

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

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

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
March 31, 2017

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Review Report

AM/81661

To the Chairman and Members of the Board of Directors
Cairo Amman Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Introduction

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review on Interim Financial Information performed by an 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 condensed interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standards IAS (34) relating to interim financial reporting.

Other Matters

1. The fiscal year of the bank ends on December 31st of each year. However, the accompanying condensed consolidated interim financial information have been prepared for management and Jordan Securities Commission in Amman Stock Exchange purposes.
2. The accompanying condensed consolidated interim financial statements are a translation of the statutory condensed consolidated interim financial statements in the Arabic language to which reference is to be made.

Amman – The Hashemite Kingdom of Jordan
April 27, 2017

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

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

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2017 (Reviewed not Audited) JD	December 31, 2016 JD
ASSETS			
Cash and balances with Central Banks	4	407,942,781	225,410,667
Balances at banks and financial institutions	5	203,029,708	333,854,252
Deposits at banks and financial institutions	6	67,460,668	73,543,068
Financial assets at fair value through profit or loss	7	26,909,350	25,822,584
Financial assets at fair value through other comprehensive income	8	31,816,774	31,502,293
Direct credit facilities - net	9	1,413,449,579	1,356,279,148
Financial assets at amortized cost - net	10	275,672,980	336,223,295
Financial assets pledged as collateral		10,419,000	13,476,000
Property and equipment - net		42,116,376	42,335,356
Intangible assets - net		9,747,134	10,046,891
Deferred tax assets		6,165,930	6,270,359
Other assets	11	53,960,805	36,419,320
Total Assets		2,548,691,085	2,491,183,233
LIABILITIES AND EQUITY			
LIABILITIES:			
Banks and financial institutions' deposits		378,089,132	358,957,094
Customers' deposits	12	1,580,214,309	1,547,446,248
Margin accounts		85,010,256	81,476,847
Loans and borrowings	13	93,371,032	92,165,097
Sundry provisions		15,832,884	15,000,573
Income tax liabilities	14	17,890,003	20,892,898
Deferred tax liabilities		2,059,178	2,049,782
Other liabilities	15	32,151,551	35,884,682
Total Liabilities		2,204,618,345	2,153,873,221
EQUITY			
SHAREHOLDERS' EQUITY			
Paid in capital		180,000,000	180,000,000
Statutory reserve		65,836,075	65,836,075
General banking risk reserve		13,982,002	13,982,002
Cyclical fluctuations reserve		6,816,916	6,816,916
Fair value reserve (net)	16	(10,134,051)	(10,347,484)
Profit for the period after general banking risk reserve		6,663,451	-
Retained Earnings		70,184,530	70,184,530
Total Shareholders' Equity		333,348,923	326,472,039
Non-controlling interests		10,723,817	10,837,973
Total Equity		344,072,740	337,310,012
Total Liabilities and Equity		2,548,691,085	2,491,183,233

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

	Notes	For the Three-Month Period Ended March 31,	
		2017	2016
		JD	JD
Interest income	17	31,695,383	33,753,285
Interest expense	18	9,738,328	9,206,546
Net interest income		<u>21,957,055</u>	<u>24,546,739</u>
Net commission income		4,982,295	5,274,976
Net interest and commission income		<u>26,939,350</u>	<u>29,821,715</u>
Gain from foreign currencies		931,227	802,025
Gain (loss) from financial assets at fair value through profit or loss	19	773,173	(22,215)
Dividends from financial assets at fair value through other comprehensive income		45,100	697,805
Other income		1,848,202	2,141,934
Gross profit		<u>30,537,052</u>	<u>33,441,264</u>
Employees' expenses		10,076,310	9,845,577
Depreciation and amortization		2,204,662	1,928,272
Other expenses		7,128,704	6,045,556
Provision for impairment on direct credit facilities	9	750,000	1,500,000
Sundry provisions		1,090,481	426,397
Total expenses		<u>21,250,157</u>	<u>19,745,802</u>
Profit for the period before tax		9,286,895	13,695,462
Income tax expense	14	2,737,600	4,653,306
Profit for the period		<u>6,549,295</u>	<u>9,042,156</u>
Profit for the period			
Shareholders' Equity		6,663,451	9,042,156
Non-controlling interests		114,156	-
Profit for the period		<u>6,549,295</u>	<u>9,042,156</u>
		JD / Fils	JD / Fils
Basic and diluted earnings per share (Bank's Shareholders)	20	<u>0/037</u>	<u>0/050</u>

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CAIRO AMMAN BANK
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

	For the Three Months Period Ended March 31,	
	2017	2016
	JD	JD
Profit for the period	6,663,451	9,042,156
Other comprehensive income items which will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net change in fair value reserve	213,433	837,045
Total comprehensive income for the period	6,876,884	9,879,201
Total comprehensive income attributable to:		
Shareholders' Equity	6,762,728	9,879,201
Non-controlling interests	114,156	-
Total comprehensive income for the period	6,876,884	9,879,201

