

**CAIRO AMMAN BANK**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2016 (UN-AUDITED)**

**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) and its subsidiaries ("the Bank") as of 31 March 2016, comprising of the interim condensed consolidated statement of financial position as of 31 March 2016, the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). 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 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.

Amman – Jordan  
17 April 2016



**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 MARCH 2016**

	<u>Notes</u>	<u>31 March 2016</u>	<u>31 December 2015</u>
		JD (Un-audited)	JD (Audited)
<b><u>ASSETS</u></b>			
Cash and balances with Central Banks	4	180,421,242	212,347,289
Balances at banks and financial institutions	5	401,293,073	552,356,037
Deposits at banks and financial institutions		155,545,015	113,199,984
Financial assets at fair value through profit or loss	6	25,068,523	28,171,886
Financial assets at fair value through other comprehensive income	7	37,495,584	37,302,031
Direct credit facilities, net	8	1,173,539,320	1,144,240,181
Financial assets at amortized cost, net	9	262,738,750	275,985,687
Financial assets pledged as collateral		27,577,000	77,618,957
Property and equipment, net		31,471,697	30,489,984
Intangible assets, net		9,859,197	10,189,750
Deferred tax assets		3,963,124	4,265,762
Other assets		118,030,941	45,894,556
<b>Total Assets</b>		<b>2,427,003,466</b>	<b>2,532,062,104</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES -</b>			
Banks and financial institutions' deposits		291,678,822	382,932,831
Customers' deposits	10	1,606,839,705	1,570,016,124
Margin accounts		81,711,658	86,464,640
Loans and borrowings	11	62,153,482	107,238,340
Sundry provisions		13,787,443	13,569,964
Income tax liabilities	12	21,983,698	23,599,266
Deferred tax liabilities		2,089,308	2,149,293
Other liabilities		29,302,170	38,513,667
<b>Total Liabilities</b>		<b>2,109,546,286</b>	<b>2,224,484,125</b>
<b>EQUITY</b>			
Paid in capital	19	160,000,000	160,000,000
Statutory reserve	20	60,988,222	60,988,222
General banking risk reserve		12,670,000	12,670,000
Cyclical fluctuations reserve		5,902,049	5,902,049
Fair value reserve (net)		(6,595,380)	(6,917,105)
Retained earnings		75,450,133	74,934,813
Profit for the period		9,042,156	-
<b>Total Equity</b>		<b>317,457,180</b>	<b>307,577,979</b>
<b>Total Liabilities and Equity</b>		<b>2,427,003,466</b>	<b>2,532,062,104</b>

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016 (UN-AUDITED)**

	Notes	31 March 2016 JD	31 March 2015 JD
Interest income		33,753,285	35,693,159
Interest expense		<u>9,206,546</u>	<u>10,950,018</u>
<b>Net interest income</b>		24,546,739	24,743,141
Net commission income		<u>5,274,976</u>	<u>4,834,561</u>
<b>Net interest and commission income</b>		29,821,715	29,577,702
<b>Other income –</b>			
Net gain from foreign currencies		802,025	776,845
Net (loss) from financial assets through profit or loss		(22,215)	(507,121)
Dividends from financial assets at fair value through other comprehensive income		697,805	621,612
Other income		<u>2,141,934</u>	<u>1,249,826</u>
<b>Gross profit</b>		<u>33,441,264</u>	<u>31,718,864</u>
Employees' expenses		9,845,577	9,500,786
Depreciation and amortization		1,928,272	1,546,405
Other expenses		6,045,556	5,322,178
Impairment loss on direct credit facilities		1,500,000	850,000
Sundry provisions		<u>426,397</u>	<u>466,043</u>
<b>Total expenses</b>		<u>19,745,802</u>	<u>17,685,412</u>
<b>Profit for the period before tax</b>		13,695,462	14,033,452
Income tax expense	12	<u>4,653,306</u>	<u>4,959,410</u>
<b>Profit for the period</b>		<u>9,042,156</u>	<u>9,074,042</u>
<b>Earnings per share for the period:</b>		JD/ Fils	JD/ Fils
Basic and diluted earnings per share	13	<u>0/057</u>	<u>0/057</u>

