department.

The Treasury and Investment Department seeks to, as part of its future strategy, continue providing the most outstanding services to its clients and diversifying its income sources from commissions through the creation of a Financial Markets Sales Unit towards the end of 2016. The unit is tasked with marketing financial derivatives in favor of large corporate and SMEs customers and providing the appropriate solutions to hedge against exchange rate risks, interest rates and commodities prices. Currently, fund transfer pricing to the bank is being considered in order to manage the cost of funds and return on fund sources with better efficiency. In addition, the Bank's investments have been expanded in various areas, instruments and investment opportunities to benefit from suitable market conditions in order to maximize returns within an acceptable risk level and within the determinants of the investment policy and the instructions of the Central Bank of Jordan in that regard.

The department is also seeking to provide the NBI with its expertise as well as staff training to help it develop and build a solid base in order for it to proceed with banking activities in Iraq and avail itself of investment opportunities in the Iraqi market.

### **Financial Institutions Department**

The Financial Institutions Department played a prominent role in 2016, by opening new channels of communication with various renowned banks and financial institutions, creating networking opportunities that will allow it to expand the scope of its operations as well as enhance and consolidate existing banking relationships professionally and transparently. This has enhanced the Bank's ability to perform its activities, whether in foreign trade, treasury operations, or credit facilities, lending it more flexibility in covering global markets.

Notwithstanding the political challenges that still face Iraq, Capital Bank's management has effectively contributed to fulfilling the foreign trade operations of the NBI and has proven its ability to meet the requirements of the NBI with high efficiency.



The Bank signed numerous agreements with international institutions, including one with the European Bank for Reconstruction and Development that grants the Capital Bank a credit limit of USD 10 million to enhance commercial operations as well as a financing loan of USD 10 million to support the SMEs sector. Additionally, the Bank has strategic partnerships and existing agreements with many international institutions, such as the International Finance Corporation (IFC), which gives Capital Bank a credit limit to enhance commercial operations for an amount of \$15 million.

### **Information Systems Department**

In accordance with our strategy that aims to provide state-of-the-art banking technology, Capital Bank continues to develop and improve its infrastructure and operational environment to ensure that we achieve the highest levels of efficiency required to support business growth. In 2016, several significant projects were implemented and completed to enhance and expand our technological capabilities and improve the working environment and at the same time considering the control, risk management and information security requirements.

The main objective was to support the bank's vision to be at the forefront of the industry, operating in accordance with the modern technological systems. Project executed were part of the bank's plan to enhance performance and meet its local and regional objectives.

Also completed were projects related to the development of the settlements system, automatic clearing system and connecting with the credit bureau.

Furthermore, the data warehouse and other information security projects were also completed.

### **Policies and Procedures Department**

During 2016, the Bank continued to review and update a number of policies and procedures manuals in order to improve the efficiency of the various banking operations, and to reinforce monitoring and controlling credit, operating activities and systems in accordance with international standards and best practices in the banking industry; to ensure a focus on the quality of services within banking laws and regulations.

On the other hand, the Policies and Procedures department updated its website, as well as participated in several projects aimed to improve the service provided to the Bank's customers and ensure that transactions are completed in the form and timely manner.

### **Credit Review Department**

The Credit Review Department is responsible for evaluating credit cases, conducting financial, and credit analysis of Jordan customers, and providing appropriate recommendations regardless of their personal relationships with customers, evaluating customers objectively and solely based on their financial and non-financial data and supporting documents. This is in addition to the advisory role the Department plays in strengthening the concept of credit. The department's team enjoys a long experience in this field, and its members are essential to the facilities committees.

The department also performs due diligence on companies requesting personal loans for their employees and approves or denies the request of such companies accordingly.

### **Credit Control Department**

The Credit Control Department is one whose responsibility lies in verifying that all documents and conditions provided for under the decisions of the credit committees and collateral documentation, if any, are completed, and ascertaining compliance with the Bank's credit policy and the instructions of the Central Bank of Jordan prior to implementation. It exercises a monitoring role over credit in terms of deviations or disclosure at the Jordan Capital Investment and Brokerage Company, in addition to monitoring the Bank's daily operations to ensure the soundness of the credit portfolio, and to report immediately any violations in order for measures to be taken to safeguard the Bank's rights.

The department prepares reports on accounts that must be classified as non-performing loans or loans on the watch list. It makes the necessary provisions for these loans and calculates the general banking risk reserve in accordance with Central Bank of Jordan regulations in this regard. The department also prepares several other internal control reports for the bank as well as for the Central Bank and any other parties as necessary.

## Compliance Department

During 2016, the Compliance Department maintained the performance of its functions to ensure that the Bank and its subsidiaries have complied with the regulations, laws, instructions, and sound banking practices issued by the local and international control entities, and also provided the necessary support to management, who rely on the highest professional standards of the banking industry in a manner that protects the Bank from the risks of non-compliance. Management oversees compliance using control requirements and through the "know your customer" principle, in addition to combating money laundering operations, terrorism financing and addressing complaints.

Based on the Bank's and its subsidiaries' insistence complying with the instructions of control entities, best practices and international standards, in 2016 the management team implemented assigned tasks and conducting the routine tests and field visits in order to ascertain the extent of compliance with the international directives, including:

- Continuity in updating the automatic system of the Anti-Money Laundering and Terrorism Financing (AML Profiling) to obtain accurate reports that help detect operations that are suspected of being connected to money laundering and terrorism financing, as well as setting up necessary scenarios as per the instructions of control entities, best practices and international standards.
- Signed a contract with an international company with specialized expertise in the field of anti-money laundering and terrorism financing from the US Treasury Department to assess procedures in the field of compliance, combating money laundering and terrorism financing when dealing with and identifying high-risk accounts. The results of the report submitted by them demonstrated the quality and high standard of the Bank's procedures.
- Began updating the electronic link with the combating money laundering and terrorism financing (Go AML) unit in cooperation with the Information Technology Department.
- Added international search engine Lexis Nexis to those used by the Bank to monitor any negative news, information or legal cases.
- Participated in updating the Bank's policies and procedures to ensure they are consistent with the governance and management of information and technology instructions.
- Drew up the risk-based approach system for combating money laundering and terrorism financing as per the requirements of the Central Bank of Jordan.
- Reviewed the reports issued by an external auditor to examine the environment of combating money laundering and terrorism financing; the results of the test were positive and consistent with best practices and international standards.
- Work is still being undertaken to implement Phase I of the Foreign Account Tax Compliance Act (FATCA) for all pre-existing customer accounts (who maintain accounts with the Bank before 1/7/2014) in preparation for the implementation of Phase III, which requires the presentation of the required report in the 1st quarter of 2017. Work is in progress to approve a special policy for the Foreign Account Tax Compliance Act (FATCA). The department also provides the necessary ongoing routine training about the act for all concerned employees. The Bank signed a contract with an international auditing and consultancy firm to conduct a health check that assessed compliance with the law; the results of the report submitted demonstrated the quality and the high level of the implemented procedures.
- The Customer Complaint Addressing Department has contributed to reviewing, modifying, and creating work procedures that have had positive effects on enhancing customer services by focusing on customer needs and feedback. The department implements international standards to address the customer complaints by classifying them by risk level and response time. During 2016, the department directed the NBI to create a banking awareness and public protection department in line with the instructions of control entities in Iraq.
- Continued to offer training courses to the Bank's employees in the fields of combating money laundering, terrorism financing, and the Foreign Account Tax Compliance Act (FATCA). This occurred with continuous coordination with the Human Resources Department in order to remain abreast of all the latest developments at the local and international levels.

## Human Resources Department

In line with Capital Banks commitment to providing a healthy work environment that attracts and retains highly competent and qualified employees. The HR department has continued to invest in its human capital by building on employee's strengths and providing them with continuous training and development opportunities for their

professional growth stemming from the belief that employees are the key contributors and cornerstone for achieving the Bank's strategic goals based on excellence, efficiency, and enhancing the Bank's competitive advantage locally and regionally.

In light of the Bank's direction to recruiting talent and in order to maintain and retain a highly professional workforce, the HR department has launched and achieved the following:

1. Building a pay for performance culture by launching a Performance Management System based on Key Performance Indicators defined for all functions across the organizational hierarchy.
2. Developed core, leadership, and excellence competencies; Competencies were defined along with a competency dictionary that provides behavioral indicators and guidelines to document evidence.
3. Develop and modernize policies and procedures particular to management of human resources in order to meet the goals of the Bank and in compliance with Central Bank regulations.
4. Several functional training and development programs have been held, most important of which include:
  - HR has launched a comprehensive development training program "LEAD" to all branch employees. The program covers different modules both technical knowledge and soft skill courses. The program aims to develop employees technical knowledge and personal skills to reach customer experience excellence & a culture of enrichment.
  - Capital Bank has partnered with Frankfurt School of Finance and Management to provide the needed set of technical skills and soft skills trainings and personal development techniques for Capital Bank's employees in accordance with their personalized career development path.
5. HR department launched a New Loan Policy which benefits all Capital's employees with a suite of competitive benefits regardless of the role and career band.
6. Ongoing proactive initiatives aiming to attract talents, by offering internship programs to university graduates, and recruitment opportunities whereby the Bank participated in many job fairs organized by recruitment companies. Also, the HR department has developed an internal recruitment process providing employees the priority to apply to internal vacancies supporting career advancement and progression.

### Marketing and Corporate Communication Department

The Marketing and Corporate Communication Department provides support to all Business sectors by creating marketing strategies and managing advertising campaigns. It constantly seeks to develop methodologies to build a marketing strategy that effectively promotes products and services to reach targeted segments of the population in the most successful methods. The department oversees the development of the Corporate identity process and designs and manages marketing campaigns for the bank's various products. Moreover, the department is also responsible for conducting internal and external communications and for finalizing marketing activities including:

- Enhancing institutional performance by keeping employees aware of administrative and program issues and procedures.
- Maintaining open communication channels with the community in the form of marketing campaigns.
- Developing a distinct media identity and managing media relationships.
- Preparing and publishing news and press reports.
- Organizing interviews and press conferences with officials and decision makers.
- Responding to questions and enquiries from the press and media.

### CSR

#### Contribution of the Bank to Serving the Local Community:

Capital Bank has bolstered its role in serving the local community and contributing to developing it, through providing material and moral support to the societal initiatives in the educational, humanitarian, social and other fields. Within the framework of its interaction and interest in supporting the public orientation aiming to achieve sustainable development at the human and social levels, Capital Bank has in 2015 supported numerous initiatives, projects and societal programs that targeted various sectors including:

**A. Protection of the Environment:**

Contribute to the initiative of trees planting at the national level such through reclamation of treeless lands in the area of ('Eira/Salt) and planting them with suitable trees, such within the program of agricultural reform sponsored by the Ministry of Agriculture.

Support for the Royal Society for the Conservation of Nature (RSCN).

**B. Educational Initiatives:**

Cover the educational expenses of students with special needs through the Young Muslim Women's Association Center for Special Education.

- Support the Jordanian education initiative "My Chance to Excel."
- Support students to complete their university education.
- Installation of shades of brick for Ibn Al-Ameed Secondary School for Boys.
- Sponsor students from among the students of the Royal Academy.
- Fund the educational expenses of vocational training students in cooperation with the Elia Nuqul Foundation (ENF).
- Support the Economic Youth Forum of the Jubilee School.

**C. Humanitarian Initiatives:**

- Support the charitable campaign that was launched on the first day of Ramadan.
- Support the annual fundraising event organized by the King Hussein Cancer Foundation.
- Support non-profit institutions and charitable societies, and offer assistance to quarters specialized in helping orphans and the needy, where the bank sponsors two homes from among the houses of SOS Children's Villages.
- Support the Royal Society for Healthcare that strives to enhance health awareness and enable the local community to follow sound health behavioral patterns.
- Support the institutions and societies of the physically challenged materially and morally, and this is exemplified in the Bank's support of the Al-Hussein Cancer Center and the societies that are concerned with those with special needs.
- Sponsor 25 orphans from among the orphans of the Charitable Society for Supporting Orphans in the city of Mafraq.
- Distribution of food assistance and meals in the holy month of Ramadan to orphans in the Governorate of Mafraq, with the participation of the Bank's employees.
- Present Eid gifts and meals to the SOS children's villages in Ramadan with the participation and contribution of the Bank's employees.
- Distribution of food assistance in Amman in cooperation with Tkiyet Um Ali (TUA), in addition to the participation of the Bank's employees in distributing them.
- Contribute to feeding 1,500 needy persons in Ramadan with the participation of the Bank's employees at the headquarters of the Tkiyet Um Ali (TUA).
- Support the Royal Society for The Conservation of Nature (RSCN).
- Contribute to defraying the financial costs of renting vehicles during the snowstorm in order to open the road inside the campus of the University of Jordan.
- Provide material support for the activities of the Royal Society of Fine Arts (RSFA).
- Provide material support to the Operation Smile Foundation by performing surgeries for children suffering from problems in their lips.
- Provide material support to the General Command of the Armed Forces.
- Provide material support to the Orphans Fund Development Foundation through bearing the registration fees related to a plot of land sold to the Foundation.
- Support the initiative "Jordanian Doctors in Support of Medicine in Palestine."
- Support the Jordanian Bridge Federation.

## Capital Investments

Capital Investments has maintained its leading position among investment companies, both local and regional, by offering the finest services in all investment banking fields. Despite the difficult conditions witnessed by the region in 2016, which have certainly affected the performance of investment companies, Capital Investments was able to achieve positive results at various levels, raising its market share in all its business operations: financial brokerage, corporate financing, and assets management.

### Financial Brokerage in the Local, Regional and International Markets

The Department of Local Brokerage, continued its progress by maintaining its position as one of the three biggest financial brokerage firms operating in the Amman Stock Exchange. The company was able, through this department, to maintain its market share despite the decline in the market's overall trading volume by 26% in 2016, compared to the preceding year. As the company always aims to offer the best and most up-to-date services to its clients, the service of trading through the Internet was introduced in 2016, which will enhance the company's competitive edge in the local market.

The Department of Regional Brokerage still occupies a leading position in terms of size of trading among the brokerage firms active in regional markets, through its reliance on its specialized team, which is dedicated to following up on the latest news, financial and technical analyses and market activity, as well as the position of the companies listed therein in particular.

The Regional Brokerage Department distinguished itself in 2016 by offering margin financing services in regional markets and opening trading in the Iraqi market.

Moreover, international brokerage is considered one of the pioneering services offered through Capital Investments, and targets companies and investors wishing to diversify their investments through direct involvement in the global financial markets. The department offers a wide array of modern investment services, selling and buying global stocks options and exchange traded funds (ETF). The department continued to expand its activities to allow its customers to vary their investments and to directly enter more than 19 financial markets around the world, from North America and Europe to Asia and the Pacific.

The department aims to expand its activities in 2017, looking to offer electronic trading in shares for clients over the Internet, the only service of its kind in Jordan, which is in line with its vision to provide the finest services to its clients.

### Assets Management

The Assets Management Department team looks forward to establishing a long-term partnership with each individual investor and institutions, through establishing and managing portfolios and investment funds especially designed to be consistent with their objectives and their investment determinants. Investment policies are formulated with the aim of achieving the optimal distribution of assets based on a scientific methodology that embodies a combination between basic and technical analysis methods.

The activities of the Assets Management Department are divided into four main sections:

- **Portfolio Management:** Where consideration is given to retail and institutional customers and the optimal distribution of their portfolios in a manner compatible with anticipated returns and an acceptable risk level.
- **Investment Funds:** Management of funds of specific strategies in the various markets of the Middle East and North Africa, in addition to managing the Horizon Fund.
- **Structured Products:** Design and management of various kinds of investment products such as portfolios with guaranteed capital.
- **Consulting Services:** Offer consulting financial services to customers and help them define their objectives and introduce them to how to fulfill their needs, while simultaneously restructuring their current investment portfolios.

The objectives of the department in 2017 include launching new funds that invest in stock markets, fixed-income instruments and instruments that are Islamic Sharia compliant issued in Middle East and North African markets, as well as launching new structure investment tools in order to broaden the base of its products.

**Corporate Finance:**

The company's corporate finance department offers a wide array of investment advisory services, banking on the deep and broad knowledge and expertise of its team members, enabling this department to build an exceptional track record of successful operations with both public and private institutions, and clients.

The department strives to build long-term relations with its clients, coupled with a dedication to fulfill the financial requirements and strategic goals of each client, with a view to achieving the best results that ensure sustainable growth whilst maintaining excellent quality services in all that the department offers. The department's activities include the following:

- **Equity instruments in the capital market:** This includes public and private subscriptions and initial public offerings (IPOs).
- **Debt instruments in the capital market:** This includes issuance of corporate bonds, Commercial Papers, and Islamic financial instruments, as well as management of the loans of banking agglomerations.
- **Financial consultations:** This includes operations related to mergers, acquisitions, structuring operations, assessment of companies, and specialized operations, in addition to consultations relating to the structure of capital and its distribution between debt and ownership rights.

