

ANNUAL REPORT 2017





His Majesty King Abdullah II Bin Al Hussein



His Royal Highness Crown Prince Al Hussein Bin Abdullah II

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2016

Chairman of the Board of Directors
Bassem Khalil Al-Salem

Vice Chairman of the Board of Directors
Mazen Samih Taleb Darwazeh

Directors

Social Security Corporation, represented by
Issam Abdallah Yousef Al-Khatib

Investment & Integrated Industries Company,
represented by
Omar M. I. Shahrour

Al-Khalil Company for Investments, represented by
Khalil Hatem Al-Salem

Hitaf Investment Company, represented by
"Mohammed Ali" Khaldoun Al-Husry

Al-Jadara Company for Real Estate Investment,
represented by
Sultan Mohammed M. ElSeif

Omar Akram Omran Bitar

Reem Haitham Jamil Goussous

Jawad Abdel Reda Al-Kasab
Until 21/12/2016

"Mohammed Said" Mohammad Shaheen
Until 2/4/2017

Kim Fuad Sa'd Abu Jaber
Until 24/5/2017

Mazen Ahmed M. AlJubeir Until 24/5/2017

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Ahmad Qassem Al-Hanandeh

Khalid Walid Nabils

Dawod M. D. Al Ghoul

Mohammad Hassan Subhi AlHaj Hasan

Our Vision

To be a leading financial institution and the partner of choice for institutional and personal clients seeking innovative and holistic solutions in Jordan and Iraq.

Our Mission

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

Annual Report 2017 - Capital Bank

Message from the Chairman



Ladies and Gentlemen, Respected Shareholders,

It pleases me to welcome you to Capital Bank's General Assembly, where I will present to you, in my name and the name of my fellow members of the Board of Directors, the bank's annual report, which contains the bank's accomplishments together with the consolidated financial statements for the fiscal year ending on 31/12/2017.

Ladies and Gentlemen,

The year 2017 was a difficult year for the national economy which grew by a modest 2%. While the unemployment rate rose to exceed 18%. This was due to regional uncertainty in the political sphere. It also was due to the closures of the Kingdom's northern borders. Moreover, the Kingdom suffered from the repercussions of the financial impasse hovering over the Gulf States. In spite of this, however, the bank was able to achieve satisfactory financial results that stretched the net income to JOD 27.3 million post-tax deduction, as compared to JOD 16.1 million in 2016. These results conformed to the bank's strategy of boosting the income derived from commissions, where the net commissions revenue climbed by 29.5% to JOD 7.2 million. These results reflected the bank's tendency to give precedence to profitability over volume, where the net bank revenue derived from interest and commissions grew by JOD 0.5 million during the year despite a fall of about 5.9% in the direct credit facilities portfolio; this matter echoes the management's skill in employing depositors' funds, giving due regard to ensuring the money's highest possible return while maintaining acceptable risk controls.

Ladies and Gentlemen,

Although 2017 was unrelenting on the economy, it was not without positive indicators. An important glimpse of hope comes from Iraq, where the Iraqi state was able to crush the sway of terrorist forces and re-establish control over its territories and border crossings. We expect this to have a positive impact on the domestic economy, whether at the level of bilateral trade or the level of opportunities that Iraq's stability will create for such sectors as information technology and consulting services. First and foremost, however, are the opportunities that will be made possible for the border areas, which are preparing to become a business and logistics hub to serve Iraq's reconstruction.

Because we at Capital Bank own a 62% share of the National Bank of Iraq, we are well positioned to benefit from these developments. We hope that the said developments will be the beginning of a new phase in which the Iraqi economy will regain its momentum following years of instability and uncertainty.

Ladies and Gentlemen,

We acknowledge that the human resource is the most important resource for financial and banking institutions. Consequently, we devote the greater portion of our diligence to attracting the best talents, to training and supporting them as they develop whatever skills they may need, and to supplying them with all the tools for success by polishing and advancing their skills and providing them with the most suitable environment to ensure their growth and progress in a climate that conforms to standards of competence, achievement and fairness. While I commend the stupendous effort that our staff has exerted during the past year, I reconfirm the bank's commitment to enrich and support our human resources to sustain them as our source of distinction in the banking sector.

Ladies and Gentlemen,

The global banking sector is witnessing change and development, particularly in the area of technological progress in banking services; we intend to accompany this technological progress in light of our awareness of our clients' needs. As a result, we have approved a plan to upgrade our information technology systems and enhance our online channels to speed up work and upgrade the standard of services offered to our clients. The bank's management will make every effort to apply the plan with a clear-cut timetable that meets the highest standards of capability.

Among the developments the banking sector is witnessing is the progress that has been achieved on the organizational and accounting fronts, which seeks to reinforce the level of transparency and improve the quality of the financial statements. It also seeks to improve the efficiency of those statements to make them indicate the factual economic standing of banks and improve banks' defenses against increased risk. Of course, acting on the recommendation of the International Accounting Standards Board (IASB) and we have taken all the necessary measures to commence the application of the new accounting standard (IFRS9) in 2018.

In light of this progress and to speed up the mode of operation and elevate the level of its prudent governance, the bank has enacted some structural changes that included, among others, a merger of some of the bank's departments.