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016 (UN-AUDITED)**

	31 March 2016	31 March 2015
	<u>JD</u>	<u>JD</u>
<b>Profit for the period</b>	9,042,156	9,074,042
<b>Other comprehensive income, which will not be transferred to profit or loss in future periods:</b>		
Net movement on cumulative changes in fair value	<u>837,045</u>	<u>(775,674)</u>
<b>Total comprehensive income for the period</b>	<u><u>9,879,201</u></u>	<u><u>8,298,368</u></u>

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016 (UN-AUDITED)**

	Reserves						Profit for the period	Total Equity	
	Paid in capital		General Banking Risk		Pro-cyclicality	Fair value Reserve			Retained earnings
	JD	JD	JD	JD					
<b>31 March 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	-	-	-	-	837,045	-	9,042,156	9,879,201	
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(515,320)	515,320	-	-	
Balance as of 31 March 2016	160,000,000	60,988,222	12,670,000	5,902,049	(6,595,380)	75,450,133	9,042,156	317,457,180	
<b>31 March 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	-	-	-	-	(775,674)	-	9,074,042	8,298,368	
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(196)	196	-	-	
Balance as of 31 March 2015	125,000,000	54,539,179	12,270,000	5,079,998	1,547,163	92,599,974	9,074,042	300,110,356	

- The general banking risk reserve is restricted from use without a prior approval from Central Bank of Jordan.
- The unrealized gains included in retained earnings as at 31 March 2016 arising from the effect of the early implementation of IFRS (9) amounted to JD 14,427,912 and is not available for distribution.
- The retained earnings include deferred tax assets amounted to JD 3,963,124 and is restricted from use per the Central Bank of Jordan instructions.
- The Bank cannot use a restricted amount of JD 6,595,380 which represents the negative fair value reserve as per the Central Bank of Jordan and the Jordanian Securities Commission instructions.

**The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements**

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016 (UN-AUDITED)**

	Note	31 March 2016 JD	31 March 2015 JD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before income tax		13,695,462	14,033,452
<b>Adjustments -</b>			
Depreciation and amortisation		1,928,272	1,546,405
Impairment loss on direct credit facilities		1,500,000	850,000
Gain on disposal of property and equipment		(886)	(34,073)
Gain on sale of assets seized by the Bank		(98,849)	(237,959)
Sundry provisions		426,397	466,043
Unrealized loss from financial assets at fair value through profit or loss		1,787,822	2,462,710
Effect of exchange rate changes on cash and cash equivalents		(729,944)	(757,686)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>18,508,274</b>	<b>18,328,892</b>
<b>Changes in assets and liabilities -</b>			
(Increase) in deposits at banks and financial institutions maturing after three months		(42,345,031)	(249,400,000)
(Increase) in direct credit facilities		(30,799,139)	(32,318,463)
Decrease in financial assets at fair value through profit or loss		1,315,541	36,531
(Increase) in other assets		(72,037,536)	(9,423,923)
Increase in bank deposit maturing after three months		39,565,605	-
Increase in customers' deposits		36,823,581	8,066,321
(Decrease) in margin accounts		(4,752,982)	(402,796)
(Decrease) in other liabilities		(9,211,497)	(9,449,084)
Sundry provisions paid		(208,918)	(214,145)
<b>Net cash (used) in operating activities before income tax</b>		<b>(63,142,102)</b>	<b>(274,776,667)</b>
Income tax paid		(6,544,004)	(6,321,942)
<b>Net cash (used in) operating activities</b>		<b>(69,686,106)</b>	<b>(281,098,609)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at fair value through OCI		-	(14,509)
Proceeds from sale of financial assets at fair value through OCI		1,161,275	9,340
Purchase of other financial assets at amortized cost		(52,040,118)	(140,349,440)
Proceeds from maturity of other financial assets at amortized cost		115,329,012	76,110,613
Purchase of intangible assets		(366,635)	(2,202,932)
Purchase of property and equipment		(2,213,042)	(320,129)
Sale of property and equipment		1,131	63,293
<b>Net cash from (used in) investing activities</b>		<b>61,871,623</b>	<b>(66,703,764)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		7,587,636	32,277,274
Payments of loans and borrowings		(52,672,494)	(5,672,000)
<b>Net cash (used in) from financing activities</b>		<b>(45,084,858)</b>	<b>26,605,274</b>
Effect of exchange rate changes on cash and cash equivalents		729,944	757,686
<b>Net decrease in cash and cash equivalents</b>		<b>(52,169,397)</b>	<b>(320,439,413)</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>	14	<b>345,627,598</b>	<b>91,133,551</b>

