

**CAIRO AMMAN BANK**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2016 (UNAUDITED)**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF CAIRO AMMAN BANK  
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of **CAIRO AMMAN BANK** (a public shareholding company) as of 30 June 2016, comprising the interim condensed consolidated statement of financial position as of 30 June 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

### **Other Matters**

The consolidated financial statements for the year ended 31 December 2015 and the interim condensed consolidated financial statements for the period ended 30 June 2015 were audited and reviewed respectively by Ernst & Young - Jordan as the sole auditor for the Bank for the year 2015. Unqualified opinion and unqualified conclusion were issued on these financial statements on 11 February 2016 and 29 July 2015 respectively. Ernst & Young - Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors for the Bank for the year 2016 in accordance with Central Bank of Jordan regulations for corporate governance.

### **Explanatory Paragraph**

The accompanying consolidated financial statements are a translation of the original consolidated financial statements in the Arabic language to which reference is to be made.

30 October 2016

Ernst & Young – Jordan



*Ernst + Young*

Deloitte & Touche (Middle East) - Jordan



**Deloitte &  
Touche (M.E.)**

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2016**

	<u>Notes</u>	30 June 2016 JD (Unaudited)	31 December 2015 JD (Audited)
<b><u>ASSETS</u></b>			
Cash and balances with Central Banks	4	153,397,745	212,347,289
Balances at banks and financial institutions	5	419,023,791	552,356,037
Deposits at banks and financial institutions	6	105,200,000	113,199,984
Financial assets at fair value through profit or loss	7	26,033,510	28,171,886
Financial assets at fair value through other comprehensive income	8	31,030,532	37,302,031
Direct credit facilities, net	9	1,236,979,165	1,144,240,181
Financial assets at amortized cost, net	10	239,355,687	275,985,687
Financial assets pledged as collateral		46,417,000	77,618,957
Property and equipment, net		37,338,503	30,489,984
Intangible assets, net		9,442,987	10,189,750
Deferred tax assets		5,581,430	4,265,762
Other assets	11	69,882,888	45,894,556
<b>Total Assets</b>		<b>2,379,683,238</b>	<b>2,532,062,104</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES -</b>			
Banks and financial institutions' deposits		365,866,404	382,932,831
Customers' deposits	12	1,468,299,790	1,570,016,124
Margin accounts		79,643,954	86,464,640
Loans and borrowings	13	81,651,970	107,238,340
Sundry provisions		13,903,397	13,569,964
Income tax liabilities	14	17,254,061	23,599,266
Deferred tax liabilities		2,060,464	2,149,293
Other liabilities	15	40,524,798	38,513,667
<b>Total Liabilities</b>		<b>2,069,204,838</b>	<b>2,224,484,125</b>
<b>EQUITY</b>			
Paid in capital		180,000,000	160,000,000
Statutory reserve		60,988,222	60,988,222
General banking risk reserve		13,420,000	12,670,000
Cyclical fluctuations reserve		5,902,049	5,902,049
Fair value reserve (net)	16	(9,715,869)	(6,917,105)
Retained earnings	17	42,164,903	74,934,813
Profit for the period after general banking risk reserve		17,719,095	-
<b>Total Equity</b>		<b>310,478,400</b>	<b>307,577,979</b>
<b>Total Liabilities and Equity</b>		<b>2,379,683,238</b>	<b>2,532,062,104</b>

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016	2015	2016	2015
		JD	JD	JD	JD
Interest income	18	31,406,207	36,664,787	65,159,492	72,357,946
Interest expense	19	7,849,859	11,309,152	17,056,405	22,259,170
<b>Net interest income</b>		<b>23,556,348</b>	<b>25,355,635</b>	<b>48,103,087</b>	<b>50,098,776</b>
Net commission income		4,931,813	5,013,276	10,206,789	9,847,837
<b>Net interest and commission income</b>		<b>28,488,161</b>	<b>30,368,911</b>	<b>58,309,876</b>	<b>59,946,613</b>
<b>Other income –</b>					
Gain from foreign currencies		1,024,354	817,874	1,826,379	1,594,719
(Loss) gain from financial assets at fair value through profit or loss	20	(743,608)	861,442	(765,823)	354,321
Dividends from financial assets at fair value through other comprehensive income		419,106	377,299	1,116,911	998,911
Other income		1,876,631	1,375,992	4,018,565	2,625,818
<b>Gross profit</b>		<b>31,064,644</b>	<b>33,801,518</b>	<b>64,505,908</b>	<b>65,520,382</b>
Employees' expenses		9,559,758	9,836,625	19,405,335	19,337,411
Depreciation and amortization		1,971,555	1,532,308	3,899,827	3,078,713
Other expenses		6,291,613	5,526,598	12,337,169	10,848,776
Impairment losses on direct credit facilities	9	113,459	550,000	1,613,459	1,400,000
Sundry provisions		224,806	173,777	651,203	639,820
<b>Total expenses</b>		<b>18,161,191</b>	<b>17,619,308</b>	<b>37,906,993</b>	<b>35,304,720</b>
<b>Profit for the period before tax</b>		<b>12,903,453</b>	<b>16,182,210</b>	<b>26,598,915</b>	<b>30,215,662</b>
Income tax expense	14	3,476,514	4,597,109	8,129,820	9,556,519
<b>Profit for the period</b>		<b>9,426,939</b>	<b>11,585,101</b>	<b>18,469,095</b>	<b>20,659,143</b>
		<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	21	0/052	0/064	0/103	0/115

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	JD	JD	JD	JD
<b>Profit for the period</b>	9,426,939	11,585,101	18,469,095	20,659,143
<b>Other comprehensive income items which will not be reclassified to profit or loss in subsequent periods (net of tax):</b>				
Net change in fair value reserve	(255,573)	147,947	581,472	(627,727)
<b>Total comprehensive income for the period</b>	<u>9,171,366</u>	<u>11,733,048</u>	<u>19,050,567</u>	<u>20,031,416</u>