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CAIRO AMMAN BANK
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AMMAN - HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(REVIEWED NOT AUDITED)

	Reserves									
	Paid in capital	Statutory	General Banking Risk	Cyclical Fluctuations	Fair Value	Retained Earnings	Profit for the Period	Total Shareholder's Equity	Non-Controlling Interests	Total Equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
March 31, 2017										
Balance as of January 1, 2017	180,000,000	65,836,075	13,982,002	6,816,916	(10,347,484)	70,184,530	-	326,472,039	10,837,973	337,310,012
Total comprehensive income for the period	-	-	-	-	213,433	-	6,663,451	6,876,884	(114,156)	6,762,728
Transfers to reserves	-	-	-	-	-	-	-	-	-	-
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2017	<u>180,000,000</u>	<u>65,836,075</u>	<u>13,982,002</u>	<u>6,816,916</u>	<u>(10,134,051)</u>	<u>70,184,530</u>	<u>6,663,451</u>	<u>333,348,923</u>	<u>10,723,817</u>	<u>344,072,740</u>
March 31, 2016										
Balance as of January 1, 2016	160,000,000	60,988,222	12,670,000	5,902,049	(6,917,105)	74,934,813	-	307,577,979	-	307,577,979
Total comprehensive income for the period	-	-	-	-	837,045	-	9,042,156	9,879,201	-	9,879,201
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(515,320)	515,320	-	-	-	-
Balance as of March 31, 2016	<u>160,000,000</u>	<u>60,988,222</u>	<u>12,670,000</u>	<u>5,902,049</u>	<u>(6,595,380)</u>	<u>75,450,133</u>	<u>9,042,156</u>	<u>317,457,180</u>	<u>-</u>	<u>317,457,180</u>

- * The general banking risk reserve and revaluation reserve of financial assets is restricted from use without a prior approval from the Central Bank of Jordan.
 - The retained earnings balance as of March 31, 2017 includes a restricted amount of JD 14,427,912, which resulted from the effect of the early implementation of IFRS (9).
 - The retained earnings include deferred tax assets amounting to JD 6,165,930 and is restricted from use as per the Central Bank of Jordan instructions.
 - The negative fair value reserve which amounts to JD 10,134,051 cannot be utilized as per the Central Bank of Jordan and the Securities Commission instructions.

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CAIRO AMMAN BANK
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	Notes	For the Three-Month Period Ended March 31,	
		2017 JD	2016 JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before income tax		9,286,895	13,695,462
Adjustments for:			
Depreciation and amortization		2,204,662	1,928,272
Provision for impairment on direct credit facilities		750,000	1,500,000
Sundry provisions		1,090,481	426,397
Unrealized (Gain) Loss from financial assets at fair value through profit or loss		(783,838)	1,787,822
Loss (Gain) from sale of property and equipment		1,860	(886)
(Gain) from sale of repossessed assets		(97,833)	(98,849)
Effect of exchange rate changes on cash and cash equivalents		(916,396)	(729,944)
Operating profit before changes in operating assets and liabilities		11,535,831	18,508,274
Changes in assets and liabilities -			
Decrease (Increase) in deposits at banks and financial institutions		6,082,400	(42,345,031)
(Increase) in financial assets at fair value through profit or loss		(302,928)	(1,315,541)
(Increase) in direct credit facilities		(57,920,431)	(30,799,139)
(Increase) in other assets		(17,443,652)	(72,037,536)
(Decrease) Increase in banks and financial institutions deposits maturing after three months		(7,362,040)	39,565,605
Increase in customers' deposits		32,768,061	36,823,581
Increase (Decrease) in margin accounts		3,533,409	(4,752,982)
(Decrease) in other liabilities		(258,170)	(9,211,497)
Net cash Flows (used in) operating activities before income tax		(29,367,520)	(62,933,184)
Paid Income Tax	14	(5,740,495)	(6,544,004)
Paid Sundry Provision		(3,733,131)	(208,918)
Net cash Flows (used in) operating activities		(38,841,146)	(69,686,106)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through OCI		(37,223)	-
Sale of financial assets at fair value through OCI		50,000	1,161,275
(Purchase) of financial assets at amortized cost		(52,072,743)	(52,040,118)
Proceeds from maturity of financial assets at amortized cost		115,680,058	115,329,012
(Purchase) of property and equipment		(1,268,317)	(2,213,042)
Sale of property and equipment		(501)	1,131
(Purchase) of intangible assets		(418,967)	(366,635)
Net cash Flows from investing activities		61,932,307	61,871,623
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loans and borrowings		15,415,681	7,587,636
Repayment of loans and borrowings		(14,209,746)	(52,672,494)
Net cash Flows from (used in) financing activities		1,205,935	(45,084,858)
Effect of exchange rate changes on cash and cash equivalents		916,396	729,944
Net increase (decrease) in cash and cash equivalents		25,213,492	(52,169,397)
Cash and cash equivalents, beginning of the period		227,972,605	397,796,995
Cash and cash equivalents, end of the period	21	253,186,097	345,627,598