**National Bank of Iraq (NBI)**

Based on the strategic visions of Capital Bank Group and in line with the Central Bank of Iraq directives, the National Bank of Iraq aims to effectively contribute to the development of the Iraqi banking sector by offering the best international banking services, product development and services that serve various segments of the society and providing total financial solutions. This will enable NBI's customers to develop their businesses by meeting their banking needs easily and quickly.

NBI offers an integrated package of banking services to retail and corporate sectors including:

- Customer accounts, including current and savings accounts, and fixed deposits in Iraqi Dinars, US Dollars, or in any other major currencies.
- Savings accounts that enable customers to save their money easily and quickly, and which are subject to valuable prizes.
- Salary transfer service for all private-sector companies, governmental departments and ministries.
- Retail credit facilities of all kinds, including personal loans, personal loans against cash collateral and credit cards.
- Specialized services for major companies, such as commercial services in terms of outgoing and incoming letters of credit and letters of guarantee, in addition to bank transfers and bank credit facilities of all kinds, dealing with foreign currencies, participating in foreign currency auction windows and SME services.
- Financial brokerage services through Wahat Al-Nakheel Company that include the sale and purchase of securities.
- Advanced electronic channels for Visa Electron cards, ATMs, Internet banking services, and specialized telephone service centers to respond and react to client inquiries.

The year's achievements include:

- NBI successfully connected with the national network of the Central Bank of Iraq, making ATM service available at all of its branches in vital locations in Baghdad, Basra and Erbil.
- The implementation of Phase II of Internet banking services that will enable clients to make financial transfers electronically. Moreover, a communication center was launched to serve the customers 24 hours a day, seven days a week.

Looking forward to 2017, NBI will continue with its strategy of enhancing the role of its branches throughout Iraq and to develop its services, with emphasis on electronic services.

NBI will also launch its mobile phone, SMS, and pre-paid card services, as well as financial transfers service through the Western Union Network. During 2017, NBI aims to focus on building a permanent data center in Iraq and launching Phase II of the Disaster Recovery System.

NBI is eager to boost its presence locally and regionally, and with the inauguration of its latest branch, see its local numbers rise to 13 as of the end of 2017. The Bank is also finalizing the opening of its branch in Beirut, which will serve Iraqi citizens and merchants with strong commercial ties to Iraq.



## **Analytical Overview of the Local, Regional, and International Economy**

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The “Analytical Overview of the Local, Regional and International Economy” is considered an original part of Capital Bank’s Annual Report, in which we address the main local, regional, and international developments, and through which we present an analytical reading of the main economic indicators based on last year’s achievements and future forecasts based on data and indicators. A number of analyses of the market performance, indicators and expectations for the current year will be examined; in addition to their economic effects and the developments witnessed in the local banking system, trends in stocks and bonds markets, as well as their effects on the economic growth.

This section also highlights indicators and expectations for international oil prices for the current year, 2017 and their economic impact on producing and importing countries, unemployment rates, developments of the public debt and the status of public finance issues at the local level. Additionally, it will address developments witnessed by the Jordanian banking sector and the performance and trends of the stocks and bonds markets, as well as their effect on economic growth.

This report will also tackle the economic situation in the Iraqi market, due to its importance as an extension of the national economy and a major commercial partner, in addition to Capital Bank’s role as an ideal gateway for businesses in the region in general and the Iraqi market in particular through its affiliated companies in the region. We hope that the facts we present here will be of benefit and high added value to you.

Chairman of the Board of Directors  
Bassem Khalil Al-Salem

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## The Jordanian Economy: A General Overview

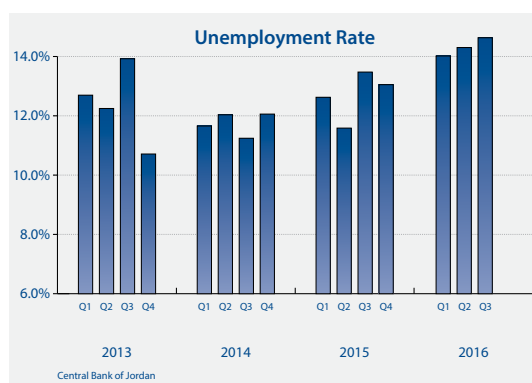
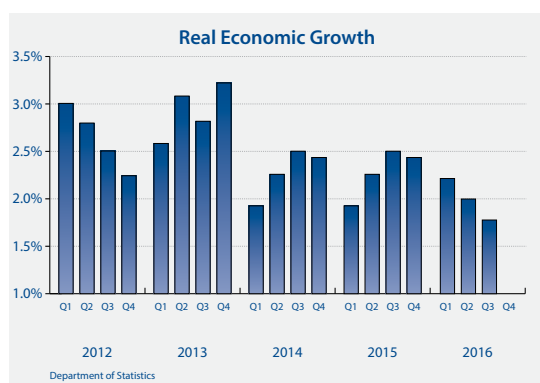
The year 2016 was the culmination of five challenging years during which the economy suffered from a number of difficulties, starting with the discontinuation of Egyptian gas supplies and the resulting increase in the energy bill, followed by the Arab Spring that engulfed the economy with a state of uncertainty and caused a recession in foreign direct investments, and ending in border closures and the oil crisis that ravaged Gulf countries throughout 2016.

### Economic Slowdown: The Most Prominent Issue

Perhaps the most significant and prominent issue that overshadowed the Jordanian economy's performance in 2016 was the economic slowdown. Economic growth levels declined to less than 2%, reaching 1.8% in the third quarter of 2016, casting shadows on unemployment levels that reached the 16% barrier during the same period, representing the highest rate in the past 10 years. At the sectoral level, the electric energy and water sector registered the highest growth level in the third quarter of 2016, at a rate of 6.27%, followed by the financial services sector\* at 4.18%, and the non-profit special services providers sector at 3.85%. As for the mining and quarrying, construction and transformative industries, these witnessed the lowest levels of growth at -7.67%, -0.63% and -0.66%, respectively.

It is noteworthy that economic growth during the first three quarters of 2016 was less than the population's natural growth rate of 2.1%, which indicates a contraction in the per capita share of the gross domestic product (GDP). Furthermore, growth rates remained below the real interest rate level in the Kingdom.

Finally, it is noteworthy that demand propelled by the increase in population resulting from the flow of Syrian refugees that ended, which has resulted in the economy losing one of its main engines over the past few years.



### Public Finance: Remarkable Improvement and Harsh Measures along the Road

Total public debt at the end of 2016 reached approximately JD 26.1 billion, compared to the total public debt estimated by the budget law at JD 26.4 billion, which is a decrease of JD 300 million. According to the preliminary financial statements for 2016, the public debt ratio to GDP was 94.9%, assuming that growth in nominal domestic product in 2016 would reach 3.3%, or 2.0% of real growth. It was estimated that the public debt rate to GDP according to International Monetary Fund (IMF) estimates would reach about 95.1%, assuming a 3.9% nominal growth rate, or 2.4% real growth.

\*The financial services sector includes financial services, insurance, real estate, and business services.

Regarding the growth in public debt at the end of 2016 as compared to the end of 2015, preliminary data shows a decrease in the growth rate of total public debt at the end of 2016 to about 5%, compared to a growth rate that reached 9.8% at the end of 2015. The ministry said that the actual preliminary budget deficit amounted to JD 856 million, compared to an estimated deficit in the public budget law of JD 907 million, which was re-estimated to JD 1.1 billion.

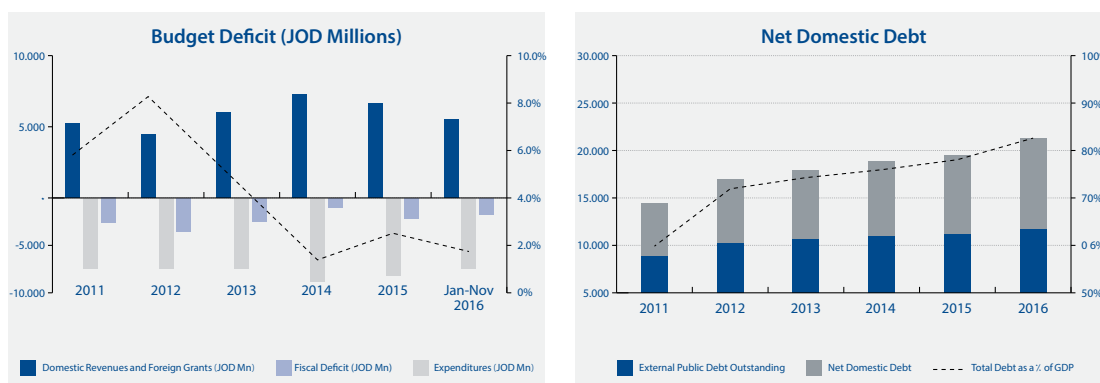
In spite of the tangible improvement achieved by the state at the public debt level, the IMF, as part of its new agreement signed with the Kingdom, imposed a harsh condition requiring the remittance of accumulated late payments due from the Jordanian government in favor of the oil refinery, contractors, hospitals, and others through large and unprecedented payments amounting to JD 360 million, JD 390 million, and JD 245 million for the years



2017, 2018, and 2019, respectively. The IMF required, as a condition, that these overdue payments should be made by imposing new taxes and fees as of the beginning of this current year, 2017, with an amount exceeding JD 400 million.

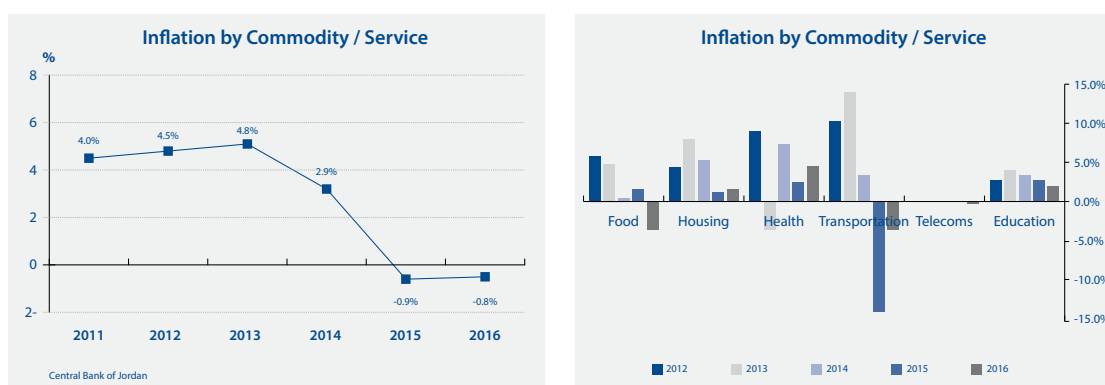
It is noteworthy that the Lower House of Parliament ratified the public budget law for 2017, which includes an item titled "Additional Taxes" amounting to JD 450 million. In spite of the fact that the law was passed, procedures the government plans to implement are still ambiguous. No sufficient information has, as yet, leaked regarding the format of the agreement resulting from the consultations between the government and the finance committee of the lower house.

According to the agreement with the IMF, the government is required to reduce the public debt ratio to GDP to 77% by the end of 2019.



## Inflation of Less than %0, and an Upward Trend in 2017

During 2016, the inflation rate was negative as a result of a decrease in oil prices. The consumer basket witnessed decreases in a number of commodities, but the largest decrease was in fuel (-4.5%) and transportation (-3.9%). It is unlikely that inflation will remain at its negative levels in view of the latest increases in oil prices, which came in the wake of an OPEC agreement in December 2016 to reduce its production by 1.2 million barrels per day, to reach approximately 32.5 million barrels per day. Furthermore, the government package of measures announced recently, which includes additional taxes and fees amounting to JD 450 million according to the 2017 public budget law, would raise the overall level of prices in the Kingdom.



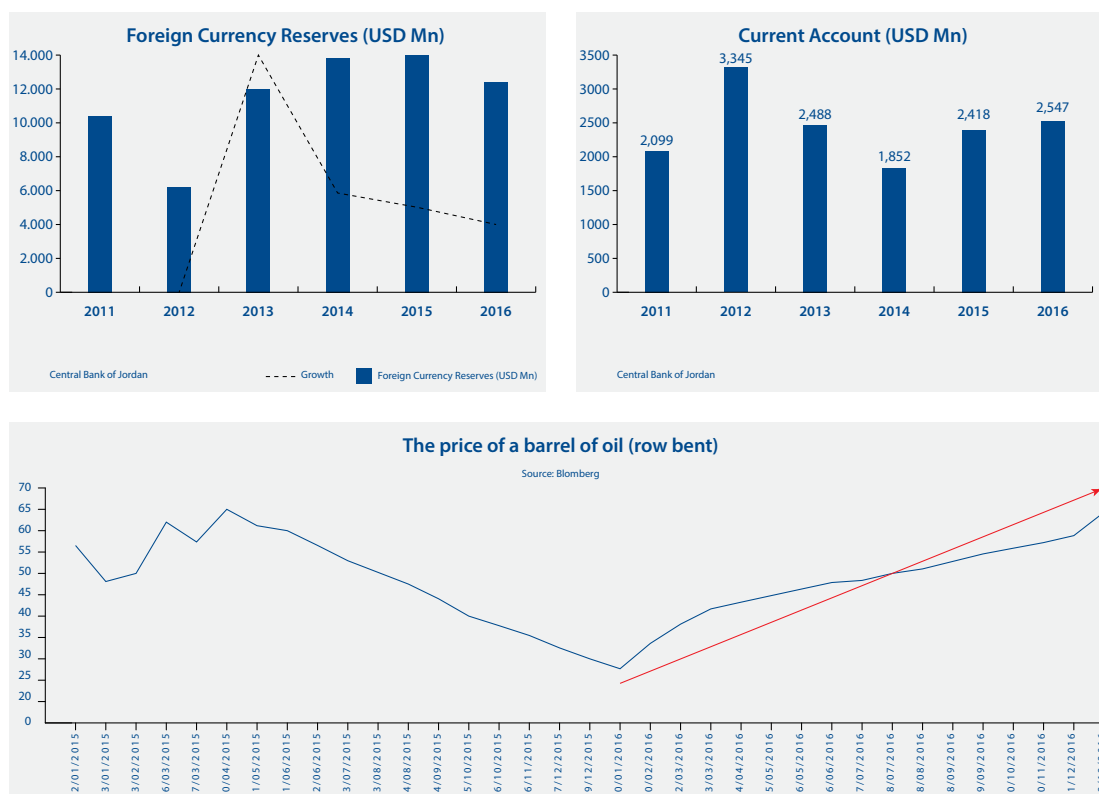
## Foreign Reserves: Pressure is Continuous but the Levels are Reassuring

Foreign reserves were subjected to numerous pressures in 2016, foremost of which were receding exports as a result of the border closure in the north with Iraq and Syria, receding direct foreign investment as a result of political and security conditions surrounding the Kingdom, and the decrease in income from tourism as a result of the state of instability in the region and the high exchange rate of the Dollar.

Figures issued by the Central Bank of Jordan indicate that the Kingdom's balance of foreign reserves over the past year decreased by about 15%, reaching \$12 billion. In spite of the downward trend in reserves, they are still in a comfortable zone, and are enough to cover the Kingdom's imports for about seven months.

We at Capital Bank expect that reserves will continue to decrease, reaching \$10 billion, which is still a comfortable level that is sufficient to cover the Kingdom's imports for five months. However, if the expectations that indicate Saudi Arabian investments will start flowing into the Kingdom are proven correct, we believe that reserves will maintain their current levels of \$12 billion.

The above indicates that reserves are still capable of protecting the Jordanian Dinar from any tremors the economy may be exposed to, including sharp ones.



## Financial and Monetary Indicators

Foreign currency reserves at the Central Bank of Jordan amounted to \$12.833 billion, which is sufficient to cover the Kingdom's imports of goods and services for a period of 7.3 months. Local liquidity increased by 4% in 2016, reaching JD 32.9 billion. The balance of credit facilities granted by licensed banks increased in 2016 by 8.5%, to JD 22.9 billion, and in return, the total balance of deposits by licensed banks increased by 0.9%, to JD 32.9 billion at the end of 2016.

The deficit in the current account of the balance of payments after assistance decreased to JD 1,910 million, representing 9.5% of GDP at the end of the third quarter of 2016, compared to about JD 1,980 million representing 10.1% of GDP for the same period of 2015.

### Interest Rates: Upward Trend Propelled by a Less Expansive Monetary Policy

The Central Bank of Jordan increased interest rates at the end of last year on its instruments by 25 basis points after the US Federal Reserve increased interest rates by the same ratio. The Central Bank of Jordan followed this increase with an increase of 50 basis points of interest rates as of February 22, 2017. Meanwhile, the potential for increasing interest rates on the US dollar by the US Federal Reserve for a third time is still possible.