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	Paid in capital		Statutory		Reserves		Fair value reserve		Retained earnings		Profit for the period		Total equity	
	JD		JD		General banking risk		Cyclical fluctuations		JD		JD		JD	
					JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>30 June 2016 -</b>														
Balance as of 1 January 2016	160,000,000		60,988,222		12,670,000	5,902,049	(6,917,105)		74,934,813					307,577,979
Total comprehensive income for the period	-	-	-	-	-	-	581,472	-	-	18,469,095	(750,000)	-	-	19,050,567
Transfer to reserves	-	-	-	-	750,000	-	-	-	-	-	-	-	-	-
Capital increase	20,000,000	-	-	-	-	-	-	-	(20,000,000)	-	-	-	-	-
Capital increase related expenses	-	-	-	-	-	-	-	-	(150,146)	-	-	-	-	(150,146)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(3,380,236)	3,380,236	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(16,000,000)	(16,000,000)	-	-	-	-	(16,000,000)
<b>Balance as of 30 June 2016</b>	<b>180,000,000</b>	<b>60,988,222</b>	<b>60,988,222</b>	<b>13,420,000</b>	<b>5,902,049</b>	<b>(9,715,869)</b>	<b>42,164,903</b>	<b>17,719,095</b>	<b>310,478,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2015 -</b>														
Balance as of 1 January 2015	125,000,000		54,539,179		12,270,000	5,079,998	2,323,033		92,599,778					291,811,988
Total comprehensive income for the period	-	-	-	-	-	-	(627,727)	-	-	20,659,143	(300,000)	-	-	20,031,416
Transfer to reserves	-	-	-	300,000	-	-	-	-	-	-	-	-	-	-
Capital increase	35,000,000	-	-	-	-	-	-	-	(35,000,000)	-	-	-	-	-
Capital increase related expenses	-	-	-	-	-	-	-	-	(225,000)	-	-	-	-	(225,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(22,968)	22,968	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(16,250,000)	(16,250,000)	-	-	-	-	(16,250,000)
<b>Balance as of 30 June 2015</b>	<b>160,000,000</b>	<b>54,539,179</b>	<b>12,570,000</b>	<b>5,079,998</b>	<b>1,672,338</b>	<b>41,147,746</b>	<b>20,359,143</b>	<b>295,368,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- The general banking risk reserve is restricted from use without a prior approval from the Central Bank of Jordan.
- At 30 June 2016, the unrealized gains included in retained earnings and resulting from the early implementation of IFRS 9 amounted to JD 14,427,912. This amount is not available for distribution.
- The retained earnings balance includes deferred tax assets amounting to JD 5,581,430 and is restricted from use as per the Central Bank of Jordan instructions.
- The amount JD (9,715,869) represents negative fair value reserve through other comprehensive income restricted from use as per the Central Bank of Jordan and the Securities Commission instructions.

**The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements**

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	Notes	30 June 2016	30 June 2015
		JD	JD
<b><u>OPERATING ACTIVITIES</u></b>			
Profit for the period before tax		26,598,915	30,215,662
<b>Adjustments for non-cash transactions</b>			
Depreciation and amortisation		3,899,827	3,078,713
Impairment loss on direct credit facilities		1,613,459	1,400,000
Sundry provisions		651,203	639,820
Unrealized loss from financial assets at fair value through profit or loss	20	2,567,232	1,625,179
(Gain) from sale of property and equipment		(5,098)	(2,997)
(Gain) from sale of repossessed assets		(99,273)	(233,954)
Effect of exchange rate changes on cash and cash equivalents		(1,710,589)	(1,471,281)
<b>Operating profit before changes in assets and liabilities</b>		<b>33,515,676</b>	<b>35,251,142</b>
<b>Changes in assets and liabilities -</b>			
Decrease (increase) in deposits at banks and financial institutions		7,999,984	(195,100,016)
(Increase) in financial assets at fair value through profit or loss		(428,856)	(142,101)
(Increase) in direct credit facilities		(94,352,443)	(104,572,111)
(Increase) in other assets		(23,889,059)	(84,592,256)
(Decrease) in banks and financial institutions deposits maturing after more than three months		(10,000,000)	(20,635,000)
(Decrease) increase in customers' deposits		(101,716,334)	75,563,231
(Decrease) in margin accounts		(6,820,686)	14,496,060
Sundry provisions paid		(317,770)	(357,311)
Increase(decrease) in other liabilities		2,011,131	(178,630)
<b>Net cash (used in) operating activities before income tax</b>		<b>(193,998,357)</b>	<b>(280,266,992)</b>
Income tax paid	14	(16,292,801)	(16,530,820)
<b>Net cash (used in) operating activities</b>		<b>(210,291,158)</b>	<b>(296,797,812)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
(Purchase) of financial assets at fair value through OCI		(350,802)	(1,464,789)
Sale of financial assets at fair value through OCI		7,617,052	208,660
(Purchase) of financial assets at amortized cost		(44,148,902)	(137,426,104)
Maturity of financial assets at amortized cost		111,980,859	111,235,988
Proceeds from sale of property and equipment		12,232	64,655
(Purchase) of property and equipment		(9,366,205)	(2,652,877)
(Purchase) of intangible assets		(642,512)	(2,068,443)
<b>Net cash from (used in) investing activities</b>		<b>65,101,722</b>	<b>(32,102,910)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends paid		(16,000,000)	(16,250,000)
Proceeds from loans and borrowings		53,744,420	68,978,110
Repayment for loans and borrowings		(79,330,790)	(6,565,746)
Capital increase expenses		(150,146)	(225,000)
<b>Net cash (used in) from financing activities</b>		<b>(41,736,516)</b>	<b>45,937,364</b>
Effect of exchange rate changes on cash and cash equivalents		1,710,589	1,471,281
<b>Net (decrease) in cash and cash equivalents</b>		<b>(185,215,363)</b>	<b>(281,492,077)</b>
Cash and cash equivalents, beginning of the period		397,796,995	411,572,964
<b>Cash and cash equivalents, end of the period</b>	23	<b>212,581,632</b>	<b>130,080,887</b>

**The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements**



**(1) GENERAL**

Cairo Amman Bank was established as a public shareholding company during 1960 in accordance with the Jordanian laws and regulations no. 12. Its registered office is at Suleiman Arrar Street, Wadi Saqra, Amman-Jordan.