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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

- Cairo Amman Bank was established as a public shareholding company registered and incorporated in Jordan in 1960 in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964. Its registered head office is in Amman-Jordan.
- The Bank provides its banking services through its main branch located in Amman and 89 branches located in Jordan, and 21 branches in Palestine and 1 in Bahrain, and its subsidiaries.
- The Bank's shares are listed on the Amman Stock Exchange.
- The condensed consolidated interim financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on April 27th, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

- The condensed consolidated interim financial statements for the bank as of March 31, 2017 have been prepared in accordance with International Accounting Standard (34) (Interim Financial Reporting) and local laws in force including instructions from Central Bank of Jordan.
- The condensed consolidated interim 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, financial derivatives which are stated at fair value as of the date of the condensed consolidated interim financial statements. Moreover, financial assets and liabilities whose change in fair value has been hedged are stated at fair value.
- The condensed consolidated interim financial statements are presented in Jordanian Dinars ("JD"), which is the functional currency of the Bank.
- The condensed consolidated interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three-month period ended March 31st, 2017 do not necessarily indicate to the results that may be expected for the financial year ending December 31, 2017 and should be read with the Bank's annual financial statements as of December 31, 2016 and it does not contain the appropriation of profit on current period, which is usually performed at the year end.

Changes in accounting policies:

- The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2016. Except for the followings:
 - o Annual improvements on International Financial Reporting Standard (IFRS) issued during 2014 -2016 that includes amendments on IFRS 12.
 - o Amendments to IAS (12): "Income Taxes" related to recognition of deferred tax assets for unrealized losses.
 - o Amendments to IAS 7 "Statement of Cash Flows" that aims to provide additional disclosures in Statement of Cash Flows to enable the users to assess the changes in Liabilities that resulted from Financing Activities.

- The adoption of the above new standards has no impact on the amounts reported and disclosures made in the condensed consolidated interim financial statements.

BASIS OF CONSOLIDATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

- The condensed consolidated interim 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.
- The Bank owns the following subsidiaries as of March 31, 2017:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Operation	Country of Operation	Ownership Date
Al-Watanieh Financial Services Company	5,000,000	100	Investment Brokerage	Jordan	1992
Al-Watanieh Securities Company	1,600,000	100	Investment Brokerage	Palestine	1995
Tamallak For Financial Leasing Company	5,000,000	100	Finance Leasing	Jordan	2013
Safa Bank	53,175,000	79	Islamic Banking	Palestine	2016
Thimmar Company for Investment Services *	70,900	100	Investment	Palestine	2016

- The most important financial information for subsidiaries as of March 31st, 2017 are:

	Al-Watanieh Financial Services Company		Al-Watanieh Securities Company	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD
Total Assets	18,726,341	17,104,903	2,366,342	2,255,317
Total Liabilities	7,691,871	6,354,200	701,731	548,230
Net Assets	11,034,470	10,750,703	1,664,611	1,707,087
	For the Period Ended March 31,		For the Period Ended March 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Revenues	539,074	1,256,069	36,740	43,655
Total Expenses	170,115	265,055	79,216	82,635

	Tamallak For Financial Leasing Company		Safa Bank	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD
Total Assets	21,117,551	16,652,489	77,242,343	61,710,290
Total Liabilities	15,617,022	14,998,140	26,146,104	10,070,127
Net Assets	5,500,529	1,354,349	51,096,239	51,640,163

	For the Period Ended March 31,		For the Period Ended March 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Revenues	299,774	161,566	211,699	-
Total Expenses	107,432	84,378	755,623	-

- * Thimmar Investment Services is wholly owned by the subsidiary Al-Watanieh Securities Company.
- The subsidiaries financial results are consolidated in the condensed consolidated interim statement of income from the date of their acquisition, which is the date on which the control of the Bank on the subsidiary takes place. In addition, the financial results of the disposed subsidiaries are consolidated in the condensed consolidated interim statement of income up to the date of the disposal, which is the date on which the Bank loses control over the subsidiary.
- Non-controlling interest represents the portion that is not owned by the bank in the owner's equity in the subsidiary companies.

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, liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by the 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, uncertainty and actual results that may differ resulting in future changes such as in provisions.

The management believes that their estimates in the financial statements are reasonable and as follow:

- A provision for credit facilities is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs), The outcome of these bases and estimates is compared against the adequacy of the provisions as per the instructions of the central banks where the bank branches operate, The strictest outcome that conforms with (IFRSs) is used for the purpose of determining the provision.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the condensed consolidated Interim statement of income.