In the wake of Donald Trump's success in the US presidential elections, markets began preparing for an increase in US inflation rates. Future markets indicate the possibility of two to three additional increases in interest rates at the rate of 25 basis points each during the current year. Since the Jordanian dinar is pegged to the US dollar, we believe that the Central Bank of Jordan will be less expansive over the coming few years, and we do not rule out the possibility that it may be more stringent in its monetary policy than the US Federal Reserve, in order to preserve the attractiveness of the Jordanian Dinar as a saving incubator.

## What Does 2017 Hold?

It is difficult, amid the prevailing state of chaos in the region, to forecast economic performance in 2017. If the political situation remains the same or retreats, it would be challenging for the economy to achieve the desired growth levels, especially in view of a contractive financial policy and an increase in interest rates.

At Capital Bank, and in view of the state of uncertainty dominating the region and the economic slowdown prevailing in Gulf countries, we expect the economic growth rate to remain the same in 2017, at a level of 2.0%.

This, however, does not preclude the presence of some positive indicators, most prominent of which are:

1. An Iraqi pledge to open the Trebil border crossing for Jordanian goods, and Iraqi approval to activate the joint bilateral agreement, as well as the formation of a committee to examine lists of commodities exempted from customs duties imposed by Iraq on its imports at the rate of 30%, in addition to permitting their entry through other border crossings pending the opening of the Trebil crossing.
2. The resumption of talks on the pipeline that would connect Basra with Aqaba.
3. The establishment of the Jordan Investment Fund for the purpose of managing planned Saudi Arabian investments in the Kingdom. It is noteworthy that Jordanian banks have injected about \$200 million into this fund.
4. Relaxing the country of origin rules on Jordanian exports to European Union countries against the employment of Syrian refugees.

## Trade between Jordan and Iraq: Major Damage and Optimistic Expectations

Jordanian-Iraqi relations are improving rapidly, and are expected to be a model for joint Arab relations, as Iraq is considered a strategic and historical partner for Jordan.

The year 2017 is expected to witness more impetus in the cooperation march between the two brotherly countries, and a year of achievements and growth in strategic projects between them.

In view of what the first ten months of 2016 witnessed in terms of a retreat in Jordanian exports to Iraq at a rate of 33%, reaching JD 276.2 million, compared to JD 414.9 million during the same period of last year, down from \$1.2 billion in 2014, the main reason for this retreat is the continued closure of Trebil border crossing between the two countries. This resulted in an increase in the cost of overland and marine transport as a result of exporters having to use alternatives to the Trebil crossing, in addition to delays in delivering shipments. This closure resulted in a decrease in the number of factories geared for exporting to Iraq, from 76 to 568. No alternative markets to this important and major export market have been found.

The year 2017 is expected to witness a gradual breakthrough, especially that the Jordanian government exerted concerted efforts to ensure that relations returned to their normal state by completing suspended projects and embarking on new ones. This includes the oil pipeline between Basra and Aqaba, which is considered a strategic project for both countries, one that provides an export window for Iraq and fulfills Jordan's need for oil. An agreement was also reached to prepare the necessary framework to reopen the Trebil crossing in order to facilitate trade, transport and the movement of people between the two countries, revitalizing this strategic route and activating the bilateral agreement between the two countries. Lists of commodities to be exempted from customs duties at the rate of 30% imposed by Iraq on its imports will also be reconsidered, in addition to transporting these commodities through other crossing pending the reopening on the Trebil crossing.

## The Economic and Social Impact of the Syrian Refugees

The Syrian crisis continues to cast its dark shadows on the Jordanian economy. In addition to the continued closure of border crossings to the movement of goods and persons, the prevalence of a state of uncertainty and the security threat imposed by the situation in Syria on the northern and northeastern borders of the Kingdom, pressures resulting from receiving Syrian refugees continued to increase the country's financial costs, as much of the assistance pledged by the international community has failed to arrive. This comes in tandem with the fact that the numbers of refugees have increased, as has the magnitude of the relief, health, education, and municipal services needed. Add to this the pressure generated by Syrians on limited job opportunities in the local labor market as a result of the slowing economic growth, and its effects on the overall economic activity.

## The Banking Sector

The financial strength indicators of banks continued to improve in 2016, although they have not been reflected in the Central Bank of Jordan's statements as yet, which are pending the completion of financial statements by banks and their ratification by the Central Bank. However, these indicators show that the ratio of inactive debts decreased to 4.9% at the end of 2015, reaching their best level in almost 12 years. They are expected to drop at a higher rate in 2016 due to the positive results announced by banks at the end of the year.

This ratio reached its highest level in 2003, amounting to 15.5%, and began increasing with the onset of the impact of the global financial crisis on the local market in 2009. Furthermore, the ratio of inactive debt coverage reached approximately 74.7% in 2015, although it is expected to decrease this year after most banks made allowances for doubtful debts. The ratio of capital adequacy increased to 19.1% at the end of 2015, compared to 18.4% the previous year, which is a comfortable ratio and one higher than the Central Bank's requirement of 12% and the Basel 2 ratio of 8%. As for bank profitability ratios, the net return on shareholder equity in banks amounted to 10.3% at the end of 2015, reaching its highest rate since 2009, and returning to its levels before the global financial crisis.

A new development in the banking sector, especially for Islamic banks, is that the government has started financing some activities by offering Islamic financing bonds related to the activities of the Electricity Generation Company, which opens the door for backing other activities for both the government and public shareholding companies. The issuance of Islamic financing bonds for the Ministry of Finance received an award from the Islamic Financial News (IFN) agency for releasing the first government sovereign bonds, or sukuk, on October 17, 2016, for JD 34 million, for the financing of the construction and finishing work of the new Ministry of Finance building. This represents a positive indicator of Jordan's ability to issue such financial instruments that are expected to prosper. It is noteworthy that the first Islamic financial products in Jordan were issued by Capital Bank through its investment arm Capital Investments, in favor of Al-Rajhi Cement Company over eight years ago.

## Capital Bank: A Local and Regional Role

Capital Bank is considered the ideal gateway for practicing business in the region, through its network of branches and offices spread throughout emerging markets in particular. The Bank has been present in the Iraqi market since 2005, through its ownership of a major share of Al-Ahli Bank of Iraq, which succeeded over the past decade in accumulating experience in various fields, becoming one of the country's main banks in Iraq in terms of operations, capital, and client base.

Capital Bank is also present in the Dubai International Financial Center through Capital Bank Corporate Advisory, which specializes in corporate financing investments affairs, and which was inaugurated at the beginning of last year. The subsidiary ensures the diversification of expertise and the achievement of geographical diversity of corporations, contributing to a synergistic interaction among its components to provide only the best services.

## Why Iraq?

The Iraqi economy has all the potential for growth, starting with raw materials and demographic factors and ending with its need for reconstruction. Iraq has the fourth largest oil reserve globally, and is eleventh internationally in natural gas reserves. It also enjoys a number of attractive demographic factors; it is a young society with a large percentage of its citizens below the age of 20. The country is also in urgent need of reconstruction projects after wars and infighting devastated its infrastructure and depleted its financial resources. This will require large financial expenditures, placing banks in a position to assume a pivotal role in providing them. In order for Iraq to overcome this crisis and ensure sources of financing, it recently reached an agreement with the IMF to restructure government expenditure, reduce any waste and use savings in favor of increasing productivity and the efficiency of governmental systems, improving the level of services and increasing non-oil revenues. This will come through a \$5.4 billion loan, which would open the scope for international assistance to Iraq estimated by the government at about \$15 billion throughout the lifetime of the program, which provides the Iraqi government with a certificate for international donors of its ability to improve its financial resources. The move represents a reason for optimism for a prosperous future, especially after the progress made by the Iraqi and coalition forces against terrorist factions, particularly in Mosul, Al-Anbar and north Iraq.





# Corporate Governance Code

Dear Bank Shareholders,

We would like to notify you that the Corporate Governance Manual has been uploaded at the following link:

<http://www.capitalbank.jo/ar/content/389>

It is noteworthy that the Board of Directors of the Bank has adopted the manual and is now waiting final approval from the Central Bank of Jordan.

## Small and Medium Enterprises

we are proud of being the pioneers in supporting the small and Medium enterprise sector through developing target and exclusive programs.





# **Capital Bank of Jordan**

## **Consolidated Financial Statements**

### **31 December 2016**

#### **Financial and non-financial Solutions**

New and exceptional financial and non-financial solutions put together to support Entrepreneurs.



**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.

### **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.

#### 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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 exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the 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

Bishr Ibrahim Baker  
License No. 592

Amman – Jordan

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

	Notes	2016	2015
		JD	JD
<b>Assets</b>			
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 Statements	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
<b>Total Assets</b>		<b>2,007,324,042</b>	<b>1,986,231,309</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
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 Provision	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
<b>Total Liabilities</b>		<b>1,673,216,788</b>	<b>1,661,880,896</b>
<b>Equity</b>			
<b>Equity Attributable to the Bank's Shareholders</b>			
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
<b>Total Equity Attributable to the Bank's Shareholders</b>		<b>277,905,601</b>	<b>269,468,132</b>
<b>Non-controlling Interest</b>		<b>56,201,653</b>	<b>54,882,281</b>
<b>Total Equity</b>		<b>334,107,254</b>	<b>324,350,413</b>
<b>Total Liabilities and Equity</b>		<b>2,007,324,042</b>	<b>1,986,231,309</b>

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

	Notes	2016	2015
		JD	JD
Interest Income	30	95,835,693	100,314,213
Interest Expense	31	38,425,704	43,177,480
<b>Net Interest Income</b>		57,409,989	57,136,733
Net Commission Income	32	24,417,810	15,766,986
<b>Net Interest and Commission Income</b>		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
<b>Total Expenses</b>		67,092,641	64,507,208
<b>Income Before Tax</b>		27,090,398	11,057,814
Income Tax Expense	21	10,954,422	9,988,942
<b>Income for the Year</b>		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
		<b>JD/Fils</b>	<b>JD/Fils</b>
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.

	2016	2015
	JD	JD
<b>Income for the Year</b>	16,135,976	1,068,872
<b>Add: Other comprehensive income items to be reclassified to profit or loss in subsequent periods:</b>		
Foreign Currency Translation Adjustments	(6,632,611)	(7,756,671)
<b>Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:</b>		
Change in financial assets at fair value through other comprehensive income	253,476	(497,350)
<b>Total other comprehensive income for the year, net of tax</b>	(6,379,135)	(8,254,021)
<b>Total Comprehensive Income for the Year</b>	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)

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

	Issued and Paid in Capital		Additional Paid in capital		Reserves		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	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>31 December 2016</b>																				
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)	-	-	-								
<b>Ending Balance</b>	<b>200,000,000</b>	<b>709,472</b>	<b>32,257,341</b>	<b>-</b>	<b>9,811,521</b>	<b>(3,868,943)</b>	<b>(566,421)</b>	<b>-</b>	<b>39,562,631</b>	<b>277,905,601</b>	<b>56,201,653</b>	<b>334,107,254</b>								
<b>31 December 2015</b>																				
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)	-	-	-								
Equity Attributable to the Bank's Shareholders - disclosure 19	-	-	-	-	-	-	-	-	-	-	-	-								
Dividends	18,500,000	-	-	-	-	-	-	(1,022,784)	(29,390,000)	(10,890,000)	-	(10,890,000)								
Dividends Share of Non-controlling Interest in Dividends from Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-								
<b>Ending Balance</b>	<b>200,000,000</b>	<b>709,472</b>	<b>30,116,739</b>	<b>9,690</b>	<b>8,882,456</b>	<b>379,962</b>	<b>(1,407,974)</b>	<b>-</b>	<b>30,777,787</b>	<b>269,468,132</b>	<b>(1,290,281)</b>	<b>(1,290,281)</b>								

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

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

Operating Activities	Note	2016	2015
		JD	JD
<b>Profit Before Income Tax</b>		27,090,398	11,057,814
Adjustments for Non-Cash Items			
<b>Depreciation and Amortization</b>		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)
<b>Cash Flow from Operating Activities Before Changes in Assets and Liabilities</b>		51,222,563	40,479,024
<b>Changes in Assets and Liabilities</b>			
Restricted Balances		(3,098)	(2,007)
Balances at Central Banks		14,517,249	(134,208,191)
Deposit 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 Institution's 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)
<b>Net Cash Flow (used in) Operating Activities Before Income Tax</b>		(77,710,044)	(150,064,444)
Income Tax Paid		(10,993,283)	(14,836,007)
<b>Net Cash Flow used in Operating Activities</b>		(88,703,327)	(164,900,451)
<b>Investing Activities</b>			
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 Pledges 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)
<b>Net Cash Flow (used in) investing Activities</b>		(82,178,661)	207,629,189
<b>Financing Activities</b>			
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)
<b>Net Cash Flow (used in) Financing Activities</b>		(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 Equivalent		(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 and they are subject to Central Bank of Jordan and the Shareholders General Assembly approval.

## 2 Significant Accounting Policies

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

The accompanying consolidated financial 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 followings:

#### 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 Bank's 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 International Financial 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 International Financial 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 recognized 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 recognized 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 Investment 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 lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and the general status of these assets. Any related impairment is charged to the consolidated income statement.
- 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 are detected.

#### 4 Cash and Balances with Central Banks

	2016	2015
	JD	JD
Cash on Hand	25,981,287	27,441,066
<b>Balances at Central Banks:</b>		
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
<b>Total</b>	<b>260,950,882</b>	<b>345,676,987</b>

- 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
<b>Total</b>	<b>96,578,076</b>	<b>62,045,706</b>	<b>69,900,758</b>	<b>122,605,025</b>	<b>166,478,834</b>	<b>184,650,731</b>

- 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
<b>Total</b>	<b>-</b>	<b>13,000,000</b>	<b>-</b>	<b>2,158,414</b>	<b>-</b>	<b>15,158,414</b>

- 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
<b>Total</b>	<b>4,071,180</b>	<b>3,374,239</b>

**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
<b>Total</b>	<b>9,498,110</b>	<b>6,106,779</b>

- 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
<b>Retail Customers</b>		
Overdrafts	11,189,619	15,678,807
Loans and Bills *	93,913,407	99,135,555
Credit Cards	6,760,968	5,755,621
<b>Real-estate Mortgages</b>	155,234,146	141,154,973
<b>Corporate Lending</b>		
Overdrafts	117,608,731	91,548,209
Loans and Bills *	461,309,457	454,684,957
<b>Small and Medium Enterprises "SMEs" facilities</b>		
Overdrafts	31,071,059	24,519,091
Loans and Bills *	85,423,928	53,179,504
<b>Government and Public Sector Lending</b>	98,104,698	102,225,542
<b>Total</b>	<b>1,060,616,013</b>	<b>987,882,259</b>
Less: Suspended Interest	34,880,731	30,216,917
Less: Allowance for Impairment in Direct Credit Facilities	55,263,051	47,173,064
<b>Net Direct Credit Facilities</b>	<b>970,472,231</b>	<b>910,492,278</b>

- \* 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
<b>Balance at the End of the Year</b>	<b>9,216,828</b>	<b>1,475,749</b>	<b>42,658,663</b>	<b>1,911,811</b>	<b>55,263,051</b>

	Retail	Real estate mortgages	Corporates	SMEs	Total
31 December 2015	JD	JD	JD	JD	JD
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
<b>Balance at the End of the Year</b>	<b>9,861,102</b>	<b>1,374,161</b>	<b>34,300,134</b>	<b>1,637,667</b>	<b>47,173,064</b>

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
31 December 2016	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)
<b>Balance at the End of the Year</b>	<b>5,117,309</b>	<b>916,174</b>	<b>27,740,735</b>	<b>1,106,513</b>	<b>34,880,731</b>

	Retail	Real Estate	Corporates	SMEs	Total
31 December 2015	JD	JD	JD	JD	JD
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)
<b>Balance at the End of the Year</b>	<b>4,367,916</b>	<b>845,719</b>	<b>24,222,653</b>	<b>780,629</b>	<b>30,216,917</b>

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
<b>Other</b>	<b>40,276,590</b>	<b>-</b>	<b>40,276,590</b>	<b>27,200,882</b>
<b>Total</b>	<b>975,623,274</b>	<b>84,992,739</b>	<b>1,060,616,013</b>	<b>987,882,259</b>

## 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 guarantees	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
<b>Total</b>	<b>450,742,440</b>	<b>377,457,019</b>
Analysis of bonds and bills:		
Fixed Rate	443,453,190	375,152,769
Floating rate	7,289,250	2,304,250
<b>Total</b>	<b>450,742,440</b>	<b>377,457,019</b>

\* 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
Additions	-	-	2,438,256	3,892	1,417,982	478,902	4,339,032
Disposals	-	-	(353,488)	-	(433,003)	-	(786,491)
Foreign Exchange Differences	(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
<b>Accumulated Depreciation:</b>							
Balance at 1 January 2016	-	989,045	4,906,129	356,176	3,130,916	5,199,545	14,581,811
Depreciation Charge of the Year	-	101,191	1,261,238	55,757	493,826	739,545	2,651,557
Disposals	-	-	(331,682)	-	(432,870)	-	(764,552)
Foreign Exchange Differences	-	(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
<b>Net Book Value of Property and Equipment at the End of the Year</b>	<b>12,440,281</b>	<b>6,371,279</b>	<b>4,916,986</b>	<b>129,888</b>	<b>2,050,538</b>	<b>4,029,924</b>	<b>29,938,896</b>