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated 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 Companies Law No. (12) of 1964. Its registered office is at Amman-Jordan.

The Bank provides its banking services through its main branch located in Amman and through its 85 branches in Jordan, 21 branches in Palestine, one branch in Bahrain and its subsidiaries.

The Bank's shares are listed on the 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 17 April 2016.

**(2) BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three-months period of 31 March 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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 three - months period ended 31 March 2016 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2016.

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

**CHANGE 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:



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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

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

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

### ***Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)***

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

### ***IAS 1 Presentation of Financial Statements – Amendments to IAS 1***

The amendments to IAS 1 include narrow-focus improvements related to :

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

### **Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

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

The application of the new amendments did not have significant impact on the financial position, financial performance or disclosures of the Bank.

### **(3) BASIS OF CONSOLIDATION**

The 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.

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 31 March 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 31 March 2016. The company's main activity is investment brokerage.
- Tamalak For Financial Leasing- Jordan (established 2013) owned 100% by the Bank with a paid up capital of JD 1,000,000 as of 31 March 2016.
- 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 as of 31 March 2016, were not consolidated 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.

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

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.

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

Restricted statutory cash reserve held at Central Banks amounted to JD 84,342,882 as of 31 March 2016 (31 December 2015: JD 85,268,204).

Except for statutory cash reserve held at Central Banks the restricted cash balances amounted to JD 7,444,500 as of 31 March 2016 and 31 December 2015.

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

Non interest bearing balances at banks and financial institutions amounted to JD 41,529,623 as of 31 March 2016 (31 December 2015: JD 48,404,115).

There are no restricted deposits as of 31 March 2016 and 31 December 2015.

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

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
Quoted Equities	23,171,055	26,113,577
Funds	1,897,468	2,058,309
	<u>25,068,523</u>	<u>28,171,886</u>

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

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Quoted Equities	24,931,575	24,742,107
<b>Total quoted investments</b>	<u>24,931,575</u>	<u>24,742,107</u>
<b>Unquoted Investments</b>		
Unquoted Equities	12,564,009	12,559,924
<b>Total unquoted investments</b>	<u>12,564,009</u>	<u>12,559,924</u>
<b>Total</b>	<u>37,495,584</u>	<u>37,302,031</u>

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

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
<b>Consumer lending</b>		
Overdrafts	5,777,029	5,472,818
Loans and bills *	591,886,267	586,594,232
Finance leasing	10,256,650	9,559,331
Credit cards	10,085,846	10,363,103
Others	6,650,346	8,645,632
<b>Residential mortgages</b>	162,734,949	157,188,180
<b>Corporate lending</b>		
Overdrafts	75,833,679	62,972,852
Loans and bills *	162,281,601	157,672,233
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	16,335,595	14,853,464
Loans and bills *	47,156,572	45,831,463
<b>Lending to governmental sectors</b>	142,962,306	141,653,211
<b>Total</b>	1,231,960,840	1,200,806,519
Less: Suspended interest	(10,648,598)	(10,266,892)
Less: Allowance for impairment losses	(47,772,922)	(46,299,446)
<b>Direct credit facilities, net</b>	1,173,539,320	1,144,240,181

\* Net of interest and commission received in advance of JD 4,846,088 as of 31 March 2016 (31 December 2015: JD 4,958,504).