The Bank provides its banking services through its head office located in Amman and 86 branches and offices located in Jordan and 27 branches in Palestine and 1 branch in Bahrain, and its subsidiaries.

The Bank's shares are listed at Amman Stock Exchange.

The interim condensed consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on 27 July 2016.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Bank and its subsidiaries for the six-months period of 30 June 2016 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), and with applicable laws and regulations of the Central Bank of Jordan.

The interim condensed consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivatives and financial assets and liabilities which have been measured at fair value, in addition to the financial assets and liabilities which the change in fair value has been hedged for are measured at fair value.

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Bank's annual financial statements as of 31 December 2015. In addition, results for the six - month period ended 30 June 2016 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2016. In addition, reserves were not recorded on the profit for the six month period ended 30 June 2016 which are recognized at the year end.

### **Changes in accounting policies:**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

- IFRS (14): Regulatory Deferral Accounts.
- Amendments to IAS 1 Presentation of Financial Statements relating to disclosure initiative.
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture relating to bearer plants.
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for either by cost method using (IFRS 9) or the equity method in separate financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

### **Basis of consolidation**

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income, and expenses between the Bank and subsidiaries are eliminated.

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

Consolidated subsidiaries are:

- Al-Watanieh for Financial Services Company – Jordan (established 1992): Owned 100% by the Bank, with a paid-up capital of JD 5,000,000 as of 30 June 2016. The company's main activity is investment brokerage.
- Al-Watanieh Securities Company – Palestine (established 1995): Owned 100% by the Bank, with a paid-up capital of JD 1,600,000 as of 30 June 2016. The company's main activity is investment brokerage.
- Tamallak For Financial Leasing- Jordan (established 2013) owned 100% by the Bank with a paid up capital of JD 1,000,000 as of 30 June 2016. The company's main activity is finance leasing.
- No consolidation has been made of the financial statements of Cairo Real Estate Company – LL-Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000, due to the fact that on July 31, 2002 all assets and liabilities of the company were transferred to the Bank. The Bank is in the process of completing legal procedures to liquidate the company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

### **(3) USE OF ESTIMATES**

The preparation of the 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 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 and actual results may differ resulting in future changes in such provisions. The management believes that their estimates are reasonable:

- Allowance for direct credit facilities losses: The Bank reviews the credit facilities provision according to the Central Bank of Jordan regulations and IFRS.
- Impairment losses on the valuation of possessed real estate properties are determined based on appraisal reports prepared by certified appraisers and reviewed periodically.

- Income tax provision: the financial period is bared with income tax expense in accordance with the applicable laws, regulations and accounting standards, in addition to the required deferred tax assets, liabilities and income tax provision.
- Management periodically reevaluates the useful life's of tangible and intangible assets in order to assess the amortization and depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the income statement (if any).
- Legal provisions are provided for lawsuits raised against the Bank based on the Bank's legal advisors' opinion.
- The management determine the fair of the financial instruments to show a fair value that reflects market expectations considering the market conditions, any risks or expected returns in the valuation. For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. For financial instruments where there is no active market fair value is normally based on one of the following methods:
  - Comparison with the current market value of a highly similar financial instrument.
  - The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
  - Option pricing models.

#### **(4) CASH AND BALANCES WITH CENTRAL BANKS**

Statutory cash reserve held at Central Banks amounted to JD 79,544,417 as of 30 June 2016 (31 December 2015: JD 85,268,204).

Apart from the statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD 7,444,500 as of 30 June 2016 and 31 December 2015.

There are no balances which mature more than three months as of 30 June 2016 and 31 December 2015.

#### **(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS**

Non interest bearing balances at banks and financial institutions amounted to JD 24,256,093 as of 30 June 2016 (31 December 2015: JD 48,404,115).

There are no restricted balances as of 30 June 2016 and 31 December 2015.

**(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS**

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
Deposit maturing within		
More than 3 to 6 months	79,200,000	100,000,000
More than 6 to 9 months	16,000,000	13,199,984
More than 9 to 12 months	10,000,000	-
<b>Total</b>	<b>105,200,000</b>	<b>113,199,984</b>

There are no restricted balances as of 30 June 2016 and 31 December 2015.

**(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
Quoted Equities	23,928,108	26,113,577
Bonds	216,626	-
Invested funds	1,888,776	2,058,309
<b>Total</b>	<b>26,033,510</b>	<b>28,171,886</b>

**(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
<b>Quoted Investments</b>		
Quoted Equities	18,470,099	24,742,107
<b>Total quoted investments</b>	<b>18,470,099</b>	<b>24,742,107</b>
<b>Unquoted Investments</b>		
Unquoted Equities	12,560,433	12,559,924
<b>Total unquoted investments</b>	<b>12,560,433</b>	<b>12,559,924</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>31,030,532</b>	<b>37,302,031</b>

**(9) DIRECT CREDIT FACILITIES, NET**

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
<b>Consumer lending</b>		
Overdrafts	8,207,925	5,472,818
Loans and bills *	596,972,755	586,594,232
Finance leasing	11,810,143	9,559,331
Credit cards	10,278,528	10,363,103
Others	6,575,954	8,645,632
<b>Residential mortgages</b>	168,692,638	157,188,180
<b>Corporate lending</b>		
Overdrafts	74,258,346	62,972,852
Loans and bills *	172,282,609	157,672,233
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	15,037,674	14,853,464
Loans and bills *	47,241,638	45,831,463
<b>Lending to governmental sectors</b>	184,011,043	141,653,211
<b>Total</b>	<u>1,295,369,253</u>	<u>1,200,806,519</u>
Less: Suspended interest	(10,534,890)	(10,266,892)
Less: Allowance for impairment losses	(47,855,198)	(46,299,446)
<b>Direct credit facilities, net</b>	<u>1,236,979,165</u>	<u>1,144,240,181</u>

\* Net of interest and commission received in advance of JD 5,570,833 as of 30 June 2016 (31 December 2015: JD 4,958,504).