- Management frequently reviews the financial assets stated at cost to estimate any impairment in their value, Impairment loss (if any) is taken to the Condensed consolidated Interim statement of income.
- A provision for lawsuits raised against the bank (if there is any need) is recorded based on a legal study prepared by the bank's legal advisor, Moreover the study highlights any potential risks that the Bank may encounter in the future, such legal assessments are reviewed periodically.
- A provision for income tax is recorded on the current year's profit and for accrued and assessed tax for the prior year in case of differences exceeding the provision due to not reaching a final settlement with the tax authorities for that year.
- Fair value hierarchy
- The bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety segregating fair value measurements in accordance with the levels defined in IFRS, The difference between Level 2 and Level 3 fair value measurements i.e, assessing whether inputs are observable and whether the unobservable inputs are significant may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the assets or liability.
- In the opinion of the Bank's management the accounting estimates used within the condensed consolidated interim financial statements are reasonable.

4. CASH AND BALANCES WITH CENTRAL BANKS

- The Statutory cash reserve held at the Central Banks amounted to JD 85,708,263 as of March 31, 2017 (against JD 81,695,162 as of December 31, 2016).
- Apart from the statutory reserve held at the Central Banks, the restricted cash balances amounted to JD 8,224,400 as of March 31, 2017 and December 31, 2016 respectively.
- There are no balances which mature in more than three months as of March 31, 2017 and December 31, 2016.

5. BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	Local Banks and Financial Intuitions		Foreign Banks and Financial Institutions		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2017	March 31, 2017	December 31, 2017
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	62,209	896,556	21,304,623	36,907,332	21,366,832	37,803,888
Deposits that mature within 3 months or less	126,146,347	249,267,615	55,516,529	46,782,749	181,662,876	296,050,364
Total assets	<u>126,208,556</u>	<u>250,164,171</u>	<u>76,821,152</u>	<u>83,690,081</u>	<u>203,029,708</u>	<u>333,854,252</u>

- Non-interest bearing balances at banks and financial institutions amounted to JD 21,366,832 as of March 31, 2017 against JD 37,803,888 as of December 31, 2016.
- There are no restricted balances as of March 31, 2017 and December 31, 2016.

6. DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Deposit maturing within:		
More than 3 to 6 months	14,199,984	12,500,000
More than 6 to 9 months	30,180,000	24,199,984
More than 9 to 12 months	7,830,084	14,180,000
More than 1 year	15,250,600	22,663,084
Total	<u>67,460,668</u>	<u>73,543,068</u>

- There are no restricted balances as of March 31, 2017 and December 31, 2016.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Quoted Equities	25,009,939	23,963,344
Investment Funds	1,899,411	1,859,240
	<u>26,909,350</u>	<u>25,822,584</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Quoted Investments		
Quoted Equities	19,931,805	19,201,161
Total quoted investments	<u>19,931,805</u>	<u>19,201,161</u>
Unquoted Investments		
Unquoted Equities	11,884,969	12,301,132
Total unquoted investments	<u>11,884,969</u>	<u>12,301,132</u>
Financial assets at fair value through other comprehensive income	<u>31,816,774</u>	<u>31,502,293</u>

- Cash dividends were distributed on investments in the amount of JD 45,100 for the period ended March 31, 2017 (against JD 697,805 for the period ended December 31, 2016).

9. DIRECT CREDIT FACILITIES, NET

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Consumer lending		
Overdrafts	12,304,300	8,221,354
Loans and bills *	642,713,155	632,917,856
Credit cards	10,411,416	10,070,530
Other	6,522,407	6,109,762
Residential mortgages	175,920,703	171,512,514
Corporate lending		
Overdrafts	80,379,357	99,378,606
Loans and bills *	239,196,412	203,901,684
Government and public sector		
Overdrafts	20,021,716	13,755,261
Loans and bills *	55,965,292	52,266,535
Lending to governmental sectors	<u>229,778,084</u>	<u>216,615,307</u>
Total	<u>1,473,212,842</u>	<u>1,414,749,409</u>
Less: Suspended interest	(11,234,895)	(10,794,925)
Less: Allowance for impairment losses	(48,528,368)	(47,675,336)
Direct credit facilities, net	<u>1,413,449,579</u>	<u>1,356,279,148</u>

- * Net after deducting interest and commission received in advance of JD 5,315,584 as of March 31, 2017 (December 31, 2016 JD 5,251,444).
- As of March 31, 2017 non-performing credit facilities amounted to JD 67,751,004 (December 31, 2016: JD 59,328,905), representing 4.60% (December 31, 2016: 4.19%) of gross facilities granted.
- As of March 31, 2017, non-performing credit facilities, after deducting suspended interest, amounted to JD 56,583,871 (December 31, 2016: JD 48,701,464), representing 3.87% (December 31, 2016: 3.47%) of gross credit facilities granted after excluding the suspended interest.
- As of March 31, 2017, credit facilities granted to the Government of Jordan amounted to JD 100,321,089 (December 31, 2016: JD 102,143,212), representing 6.81% (December 31, 2015: 7.22%) of gross credit facilities granted.
- As of March 31, 2017 credit facilities granted to the public sector in Palestine amounted to JD 52,185,067 (December 31, 2016: JD 55,232,268), representing 3.5% (December 31, 2016: 3.9%) of gross credit facilities granted.