At 31 March 2016, non-performing credit facilities, net of suspended interest, amounted to JD 47,151,419 (31 December 2015: JD 46,890,635), representing 3.86% (31 December 2015: 3.94%) of gross facilities granted net of suspended interest.

**Allowance for impairment losses**

The movement of the allowance for impairment losses for direct credit facilities is as follows:

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	46,299,446	47,350,336
Charge for the period/ year	1,500,000	2,756,444
Amounts written off	(90,384)	(3,781,911)
Revaluation differences	63,860	(25,423)
Balance at the end of the period/ year	47,772,922	46,299,446

### Interest in suspense

The movement of interest in suspense is as follows:

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	10,266,892	10,259,482
Suspended interest during the period/ year	470,133	602,651
Amounts transferred to income on recovery	(53,208)	(426,084)
Amounts written off	(35,219)	(169,157)
Balance at the end of the period/ year	<u>10,648,598</u>	<u>10,266,892</u>

### (9) FINANCIAL ASSETS AT AMORTIZED COST, NET

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Treasury bills	18,806,279	2,513,658
Corporate debt securities	<u>13,329,259</u>	<u>13,329,635</u>
<b>Total quoted investments</b>	<u>32,135,538</u>	<u>15,843,293</u>
<b>Unquoted Investments</b>		
Treasury bills	219,510,816	251,274,012
Government debt securities	4,919,406	2,695,418
Corporate debt securities	6,311,650	6,311,650
Other debt securities	3,140	3,114
Less impairment losses	<u>(141,800)</u>	<u>(141,800)</u>
<b>Total unquoted investments</b>	<u>230,603,212</u>	<u>260,142,394</u>
<b>Total financial assets at amortized cost</b>	<u>262,738,750</u>	<u>275,985,687</u>
<b>Analysis of debt instruments</b>		
Fixed rate	261,852,500	275,099,437
Floating rate	<u>886,250</u>	<u>886,250</u>
<b>Total</b>	<u>262,738,750</u>	<u>275,985,687</u>

**(10) CUSTOMERS' DEPOSITS**

	31 March 2016 <u>JD</u> (Un-audited)	31 December 2015 <u>JD</u> (Audited)
Current and demand deposits	487,398,519	458,425,051
Saving deposits	379,910,832	368,843,608
Time and notice deposits	739,530,354	742,747,465
<b>Total</b>	<u>1,606,839,705</u>	<u>1,570,016,124</u>

Governmental institutions' deposits amounted to JD 350,803,783 as of 31 March 2016 (31 December 2015: JD 360,846,036) representing 21.97% (31 December 2015: 22.98%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 656,485,963 as of 31 March 2016 (31 December 2015: JD 625,400,173) representing 41.11% (31 December 2015: 39.83%) of total deposits.

There are no restricted deposits as of 31 March 2016 and 31 December 2015.

**(11) LOANS AND BORROWINGS**

	Amount	Total no. of instalments	Outstanding instalments	Payable Every	Maturity Date	Collaterals	Interest rate
<b>31 March 2016 (Un – audited)</b>	JD					JD	%
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	9,500,000	10	10	Semi- annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	4,100,000	30	30	Semi- annually	2031	None	2.39%
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	14	14	Semi- annually	2019	None	1.75%- 3.25%
Amounts borrowed from Central Bank of Jordan	19,023,508	54	54	At maturity / per loan	2016	Treasury Bills	1.75%- 2.75%
Amounts borrowed from International financial markets	1,074,224	1	1	-	-	None	-
<b>Total</b>	<u>62,153,482</u>						
<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	14	14	Semi- annually	2016	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>	<u>107,238,340</u>						

## (12) INCOME TAX PROVISION

The movement on the income tax provision is as follows:

	31 March 2016	31 December 2015
	JD	JD
	(Un-audited)	(Audited)
At January 1	23,599,266	23,808,580
Income tax paid	(6,544,004)	(19,727,689)
Income tax payable	4,653,306	19,356,487
Income tax on realized gain on sale of investments*	275,130	161,888
At December 31	<u>21,983,698</u>	<u>23,599,266</u>

\* This item resulted from the income tax on the realized gain from sale of financial assets at fair value through other comprehensive income which in accordance to IFRS 9 is not permitted to be included in the profit or loss statements instead recognized directly through retained earnings.