As of 30 June 2016, non-performing credit facilities amounted to JD 58,877,479 (31 December 2015: JD 57,133,741), representing 4.55% (31 December 2014: 4.76%) of gross facilities granted.

As of 30 June 2016, non-performing credit facilities, net of suspended interest, amounted to JD 48,365,858 (31 December 2015: JD 46,890,635), representing 3.76% (31 December 2015: 3.94%) of gross facilities granted after excluding the suspended interest.

As of 30 June 2016, credit facilities granted to the Government of Jordan amounted to JD 45,996,161 (31 December 2015: JD 50,100,512), representing 3.55% (31 December 2015: 4.17%) of gross facilities granted.

As of 30 June 2016, credit facilities granted to the public sector in Palestine amounted to JD 57,253,927 (31 December 2015: JD 57,360,297), representing 4.42% (31 December 2015: 4.78%) of gross facilities granted.

**The following table shows the distribution by the geographical area and economic sector for the direct credit facilities:**

<u>Industry sector</u>	Inside	Outside	30 June	31 December
	Jordan	Jordan	2016	2015
	JD	JD	JD	JD
			(Unaudited)	(Audited)
Financial	9,689,029	-	9,689,029	9,069,396
Industrial	29,645,532	4,216,598	33,862,130	40,285,576
Commercial	134,790,941	118,071,612	252,862,553	195,957,958
Real estate	169,621,508	9,760,981	179,382,489	187,238,532
Agriculture	4,386,596	159,167	4,545,763	4,285,596
Trading investments	8,075,954	-	8,075,954	19,886,097
Consumer	563,720,734	59,113,188	622,833,922	602,430,153
Public and Government	126,757,116	57,360,297	184,117,413	141,653,211
<b>Total</b>	<b>1,046,687,410</b>	<b>248,681,843</b>	<b>1,295,369,253</b>	<b>1,200,806,519</b>

**Allowance for impairment in direct credit facilities:**

A reconciliation of the allowance for impairment losses for direct credit facilities by class is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
<b>30 June 2016 (Unaudited)-</b>					
At 1 January 2016	31,121,763	2,154,700	5,863,690	7,159,293	46,299,446
Charge for the period	1,093,259	335,813	749,517	(565,130)	1,613,459
Amounts written off	(90,384)	-	-	-	(90,384)
Revaluation difference	29,864	-	1,854	959	32,677
<b>At 30 June 2016</b>	<b>32,154,502</b>	<b>2,490,513</b>	<b>6,615,061</b>	<b>6,595,122</b>	<b>47,855,198</b>
<b>Specific customers impairment</b>					
Non-performing	25,422,248	2,476,520	6,541,515	6,474,711	40,914,994
Watch list	1,215,621	13,993	73,546	120,411	1,423,571
Collective impairment	5,516,633	-	-	-	5,516,633
<b>At 30 June 2016</b>	<b>32,154,502</b>	<b>2,490,513</b>	<b>6,615,061</b>	<b>6,595,122</b>	<b>47,855,198</b>

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
<b>31 December 2015 (Audited)-</b>					
At 1 January 2015	30,729,682	991,186	8,753,242	6,876,226	47,350,336
Charge for the year	2,574,284	1,163,514	(1,284,425)	303,071	2,756,444
Amounts written off	(2,163,136)	-	(1,601,822)	(16,953)	(3,781,911)
Revaluation difference	(19,067)	-	(3,305)	(3,051)	(25,423)
<b>At 31 December 2015</b>	<b><u>31,121,763</u></b>	<b><u>2,154,700</u></b>	<b><u>5,863,690</u></b>	<b><u>7,159,293</u></b>	<b><u>46,299,446</u></b>
<b>Specific customers impairment</b>					
Non-performing	24,499,596	2,138,193	5,836,560	7,130,614	39,604,963
Watch list	951,956	16,507	27,130	28,679	1,024,272
<b>Collective impairment</b>	<b><u>5,670,211</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,670,211</u></b>
<b>At 31 December 2015</b>	<b><u>31,121,763</u></b>	<b><u>2,154,700</u></b>	<b><u>5,863,690</u></b>	<b><u>7,159,293</u></b>	<b><u>46,299,446</u></b>

Allowance for impairment related to non-performing credit facilities that were settled or collected amounted to JD 4,437,929 as of 30 June 2016 (31 December 2015: 7,624,780).

A reconciliation of suspended interest on direct credit facilities by class is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
<b>30 June 2016 (Unaudited)-</b>					
At 1 January 2016	3,953,353	38,470	4,510,573	1,764,496	10,266,892
Add: Suspended interest during the period	204,432	393	99,124	136,798	440,747
Less: Amount transferred to income on recovery	(66,268)	-	(43,206)	(10,923)	(120,397)
Less: Amounts written off	(49,336)	-	(3,016)	-	(52,352)
<b>At 30 June 2016</b>	<b><u>4,042,181</u></b>	<b><u>38,863</u></b>	<b><u>4,563,475</u></b>	<b><u>1,890,371</u></b>	<b><u>10,534,890</u></b>
<b>31 December 2015 (Audited)-</b>					
At 1 January 2015	4,247,320	8,295	4,488,083	1,515,784	10,259,482
Add: Suspended interest during the year	109,734	30,175	173,124	289,618	602,651
Less: Amount transferred to income on recovery	(360,520)	-	(53,932)	(11,632)	(426,084)
Less: Amounts written off	(43,181)	-	(96,702)	(29,274)	(169,157)
<b>At 31 December 2015</b>	<b><u>3,953,353</u></b>	<b><u>38,470</u></b>	<b><u>4,510,573</u></b>	<b><u>1,764,496</u></b>	<b><u>10,266,892</u></b>