Direct credit facilities impairment provision:

The movement of the provision for impairment is as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Beginning balance of the period/year	47,675,336	46,299,446
Charge during the period/year	750,000	3,213,480
Amount used from provision within the period/year (written off debts)	(5,113)	(1,861,655)
Revaluation differences	108,145	24,065
Balance at the end of the period/year	<u>48,528,368</u>	<u>47,675,336</u>

Interest in suspense

The movement of interest in suspense is as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Beginning balance of the period/ year	10,794,925	10,266,892
Add: Suspended interest during the period/year	511,239	905,099
Less: Amount transferred to income	(33,086)	(335,458)
Written off interest in suspense	(38,183)	(41,608)
Balance at the end of the period/year	<u>11,234,895</u>	<u>10,794,925</u>

10. FINANCIAL ASSETS OF AMORTIZED COST, NET

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Quoted Investments		
Foreign Treasury bills	1,630,112	1,630,068
Corporate debt securities	17,275,221	17,559,550
Total quoted investments	<u>18,905,333</u>	<u>19,189,618</u>
Unquoted Investments		
Jordanian treasury bills	12,956,889	12,887,124
Government Treasury Bonds	200,353,547	260,373,453
Government Debt Securities	3,171,488	2,603,250
Corporate debt securities	40,283,600	41,311,650
Other debt securities	2,123	-
Less: Impairment losses	-	(141,800)
Total unquoted investments	<u>256,767,647</u>	<u>317,033,677</u>
Total financial assets at amortized cost	<u>275,672,980</u>	<u>336,223,295</u>
Analysis of debt instruments		
Fixed rate	275,672,980	335,337,045
Floating rate	-	886,250
Total	<u>275,672,980</u>	<u>336,223,295</u>

11. OTHER ASSETS

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Accrued interest revenues	6,087,847	10,803,301
Prepaid expenses	11,088,596	7,237,323
Reposessed assets - net *	11,534,913	11,849,384
Accounts receivable - net	716,031	807,028
Clearing checks	21,097,982	2,683,260
Settlement Guarantee Fund	25,000	25,000
Trading Settlement Account	-	144,486
Refundable deposits	522,120	499,820
Deposit at Visa International	1,765,431	1,765,431
Others	1,122,885	604,287
Total	53,960,805	36,419,320

- * As per the Central Bank of Jordan instructions the reposessed assets should be 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 reposessed assets which is being held for more than four years in accordance to the Central Bank of Jordan instructions number 10/1/4076 dated March 27, 2014 and 10/1/7096 dated June 8, 2014.

12. CUSTOMERS' DEPOSITS

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Current accounts and demand deposits	422,245,395	474,163,723
Saving deposits	408,687,534	391,015,071
Time and notice deposits	749,139,589	682,267,454
Certificates of Deposits	141,800	-
Total	1,580,214,309	1,547,446,248

- Jordanian Government and Public Sectors deposits amounted to JD 294,230,641 as of March 31, 2017 (December 31, 2016: JD 323,317,762) representing 18.62% (December 31, 2016: 20.89%) of gross customers' deposits.
- There are no restricted deposits as of March 31, 2017 and December 31, 2016.
- Non-interest bearing deposits amounted to JD 623,011,849 as of March 31, 2017 (December 31, 2016: JD 625,400,173) representing 39.43% (December 31, 2016: 40.38%) of gross deposits.

13. LOANS AND BORROWINGS

This item consists of the following:

	Amount	Total No. of Installments	Outstanding Installments	Payable Every	Maturity Date	Collaterals	Interest Rate
	JD					JD	
March 31, 2017							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845% -
Amounts borrowed from French Development Agency	3,013,250	20	17	Semi - annually	2025	None	4.895%
Amounts borrowed from Central Bank of Jordan *	9,500,000	10	10	Semi- annually	2028	None	3.358%
Amounts borrowed from Central Bank of Jordan **	21,608,414	84	84	At maturity /per loan	2017-2022	Treasury Bills	2.5%
Amounts borrowed from Central Bank of Jordan *	2,400,000	14	14	Semi- annually	2028	None	1%-2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	6,077,144	14	13	Semi- annually	2020	None	2.5%
Amounts borrowed from Jordan Loan Guarantee Corporation	4,100,000	20	20	Semi- annually	2031	None	1.75%- 3.25%
Amounts borrowed from International Markets Financial (IMF)	30,000,000	20	20	At maturity/per loan	2019	None	2.39%
Total	1,074,224	1	1			None	4.4%
	93,371,032						
December 31, 2016							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845% -
Amounts borrowed from French Development Agency	3,013,250	20	17	Semi-annually	2025	None	4.895%
Amounts borrowed from Central Bank of Jordan	9,500,000	10	10	Semi-annually	2017 - 2028	None	3.358%
Amounts borrowed from Central Bank of Jordan	19,389,623	71	71	At maturity/per loan	2022	Treasury Bills	2.5%
Amounts borrowed from Central Bank of Jordan	2,400,000	14	14	Semi- annually	2028	None	1% - 2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,090,000	14	14	Semi- annually	2020	None	2.5%
Amounts borrowed from Jordan Loan Guarantee Corporation	4,100,000	20	20	Semi-annually	2031	None	1.75% - 3.25%
Amounts borrowed from International Markets Financial (IMF)	30,000,000	20	20	At Maturity/per loan	2019	None	2.39%
Total	1,074,224	1	1			None	4.4%
	92,165,097						

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

** The borrowed amount from the Central Bank of Jordan for industrial and energy financing loans were re-lent on an average interest rate of 4.25%.