31 December 2015	Lands	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
Additions	2,788,983	-	1,046,668	36,740	714,027	483,565	5,069,983
Disposals	-	(119,160)	(330,459)	(25,500)	(115,665)	(45,923)	(636,707)
Foreign Exchange Differences	(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
<b>Accumulated Depreciation:</b>							
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
Disposals	-	(119,160)	(321,479)	(25,499)	(115,494)	(39,105)	(620,737)
Foreign Exchange Differences	-	(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 and Equipment	145,310	-	2,141,858	-	953,329	309,751	3,550,248
<b>Net Book Value of Property and Equipment as the End of the Year</b>	<b>12,609,892</b>	<b>6,225,862</b>	<b>5,451,155</b>	<b>182,216</b>	<b>2,079,844</b>	<b>3,516,904</b>	<b>30,065,873</b>

\*\* 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
<b>Balance as of 31 December 2016</b>	<b>5,537,532</b>	<b>-</b>	<b>5,537,532</b>

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
<b>Balance as of 31 December 2015</b>	<b>4,225,580</b>	<b>-</b>	<b>4,225,580</b>

- 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 Depts	54,812,646	59,503,052
Purchased Banks Acceptance	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
<b>Total</b>	<b>98,935,781</b>	<b>100,787,786</b>

\* 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:

	Seized Real Estate	Other Seized Assets**	2016	2015
	JD	JD	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)
<b>Balance at the End of the Year</b>	<b>53,151,354</b>	<b>1,661,292</b>	<b>54,812,646</b>	<b>59,503,052</b>

\*\*\* 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
<b>Total</b>	<b>86,154,745</b>	<b>56,602,867</b>	<b>142,757,612</b>	<b>6,742,458</b>	<b>39,098,847</b>	<b>45,841,305</b>

## 15 Customer Deposits

The details are as follows:

	Retail	Corporate	SMEs	Government and Public Sectors	Total
2016	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 Deposits	48,408,785	50,000	1,465,100	2,000,000	51,923,885
<b>Total</b>	<b>744,553,804</b>	<b>304,470,261</b>	<b>99,689,022</b>	<b>75,997,313</b>	<b>1,224,710,400</b>

	Retail	Corporate	SMEs	Government and Public Sectors	Total
2015	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 Deposits	53,981,703	74,000	2,197,000	2,000,000	58,252,703
<b>Total</b>	<b>739,974,874</b>	<b>338,203,152</b>	<b>139,994,651</b>	<b>126,968,432</b>	<b>1,345,141,109</b>

- 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
<b>Total</b>	<b>145,005,158</b>	<b>116,442,118</b>

## 17 Loans and Borrowings

The details are as follows:

2016	Amount JD	Number of Instalments		Frequency of Instalments	Collaterals JD	Interest Rate %	Re-financed Interest Rate
		Total JD	Remaining JD				
Amounts Borrowed from Central Banks	38,696,347	814	699	Monthly and semi annual payment and payment at maturity	-	0.70% - 3.05%	4.00% - 6.50%
Amounts Borrowed from Local Banks and Financial Institutions	20,000,000	2	2	One payment	-	4.05% - 4.50%	3.38% - 11.75%
Amounts Borrowed from Foreign Banks and Financial Institutions	19,189,081	103	73	Monthly and semi annual payment and payment at maturity	-	1.77% - 3.50%	3.50% - 10.00%
<b>Total</b>	<b>77,885,428</b>				-		

2015	Amount JD	Number of Instalments		Frequency of Instalments	Collaterals JD	Interest Rate %	Re-financed Interest Rate
		Total JD	Remaining 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%
<b>Total</b>	<b>84,314,093</b>				-		

- 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 USD 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			
Subordinated Loan	17,725,000	One payment maturing on 1 March 2020	-	6.85%
<b>Total</b>	<b>17,725,000</b>		-	

- The Bank has obtained the Amman Stock Exchanges' 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)

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

The convertible loans details are as follows:

	2016	2015
	JD	JD
Nominal Value of the Convertible Loan	4,726,667	7,877,778
Less: Issue Cost	205,215	205,215
<b>Total</b>	<b>4,521,452</b>	<b>7,672,563</b>

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 than 12%.
- 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)
<b>Total</b>	<b>12,010,903</b>	<b>13,352,841</b>	<b>-</b>	<b>-</b>	<b>25,363,744</b>

2015	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	125,000	22,000	113,000	-	34,000
Provision Against Iraq Risks (Note 37)	-	12,001,722	-	-	12,001,722
<b>Total</b>	<b>125,000</b>	<b>12,023,722</b>	<b>113,000</b>	<b>-</b>	<b>12,035,722</b>

- 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 Diffidences	(49,282)	(134,672)
Income Tax Paid	(10,993,283)	(14,836,007)
Income Tax Charge of 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
<b>Balance at the End of the Year</b>	<b>11,020,115</b>	<b>7,870,942</b>

	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)
	<b>10,954,422</b>	<b>9,988,942</b>

- 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					2015
	Balance the	Released	Additions	Balance the	Deferred Tax	
	Beginning of the Year	JD	JD	End of the Year	JD	
	JD	JD	JD	JD	JD	JD
<b>a) Deferred Tax Assets</b>						
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 Subsidiaries	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
<b>Total</b>	<b>32,633,908</b>	<b>(2,358,355)</b>	<b>18,982,830</b>	<b>49,258,383</b>	<b>10,698,156</b>	<b>8,235,623</b>
<b>b) Deferred Tax Liabilities</b>						
Unrealized Gains – Financial Assets at Fair Value through 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
<b>Total</b>	<b>2,501,132</b>	<b>(1,872,381)</b>	<b>833,021</b>	<b>1,461,772</b>	<b>424,086</b>	<b>862,360</b>

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

	2016		2015	
	Assets	Liabilities	Assets	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)
<b>Balance at the End of the Year</b>	<b>10,698,156</b>	<b>424,086</b>	<b>8,235,623</b>	<b>862,360</b>

- The Income tax rates on deferred 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
<b>Taxable Profit</b>	<b>47,407,970</b>	<b>26,845,014</b>
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
<b>Total</b>	<b>23,803,793</b>	<b>23,975,684</b>

## 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)
<b>Balance at the End of the Year</b>	<b>(3,868,943)</b>	<b>379,962</b>

## 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)
Realized Losses Transferred to Retained Earnings	588,078	-
Deferred Tax Liability	(194,552)	4,978
Deferred Tax Assets	(184,781)	8,602
<b>Balance at the End of the Year</b>	<b>(566,421)</b>	<b>(1,407,974)</b>

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

## 28 Material Partially - Owned Subsidiaries

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	Country	Nature of Activity	Country	Dividends Distribution
National Bank of Iraq	Iraq	Banking	38.15%	1,096,243

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

### A. Summarized Statement of Financial Position Before Elimination Entire as of 31 December 2016:

	31 December 2016	31 December 2015
	National Bank of Iraq	National Bank of Iraq
	JD	JD
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
<b>Total Assets</b>	<b>354,811,852</b>	<b>348,323,753</b>
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
<b>Total Liabilities</b>	<b>207,900,574</b>	<b>204,857,163</b>
Shareholders' Equity	146,911,278	143,466,590
<b>Total Liabilities and Shareholders' Equity</b>	<b>354,811,852</b>	<b>348,323,753</b>
<b>Non-Controlling Interest</b>	<b>56,201,653</b>	<b>54,882,281</b>

**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
	JD	JD
Interest and Commission Income, Net	20,559,491	13,477,516
Other Income	7,296,195	2,309,877
<b>Gross Profit</b>	<b>27,855,686</b>	<b>15,787,393</b>
General and Administrative Expenses	9,568,029	9,208,605
Provisions	6,187,277	15,351,988
<b>Total Expenses</b>	<b>15,755,306</b>	<b>24,560,593</b>
<b>Profit Before Tax</b>	<b>12,100,380</b>	<b>(8,773,200)</b>
<b>Income Tax</b>	<b>2,419,154</b>	<b>1,353,877</b>
<b>Profit after Tax</b>	<b>9,681,226</b>	<b>(10,127,077)</b>
Other Comprehensive Income	(8,888)	(643,199)
<b>Total Comprehensive Income for the Year</b>	<b>9,672,338</b>	<b>(10,770,276)</b>
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
	JD	JD
Cash Flows		
Operating	39,041,268	(29,989,575)
Investing	(1,453,233)	3,845,496
Financing	455,949	(2,246,142)
<b>Net Increase (decrease)</b>	<b>38,043,984</b>	<b>(28,390,221)</b>

**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 Increase Fees	-	(142,500)
Distributed Dividends	-	(29,390,000)
<b>Balance at the End of the Year</b>	<b>39,562,631</b>	<b>30,777,787</b>

\* 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
<b>Direct Credit Facilities:</b>		
<b>Retail</b>		
Overdrafts	894,847	719,829
Loans and Bills	7,950,504	11,507,599
Credit Cards	728,137	615,765
<b>Real Estate Mortgages</b>	11,144,943	8,504,466
<b>Corporate</b>		
Overdrafts	6,760,944	6,569,679
Loans and Bills	29,478,371	28,316,908
<b>Small and Medium Enterprises (SMEs)</b>		
Overdrafts	2,454,349	1,874,334
Loans and Bills	5,527,432	3,647,078
<b>Government and Public Sector</b>	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
<b>Total</b>	<b>95,835,693</b>	<b>100,314,213</b>

### 31 Interest Expense

The details are as follow:

	2016	2015
	JD	JD
Banks and Financial Institutions Deposits	1,625,713	1,368,777
<b>Customer Deposits:</b>		
Current Account 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
<b>Total</b>	<b>38,425,704</b>	<b>43,177,480</b>

### 32 Net Commission Income

The details are as follow:

	2016	2015
	JD	JD
<b>Commission Income:</b>		
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)
<b>Net Commission Income</b>	<b>24,417,810</b>	<b>15,766,986</b>

**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
<b>Total</b>	<b>8,522,587</b>	<b>5,269,425</b>

**34 Gain (Loss) from Financial Assets at Fair Value through Income Statement**

The details are as follow:

	Realized (loss) Gain	Unrealized (loss)	Dividends Income	Total
2016	JD	JD	JD	JD
Equity Shares	51,071	(130,169)	45,602	(33,496)
Bonds	67,613	(6,874)	-	60,739
<b>Total</b>	<b>118,684</b>	<b>(137,043)</b>	<b>45,602</b>	<b>27,243</b>

	Realized (loss) Gain	Unrealized (loss)	Dividends Income	Total
2015	JD	JD	JD	JD
Equity Shares	(4,691,391)	(157,343)	453,833	(4,394,901)
	-	(14,914)	-	(14,914)
<b>Total</b>	<b>(4,691,391)</b>	<b>(172,257)</b>	<b>453,833</b>	<b>(4,409,815)</b>

**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
<b>Total</b>	<b>3,461,145</b>	<b>1,733,549</b>

**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
<b>Total</b>	<b>20,985,521</b>	<b>18,124,484</b>

### 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
<b>Total</b>	<b>16,297,481</b>	<b>16,118,600</b>

### 38 Impairment Losses and other Sundry Provisions

The details are as follow:

		2016	2015
	Notes	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)
<b>Total</b>		<b>(16,481,563)</b>	<b>(19,040,578)</b>

### 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	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				
	Positive Fair Value	Negative Fair Value	Total Nominal Amount	Within 3 Months	3-12 Months
	JD	JD	JD	JD	JD
2016					
Currency Sale Contract	-	-	4,683,648	4,683,648	-
Currency Purchases Contract	-	9,904	4,673,744	4,673,744	-

	Par (nominal) value maturity				
	Positive Fair Value	Negative Fair Value	Total Nominal Amount	Within 3 Months	3-12 Months
	JD	JD	JD	JD	JD
2015					
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		Paid in Capital	
	2016	2015	2016	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		Subsidiaries	Major Shareholders	Total	
	BOD Members	Executive Management			2016	2015
	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	-	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:

2016	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
<b>Financial Assets</b>				
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
<b>Financial Liabilities</b>				
Derivative Instruments	-	-	(9,904)	(9,904)

2015	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
<b>Financial Assets</b>				
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
<b>Financial Liabilities</b>				
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 requirements 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 subjective basis.
- 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 client's 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 actions.
- Adopting early warning indicators and recognition of possible risks in the credit portfolio while revising them on a regular basis.
- 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 pre-emptive or safety actions.
- 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
<b>Statement of Financial Position Items:</b>		
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
<b>Direct Credit Facilities</b>		
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
<b>Bonds and Treasury Bills:</b>		
Financial Assets at Amortized Cost , Net	458,420,444	383,815,168
Other Assets	7,187,263	5,564,513
<b>Total Statement of Financial Position Items</b>	<b>1,849,003,084</b>	<b>1,829,989,434</b>
<b>Off - Statement of Financial Position Items</b>		
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
<b>Total off - Statement of Financial Position Items</b>	<b>310,838,352</b>	<b>276,565,870</b>
<b>Total</b>	<b>2,159,841,436</b>	<b>2,106,480,304</b>

- 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:**

	Retail	Real Estate Mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
2016	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
<b>Past Due:</b>							
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
<b>Non Performing:</b>							
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
<b>Total</b>	<b>115,208,412</b>	<b>156,564,861</b>	<b>607,559,174</b>	<b>117,434,445</b>	<b>757,658,549</b>	<b>184,721,426</b>	<b>1,939,146,866</b>
Less: Suspended Interest	(5,117,311)	(916,174)	(27,740,731)	(1,106,513)	-	-	(34,880,729)
Less: Allowance for Impairment Losses	(9,216,828)	(1,475,749)	(42,658,663)	(1,911,811)	-	-	(55,263,051)
<b>Net</b>	<b>100,874,273</b>	<b>154,172,938</b>	<b>537,159,780</b>	<b>114,416,121</b>	<b>757,658,549</b>	<b>184,721,426</b>	<b>1,849,003,086</b>

	Retail	Real Estate Mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
2015	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
<b>Past Due:</b>							
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
<b>Non Performing:</b>							
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
<b>Total</b>	<b>122,022,183</b>	<b>142,345,815</b>	<b>571,738,589</b>	<b>78,256,781</b>	<b>785,395,926</b>	<b>207,620,121</b>	<b>1,907,379,415</b>
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)
<b>Net</b>	<b>108,813,751</b>	<b>140,125,935</b>	<b>512,195,216</b>	<b>75,838,485</b>	<b>785,395,926</b>	<b>207,620,121</b>	<b>1,829,989,434</b>

- 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 its limit.



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

	Retail	Real Estate Mortgages	Corporate	SMEs	Governmental and Public Sector	Total
2016	JD	JD	JD	JD	JD	JD
<b>Collaterals</b>						
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
<b>Non-performing:</b>						
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
<b>Total</b>	<u>45,926,774</u>	<u>116,458,455</u>	<u>176,932,792</u>	<u>58,591,241</u>	<u>-</u>	<u>397,909,262</u>
<b>Comprising of:</b>						
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
<b>Total</b>	<u>45,926,774</u>	<u>116,458,455</u>	<u>176,932,792</u>	<u>58,591,241</u>	<u>-</u>	<u>397,909,262</u>

	Retail	Real estate mortgages	Corporate	SMEs	Governmental and Public Sector	Total
2015	JD	JD	JD	JD	JD	JD
<b>Collaterals</b>						
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
<b>Non-performing:</b>						
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
<b>Total</b>	<u>71,414,812</u>	<u>89,527,845</u>	<u>181,493,783</u>	<u>44,922,998</u>	<u>-</u>	<u>387,359,438</u>
<b>Comprising of:</b>						
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
<b>Total</b>	<u>71,414,812</u>	<u>89,527,845</u>	<u>181,493,783</u>	<u>44,922,998</u>	<u>-</u>	<u>387,359,438</u>

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 represent 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 Comprehensive Income	Pledged Financial Assets	Total
	JD	JD		JD	JD
Non-rated	-	10,231,253	-	-	10,231,253
Governmental	-	415,337,903	-	-	415,337,903
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
<b>Direct Credit Facilities:</b>							
Retail	92,526,675	8,347,598	-	-	-	-	100,874,273
Real Estate Mortgages	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
<b>Bonds and Treasury Bills within:</b>							
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
<b>Bonds and Treasury Bills:</b>										
Financial Assets at Amortized Costs, Net	10,339,019	10,975,490	-	-	-	-	-	432,569,552	4,536,383	458,420,444
Other Assets	6,862,327	-	-	-	-	-	-	324,936	-	7,187,263
<b>Total 2016</b>	<u>223,243,443</u>	<u>126,794,437</u>	<u>161,222,775</u>	<u>248,396,884</u>	<u>14,780,406</u>	<u>54,996,059</u>	<u>88,497,173</u>	<u>767,761,789</u>	<u>163,310,118</u>	<u>1,849,003,084</u>
<b>Total 2015</b>	<u>239,159,872</u>	<u>118,312,252</u>	<u>180,439,951</u>	<u>225,602,505</u>	<u>17,145,115</u>	<u>36,475,685</u>	<u>84,661,354</u>	<u>785,395,926</u>	<u>142,796,774</u>	<u>1,829,989,434</u>

\* 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.
4. Developing tools and measures to manage and monitor market risk through:
  - 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 Bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the Bank invests in short-term investments to meet any possible fluctuations.