**(10) FINANCIAL ASSETS AT AMORTIZED COST, NET**

	30 June 2016 JD (Unaudited)	31 December 2015 JD (Audited)
<b>Quoted Investments</b>		
Treasury bills	8,396,748	2,513,658
Corporate debt securities	14,725,052	13,329,635
<b>Total quoted investments</b>	<b>23,121,800</b>	<b>15,843,293</b>
<b>Unquoted Investments</b>		
Treasury bills	198,705,731	251,274,012
Government debt securities	11,341,815	2,695,418
Corporate debt securities	6,311,650	6,311,650
Other debt securities	16,491	3,114
Impairment losses	(141,800)	(141,800)
<b>Total unquoted investments</b>	<b>216,233,887</b>	<b>260,142,394</b>
<b>Total financial assets at amortized cost</b>	<b>239,355,687</b>	<b>275,985,687</b>
<b>Analysis of debt instruments</b>		
Fixed rate	238,469,437	275,099,437
Floating rate	886,250	886,250
<b>Total</b>	<b>239,355,687</b>	<b>275,985,687</b>

**(11) OTHER ASSETS**

	30 June 2016 JD (Unaudited)	31 December 2015 JD (Audited)
Accrued interest income	10,522,519	21,196,794
Prepaid expenses	9,634,750	6,796,580
Repossessed assets, net*	11,994,711	10,274,263
Accounts receivable - net	654,078	551,563
Clearing checks	34,062,023	4,645,171
Trading settlement account	25,000	25,000
Refundable deposits	331,743	241,643
Deposit at Visa International	1,779,590	1,212,390
Others	878,474	951,152
<b>Total</b>	<b>69,882,888</b>	<b>45,894,556</b>

\* Central Bank of Jordan instructions require that the repossessed assets are sold within two years of repossession, and can be extended under specific circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has recognized a provision for the repossessed assets which is being held for more than four years in accordance to the Central Bank of Jordan instructions number 10/1/4076 dated 27 March 2014 and 10/1/7096 dated 8 June 2014.

Movement on repossessed assets during the year is as follows:

	2016	2015
	JD	JD
At 1 January	10,274,263	10,089,921
Additions	1,819,721	601,199
Disposals	(99,273)	(400,100)
Impairment on repossessed assets	-	(16,757)
<b>At 31 December</b>	<b>11,994,711</b>	<b>10,274,263</b>

## **(12) CUSTOMERS' DEPOSITS**

	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
<b>30 June 2016 (Unaudited) -</b>					
Current and demand deposits	267,825,717	80,142,942	44,554,176	47,531,838	440,054,673
Saving accounts	381,170,789	3,296,102	2,486,318	63,445	387,016,654
Time and notice deposits	287,654,194	120,654,850	8,973,876	223,945,543	641,228,463
<b>Total</b>	<b>936,650,700</b>	<b>204,093,894</b>	<b>56,014,370</b>	<b>271,540,826</b>	<b>1,468,299,790</b>
<b>31 December 2015 (Audited)-</b>					
Current and demand deposits	240,365,162	116,610,661	37,298,599	64,150,629	458,425,051
Saving accounts	359,566,836	6,071,316	3,205,441	15	368,843,608
Time and notice deposits	301,553,266	134,260,293	10,238,514	296,695,392	742,747,465
<b>Total</b>	<b>901,485,264</b>	<b>256,942,270</b>	<b>50,742,554</b>	<b>360,846,036</b>	<b>1,570,016,124</b>

- Governmental institutions' deposits amounted to JD 271,540,826 as of 30 June 2016 (31 December 2015: JD 360,846,036) representing 18.50% (31 December 2015: 22.98%) of total customers' deposits.
- No Restricted deposits as of 30 June 2016 and 31 December 2015.
- Non-interest bearing deposits amounted to JD 641,616,484 as of 30 June 2016 (31 December 2015: JD 625,400,173) representing 43.70% (31 December 2015: 39.83%) of total deposits.
- Dormant accounts amounted to JD 35,989,437 as of 30 June 2016 (31 December 2015: JD 35,072,016).

**(13) LOANS AND BORROWINGS**

	Amount	Total no. of instalments	Outstanding instalments	Repayments	Maturity Date	Collaterals	Interest rate
	JD					JD	%
<b>30 June 2016 (Unaudited) -</b>							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity /per loan	2034	None	4.845%- 4.895%
Amounts borrowed from French Development Agency	3,190,500	1	1	At maturity	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan	20,000,000	1	1	At maturity	2016	Treasury Bills	2.5%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,090,000	7	7	Semi-annually	2020	None	1.75%- 3.25%
Amounts borrowed from Central Bank of Jordan**	18,699,246	41	41	At maturity/ per loan	2016 - 2017	Treasury Bills	1.75%- 2.25%
Amounts borrowed from Central Bank of Jordan*	2,400,000	14	14	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	4,100,000	20	20	annually	2031	None	2,39%
Amounts borrowed from International financial markets	1,074,224	1	1	-	None	None	-
<b>Total</b>	<b>81,651,970</b>						
<b>31 December 2015 (Audited)-</b>							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity /per loan	2034	None	4.145%- 4.895%
Amounts borrowed from French Development Agency	3,367,750	1	1	At maturity	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan	50,000,000	1	1	At maturity	2016	Treasury Bills	2.5%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan**	2,400,000	14	14	Semi-annually	2028	None	2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,090,000	7	7	Semi-annually	2020	None	1.75%- 3.25%
Amounts borrowed from Central Bank of Jordan**	18,208,366	22	22	At maturity /per loan	2016	Treasury Bills	2%- 2.75%
Amounts borrowed from International financial markets	1,074,224	1	1	-	None	None	-
<b>Total</b>	<b>107,238,340</b>						

\* The borrowed amount from CBJ was re-lent to SMEs at an average interest rate of 6%. In addition, the repayment starts after 5 years of the granting date.

\*\* The borrowed amount from CBJ was re-lent for Industrial, energy, agriculture and tourism sectors at an average of interest rate of 5.25%.