14. INCOME TAX PROVISION

A. Income Tax provision

The movement on the income tax provision was as follows:

	March 31, 2017	December 31, 2016
	<u>JD</u>	<u>JD</u>
Balance at the beginning of the period/year	20,892,898	23,599,266
Income tax paid	(5,740,495)	(20,104,075)
Income tax payable	2,737,600	15,559,626
Amortization of deferred tax liabilities	-	1,838,081
Balance at the end of the period/year	<u>17,890,003</u>	<u>20,892,898</u>

Income tax appearing in the statement of income represents following:

	For the Three-Month Period Ended March 31,	
	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Income tax for the period	2,737,600	4,653,306
Deferred Tax Assets	-	-
Income tax payable period	<u>2,737,600</u>	<u>4,653,306</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%. Banks in Palestine are subject to an income tax rate of 15% plus VAT of 16%.
 - The Bank reached a final settlement with the Income and Sales Tax Department for the year ended December 31, 2014 for the Bank's branches in Jordan. The Income and Sales Tax Department did not review 2015 records up to the date of these condensed consolidated interim financial statements.
 - A final settlement was reached with the tax authorities for Palestine branches until 2014. The Income Tax Department did not review 2015 records up to the date of these condensed consolidated interim financial statements.
 - Al-Watanieh Financial Services Company has reached a final settlement with the Income and Sales Tax Department up to the year 2009. The Income and sales Tax Department reviewed 2010, 2011 records. The company appealed against the assessment at the Income Tax court. In addition, the income tax department had also reviewed the company records for the year 2012, 2013, 2014 where it had estimated the following years, as a result the company had appealed against the assessment and the lawsuit is still ongoing in the court.
- The Income Tax Department had not reviewed 2015 records, up to the date of these condensed consolidated interim financial statements.
- Al-Watanieh Securities Company - Palestine has reached a final settlement with the Income and Sales Tax Department up to the year 2015.
 - Tamallak for Financial Leasing Company had reached a final settlement with the Income and sales tax Department for the year ended December 31st, 2014. Furthermore, the Income Tax Department had not reviewed 2015 records, up to the date of these condensed consolidated interim financial statements.
 - In the opinion of the Bank's management, income tax provision as of March 31, 2017 is sufficient to meet any future tax obligation.

15. OTHER LIABILITIES

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Accrued interest expense	2,423,205	4,246,466
Unearned Revenue	935,037	1,023,780
Accounts payable	4,625,952	2,898,141
Accrued expenses	5,530,164	6,617,780
Temporary deposits	9,228,751	13,880,874
Checks and withdrawals	6,247,399	4,420,043
Others	3,160,943	2,797,704
	<u>32,151,551</u>	<u>35,884,682</u>

16. FAIR VALUE RESERVE (NET)

The movement is as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Beginning balance of period/year	(10,347,484)	(6,917,105)
Unrealized gain (loss)	327,258	(194,219)
(Gain) from sale of financial assets at fair value through other comprehensive income	-	(3,418,582)
Deferred tax assets	(104,429)	82,911
Deferred tax liabilities	(9,396)	99,511
Ending balance of the period/year	<u>(10,134,051)</u>	<u>(10,347,484)</u>

17. INTEREST INCOME

This item consists of the following:

	For the Three-Month Period Ended March 31,	
	2017	2016
	JD	JD
Direct credit facilities		
Overdrafts		
Loans and bills	3,638,590	3,238,256
Credit cards	22,274,933	20,715,427
Balances at Central Banks	567,553	552,036
Balances and deposits at banks and financial institutions	868,218	69,333
Financial assets at amortized cost	1,823,371	4,491,425
Other	2,460,670	4,599,223
Total	<u>31,695,383</u>	<u>33,753,285</u>

18. INTEREST EXPENSE

This item consists of the following:

	For the Three-Month Period Ended March 31,	
	2017	2016
	JD	JD
Banks and financial institutions deposits	1,471,497	1,363,110
Customers' deposits:		
Current accounts and demand deposits	98,447	336,951
Saving accounts	809,190	615,329
Time and notice deposits	5,350,623	5,229,593
Certificate of Deposit	328	-
Margin accounts	340,451	324,562
Loans and borrowings	825,174	513,110
Deposits guarantee fees	842,618	823,891
Total	9,738,328	9,206,546

19. GAIN (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED)

This item consists of the following:

	Realized (loss)	Unrealized Gain (Loss)	Dividends	Total
	JD	JD	JD	JD
March 31, 2017				
Equity instruments	-	728,898	-	728,898
Bonds	-	4,104	-	4,104
Investment funds	-	40,171	-	40,171
Total	-	773,173	-	773,173
March 31, 2016				
Equity instruments	-	138,626	-	138,626
Bonds	-	-	-	-
Investment funds	-	(160,841)	-	(160,841)
Total	-	(22,215)	-	(22,215)

20. EARNINGS PER SHARE

	For the Three-Month Period Ended March 31,	
	2017	2016
	JD	JD
Profit for the period attributable to shareholders	6,549,295	9,042,156
Weighted average number of shares*	180,000,000	180,000,000
	(JD/Fils)	(JD/Fils)
Basic and diluted earnings per share – (Bank's Shareholders)	0/037	0/050

Diluted earnings per share are equal to the 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.

- * The weighted average for the number of shares has been amended for the period ended March 31, 2017 to become 180,000,000 instead of 160,000,000 as a result of an increase in number of shares due to the capitalization from retained earnings.

21. 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:

	March 31,	
	2017	2016
	JD	JD
Cash and balances with Central Banks maturing within three months	407,942,781	180,421,242
<u>Add:</u> Balances at banks and financial institutions maturing within three months	203,029,708	401,293,073
<u>Less:</u> Banks and financial institutions' deposits maturing within three months	349,561,992	228,642,217
Restricted balances	8,224,400	7,444,500
Total	<u>253,186,097</u>	<u>345,627,598</u>

22. RELATED PARTY TRANSACTIONS

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

Company Name	Ownership	Paid in capital	
		March 31, 2017	December 31, 2016
	%	JD	JD
Al-Watanieh Financial Services Company	100	5,000,000	5,000,000
Al-Watanieh Securities Company	100	1,600,000	1,600,000
Tamallak For Financial Leasing Company	100	5,000,000	1,000,000
Safa BANK	79	53,175,000	53,175,000
Thimmar Company for Investment Services	100	70,900	70,900

The Bank entered into transactions with subsidiaries, major shareholders, directors, senior management and their related concerns 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:

	Related Party			Total	
	Board of Directors and Relatives of Board Members	Executive Management	Others *	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD
Items within the statements of financial position:					
Direct credit facilities	54,161,058	5,434,413	20,191,087	79,786,558	78,571,070
Deposits at the Bank	23,531,036	7,916,826	2,605,853	34,053,715	37,423,859
Margin accounts	35,650,745	-	279,625	35,930,370	35,822,466
Off balance items:					
Indirect credit facilities	2,369,034	-	382,908	2,751,942	2,838,501

	For the three-month period ended March 31,				
	2017		2016		
	JD		JD		
Income statements items					
Interest and commission income	706,980	357,100	192,086	1,256,166	1,145,810
Interest and commission expense	362,822	20,352	13,029	396,203	135,070

- * 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 3.5% - 8. 5%.
- 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%.

Salaries, bonuses and other benefits for key management Personnel amounted to JD 732,036 as of March 31, 2017 (JD 1,072,641 as of March 31, 2017).

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

These segments are the basis on which the bank reports its primary segment information.

	Retail Banking JD	Corporate Banking JD	Treasury JD	Others JD	March 31,	
					2017	2016
					JD	JD
Gross income	<u>20,594,065</u>	<u>5,860,975</u>	<u>5,258,647</u>	<u>461,483</u>	<u>32,175,170</u>	<u>42,647,810</u>
Allowance for credit losses	<u>236,181</u>	<u>513,819</u>	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>(1,500,000)</u>
Segment result	<u>16,312,419</u>	<u>2,524,225</u>	<u>2,368,225</u>	<u>461,483</u>	<u>21,666,314</u>	<u>31,941,264</u>
Unallocated costs					<u>14,239,506</u>	<u>18,245,802</u>
Profit before tax					<u>9,286,895</u>	<u>13,695,462</u>
Income tax					<u>(2,737,600)</u>	<u>(4,653,306)</u>
Profit for the period					<u>6,663,451</u>	<u>9,042,156</u>
Other information						
Capital expenditure					<u>1,687,284</u>	<u>2,579,677</u>
Depreciation and amortization					<u>2,204,662</u>	<u>1,928,272</u>
					March 31, 2017	December 31, 2016
					JD	JD
Total segment assets	<u>814,590,708</u>	<u>598,858,872</u>	<u>1,029,417,190</u>	<u>105,824,315</u>	<u>2,548,691,085</u>	<u>2,491,183,233</u>
Total segment liabilities	<u>873,689,181</u>	<u>644,420,550</u>	<u>620,634,176</u>	<u>65,874,438</u>	<u>2,204,618,345</u>	<u>2,153,873,221</u>

2. Geographical Information

This item represents the geographical distribution of the Bank's 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:

	Inside Jordan		Outside Jordan		Total	
	March 31,		March 31,		March 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total Revenue	32,161,164	37,610,755	8,114,216	5,037,055	40,275,380	42,647,810
Capital expenditure	1,222,665	2,332,914	464,619	246,763	1,687,284	2,579,677
	Inside Jordan		Outside Jordan		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD	JD
Total assets	<u>1,973,723,192</u>	<u>1,951,854,991</u>	<u>574,967,893</u>	<u>539,328,242</u>	<u>2,548,691,085</u>	<u>2,491,183,233</u>

24. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments and contingent liabilities:

	March 31, 2017	December 31, 2016
	JD	JD
Letters of credit:		
Received	28,527,380	100,571,034
Issued	85,533,413	32,092,230
Acceptances	4,481,060	1,563,898
Letters of guarantee:		
Payments	17,820,294	16,285,995
Performance	15,476,832	18,015,063
Other	14,867,564	11,437,672
Irreversible commitments to extend credit	<u>102,702,934</u>	<u>92,169,757</u>
	<u>269,409,477</u>	<u>272,135,649</u>

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

	March 31, 2017	December 31, 2016
	JD	JD
Contracts to purchase property and equipment	<u>3,623,663</u>	<u>3,599,638</u>

25. LITIGATION RAISED AGAINST THE BANK

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 43,201,816 as of March 31, 2017 (December 31, 2016: JD 43,857,724). In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient.

Provision for legal cases amounted to JD 4,418,949 as of March 31, 2017 (December 31, 2016: JD 4,421,931).

26. STATUTORY RESERVES

The Bank has not deducted any statutory reserves according to Companies' Law since these are interim financial statements.

27. FAIR VALUE HIERARCHY

a. The fair values for financial assets and financial liabilities of the bank are determined at fair value on an ongoing basis.

- Some of the Financial Assets and Financial Liabilities of the bank are valued at fair value of each reporting period. The following table provides information on how fair value is determined for financial assets and financial liabilities (Valuation Methods and Inputs Used).

	Fair Value		Fair Value Level	Valuation Method and Inputs Used	Intangible, Significant Inputs	Relationship between Intangible, Significant Inputs and Fair Value
	March 31, 2017 JD	December 31, 2016 JD				
Financial Assets/ Financial Liabilities						
Financial Assets at Fair Value						
Financial Assets at Fair Value through Income Statement						
Investments	26,909,350	25,822,584	First Level	Prices are announced in Financial Markets	Doesn't Apply	Doesn't Apply
Total	26,909,350	25,822,584				
Foreign Currency Contracts	3,623,663	3,599,638	First Level	Prices are announced in Financial Markets	Doesn't Apply	Doesn't Apply
Financial Assets at Fair Value through Comprehensive Income Statement						
Quoted Investment						
	19,931,805	19,201,161	First Level	Prices are announced in Financial Markets	Doesn't Apply	Doesn't Apply
Second Level						
Unquoted Investment	11,884,969	12,301,132	Second Level	Prices are announced in Financial Markets Compared with market value of similar Financial Instrument	Doesn't Apply	Doesn't Apply
Total	31,816,774	31,502,293				
Total Financial Assets at Fair Value	35,440,437	35,101,931				

There were no transfers between First Level and Second Level during the three-month period ending March 31, 2017.

b. The fair value for financial assets and financial liabilities of the bank that are undetermined at fair value on an ongoing basis.

Except as stated in the table below we believe that the book value of Financial Assets and Financial Liabilities that is shown in the interim condensed consolidated financial statements are approximately equal to its fair value due either to its short-term maturity or that interest rates are re-priced during the period.

	March 31, 2017		December 31, 2016		Fair Value Level
	Book Value JD	Fair Value JD	Book Value	Fair Value	
Financial Assets with undetermined Fair Value					
Balances at Central banks	85,708,263	85,754,011	81,695,162	81,695,162	Second Level
Balances at Banks and Financial Institutions	203,029,708	203,300,174	333,854,252	334,003,608	Second Level
Deposits at Banks and Financial Institutions	67,460,668	67,948,566	73,543,068	75,530,984	Second Level
Loans and Borrowings	1,350,096,053	1,353,362,559	1,283,323,658	1,286,101,905	Second Level
Financial Assets at Amortized Cost	275,672,980	277,421,659	336,223,295	339,576,882	Second & First Level
Total Financial Assets with undetermined Fair Value	1,981,967,672	1,987,786,969	2,108,639,435	2,116,908,541	
Financial Liabilities with undetermined Fair Value					
Banks and Financial Institutions Deposits	387,089,132	391,182,214	358,957,094	362,759,977	Second Level
Customer Deposits	1,580,219,309	1,581,957,418	1,547,446,248	1,549,983,870	Second Level
Margin Accounts	85,010,256	85,010,256	81,476,847	81,476,847	Second Level
Total Financial Liabilities with undetermined Fair Value	2,052,313,697	2,085,149,888	1,987,880,189	1,994,220,694	

For the above items, the fair values of financial assets and liabilities have been determined in accordance with the pricing models agreed upon, which reflect the credit risk of the parties they deal with.