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.

2016	Increase in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	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	Increase in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	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	Decrease in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	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	Decrease in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	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	Change in Currency Exchange Rate	Effect on Profit and Loss
Currency	%	JD
Euro	5	41,037
Pound Sterling	5	4,441
Japanese Yen	5	645
Other Currencies	5	5,167,350

2015	Change in Currency Exchange Rate	Effect on Profit and Loss
Currency	%	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 Tax	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 following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:

31 December 2016	Less than 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 Years or More	Non-Interest Bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>Assets</b>								
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
<b>Total Assets</b>	<b>292,764,183</b>	<b>99,069,454</b>	<b>66,827,796</b>	<b>175,243,395</b>	<b>436,167,859</b>	<b>454,084,444</b>	<b>483,166,911</b>	<b>2,007,324,042</b>
<b>Liabilities</b>								
Banks and Financial Institutions 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
<b>Total Liabilities</b>	<b>352,634,963</b>	<b>238,364,353</b>	<b>147,493,171</b>	<b>245,713,716</b>	<b>165,139,484</b>	<b>92,231,162</b>	<b>431,639,939</b>	<b>1,673,216,788</b>
<b>Interest Rate Sensitivity Gap</b>	<b>(59,870,780)</b>	<b>(139,294,899)</b>	<b>(80,665,375)</b>	<b>(70,470,321)</b>	<b>271,028,375</b>	<b>361,853,282</b>	<b>51,526,972</b>	<b>334,107,254</b>
<b>31 December 2015</b>								
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
<b>Assets</b>						
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
<b>Total Assets</b>	<b>419,731,717</b>	<b>6,916,037</b>	<b>8,079,679</b>	<b>2,768,800</b>	<b>220,217,499</b>	<b>657,713,732</b>
<b>Liabilities</b>						
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
<b>Total Liabilities</b>	<b>441,554,683</b>	<b>33,512,288</b>	<b>8,121,207</b>	<b>2,755,897</b>	<b>116,870,493</b>	<b>602,814,568</b>
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
<b>2015</b>						
<b>Total Assets</b>	<b>437,307,711</b>	<b>11,959,622</b>	<b>7,367,230</b>	<b>3,142,552</b>	<b>228,053,002</b>	<b>687,830,117</b>
<b>Total Liabilities</b>	<b>467,448,609</b>	<b>36,208,464</b>	<b>7,347,641</b>	<b>3,125,248</b>	<b>109,022,398</b>	<b>623,152,360</b>
Net Concentration in the Statement of Financial Positions	(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 the Bank's 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's 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:

1. 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.
2. 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.
3. 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.
4. 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
Liabilities	JD	JD	JD	JD	JD	JD	JD	JD
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
<b>Total Liabilities</b>	<b>746,353,550</b>	<b>249,889,165</b>	<b>147,547,687</b>	<b>257,482,131</b>	<b>184,177,874</b>	<b>107,351,262</b>	<b>25,363,744</b>	<b>1,718,165,413</b>
<b>Total Assets</b>	<b>404,570,208</b>	<b>91,038,928</b>	<b>64,063,668</b>	<b>176,104,886</b>	<b>420,559,502</b>	<b>440,427,464</b>	<b>410,559,386</b>	<b>2,007,324,042</b>

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	JD	JD	JD	JD	JD	JD	JD	JD
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 Provisions	-	-	-	-	-	-	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
<b>Total Liabilities</b>	<b>707,848,463</b>	<b>277,507,987</b>	<b>173,207,915</b>	<b>286,684,552</b>	<b>130,300,204</b>	<b>107,547,489</b>	<b>12,035,722</b>	<b>1,695,132,332</b>
<b>Total Assets</b>	<b>345,010,992</b>	<b>67,178,788</b>	<b>74,256,016</b>	<b>127,066,913</b>	<b>289,840,983</b>	<b>557,732,279</b>	<b>525,145,338</b>	<b>1,986,231,309</b>

## 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 contracts:

Foreign Currency Derivatives	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	Total
2016	JD	JD	JD	JD	JD
Derivatives Held for Trading:					
Outflows	-	2,241,000	-	-	2,241,000
Inflows	-	2,301,977	-	-	2,301,977

Foreign Currency Derivatives	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	Total
2015	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:

	Up to 1 year	1 – 5 years	Total
2016	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

	Up to 1 year	1 – 5 years	Total
2015	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 instructions.
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 Bank's 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 System 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 System's security incidents.
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 Segment Information

### 1. Information about Bank Activities:

For management purposes the Bank is organized into four major segments that are measured according to the reports used by the main decision maker at the Bank:

- **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	Treasury	Other	Total	
					2016	2015
	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
Allowance for Credit Losses	341,723	(9,012,306)	-	-	(8,670,583)	(8,756,722)
Segment Result	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
<b>Other Information</b>						
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:

	In 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:

1. Conservation Buffer
2. Countercyclical Buffer
3. 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
<b>Primary Capital</b>		
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)	-
<b>Less</b>		
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
<b>Total Primary Capital</b>	<b>197,995,426</b>	<b>247,732,960</b>
<b>Supplementary Capital</b>		
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
<b>Less</b>		
Effective Investments in other Financial Institutions Less than 10%	-	-
50% of Investments In Banks and other Financial Institutions Capital	-	870,382
<b>Total Supplementary Capital</b>	<b>22,561,645</b>	<b>22,011,710</b>
<b>Total Regulatory Capital</b>	<b>220,557,071</b>	<b>269,744,670</b>
Total Risk Weighted Assets	<b>1,589,768,876</b>	<b>1,473,568,168</b>
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 JD	More than 1 year JD	Total JD
<b>Assets</b>			
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
<b>Total Assets</b>	<b>899,244,714</b>	<b>1,108,079,328</b>	<b>2,007,324,042</b>
<b>Liabilities</b>			
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
<b>Total Liabilities</b>	<b>1,382,745,840</b>	<b>290,470,948</b>	<b>1,673,216,788</b>
<b>Net</b>	<b>(483,501,126)</b>	<b>817,608,380</b>	<b>334,107,254</b>

2015	Within 1 Year	More than 1 Year	Total
	JD	JD	JD
<b>Assets</b>			
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 Statement	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
<b>Total Assets</b>	<b>876,601,798</b>	<b>1,109,629,511</b>	<b>1,986,231,309</b>
<b>Liabilities</b>			
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
<b>Total Liabilities</b>	<b>1,426,048,033</b>	<b>235,832,863</b>	<b>1,661,880,896</b>
<b>Net Assets</b>	<b>(549,446,235)</b>	<b>873,796,648</b>	<b>324,350,413</b>

## 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
<b>Total</b>	<b>310,838,352</b>	<b>276,565,870</b>

**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
	<u>2,725,265</u>	<u>6,396,120</u>

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 Programs, 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 Contracts**

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 recognition 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 recognizes the non-monetary 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.





# Statements of the Requirements of the Securities Exchange Commission

## Electronic Services

We excel in providing comprehensive and advanced electronic services to ensure the satisfaction of our clients.

## A. Chairman's Statement

Stated at the beginning of the report.

## B. Board of Directors' Report

Stated at the beginning of the report.

### 1 Description of the Company's Main Activities

Capital Bank offers a comprehensive array of banking and financial activities, products and services for all economic sectors in Jordan through its widespread branch network throughout the Hashemite Kingdom of Jordan. In addition, the Bank delivers a wide range of bespoke investment and financial brokerage services through its wholly-owned investment and financial brokerage subsidiary, which has a capital of JD 10 million. The Bank also owns a controlling stake of 61.85% in the National Bank of Iraq, with capital of ID250 billion, which provides a gateway for Capital Bank's clients for investment in the promising Iraqi market. Furthermore, Capital Bank Corporate Advisory at Dubai International Finance Centre (DIFC) offers specialized investment services and corporate financing for the Arabian Gulf market.

## C. Bank Locations and the Number of Employees in Each Location

Employees of the Bank and investment and financial brokerage company number 629, and are distributed over the following geographical locations:

Location	Address	No. of Employees
Headquarters	Amman	470
Al Mal	Amman	46
Main Branch	Amman	19
Main Customer Branch	Amman	8
Al-Madinah Al-Munawwara Branch	Amman	13
Al-Sweifeh Branch	Amman	8
Dabouq Branch	Amman	9
Majdi Mall Branch	Amman	7
Al Wihdat Branch	Amman	7
Al-Gardens Branch	Amman	10
Free Zone Branch – Zarqa	Zarqa Free Zone	9
Al-Zarqa Al-Jadida Branch	New Zarqa	6
Irbid Branch	Irbid	9
Aqaba Branch	Aqaba	8
Total		629

\* The bank does not have any branches outside Jordan

### Capital Investment of the Bank

The size of the capital investment amounted to JD xx and represents the net value of the properties, equipment and intangible assets as at the end of 2016.



## 2 Subsidiaries

- Capital Investments and Financial Brokerage
- National Bank of Iraq
- Capital Bank Corporate Advisory – Dubai
- Bahrain Fund Investment Company (activities have not been initiated)

Name of Subsidiary	Capital Investment and Financial Brokerage	Capital Bank Corporate Advisory	National Bank of Iraq	Bahrain Fund Investment Company
Company Type	Limited Liability	Limited Liability	Public Shareholding	Bahraini Shareholding Company (Closed)
Main Activity	Investment and Financial Brokerage	Advisory	Banking	Establishment of Investment Funds
Company's Capital	JD 10,000,000	US\$250,000	ID25 billion	BD1000
Subsidiary Address	Amman - Shmeisani	Dubai International Financial Centre - United Arab Emirates	Iraq	Bahrain
Other Information	-	-	-	Activities have not been Initiated

## 3 a. Synopsis of the Chairman and Directors

### Bassem Khalil Salem Al-Salem

Position: Chairman

Date of Birth: 19/6/1956

Date of Membership: 20/4/2010

Academic degrees: Holder of a Bachelor's degree in Chemical Engineering from Imperial College in the UK.

Professional Experiences: Mr. Bassem Al-Salem currently serves as the Chairman of the Board of Capital Bank which he co-founded in 1995. In his role, he leverages his diverse experience in creating business value strategically, operationally and financially. He currently also serves as the Chairman of the Board of Trustees of King's Academy in Jordan. Prior to that, he founded and managed a number of companies in Jordan, mainly in the industrial sector. Al-Salem has an extensive record of public service that spans over 12 years starting as a Member of the Board of the Central Bank of Jordan and later as Minister of Labor, Minister of Finance, Senator in the Upper House of the Jordanian Parliament, Chairman of the Board of Directors of the Banking Association, and Chairman of the Board of Directors of the Social Security Corporation. Today, Al-Salem continues to serve on the boards of several organizations in the private and public sectors such as Queen Rania Foundation, Royal Jordanian and the University of Jordan.

**Mazen Samih Taleb Darwazeh**

Position:	Vice Chairman
Date of Birth:	5/6/1958
Date of Membership:	31/8/2009
Academic Degrees:	Holder of a Bachelor's degree in Business Administration from the (L.A.U)- Lebanon, and AMP (Advanced Management Program) from INSEAD Business School in France.
Professional Experiences:	He is currently the Executive Group Vice Chairman & Mena CEO - Hikma Pharmaceuticals PLC, he has held several positions, including Chairman and CEO of Hikma Pharmaceuticals Limited (Jordan). In addition, he is the Chairman of the Board of Directors of Trust Pharma Ltd. (Algeria) and Pharma Ixir Co, LTD (Sudan), Board Member of Hikma Pharma (Egypt), Ibn AL Baytar (Tunisia), Hikma Pharmaceuticals (Lebanon), Promopharm (Morocco) in addition to being a Member of the Advisory Board of the Lebanese American University (L.A.U) Lebanon and Buck University Advisory Council- San Francisco and, he is a Member of Trustees of the Saint Louis School of Pharmacy and Bir Zeit University, and a Former Member of the Jordanian Senate between 2010 and 2013.

**Kim Fuad Sa'd Abu Jaber**

Position:	Member of the Board of Directors
Date of Birth:	27/9/1956
Date of Membership:	31/8/2009
Academic Degrees:	Holder of a Bachelor's degree in Business Administration from the University of Arizona
Professional Experiences:	He is presently the CEO and Deputy Chairman of the Board of Directors of the Fuad Abujaber & Sons Group of companies, covering a wide spectrum of sectors, including mining, specialized contracting, insurance, trade, steel industry, agriculture, packaging and distribution, real estate, and investment. He is also the first deputy Chairman of Equipment Sales and Service Company, in addition to being the Founder and Chairman of the Board of Directors of Al Yadoudah Investment Company W.L.L., as well as the Solid Steel & Iron Manufacturing & Forming Company. He is also a Member of the Board of Directors of a number of companies including: Travertine Company TRAVCO (Chairman), International Silica Industries Company ISIC (Chairman) and the Jordan International Insurance Co. (Vice Chairman)

**Omar Mohamed Ibrahim Shahrour**

Position:	Member of the Board of Directors – Representative of the Investments & Integrated Industries Plc Co.
Date of Birth:	17/4/1967
Date of Membership:	31/8/2009
Academic Degrees:	Holds an MBA degree majoring in Finance from Wayne State University in Detroit, Michigan. and a BS degree in Accounting from the University of Jordan, In addition, Mr. Shahrour passed and received the Certified Public Accountant (CPA) Certification in Colorado, USA.
Professional Experiences:	<p>Presently holds the position of Chief Financial Officer of Nuqul Group appointed in October 2005. As Chief Financial Officer, Omar brings over 15 years of financial management experience in leading companies. In this role, Omar directs all financial aspects of the business including accounting practices, budgeting, financial planning, interface with the financial community, financial analysis, acquisitions and ventures, and monitoring of financial performance.</p> <p>Prior to joining Nuqul Group, Mr. Shahrour held various challenging positions, includes Financial Controller then Finance Manager for Coca-Cola Jordan in Amman, Internal Auditor then Financial controller for Edgo Group in Amman, Jordan and Accountant for O.M. Haddad &amp; Co. based in Dearborn, USA.</p>

**Issam Abdallah Yousef Al-Khatib**

Position:	Member of the Board of Directors – Representative of the Social Security Corporation
Date of Birth:	28/4/1965
Date of Membership:	31/8/2009
Academic Degrees:	Holds a Bachelor's degree in Accounting and Master's in Finance from the University of Jordan.
Professional Experiences:	He is presently the Director of the Treasury and Loans Department at the Social Security Investment Fund (SSIF). He has more than 25 years of experience in the financial and banking services sector, in the course of which he held a number of administrative and executive positions, where he was Director of the Regulation and Banking Systems Department at InvestBank. Before that, he worked at the Islamic International Arab Bank, Zahid Tractor & Heavy Machinery Co. Ltd., the Arab Bank, Bank of Jordan, and the Jordan National Bank PLC. He is also a Board Member at the Jordan Project for Tourism Development (Tala Bay).

**Khalil Hatem Khalil Al-Salem**

Position:	Member of the Board of Directors – Representative of Al Khalil Company for Investments
Date of Birth:	28/12/1982
Date of Membership:	31/8/2009
Academic Degrees:	Holds a Bachelor's degree in Economics from Columbia University.
Professional Experiences:	He is presently the deputy CEO of Al Majal Business Park in southern Iraq and is responsible for financial management of the business park in Southern Iraq with a particular focus on business requirement and trading, and is previously holder of the position of Office Director of HRH Prince Ali Bin Al-Hussein for football affairs between 2009 - 2014, in addition to being General Secretary of the Jordan Football Association. He commenced his professional career as a Financial Analyst at JP Morgan in New York, and thereafter he was the Manager of Business Development in Capital Investments Company.

**Sultan Mohammad M. El Seif**

Position:	Member of the Board of Directors – Representative of Al-Jadara Company for Real Estate Investment.
Date of Birth:	3/3/1985
Date of Membership:	31/8/2009
Academic Degrees:	Holder of a Bachelor's degree in Financial Sciences from Roger Williams University
Professional Experiences:	He was formerly the deputy General Manager and the Office Manager of the Chairman of the Board of Directors of the Saudi Medical Care Company in Riyadh. He also worked as a Financial Analyst at UMA Investment Company and at Morgan Stanley, and he is a Member of the Board of Directors of a number of companies, such as the Oman Medical Project Company, and the Saudi Medicare Company, Allied Medical Group, and the United Medical Group.