**(14) INCOME TAX****(A) Income Tax provision**

The movement on the income tax provision was as follows:

	30 June 2016	31 December 2015
	JD	JD
	(Unaudited)	(Audited)
At January 1	23,599,266	23,808,580
Income tax paid	(16,292,801)	(19,727,689)
Income tax payable	8,129,820	19,356,487
Amortization of deferred tax liabilities	1,817,776	161,888
Balance at the end of the period / year	<u>17,254,061</u>	<u>23,599,266</u>

Income tax appearing in the statement of income represents the following:

	30 June 2016	30 June 2015
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	8,129,820	11,464,321
Amortization of deferred tax liabilities	-	(1,907,802)
Income tax charge for the period	<u>8,129,820</u>	<u>9,556,519</u>

**(B)** A reconciliation between tax expense and the accounting profit is as follows:

	30 June 2016	30 June 2015
	JD	JD
	(Unaudited)	(Unaudited)
Accounting profit	26,598,915	30,215,662
Non-taxable profit	(3,457,755)	(3,341,068)
Non deductible expenses	1,927,929	1,649,381
Taxable profit	<u>25,069,089</u>	<u>28,523,975</u>
Effective rate of income tax	<u>30.56%</u>	<u>31.63%</u>

The statutory tax rate on banks in Jordan is 35% and the statutory tax rates on foreign branches and subsidiaries range between 0% to 31% (income tax rate banks in Palestine is 15% plus VAT of 16%).

- The Bank reached a final settlement with the Income Tax Department in Jordan for the year ended 31 December 2013. The income tax department did not review 2014 and 2015 records up to the date of these interim financial statements.
- A final settlement was reached with the tax authorities for Palestine branches for the years from 2008 to 2014. The Income Tax Department had a re-claim for the Bank with extra amount for the year 2006 and 2007. The Bank had appealed against the court decision. The income tax department did not review 2015 records up to the date of these interim condensed consolidated financial statements.

- Al-Watanieh Financial Services Company reached a final settlement with the Income Tax Department up to the year 2009. The Income and sales Tax Department had reviewed 2010, 2011 records. The company had appealed against the court decision.
- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income and Sales Tax Department up for the year 2014.
- Tamallak For Financial Leasing- Jordan reached a final settlement with the Income and Sales Tax Department up for the year 2014.
- Cairo Real Estate Investments Company reached a final settlement with the income and Sales Tax Department to 2013.
- In the opinion of the Bank's management, income tax provision as of 30 June 2016 is sufficient against any tax liabilities which might arise in the future.

**(15) OTHER LIABILITIES**

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
Accrued interest expense	4,523,377	3,642,517
Accounts payable	4,848,012	6,721,287
Accrued expenses	6,891,553	7,607,054
Temporary deposits	15,545,078	11,503,501
Checks and withdrawals	6,507,927	5,067,536
Settlement guarantee fund	30,509	1,062,434
Unclaimed dividends	325,331	800,622
Others	1,853,011	2,108,716
	<u>40,524,798</u>	<u>38,513,667</u>

**(16) FAIR VALUE RESERVE (NET)**

The movement is as follows:

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
Beginning balance	(6,917,105)	2,323,033
Unrealized (loss)	(823,025)	(10,579,157)
(Gain) from sale of financial assets at fair value through other comprehensive income	(3,380,236)	(312,875)
Deferred tax assets	1,315,668	1,465,946
Deferred tax liabilities	88,829	185,948
Ending balance	<u>(9,715,869)</u>	<u>(6,917,105)</u>

**(17) RETAINED EARNING**

The movement is as follows:

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
Balance at 1 January	74,934,813	92,599,778
Profit for the year	-	41,168,254
Transferred to statutory reserve	-	(6,449,043)
Transferred to general banking risk reserve	-	(400,000)
Transferred to cyclical reserve	-	(822,051)
Stock dividends	(20,000,000)	(35,000,000)
Cash dividends	(16,000,000)	(16,250,000)
Capital increase related expenses	(150,146)	(225,000)
Net gain from sale of financial assets at fair value through other comprehensive income	3,380,236	312,875
	<u>42,164,903</u>	<u>74,934,813</u>

The balance of the retained earnings as of 30 June 2016 includes restricted amount of JD 14,427,912 which resulted from the early adoption of the IFRS 9, this balance represents unrealized gains which can not be distributed.

Retained earnings as of 30 June 2016 include an amount of JD 5,581,430 as deferred tax assets which is not available for distribution in accordance with Central Bank of Jordan instructions (2015: amount of JD 4,265,762) .

The amount JD 9,715,869 represents negative fair value reserve through other comprehensive income restricted from use as per the Central Bank of Jordan and the Securities Commission instructions.

**(18) INTEREST INCOME**

	30 June 2016	30 June 2015
	JD (Unaudited)	JD (Unaudited)
<b>Consumer lending</b>		
Overdrafts	829,992	919,159
Loans and bills	28,643,322	29,632,366
Credit cards	1,122,594	1,199,451
Branches major accounts	167,941	155,391
<b>Finance lease</b>	550,129	240,281
<b>Residential mortgages</b>	5,419,227	4,828,256
<b>Corporate lending</b>		
Overdrafts	2,706,488	2,118,843
Loans and bills	4,162,649	3,381,606
<b>Small and medium enterprises lending</b>		
Overdrafts	621,280	469,368
Loans and bills	1,603,659	1,464,858
<b>Public and governmental sectors</b>	3,966,195	2,858,491
Balances at Central Banks	240,542	28,325
Balances at banks and financial institutions	7,412,854	10,868,169
Financial assets at amortized cost	7,710,856	14,193,382
Financial assets at fair value through profit and loss	1,764	-
<b>Total</b>	<u>65,159,492</u>	<u>72,357,946</u>

**(19) INTEREST EXPENSE**

	30 June 2016	30 June 2015
	JD (Unaudited)	JD (Unaudited)
Banks and financial institutions deposits	2,272,403	2,866,294
Customers' deposits:		
Current accounts and deposits	575,131	463,614
Saving accounts	1,156,187	997,375
Time and notice placements	9,754,818	14,145,951
Margin accounts	651,905	896,578
Loans and borrowings	992,869	1,302,499
Deposits guarantee fees	1,653,092	1,586,859
<b>Total</b>	<b>17,056,405</b>	<b>22,259,170</b>