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

	31 March 2016	31 March 2015
	JD	JD
	(Un-audited)	(Un-audited)
Provision for income tax charge for the period	4,653,306	6,867,106
Amortization of deferred tax liabilities	-	(1,907,696)
	<u>4,653,306</u>	<u>4,959,410</u>

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

- The Bank reached a final settlement with the Income and Sales Tax Department in Jordan for the year ended 31 December 2013. The Income and Sales Tax Department did not review 2014 and 2015 records up to the date of these financial statements.
- A final settlement was reached with the tax authorities for Palestine branches for the years from 2008 to 2013. 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 2014 and 2015 records up to the date of these 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 assessment at the Income Tax court of appeals.

The income tax department did not review 2012, 2013, 2014 and 2015 records up to the date of these financial statements

- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income and Sales Tax Department up for the year 2014.

- The Income and Sales Tax Department did not review 2014 and 2015 Tamalak records up to the date of these financial statements
- 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 31 March 2016 is sufficient.

**(13) BASIC AND DILUTED EARNINGS PER SHARE**

	31 March 2016	31 March 2015
	JD	JD
	(Un-audited)	(Un-audited)
Profit for the period	9,042,156	9,074,042
Weighted average number of shares	160,000,000	160,000,000
Basic and diluted earnings per share (JD/ Fils)	<u>0/057</u>	<u>0/057</u>

Diluted earnings per share equals basic earnings per share for the profit of the period.

**(14) CASH AND CASH EQUIVALENTS**

	31 March 2016	31 March 2015
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within 3 months	180,421,242	192,418,996
Add: Balances at banks and financial institutions maturing within 3 months	401,293,073	226,950,355
Less: Banks and financial institutions' deposits maturing within 3 months	228,642,217	320,791,300
Restricted cash balances	7,444,500	7,444,500
	<u>345,627,598</u>	<u>91,133,551</u>

**(15) RELATED PARTY TRANSACTIONS**

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

<u>Company name</u>	<u>Ownership</u> %	<u>Paid in capital</u>	
		<u>31 March 2016</u>	<u>31 December 2015</u>
		JD	JD
Al-Watanieh Financial Services Co.	100	5,000,000	5,000,000
Al-Watanieh Securities Company	100	1,600,000	1,600,000
Tamalak For Financial Leasing	100	1,000,000	1,000,000

The Bank entered into transactions with 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 is a summary of related party transactions which took place during the period:

	Related parties			Total	
	Board of Directors	Executive management	Others *	31 March 2016	31 December 2015
	JD	JD	JD	JD (Un-audited)	JD (Audited)
<b>Financial position items:</b>					
Direct credit facilities	51,806,265	5,298,932	12,250,043	69,355,240	66,558,080
Deposits at the Bank	17,942,322	2,071,926	8,126,231	28,140,479	28,339,749
Margin accounts	35,638,653	-	-	35,638,653	35,826,275
<b>Off financial position items:</b>					
Indirect credit facilities	2,236,949	-	175,476	2,412,425	2,392,780
				For the three months ended 31 March	
				2016	2015
				JD	JD
				(Un-audited)	(Un-audited)
<b>Income statement items</b>					
Interest and commission income	588,277	61,999	495,534	1,145,810	1,093,782
Interest and commission expense	90,566	17,601	26,903	135,070	244,270

\* Other parties include the rest of the Bank's employees and relatives to the third degree.