**“Mohammad Ali” Khaldoun Sati Al -Husry**

Position:	Member of the Board of Directors – Representative of Hotaf Investment Company
Date of Birth:	20/4/1957
Date of Membership:	31/8/2009
Academic Degrees:	Holder of a Bachelor's degree in Mechanical Engineering from the University of Southern California and a Master's in Business Administration from INSEAD Business School in France.
Professional Experiences:	Held the position of Chairman of the Board of Directors of Capital Bank from 1996 until 2007, and a Non-Executive Member of the Board of Directors of Hikma Pharmaceuticals PLC, and Chairman of the Board of Directors of Endeavor Jordan. In addition, he is a Member of the Board of Directors of the Woman's Fund, the Jordan Museum, and Alcazar Energy Company.

**Mazen Ahmad M. Al-Jubeir**

Position:	Member of the Board of Directors
Date of Birth:	19/9/1976
Date of Membership:	26/7/2010
Academic Degrees:	Holds a Bachelor's degree in Economics from Harvard University (with honors), and an MBA (with highest honors) from the Harvard Business School.
Professional Experiences:	He is currently the Managing Director of Jawaris Company, which concentrates on investments in small and medium enterprises, headquartered in Saudi Arabia. Formerly, he was an Executive Vice President of Amwal AlKhaleej Commercial Investment Company in Riyadh and a Project Manager at McKinsey & Co in Washington, DC.

**“Mohammed Said” Mohammed Ibrahim Shahin**

Position:	Member of the Board of Directors
Date of Birth:	2/7/1948
Date of Membership:	17/3/2013
Academic degrees:	Holds a Master degree in Economic Development from Harvard University- USA. and a Bachelor degree in Economics from the American University of Cairo.
Professional Experiences:	In the past, he held a number of positions, namely Governor and deputy of Governor of the Central Bank of Jordan, General Manager and Deputy Chairman of the Board of Directors of the Jordan Deposit Insurance Corporation, he also served as Chairman and Vice Chairman in many institutions including Jordan international bank/ London, founder of the International Deposit Insurance Corporation, Basel – Switzerland, Vice Chairman of the Board of Directors of the Jordan Military Credit Fund (MCF) , Member of the Executive Privatization Commission (EPC), and Member of the Board of Directors of Arab Monetary fund/Abu Dhabi.

**Omar Akram Omran Bitar**

Position:	Member of the Board of Directors
Date of Birth:	1/1/1963
Date of Membership:	4/6/2015
Academic Degrees:	Holds a Bachelor's degree in Finance and Banking from the University of Missouri-St. Louis.
Professional Experiences:	He has long-standing experience in the field of operating and financial consulting, auditing, privatization, and restructuring of companies in numerous sectors, including banking and financial services, construction, manufacturing, oil and gas. He is a member of the Board of Directors of the Palestine Development and Investment Co. and its subsidiary companies and is a member of the Arab Society for Orphans.

**Reem Haitham Jamil Goussous**

Position:	Member of the Board of Directors
Date of Birth:	16/11/1971
Date of Membership:	4/6/2015
Academic Degrees:	Holds a Bachelor's degree in Economics and a Master's in Economic Development and International Trade from Boston University.
Professional Experiences:	Is currently the Senior Manager and Lead Economist at Al Jidara. With over 20 years of experience in economics and finance, Ms. Goussous has managed over 80 projects and consultancy assignments. She has previously worked with the Ministry of Planning and International Cooperation, Capital Bank, United Group Consulting and Management Company and Jordan Investment Board. Ms. Goussous is a Board Member of the Jordan River Foundation, a Member of the Institute of Management Consultants and Trainers and is a Member of the Awareness Committee at EDAMA Association

**Jawad Abdel Reda Abdel Baqi Al-kasab**

Position:	Member of the Board of Directors
Date of Birth:	1/1/1944
Date of Membership:	16/12/2010 until 21/12/2016
Academic Degrees:	Holds a Bachelor's degree in Civil Engineering from Cairo University.
Professional Experiences:	He is presently the Chairman of the Board of Directors and CEO of the Engineering Projects Company, the contracting arm of the parent company GK Group. Moreover, he was formerly the Chairman of the Board of Directors and CEO of the United Saudi Jordanian Hotel & Tourism and Ayla Hotel & Tourism Co.

**Meetings of the Board of Directors and the Committees in 2016**

Meetings	Number of Meetings
Board of Directors	8
Audit and Compliance Committee	12
Compliance Committee	2
Risk Committee	6
Nomination and Remuneration Committee	2
Corporate Governance Committee	1
Credit Committee	3
Financial Committee	6
Strategy Committee	2

**B. Executive Management of Capital Bank****Senior Management Members****Haytham Yousef Abdul Monem Kamhiyah**

Position: Management

Date of Appointment: 1/4/1996

Date of Birth: 1/8/1969

Academic degrees: He earned his Bachelor's Degree with distinction in Accounting and Business Administration (BA) from the University of Jordan in 1992 and earned Advanced Management Program / Diploma from INSEAD University - France in 2005.

He is a Certified Public Accountant (CPA) and Certified Management Accountant (CMA).

Professional Experiences: He brings with him around 25 years of experience in Banking Management and Industry Leadership. He is currently the Vice Chairman at Capital Bank Corporate Advisory (DIFC) Ltd and represents the bank as a Board Member in Capital Investments. Also, he is a Board Member in Vitas Jordan and Jordan International Investment Group and the Head of Audit Committee of King Hussein Foundation and a Board of Trustees member in INJAZ.

Previously, he served as Board Member for Jordan's Credit Bureau Company, Jordan Exporters Association, Jordan Institute of Banking Studies and Association of Banks in Jordan. He started his professional career at Arthur Andersen Co. as an Auditor in 1992.

**Ayman Omran Abdullah Abu Dhaim**

Position: Management

Date of Appointment: 6/3/2011

Date of Birth: 16/11/1972

Academic Credentials: Received a Bachelors in Accounting from the University of Jordan, and a Master's in Accounting and Management Science from the University of Southampton in the United Kingdom, in addition to possessing the following professional qualifications: Member of the Jordanian Certified Public Accountant (JCPA), the CPA Certified Public Accountant, the Certified Financial Manager and the Certified Project Manager Certificate (CPM).

Professional Experiences: Has over 20 years of experience in banking and financial management. In the past, he held managerial positions in numerous financial institutions, the last of which was CFO in the Social Security Investment Fund (SSIF), and he is presently the Deputy Chairman of the Board of Directors of the National Bank of Iraq and the Board Member of Capital Bank Corporate Advisory (DIFC) (Dubai International Financial Centre).

**Manar Mohammad AL Nsour**

Position: Chief Financial Officer

Date of Appointment: 18/6/2001

Date of Birth: 20/9/1979

Academic Credentials: holds a Bachelor's degree in Accounting from the University of Jordan

Professional Experiences: has over 15 years of experience in financial management, and has held numerous management positions at Capital Bank, before her most recent posting as chief financial officer at the bank as of 30/7/2016

**Yasser Ibrahim Muhammad Kleib**

Position: Chief Business Officer

Date of Appointment: 16/6/2004

Date of Birth: 27/10/1974

Academic Credentials: Holds a Bachelor's in Business Administration from Yarmouk University, and a certificate of Certified Lender Business Banker (CLBB) from the American Bankers Association.

Professional Experiences: Has more than 19 years of experience in the field of commercial and institutional development. He joined Capital Bank in 2004, where he started work in the Banking Services and Credit Facilities Department, and he previously worked for a period of eight years at the Arab Bank.

**Naser Abdel Rahman Bader Ziadeh**

Position: Chief Operations Officer

Date of Appointment: 10/05/2015

Date of Birth: 15/09/1966

Academic Credentials: Has a Bachelor's degree in Computer Science from the University of California, Irvine and a Master's degree from Cambridge University.

Professional Experiences: Has more than 20 years of experience in the technology sector, where he previously worked at international companies such as Microsoft, Intel and Symantec in the US, UK and the Middle East. The last position he held was Manager of the readiness of companies at Microsoft in the UK. He accomplished numerous studies that were conducted in the field of management of organizational change at Oxford University.

**"Muhammad Hafez" Abdel Kareem Muaz**

Position: Head of the Legal Department/Legal Counsel

Date of Appointment: 6/2/2003

Date of Birth: 27/10/1969

Academic Credentials: Received a Bachelor's degree in Law from the University of Jordan and a Higher Diploma in International Law and a Master's degree in Commercial Law from the University of Staffordshire in the UK.

Professional Experiences: Previously worked at the Arab Bank in the Legal Department/foreign section for a two-year period, and before that worked as a lawyer at Dajani and Associates Attorneys & Legal Consultants for a period of five years. He is a Member of the Jordanian Bar Association since 1997, and a Member of the International Lawyers Association since 1998.



**Ali Muhammad Daoud Abu Swai**

Position: Head of Treasury and Investments

Date of Appointment: 9/7/1997

Date of Birth: 2/2/1966

Academic Credentials: Holds a Bachelor's and a Masters' degree in Financial and Banking Sciences.

Professional Experiences: He possesses experience of more than 23 years in financial markets, banking operations, treasury and investment. He presently holds the position of the President of the Financial Markets Association (ACI Jordan) that he has held since 2010, and he represents Jordan at Interarab Cambist Association. Previously, he worked at Amman Bank for Investment for a period of five years.

**Rania "Muhammad Said" Dwaikat**

Position: Head of the Compliance Department

Date of Appointment: 21/4/2002

Date of Birth: 7/2/1970

Academic Credentials: Holds a Bachelor's degree in Economics and Statistics from the University of Jordan, and a Diploma in Monitoring, Compliance and Prevention of money laundering from Reading University in the UK. She possesses many licenses and professional certificates, such as the Certificate of Monitoring, Compliance, and Money Laundering Prevention from the University of Reading, in addition to a certificate of Certified Lender Business Banker (CLBB), from the American Bankers Association (ABA).

Professional Experiences: Has more than 20 years of experience in the banking sector, and worked previously in Cairo Bank Amman for a period of 11 years, where she worked at the time in the position of the Head of the Department of Control and Contracts Documentation.

**Nabil Nicola Najib Al-Awa**

Position: Manager of the Credit Review Department

Date of Appointment: 12/5/2008

Date of Birth: 28/7/1963

Academic Credentials: Bachelor's in Business Administration from the University of Jordan.

Professional Experiences: Has more than 30 years of experience in the banking sector, where he worked as Manager of Credit Review at Ahli Bank, and Manager of Credit Facilities at Cairo Bank-Amman.

**Zeid Yahya Amin Salah**

Position: Head of the Strategic Planning and Corporate Communications Department

Date of Appointment: 01/09/2015

Date of Birth: 06/01/1977

Academic Credentials: Holds a Bachelor's degree in Civil Engineering and a Master's in Business Administration from McGill University/Canada. He has more than 16 years of experience in the field of business development, strategic analysis and risk management, where he occupied several leading positions in Citibank, JP Morgan Chase, BMO Financial Group, and Merrill Lynch in the United Kingdom, Canada, and the United Arab Emirates. He commenced his professional career as a field engineer with Schlumberger oil field Services Company.

**Nedal Tawfeeq Ali Ali**

Position:	Head of Internal Audit.
Date of Appointment:	16/3/2008
Date of Birth:	9/10/1972
Academic Credentials:	Has a Bachelor's degree in Accounting from Al-Mustansiriyyah University in Iraq and a Master's degree from the University of Jordan, in addition to holding four official IIA certification designations; Certified Internal Auditor (CIA), Certified Financial Services Auditor (CFSA), Certification in Control Self-Assessment (CCSA), and Certification in Risk Management Assurance (CRMA).
Professional Experiences:	Possesses more than 20 years of experience in internal audit in the banking sector. Previously, he worked at Oman Arab Bank, Jordan Kuwait Bank, and the Housing Bank for Trade & Finance.

**Falah Hassan Khalil Kokash**

Position:	Group Risk Management Director
Date of Appointment:	9/9/2012
Date of Birth:	1/8/1967
Academic Credentials:	Has a Bachelor's degree in Financial and Banking Sciences from Yarmouk University and a Master's in Financial Management, in addition to the following professional certificates: The Financial Risk Manager (FRM), International Certificate in Banking Risk and Regulation (ICBRR), Certified Management Accountant (CMA), Certified Financial Manager (CFM), and the Certified Lender Business Banker (CLBB).
Professional Experiences:	Has more than 24 years of experience in the financial sector, where he assumed a number of leading positions in risk management and credit analysis (Corporate, SMEs, Retail), and previously worked at several banks including the Bank of Jordan, Ahli Bank, Invest Bank, and Al Bilad Bank.

**Bassam Diab Ahmad Al-Bitar**

Position:	Head of the Central Operations Department
Date of Appointment:	3/5/2009 until 7/11/2015
Date of Birth:	20/9/1969
Academic Credentials:	Has a Bachelor's degree in Public Administration and Political Science/Yarmouk University, 1992.
Professional Experiences:	Has more than 25 years of experience in the field of international and local banking operations.

## C. Board of Directors and the Executive Management of Capital Investments (Subsidiary Company)

### Bassem Khalil Salem AL-Salem

Position:	Chairman
Date of Membership:	1/7/2010
Date of Birth:	19/6/1956
Academic Degrees:	Holder of a Bachelor's degree with honors in Chemical Engineering from Imperial College in the UK.
Professional Experiences:	He is presently the Chairman of the Board of Directors of "King's Academy", in addition to being Chairman of the Board of Directors of Capital Bank. Prior to that, he was minister of labor and minister of finance successively between 2005 and 2009, in addition to holding several positions including Chairman of the Board of Directors of the Association of Banks in Jordan between 2012 and 2015, and Chairman of the Board of Directors of the Social Security Corporation (2005-2009). What's more, he was a Member of the Jordanian Senate (2010-2011). He is a Member of number of Board of Directors in both the public and private sectors, including the Public Mining Company. He commenced his professional life in the private sector where he founded a number of industrial companies in Jordan.

### Marwan Salah (Mohammad Juma ) Juma

Position:	Vice Chairman
Date of Membership:	11/11/2015
Date of Birth:	24/1/1967
Academic Degrees:	Holds both a Master of Science in Management and a Bachelor of Science in Business and Economics from North Carolina State University (USA).
Professional Experience:	Has previously served as the Minister of Information and Communications Technology in Jordan. Mr. Juma is currently the Vice Chairman of the King Abdallah Fund for Development and Oasis 500, in addition to serving as Chairman of Urdon Shop and two tech companies; Kinz and dot.jo. Mr. Juma belongs to various other boards including: DAI (Maryland), Princess Sumaya University for Science and Technology, King Abdallah Centre for Excellence and Jordan Education Initiative.

### Haytham Yousef Abdul Monem Kamhiyah

Position:	Member of the Board of Directors
Date of Appointment:	1/4/1996
Date of Birth:	1/8/1969
Academic degrees:	He earned his Bachelor's Degree with distinction in Accounting and Business Administration (BA) from the University of Jordan in 1992 and earned Advanced Management Program / Diploma from INSEAD University - France in 2005. He is a Certified Public Accountant (CPA) and Certified Management Accountant (CMA).
Professional Experiences:	He brings with him around 25 years of experience in banking management and industry leadership. He is currently the Vice Chairman at Capital Bank Corporate Advisory (DIFC) Ltd and represents the bank as a Board Member in Capital Investments. Also, he is a Board Member in Vitas Jordan and Jordan International Investment Group and the Head of Audit Committee of King Hussein Foundation and a Board of Trustees member in INJAZ. Previously, he served as Board Member for Jordan's Credit Bureau Company, Jordan Exporters Association, Jordan Institute of Banking Studies and Association of Banks in Jordan. He started his professional career at Arthur Andersen Co. as an Auditor in 1992.