**(20) NET (LOSS) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS  
(UNAUDITED)**

	Realized (loss)	Unrealized (loss)	Dividends	Total
	JD	JD	JD	JD
<b>30 June 2016</b>				
Equity instruments	(224,822)	(2,402,688)	2,026,231	(601,279)
Bonds	-	4,989	-	4,989
Investment funds	-	(169,533)	-	(169,533)
<b>Total</b>	<b>(224,822)</b>	<b>(2,567,232)</b>	<b>2,026,231</b>	<b>(765,823)</b>
<b>30 June 2015</b>				
Equity instruments	(33,735)	(1,548,866)	2,013,235	430,634
Bonds	-	8,642	-	8,642
Investment funds	-	(84,955)	-	(84,955)
<b>Total</b>	<b>(33,735)</b>	<b>(1,625,179)</b>	<b>2,013,235</b>	<b>354,321</b>

**(21) EARNINGS PER SHARE (UNAUDITED)**

	For the three month period ended 30 June		For the six month period ended 30 June	
	2016	2015	2016	2015
	JD	JD	JD	JD
Profit for the period	9,426,939	11,585,101	18,469,095	20,659,143
Weighted average number of shares	180,000,000	180,000,000	180,000,000	180,000,000
	(JD/ Fils)	(JD/ Fils)	(JD/ Fils)	(JD/ Fils)
Basic and diluted earnings per share	<u>0/052</u>	<u>0/064</u>	<u>0/103</u>	<u>0/115</u>

Diluted earnings per share equal basic earnings per share as the Bank has not issued any potentially convertible instruments to shares which would have an impact on earnings per share.

## **(22) CAPITAL ADEQUACY**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan.

According to Central Bank of Jordan regulation (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011. In addition, the regulation requires a minimum leverage ratio of 6%.

The Bank, since its inception, has always maintained an adequate capital adequacy ratio that exceeds the minimum required by the Central Bank of Jordan of 12% (8% as per BIS rules/ratios) and takes into consideration all restrictions to credit concentrations, in which the regulatory capital is used as an indicator to these concentrations .

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The Bank increased its capital from JD 160,000,000 to JD 180,000,000 during the period ended 30 June 2016.

### **Capital Description**

According to the instructions of Central Bank of Jordan, regulatory capital consists of Primary capital, which comprises share capital, share premium, reserves, retained earnings, minority interest, less current year losses, goodwill, treasury bills cost, shortage in required provisions, deferred tax assets in addition to any amounts restricted by laws. The second component of regulatory capital is Additional capital, which includes undeclared reserves, subordinated loans, differences in translation of foreign currencies, banking risk reserve, preference shares and revaluation reserves which should not exceed 45% of the full amount if it was positive and deducted in full if it was negative. The third component of regulatory capital is Tier 3, which is used against market risk. Investments in the capital of banks and other financial institutions are deducted from regulatory capital if not consolidated in addition to investments in the capital of insurance companies. Also, excess over 10% of the Bank's capital if invested in an individual company investee and excess over 50% of the Bank's capital for aggregate investments is deducted from regulatory capital.



Capital adequacy ratio is calculated according to Central Bank of Jordan regulation that is compliant with BIS rules as follows:

	30 June 2016	31 December 2015
	JD (Unaudited)	JD (Audited)
<b>Primary capital:</b>		
Paid in capital	180,000,000	160,000,000
Statutory reserve	60,988,222	60,988,222
Cyclical reserve	5,902,049	5,902,049
Retained earnings	28,648,121	46,733,699
<b>Less:</b>		
Investment in banks and financial companies*	11,084,379	10,243,826
Intangible assets	9,442,987	10,189,750
<b>Total Primary capital</b>	<u>255,011,026</u>	<u>253,190,394</u>
<b>Additional capital</b>		
Fair value reserve	(1,756,922)	468,829
General banking risk reserve	13,420,000	12,670,000
<b>Less:</b>		
Investment in banks and financial companies*	11,084,379	10,243,826
<b>Total additional capital</b>	<u>578,699</u>	<u>2,895,003</u>
<b>Total regulatory capital</b>	255,589,725	256,085,397
<b>Total risk weighted assets</b>	1,692,689,147	1,622,106,901
<b>Capital adequacy (regulatory capital) (%)</b>	15.10	15.79
<b>Capital adequacy (primary capital) (%)</b>	15.07	15.61

\*According to Basel II regulations, 50% of the value of the investments in banks and subsidiaries is eliminated from the total primary capital and 50% from regulatory capital.

**(23) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

Cash and cash equivalents appearing in the statement of cash flows consist of the following balance sheet items:

	<u>30 June 2016</u>	<u>30 June 2015</u>
	JD	JD
	(Unaudited)	(Unaudited)
Cash and balances with Central Banks maturing within three months	153,397,745	172,131,245
Add: Balances at banks and financial institutions maturing within three months	419,023,791	308,018,522
Less: Banks and financial institutions' deposits maturing within three months	352,395,404	342,624,380
Restricted cash balances	<u>7,444,500</u>	<u>7,444,500</u>
<b>Cash and cash equivalents</b>	<b><u>212,581,632</u></b>	<b><u>130,080,887</u></b>

**(24) RELATED PARTY TRANSACTIONS**

The accompanying interim condensed consolidated financial statements of the Bank include the following subsidiaries:

Company name	Ownership	Paid in capital	
		<u>30 June 2016</u>	<u>31 December 2015</u>
	%	JD	JD
		(Unaudited)	(Audited)
Al-Watanieh Financial Services Co.	100	5,000,000	5,000,000
Al-Watanieh Securities Company	100	1,600,000	1,600,000
Tamallak leasing Company	100	1,000,000	1,000,000

The Bank entered into transactions with major shareholders, directors and, senior management in the ordinary course of business at commercial interest and commission rates. All the loans and advances to related parties are performing advances and are free of any provision for credit losses.