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

Compensation of the key management personnel is as follows:

	31 March 2016	31 March 2015
	JD	JD
	(Un-audited)	(Un-audited)
Salaries, wages and other benefits	1,502,897	1,497,970

**(16) SEGMENTAL INFORMATION**

For management purposes the Bank is organized into four major business segments in accordance with the reports sent to the 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.

**Others:** Includes income from assets seized by the Bank and other activities.

The following table shows the Bank's segment information:

	Retail Banking	Corporate Banking	Treasury	Other	31 March 2016	31 March 2015
	JD	JD	JD	JD	JD	JD
					(Un-audited)	(Un-audited)
Total revenues	23,762,392	7,163,048	10,746,610	975,760	42,647,810	42,668,882
Impairment loss on credit facilities	(1,357,678)	(142,322)	-	-	(1,500,000)	(850,000)
Segmental results	<u>18,519,868</u>	<u>4,913,759</u>	<u>7,531,877</u>	<u>975,760</u>	<u>31,941,264</u>	<u>30,868,864</u>
Unallocated expenses					18,245,802	16,835,412
Profit before tax					13,695,462	14,033,452
Income tax					(4,653,306)	(4,959,410)
<b>Profit for the period</b>					<u>9,042,156</u>	<u>9,074,042</u>
					31 March 2016	31 December 2015
					JD	JD
					(Un-audited)	(Audited)
Total assets	<u>747,428,560</u>	<u>425,610,760</u>	<u>1,094,102,311</u>	<u>159,361,835</u>	<u>2,426,503,466</u>	<u>2,532,062,104</u>
Total liabilities	<u>782,123,343</u>	<u>477,595,618</u>	<u>784,754,014</u>	<u>64,898,311</u>	<u>2,109,371,286</u>	<u>2,224,484,125</u>
					31 March 2016	31 March 2015
					JD	JD
					(Un-audited)	(Un-audited)
Capital expenditure					<u>2,579,677</u>	<u>2,523,061</u>
Depreciation and amortization					<u>1,928,272</u>	<u>1,546,405</u>

## **(17) COMMITMENTS AND CONTINGENT LIABILITIES**

The total outstanding commitments and contingent liabilities are as follows:

	31 March 2016	31 December 2015
	JD (Un-audited)	JD (Audited)
<b>Letters of credit:</b>		
Received	122,348,519	143,248,725
Issued	29,913,055	44,504,481
Acceptances	16,354,500	8,022,412
<b>Letters of guarantee:</b>		
Payments	16,719,177	15,113,408
Performance	21,468,974	19,736,500
Other	11,895,304	12,660,163
Irrevocable commitments to extend credit	119,313,239	128,103,103
	<u>338,012,768</u>	<u>371,388,792</u>

## **(18) LAWSUITS**

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 44,246,119 as of 31 March 2016 (31 December 2015: JD 44,023,331). The provision for possible legal obligations amounted to JD 5,535,980 as of 31 March 2016 (31 December 2015: JD 5,496,016).

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

## **(19) PAID IN CAPITAL**

The Bank's paid capital is JD 160,000,000 divided into 160,000,000 shares at a par value of JD 1 per share as of 31 March 2016 and 31 December 2015.

The General Assembly decided in its ordinary meeting held on 17 April 2016 to distribute cash dividends to shareholders amounting to JD 16,000,000 representing 10% of paid in capital, and the General Assembly decided in its extra ordinary meeting held in the same date to increase the capital to JD 180,000,000 by capitalising an amount of JD 20,000,000 from the retained earnings and to distribute the increase as 12.5% stock dividends to the shareholders. As for prior year's dividends the General Assembly decided the distribution of JD 16,250,000 to the shareholders representing 13% of the paid capital at the meeting held on 22 April 2015 and decided in its extra ordinary meeting held on 22 April 2015 to increase the capital to JD 160,000,000 by capitalising an amount of JD 35,000,000 from the retained earnings and to distribute the increase as 28% stock dividends to the shareholders.

## **(20) RESERVES**

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