**Omar Mohamed Ibrahim Shahrour**

Position:	Member of the Board of Directors – Representative of the Investments & Integrated Industries Plc Co.
Date of Birth:	17/4/1967
Date of Membership:	31/8/2009
Academic Degrees:	Holds an MBA degree majoring in Finance from Wayne State University in Detroit, Michigan. And a BS degree in accounting from the University of Jordan, In addition, Mr. Shahrour passed and received the Certified Public Accountant (CPA) certification in Colorado, USA.
Professional Experiences:	<p>Presently holds the position of Chief Financial Officer of Nuqul Group appointed in October 2005. As Chief Financial Officer, Omar brings over 15 years of financial management experience in leading companies. In this Role, Omar directs all financial aspects of the business including accounting practices, budgeting, financial planning, interface with the financial community, financial analysis, acquisitions and ventures, and monitoring of financial performance.</p> <p>Prior to joining Nuqul Group, Mr. Shahrour held various challenging positions, including Financial Controller then Finance Manager for Coca-Cola Jordan in Amman, Internal Auditor then Financial controller for Edgo Group in Amman, Jordan and Accountant for O.M. Haddad &amp; Co. based in Dearborn, USA</p>

**Yezan Munther Jiryis Haddadin**

Position:	Member of the Board of Directors /CEO
Date of Membership:	11/11/2015
Date of Birth:	24/4/1975
Academic Degrees:	Holds a Juris Doctor from Northwestern University School of Law (USA) and a Bachelor of Science from Georgetown's School of Foreign Service (USA). He is admitted to the New York State Bar Association and is an FAA licensed pilot.
Professional Experiences:	<p>Is the Chief Executive Officer and Board Member of Capital Investments and joined the company in 2014. Throughout his career, he has developed extensive experience across a range of industries and advised on over USD 100 billion in M&amp;A transactions in North America, Latin America, Europe, the Middle East and Africa.</p> <p>Mr. Haddadin has over 17 years of investment and investment banking experience. Prior to joining Capital Investments, he was an Advisor at Ripple Wood Holdings LLC, a New York-based private equity firm. He was also a Managing Director at Perella Weinberg New York (2007-2012) and an Executive Director in JPMorgan's M&amp;A Group New York (2000-2007). He is currently a Member of the Board of Director at Sixth of October Investment Company (SODIC), a publicly listed Egyptian real estate development company. He is also a Board Member of The Near East Foundation, a New York- based private nonprofit development agency with projects in Africa and the Middle East.</p>

**Khalid Walid Hussni Nabils**

Position:	Member of the Board of Directors
Date of Membership:	11/11/2015
Date of Birth:	20/2/1972
Academic Degrees:	Has a Bachelor's degree in Economics and Administrative Sciences from the University of Jordan, and a Master's degree in Business Administration from Hull University. He also has a CPA.
Professional Experiences:	Is currently the Chief Financial Officer at Hikma Pharmaceuticals. He has previously held various other senior positions, including Corporate Vice President, before assuming his present role. Mr. Nabils has worked with Atlas Investment Group (presently known as AB Invest) and Arthur Anderson (Jordan).

**Reem Haitham Jamil Goussous**

Position: Member of the Board of Directors

Date of Birth: 16/11/1971

Date of Membership: 11/11/2015

Academic Degrees: Holds a Bachelor's degree in Economics and Master's in Economic Development and International Trade from Boston University.

Professional Experiences: Is currently the Senior Manager and Lead Economist at Al Jidara. With over 20 years of experience in economics and finance, Ms. Goussous has managed over 80 projects and consultancy assignments. She has previously worked with the Ministry of Planning and International Cooperation, Capital Bank, United Group Consulting and Management Company and Jordan Investment Board. Ms. Goussous is a Board Member of the Jordan River Foundation, a Member of the Institute of Management Consultants and Trainers and is a Member of the Awareness Committee at EDAMA Association

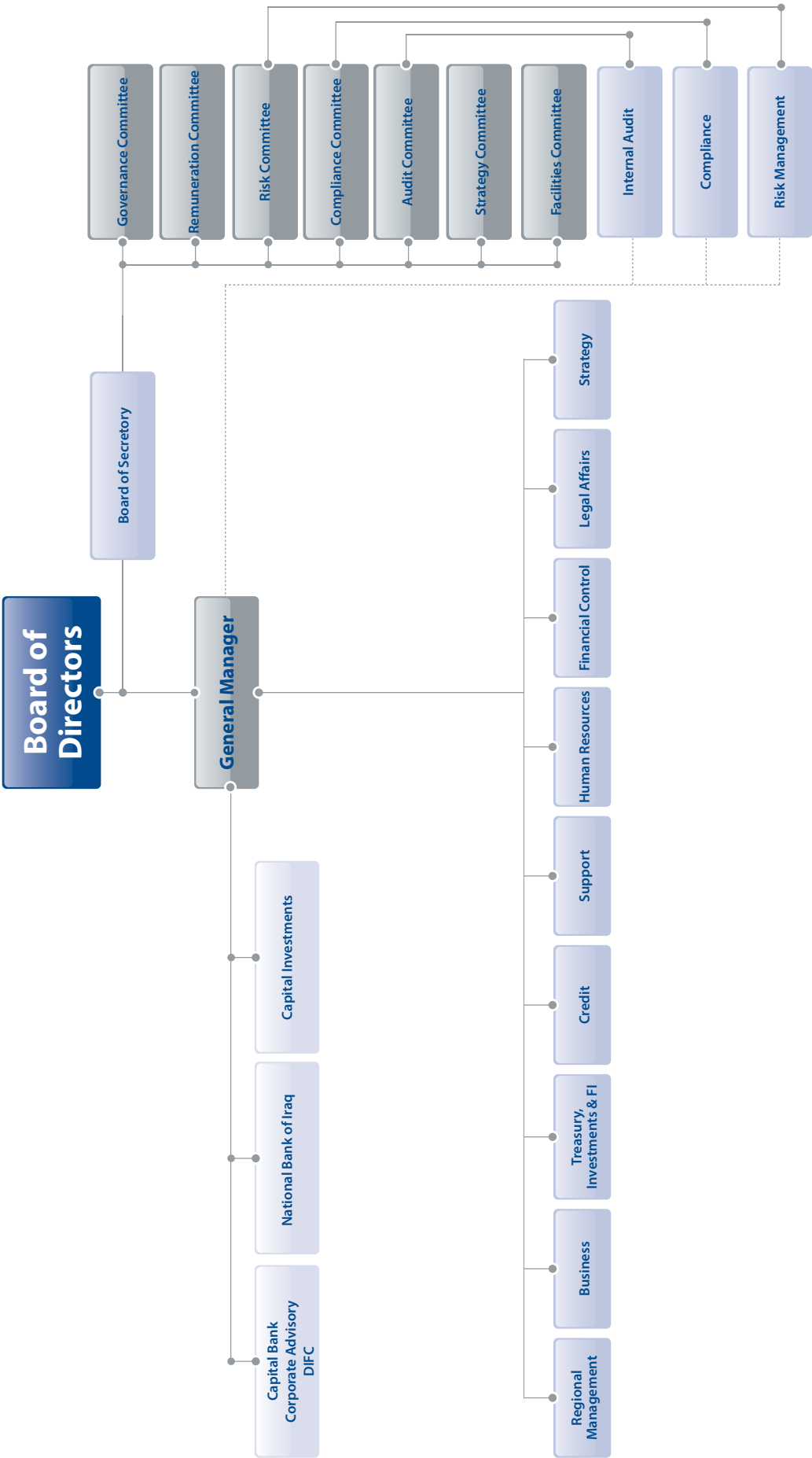
#### **4 Names of the leading shareholders, owning more than 5%, and the number of shares owned by each of them compared to the previous year**

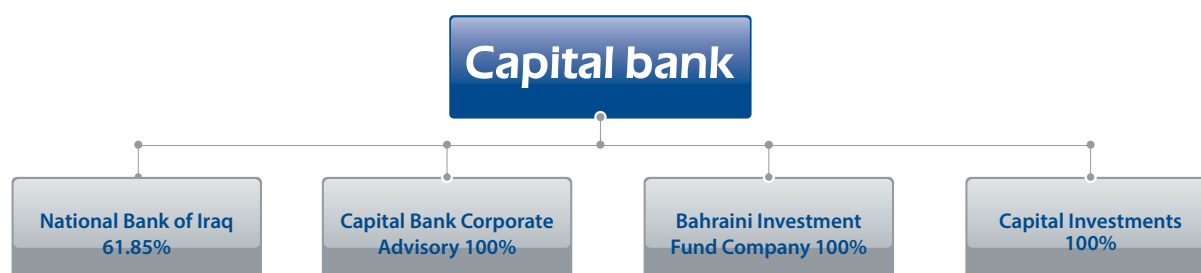
Name	Nationality	Number of Shares as at 31/12/2015	Percentage	Number of Shares as at 31/12/2016	Percentage
Sa'ed Asem Abboud Al-Janabi	Iraqi	19,957,663	9.979	19,957,663	9.979
Social Security Corporation	Jordanian	18,544,288	9.272	18,544,288	9.272
Said Samih Taleb Darwazeh	Jordanian	15,505,336	7.753	16,070,349	8.035
International Finance Corporation	International	13,836,296	6.918	13,836,296	6.918
Investments & Integrated Industries Co. Plc	Jordanian	10,073,007	5.037	10,073,007	5.037

#### **5 The Bank's Competitive Status within the Industry**

The past years have seen a marked growth in Capital Bank's share of the Jordanian banking market, which reached 4.1 percent of the sector's total assets and 4.2 percent of total credit facilities. The Bank's share of total customer deposits in the sector totaled 3.7 percent. Moreover, the Bank does not rely on specific suppliers or clients that constitute 10 percent or more of its purchases and/or its sales, nor does the Bank or any of its products enjoy any special protections or privileges by the government. The Bank does not have any active patents, nor are there any decisions or policies issued by the government or any external international organizations that have financial repercussions on the Bank's operations, products or competitive ability. Additionally, international quality standards do not apply to Capital Bank.

6 a. Organizational Structure of the Bank and its Subsidiaries



**b. Organizational Structure of the Bank's Subsidiaries****c. Academic Credentials of Bank Employees and Capital Investment and Financial Brokerage Company (Subsidiary)**

Academic Qualification	Number of Bank Employees	Number of Capital Investment and Financial Brokerage Company Employees
PhD	-	-
CPA	1	-
Master's	38	6
High Diploma	-	-
Bachelor's	469	32
Diploma	32	0
Secretarial	1	1
General Secondary Education	19	1
Less than General Secondary	23	6
Total	583	46

**d. Training Programs for Bank Employees and Subsidiaries**

Description	Capital Bank		Subsidiaries	
Type of Training Course	Number of Courses	Number of Participants	Number of Courses	Number of Participants
Bank Training Centre Courses	18	309	1	4
Local Courses within Jordan	159	678	7	7
Courses outside Jordan	29	93	1	2
Total	206	1080	9	13



## e. Names of Courses for Bank Employees and Subsidiaries

Course Title	Number of Courses	Participants from the Bank	Number of Courses	Participants from Subsidiaries
External Courses and Conferences	20	30	1	2
Internal Conferences	3	15		
English Language Courses	15	26	2	2
Courses in Commercial Services and Transfers	7	19		
Courses in Money Laundering	9	165	1	4
Courses in Basic Skills	26	116	2	2
Courses in Information Technology and Systems	10	44	2	2
Courses in Financial Aspects	7	14	1	1
Courses in Leadership Skills	5	23		
Training Courses for Capital Bank Employees	32	339		
Certificates	21	71		
Banking Courses	43	204		
Other	8	14		
Total	206	1080	9	13

## 7 Bank's Risk Exposure

Capital Bank is exposed to the following risks, which face the banking sector:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operating Risk
- Compliance Risk

## 8 The Achievements of the Bank in 2016

Description of the accomplishments as detailed and supported by figures contained in the Board of Directors' Report on the Bank's accomplishments.

## 9 The Financial Impact of Operations of a Non-Recurrent Nature in 2016 that do not fall within the Company's Main Activities:

There are no operations of a non-recurrent nature that occurred during 2016.

## 10 The Time Sequence of Profits or Losses Realized and the Distributed Dividends and Net Shareholder Equity for 2003-2016

Fiscal Year	Shareholder's Equity	Net Profit	Dividends		Closing Price
			Cash	Bonus Shares	
2003	45,779,476	8,061,827		4,500,000	3,93
2004	59,872,518	12,346,354		7,000,000	4,41
2005	135,934,724	21,358,989		10,500,000	3,32
2006	156,991,770	18,059,905		14,000,000	1,93
2007	172,375,124	13,508,666		7,000,000	2,07
2008	203,161,545	15,250,169	7,500,000	-	1,8
2009	208,070,606	1,338,383		17,200,000	1,56
2010	214,107,952	5,149,968		-	1,54
2011	221,258,745	1,428,331		-	1,36
2012	242,807,956	22,036,184		-	1,13
2013	324,291,358	37,036,290		15,000,000	1,60
2014	344,881,127	36,314,776	16,500,000	16,500,000	1,51
2015	324,350,413	1,068,872	10,890,000	18,500,000	1
2016	334,107,254	16,135,976	-	-	0.83

## 11 Analysis of the Financial Position of the Bank and its Business Results during the Fiscal Year

Financial Ratios	2016	2015
Return on Assets		
Return on Equity Rights		
Return per Share		
Ratio of Equity Rights / Assets		
Capital Adequacy		
Ratio of Non-Performing Facilities		
Ratio of Allocation Coverage to Non-Performing Facilities		

## 12 Significant Future Developments and the Bank's Strategy for 2017

Capital Bank always seeks to increase its competitive position and expand its market share in the various sectors in which it operates, and to maintain growth rates and the returns realized therefrom in light of the challenging environment that has adversely affected various economic and social spheres.

As part of Capital Bank's vision to be the leading and most innovative provider of banking services, it has developed its electronic channels using state-of-the-art systems, creating a technological work environment that is consistent with control requirements, risk management and information security. The Bank has remained well-informed of all the latest developments in electronic applications and alternative channels, using them to enhance its efficiency through its ATM, online banking, smartphone and other electronic services. This is expected to increase customer satisfaction and strengthen the relationship between the bank and its clients through the continuous communication that it fosters.

Capital Bank will continue providing its VIP clients integrated, innovative and competitive banking and investment services using state-of-the-art techniques characterized by their efficiency. In addition, the Bank will carry on with its strategic plan that aims to provide outstanding services to SMEs by developing exclusive and specialized programs that are consistent with the requirements of this essential sector.

The Bank is also focusing on financing fundamental industrial sectors in the Kingdom such as industry, renewable energy, tourism, agriculture and information technology at preferential interest rates, in cooperation with the Central Bank of Jordan, through medium-term credit programs in order to enhance competitiveness and increase their contribution in encouraging economic and operational activities. This can be achieved by providing financing through specialized programs to active projects in targeted sectors at appropriate financing costs that reflect the

objectives of the reduction of financing costs, thus increasing and raising their competitiveness and capability to create and support economic opportunities.

The Bank will also continue providing its innovative services and products to corporate customers through its outstanding services, particularly in financing commercial transactions, while simultaneously offering clients the unique advantages found in the Iraqi market. In addition, clients can benefit from credit lines given to the Bank from supporting entities in order to enhance and develop the medium and commercial facilities portfolio, thus contributing to invigorating the Jordanian economy.

Moreover, focus will be placed on consolidating the relationship between Capital Bank and its subsidiaries, which include Capital Financial Investments, National Bank of Iraq and Capital Bank Corporate Advisory, to provide simplified and comprehensive services at the group level and compliance in implementing the international banking standards. This will allow the provision of the latest unique economic services and opportunities both locally and regionally.

Capital Bank believes in the importance of its human resources, who constitute its nucleus and cornerstone and the way to achieving its strategies, and we will implement a number of innovative projects throughout the coming year that will effectively contribute in developing business and enhancing the Bank's structure. This will, in return, allow the Bank to fulfill its vision of maintaining progress and distinction by adopting a data-sharing plan between departments in order to unify all efforts.

### 13 Auditing Fees for the Bank and Subsidiaries

Auditor fees of Messrs. Ernst & Young for the Bank and subsidiaries for 2016 amounted to JD 134,310 inclusive of tax, detailed as follows:

	Amount
Capital Bank	92,800
Capital Investment and Financial Brokerage (subsidiary)	8,700
National Bank of Iraq	61,264
Capital Bank Corporate Advisory	17,725
Total	180,489

### 14 Statement of the Number of Securities

Statement of the number of securities issued by the bank and owned by the members of the board of directors and the persons of the upper management who have executive authority and the relatives of the members of the board of directors.