The following related party transactions took place during the period:

	Board of Directors	Executive management	Others*	30 June 2016	31 December 2015
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
<b><u>Balance sheet items:</u></b>					
Direct credit facilities	52,638,582	5,568,491	12,466,245	70,673,318	66,558,080
Deposits at the Bank	26,039,073	2,672,993	13,174,756	41,886,822	28,339,749
Margin accounts	36,274,405	-	110,292	36,384,697	35,826,275
<b><u>Off balance items:</u></b>					
Indirect credit facilities	2,506,270	-	194,205	2,700,475	3,397,452
				For the six months ended 30 June	
				2016	2015
				JD	JD
				(Unaudited)	(Unaudited)
<b><u>Income statement items</u></b>					
Interest and commission income	577,964	38,636	103,106	719,706	401,348
Interest and commission expense	982,452	131,177	1,017,316	2,130,945	1,984,298

\* Other related parties include the Bank employees and their relatives to the third degree.

- Credit interest rates on credit facilities in Jordanian Dinar range between 3.50% - 8.85%.
- Credit interest rates on credit facilities in foreign currency range between 1.98% - 7%.
- Debit interest rates on deposits in Jordanian Dinar range between 0% - 3.5%.
- Debit interest rates on deposits in foreign currency range between 0% - 1.25%.

Benefits of key management personnel (salaries, wages, and bonuses) amounted to JD 1,223,640 as at 30 June 2016 (30 June 2015: JD 1,185,873).

## **(25) SEGMENTAL INFORMATION**

### **1. Primary segment information**

For management purposes the Bank is organized into three major business segments in accordance with the reports sent to chief operating decision maker.

- Retail banking** - Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;
- Corporate banking-** Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury** - Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations.

These segments information are detailed below:

	Retail Banking	Corporate Bank	Treasury	Others	30 June 2016	30 June 2015
	JD	JD	JD	JD	JD (Unaudited)	JD (Unaudited)
Gross income	46,991,824	15,200,086	17,861,431	1,508,972	81,562,313	87,779,552
Allowance for credit losses	1,512,443	101,016	-	-	1,613,459	1,400,000
Segment results	<u>37,404,660</u>	<u>9,957,969</u>	<u>14,020,847</u>	<u>1,508,973</u>	<u>62,892,449</u>	<u>64,120,382</u>
Unallocated costs					<u>36,293,534</u>	<u>33,904,720</u>
Profit before tax					<u>26,598,915</u>	<u>30,215,662</u>
Income tax					<u>8,129,820</u>	<u>9,556,519</u>
Profit for the period					<u>18,469,095</u>	<u>20,659,143</u>
<b>Other information</b>						
Capital expenditures					10,008,717	4,721,320
Depreciation and amortization					3,899,827	3,078,713
					30 June 2016	31 December 2015
					JD (Unaudited)	JD (Audited)
Segment assets	<u>763,723,652</u>	<u>473,255,513</u>	<u>1,026,039,695</u>	<u>116,664,378</u>	<u>2,379,683,238</u>	<u>2,532,062,104</u>
Segment liabilities	<u>795,727,461</u>	<u>523,233,783</u>	<u>678,561,338</u>	<u>71,682,256</u>	<u>2,069,204,838</u>	<u>2,224,484,125</u>

## 2. Geographical Information

This item represents the geographical distribution of the Banks' operations, the Bank's main activities are located in Jordan which represents local operation as well as international operations in the Middle East, Europe, Asia, America and low east.

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

	Jordan		Outside Jordan		Total	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	JD	JD	JD	JD	JD (Unaudited)	JD (Unaudited)
Total Revenue	72,394,464	78,093,620	9,167,849	9,685,932	81,562,313	87,779,552
Capital expenditure	4,992,328	3,970,923	5,016,389	750,397	10,008,717	4,721,320
	Jordan		Outside Jordan		Total	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	JD	JD	JD	JD	JD (Unaudited)	JD (Audited)
Total assets	<u>1,749,774,268</u>	<u>1,902,241,316</u>	<u>629,908,970</u>	<u>629,820,788</u>	<u>2,379,683,238</u>	<u>2,532,062,104</u>

**(26) COMMITMENTS AND CONTINGENT LIABILITIES**

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

	<u>30 June 2016</u>	<u>31 December 2015</u>
	JD (Unaudited)	JD (Audited)
<b>Letters of credit:</b>		
Received	125,256,790	143,248,725
Issued	32,600,286	44,504,481
Acceptances	8,479,076	8,022,412
<b>Letters of guarantee:</b>		
Payments	17,973,896	15,113,408
Performance	19,312,415	19,736,500
Other	10,745,107	12,660,163
Irreversible commitments to extend credit	<u>110,472,564</u>	<u>128,103,103</u>
	<u>324,840,134</u>	<u>371,388,792</u>

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

	<u>30 June 2016</u>	<u>31 December 2015</u>
	JD (Unaudited)	JD (Audited)
Contracts to purchase property and equipment	<u>1,543,941</u>	<u>181,832</u>

**(27) LITIGATION**

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 44,171,525 as of 30 June 2016 (31 December 2015: JD 44,023,331). In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient.

Provision for possible legal cases amounted to JD 4,429,215 as of 30 June 2016 (31 December 2015: JD 5,496,016).

**(28) ISSUED AND PAID IN CAPITAL**

The paid in capital is measured at JD 180,000,000 divided to 180,000,000 shares, at a par value of JD 1 per shares as at 30 June 2016 and JD 160,000,000 divided to 160,000,000 shares, at a par value of JD 1 per shares as at 31 December 2015.

The General Assembly decided in its ordinary meeting held on 17 April 2016 distributing cash dividends to shareholders at 10% of paid in capital, and the General Assembly decided in its extra ordinary meeting held on the same date to increase the capital to JD 180,000,000 by capitalizing an amount of JD 20,000,000 from the retained earnings and to distribute the increase as 12.5% stock dividends to the shareholders.

**(29) RESERVES**

The Bank did not appropriate any legal reserves according to Companies' Law since these are interim financial statements.