#### A. Number of Securities Owned by the Members of the Board of Directors

Member	Position	Nationality	Number of Owned Shares as of 31/12/2016	Number of Owned Shares as of 31/12/2015
Bassem Khalil Salem Al-Salem	Chairman of the Board of Directors	Jordanian	9,686,180	9,686,180
Mazen Samih Taleb Darwazeh	Vice Chairman	Jordanian	3,491,990	2,926,976
Social Security Corporation	Member	Jordanian	18,544,288	18,544,288
Represented by: Mr. Issam Abdallah Yousef Alkhatib		Jordanian	-	-
Investments & Integrated Industries Co. Plc	Member	Jordanian	10,073,007	10,073,007
Represented by: Mr. Omar M. I. Shahrour		Jordanian	-	-
Hotaf Investment Company	Member	Jordanian	6,047,776	6,047,776
Represented by: Mr. "Mohammed Ali" Khaldoun Sati' Al-husry		Jordanian	3,023,886	3,023,886
Kim Fuad Sa'd Abujaber	Member	Jordanian	2,100,907	2,100,907
Mazen Ahmed M. Aljubeir	Member	Saudi	275,757	275,757

Member	Position	Nationality	Number of Owned Shares as of 31/12/2016	Number of Owned Shares as of 31/12/2015
Al Khalil Company for Investments	Member	Jordanian	64,567	64,567
Represented by: Mr. Khalil Hatem Khalil Al-Salem		Jordanian	120,948	120,948
Al Jadarah Company for Real Estate Investment	Member	Jordanian	37,796	37,796
Represented by Mr. Sultan Mohammed M. ElSeif		Saudi	-	-
Jawad Abdelreda Abdelbaqi Al Kasab	Member	Jordanian	37,795	37,795
"Mohammed Said" Mohammed Ibrahim Shahin	Member	Jordanian	33,333	33,333
Omar Akram Omran Bitar	Member	Palestinian	27,548	27,548
Reem Haitham Jamil Goussous	Member	Jordanian	27,548	27,548

#### B. Number of Securities Owned by the Relatives of the Members of the Board of Directors

Relatives of the members of the Board of Directors	Member Name	Relationship	Nationality	Number of Owned Shares on 31/12/2016	Number of Owned Shares on 31/12/2015
Rudaina Farhan Sa'd Abujaber	Bassem Khalil AL-Salem	Spouse	Jordanian	685,849	685,849
Rula Samir Khalil Naser	Mazen Samih Taleb Darwazeh	Spouse	Jordanian	88,143	88,143
Ghalia Charlie Ghaleb Bsharat	Khalil Hatem Khalil AL-Salem, Representative of Al Khalil Company for Investments	Spouse	Jordanian	2,589	2,589
Hatem Khalil Hatem Al-Salem	Khalil Hatem Khalil AL-Salem, representative of Al Khalil Company for Investments	Son	Jordanian	12,00	12,00

#### C. Number of Securities Owned by the Companies Controlled by Members of the Board of Directors

Member's Name/ Person familiar with the	Position	Controlled Company's Name	Legal Status	Number of Owned Shares on 31/12/2016	Number of Owned Shares on 31/12/2015
Bassem Khalil Salem AL-Salem	Chairman of the board of directors	Al Khalil Company for Investments	L.L.C	64,567	64,567
	member	The Public Mining Co.	P.L.C	80,693	80,693
Mazen Samih Taleb Darwazeh	Vice Chairman	Darhold Ltd	Private	3,537,497	3,537,497
"Mohammad Ali" Khaldoun Sati` Al-husry Representative of Hotaf Investment Company	Member	Darhold Ltd	Private	3,537,497	3,537,497
Investments & Integrated Industries Co. Plc	Member	Universal Modern Industries Co. for Edible Oil	P.L.C	25,825	25,825
Kim Fuad Sa'd Abujaber	Chairman of the board of directors	Al Yadoudah Investment Company	L.L.C	159,073	159,073
	Vice Chairman	Sa'd Abujaber & Sons Co.	L.L.C	2,641,022	2,641,022

#### D. Number of Securities Owned by the Companies Controlled by the Relatives of the Members of the Board of Directors

Member's Name/ Person familiar with the	Members Name	Relationships	Positions	Controlled Company's Name	Legal Status	Number of Owned Shares on 31/12/2016	Number of Owned Shares on 31/12/2015
Rudaina Farhan Sa'd Abujaber	Bassem Khalil Salem Al-Salem	Spouse	Vice Chairman	Al Khalil Company for Investments	L.L.C	64,567	64,567
			Chairman	Jibran Translation Services Company	L.L.C	3,973	1,763

**E. Number of Securities Owned by the Persons of the Upper Executive Management**

Name	Position	Nationality	Number of Shares on	
			31/12/2016	31/12/2015
Haytham Y. A. Kamhiyah	General Manager	Jordanian	116,535	116,635
Ayman Omran Abdullah Abu Dhaim	Head of Regional Management	Jordanian	10,000	3,720
Ali Mohammad Daoud Abu swai	Head of Treasury & Investment Dept.	Jordanian	1,942	1,942
Manar Mohammad Abd Alhalim Nsour	Head of Financial Control Dept.	Jordanian	6,396	6,396

- There are no securities owned by the relatives of the persons of the upper executive management.
- There are no securities owned by companies controlled by the persons of the upper executive management or by their relatives.

**F. Names Of the Leading Shareholders (More Than 1%) and the Number of Shares Owned by Each of Them and the ultimate beneficial owners as on 31 Dec. 2016:**

Name of Shareholders	No. of Shares	Percentage	No. of Pledged Shares	Ultimate Beneficial owners
Sa'ed Asem Abboud Al-Janabi	19,957,663	9.979	-	Same
Social Security Corporation	18,544,288	9.272	-	Same
Said Samih Taleb Darwazeh	16,070,349	8.035	Partial	Same
International Finance Corporation	13,836,296	6.918	-	-
Investments & Integrated Industries Co. Plc	10,073,007	5.037	-	Public Limited Company
BLACK PEARL GLOBAL OPPORTUNITY FUND	10,000,000	5.000	-	-
Abdallah Sa'ed Asem Al-Janabi	9,977,613	4.989		Same
Ra'ed Asem Abboud Al-Janabi	9,977,609	4.989		Same
Bassem Khalil Salem AL-Salem	9,686,180	4.843	Partial	Same
Mohammed M. S. ElSeif	8,495,472	4.248		Same
SARA INTERNATIONAL HOLDINGS LTD	7,090,909	3.545	-	Mr. Ali Kolaghassi
Hotaf Investment Company	6,047,776	3.024		Private Shareholding Company Owned by:
				Mr. "Mohammad Ali" Khaldoun Sati` Al-husry
				Ms. Nisreen Zaid Shaker Own
DARHOLD LIMITED	3,537,497	1.769		Private Shareholding Company
Mazen Samih Taleb Darwazeh	3,491,990	1.746	Partial	Same
"Mohammad Ali" Khaldoun Sati` Al-husry	3,023,886	1.512		Same
Sa'd Abujaber & Sons Co.	2,641,022	1.321		Limited Liability Company owned by:
				Mr. Sa'd Farhan Abujaber
				Mr. Kim Fuad Sa'd Abujaber
				Mr. Nimer Faeq Abujaber
				Mr. Laith Faeq Abujaber
				Mr. Omar Farouq Abujaber
				Mr. Ziad Raouf Sa'd Abujaber
				Mr. Marwan Raouf Sa'd Abujaber
				Mr. Qais Fuad Sa'd Abujaber
				Ms. A'aedah\Naderah Faeq Sa'd Abujaber
Salah Al-Din Mahmoud Arafa Bitar	2,500,071	1.250		Same
Kim Fuad Sa'd Abujaber	2,100,907	1.050	Partial	Same

## 15 Benefits and Bonuses of the Chairman, Directors and Senior Executive Management in 2016

### a. Members of Board of Directors

Name	Annual Salary	Transportation	Bonuses	Total
Basem Khalil AL-Salem	308,000	131,364	5,000	444,364
Mazen Sameeh Taleb Darwazeh		22,030	5,000	27,030
Investments & Integrated Industries Plc Co./ Omar Shahrour		23,520	5,000	28,520
Social Security Corporation/ Issam Al-Khatib		26,520	5,000	31,520
Al Jadarah Real Estate/ Sultan Al-Seif		28,020	5,000	33,020
Khalil Al-Salem Company/ Khalil Al-Salem		30,020	5,000	35,020
Hitaf Investment Company/ "Mohammad Ali" Al-Husari		20,770	5,000	25,770
Kim Fouad Abu Jaber		19,010	5,000	24,010
Mazen Al-Jubayr		29,715	5,000	34,715
Jawad Al-Qassab		14,760	5,000	19,760
"Mohammad Said" Shahin		27,850	5,000	32,850
Omar Akram Imran Bitar		16,350	-	16,350
Reem Haitham Jamil Qsous		14,700	-	14,700
Total		404,629	55,000	767,629

### b- Senior Executive Management

Name	Benefits and Privileges until 31/12/2016	Bonuses	Total
Haytham Yusef Kamhiyah	270,375	-	270,375
Ayman Omran Abudhaim	150,525	-	150,525
Ra'fat Abdullah Khalil	150,070	-	150,070
Mohammad Hafiz Abdelkareem Mu'ath	118,875	-	118,875
Ali Mohammad Abu Soy	118,920	-	118,920
Yasser Ibrahim Klaib	138,825	-	138,825
Rania Mohammad Sa'ed Dwaikat	86,100	-	86,100
Nabil Niqola Al-Aweh	78,440	-	78,440
Nidal Tawfiq Ali Ali	90,185	-	90,185
Falah Hassan Khalil Kokash	83,925	-	83,925
Nasser Abdel Rahman Bader Ziyadeh	158,450	-	158,450
Zeid Yahya Amin Salah	150,450	-	150,450
Manar Mohammad Abdul Haleem Nsour	71,400	-	71,400
Yazan Munther Jiryis Haddadin (Al Mal Co.)	180,450	-	180,450
Total	1,846,990	-	1,846,990

## 16 Donations and Grants Paid by the Bank in 2016

Contributions and Grants Paid by the Bank in 2016	
Beneficiary	Contribution Amount
King's Academy	56,720
Supporting the Financial Education Initiative in Government Schools	47,600
Righteousness and Charity Campaign	46,143
SOS Children's Village	31,131
Garden Project ( Jeran) / Abdoun area	18,272
Al-Aman Fund for the Future of Orphans	15,000
Young Muslim Women's Association	14,250
Orphan Sponsorship Charity Association	11,000
Jordan River Foundation	10,000
Operation SMILE	10,000
Elia Nuqul Foundation	10,000
Tkiyyet Umm Ali	10,000
Queen Rania Foundation	6,750
University Student Scholarships	5,574
LOYAC Jordan	5,000
Royal Health Awareness Society	5,000
Haya Cultural Center Society	5,000
Al Quds University - Al Quds City / Palestine	3,545
PACES t Association	3,545
Labeeb's Friends Project	3,000
Ibal Charitable Society	3,000
The following charity associations: The Deaf, Al-Rafeed Charity, Kafr Awan, Speaking Hands, Dawar Social Development, Giving Torch, Qamar Hashemite, Prince Ali Bin Al-Hussein Club for the Deaf and Mute	2,750
Promise and Loyalty Association	2,242
House Charity for the Care and Rehabilitation of Orphans	2,080
That Ras Club	2,000
Suhaila Ziyad Mustafa Kamal Jabakhanji	2,000
Jordanian Medical Aid for Palestinians	2,000
Palestine International Institute	1,500
Gifted Autistic Children	1,500
Tobacco Free Jordan Association	1,500
Jordan association / Medical Aid for Palestinians to support the winter campaign to provide treatment services to residents of refugee camps	1,000
Dr. Muhammad Abu Jamus	1,000
Al-Quds Al-Sharif Defense Association	1,000
Quality Initiative	1,000
Circassian Charity Association	1,000
Miscellaneous Contributions	19,265
Total for 2016	362,367



**17 There are no contracts, projects and commitments concluded by the issuing company with subsidiaries, sister companies, affiliates, chairman, directors, CEO, any employee or their relatives.**

**18 Contribution of the Bank to Protecting the Environment and Serving the Local Community**

Capital Bank strengthened its role in serving the local community and contributing to its development, through contributing to providing material and moral support to societal initiatives in the educational, humanitarian, social, and other fields; and within the framework of its interaction and interest in supporting the general orientation aiming to achieve sustainable development at the humanitarian and social level, Capital Bank in 2016 supported numerous initiatives, projects and societal programs that targeted various sectors including:

**A. Protection of the Environment:**

- Support the Royal Society for The Conservation of Nature (RSCN)

**B. Educational Initiatives:**

- Cover the educational expenses of students with special needs through the Young Muslim Women's Association Center for Special Education.
- Cover the education fees of university students in cooperation with Al-Aman Fund for the Future of Orphans.
- Support the Jordanian education initiative "My Chance to Excel."
- Support students to complete their university education.
- Install brick shades for Ibn Al-Ameed Secondary School for Boys.
- Sponsor students from the students of the Kings Academy.
- Elia Nuqul Foundation.
- Supporting the financial education initiative in government schools.

**C. Humanitarian Initiatives:**

- Support the charitable campaign that was launched on the first day of Ramadan.
- Support non-profit institutions and charitable societies, and support the competent quarters by assisting orphans and the needy, where the bank sponsors two SOS Children's Villages homes.
- Support the Royal Society for Healthcare that strives to enhance health awareness and enable the local community to follow sound health behavioral patterns.
- Support the institutions and societies of the physically challenged materially and morally, and this is exemplified in the bank's support of the Al-Hussein Cancer Center and the societies that are concerned with those with special needs.
- Sponsor 25 orphans from among the orphans of the Charitable Society for Supporting Orphans in the city of Mafraq.
- Distribution of food assistance and meals in the holy month of Ramadan to orphans in the Governorate of Mafraq, with the participation of the bank's employees.
- Present Eid gifts and meals to the SOS children's villages in Ramadan with the participation and contribution of the bank employees.
- Distribution of food assistance in Amman in cooperation with Tkiyet Um Ali (TUA), in addition to the participation of the bank employees in distributing them.
- Contribute to feeding 1,500 needy persons in Ramadan with the participation of the bank employees at the headquarters of the Tkiyet Um Ali (TUA).

**D. Declarations**

1. The company's Board of Directors declares that there are no persistent problems that may affect the company in the following fiscal year.
2. The Board of Directors acknowledges its responsibility for preparing the financial statements and providing an effective regulatory system in the company.

Chairman of the Board of Directors  
Mr. Bassem Khalil AL-Salem



Deputy Chairman  
Mr. Mazen Sameeh Taleb Darwazeh



Member  
Mr. Kim Fouad Saad Abu Jaber



Member  
Mr. Mazen Ahmad Mohammad AL-Jubayr



Member  
The Social Security Corporation  
Represented by: Mr. Issam Abdullah  
Youssef AAL-Khatib



Member  
Investments & Integrated  
Industries Plc Co.  
Represented by: Mr. Omar  
Mohammad Ibrahim Shahrour



Member  
Al Jadarah Real Estate  
Represented by: Mr. Sultan  
Mohammad Musa'ed Seif Al Seif



Member  
Hitaf Investment Company  
Represented by: Mr. "Mohammad Ali"  
Khalidoun Sati` Al-Husari



Member  
Al Khalil Company for Investments  
Represented by: Mr. Khalil Hatem  
Khalil AL-Salem



Member  
"Mohammad Said" Mohammad  
Ibrahim Shahin



Member  
Mr. Omar Akram Imran Bitar

Member  
Reem Haitham Jamil Qsous



3. We the undersigned acknowledge and affirm the soundness, accuracy and completeness of the information and data contained in the annual report.

Chairman of the Board of Directors  
Mr. Bassem Khalil Al-Salem



Chief Executive Officer  
Ala' Attallah Qumsieh



Chief Financial Officer  
Manar Mohammad AL Nsour



**E. Branches**

Branch	Address
<b>Main Branch - General Administration</b>	Issam Al-Ajlouni Street – Ashmaisani
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5100200
Fax:	+962-6-5692062
E-Mail:	main@capitalbank.jo
<b>Capital Select</b>	
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5100200
Fax:	+962-6-5692062
E-Mail:	shmesani@capitalbank.jo
<b>Al-Madinah Al-Munawwara Street</b>	Al-Madinah Al-Munawwara Street
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5529994
Fax:	+962-6-5549252
E-Mail:	madinah@capitalbank.jo
<b>Al-Swaifieh</b>	Tariq Al Jundi street intersection with the Ali Nasuh Al Taher Street - Alswaifieh
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5831177
Fax:	+962-65885176
E-Mail:	sweifeyeh@capitalbank.jo
<b>Dabouq</b>	King Abdullah II Street
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5413338
Fax:	+962-6-5412637
E-Mail:	dabouq@capitalbank.jo
<b>Majdi Mall – Ground Floor</b>	Queen Rania Al-Abdullah Street
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5331500
Fax:	+962-6-5357614
E-Mail:	majdimall@capitalbank.jo
<b>Wehdat</b>	Madaba Street – Wehdat
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-4750801
Fax:	+962-6-4750845
E-Mail:	wehdat@capitalbank.jo

Branch	Address
<b>Free Zone / Zarqa</b>	Vehicles Licensing Area
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-5-382553
Fax:	+962-5-3824722
E-Mail:	freezone@capitalbank.jo
<b>Irbid</b>	Al-Huson Street – Irbid
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-2-7246280
Fax:	+962-2-7246492
E-Mail:	irbid@capitalbank.jo
<b>Aqaba</b>	Annahdah Street – Aqaba
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-3-2039777
Fax:	+962-3-2039949
E-Mail:	aqaba@capitalbank.jo
<b>Al-Gardens</b>	Wasfi Al-Tall Street – Building No. 115
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5540444
Fax:	+962-6-5527834
E-Mail:	algardenzbranch@capitalbank.jo
<b>New Zarqa</b>	New Zarqa – 36 Street – Kurdi Plaza Complex
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-5393355
Fax:	+962-53856009
E-Mail:	New Zarqa





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