Ladies and Gentlemen

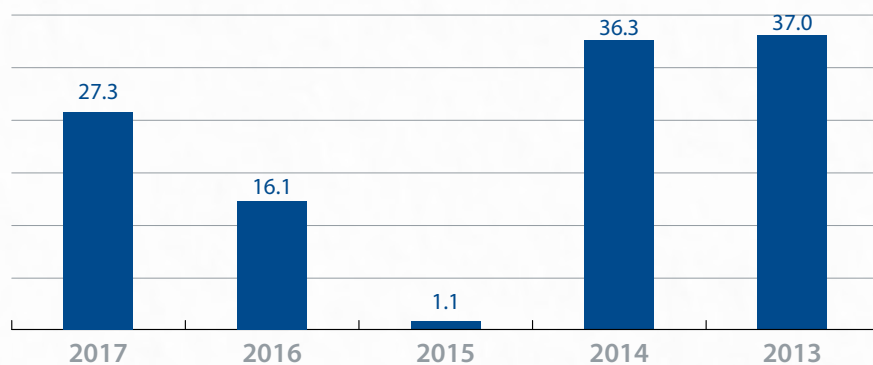
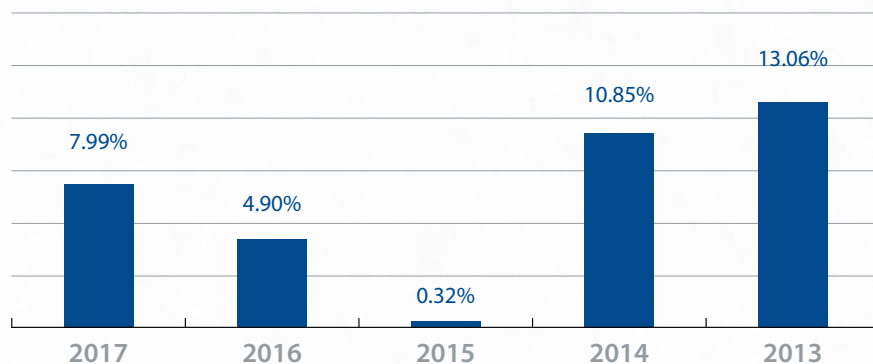
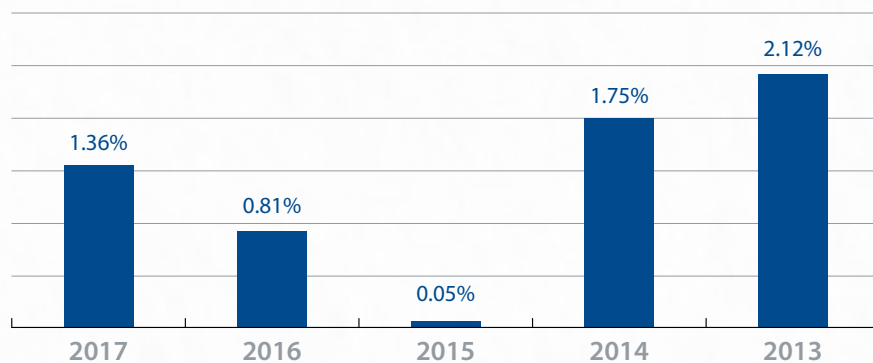
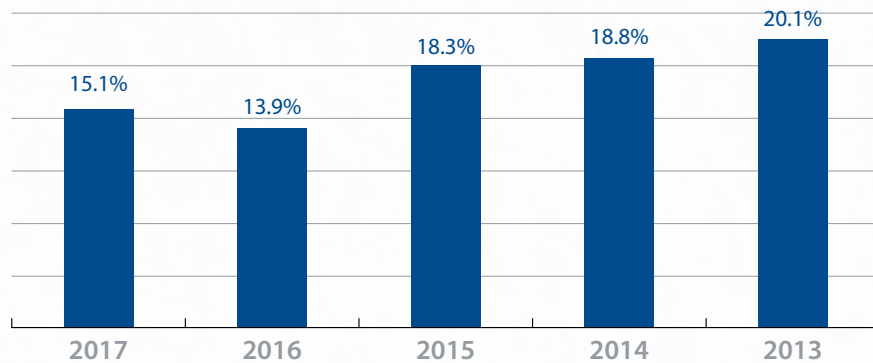
Finally, I wish to thank the bank management and staff for their wholehearted devotion in performing their duties. The credit for the aforementioned achievements goes first and foremost to them.

Nor will I forget to extend my thanks to the Central Bank of Jordan for its continuous cooperation with us and its role in organizing and providing the means for this growth in the banking sector. I also thank the Central Bank for its role in preserving the stability of the national economy and fortifying it against shock waves. Likewise, I thank the shareholders of the bank for their continuous support and confidence, as well as my colleagues, the members of the Board of Directors, for their contribution in setting the outline of the bank's strategy and their ceaseless monitoring of the bank's performance. We extend our prayers for the protection of Jordan and its people, under the dominion of His Majesty King Abdullah II Bin Al-Hussein.

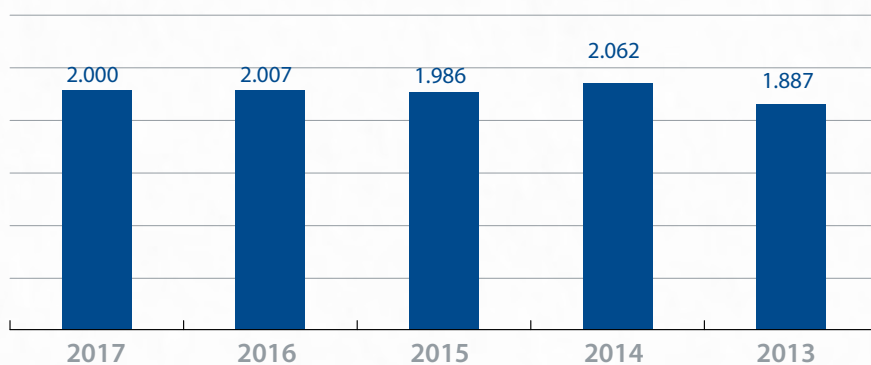
The peace, mercy, and blessings of God be upon you,

Bassem Khalil Al-Salem

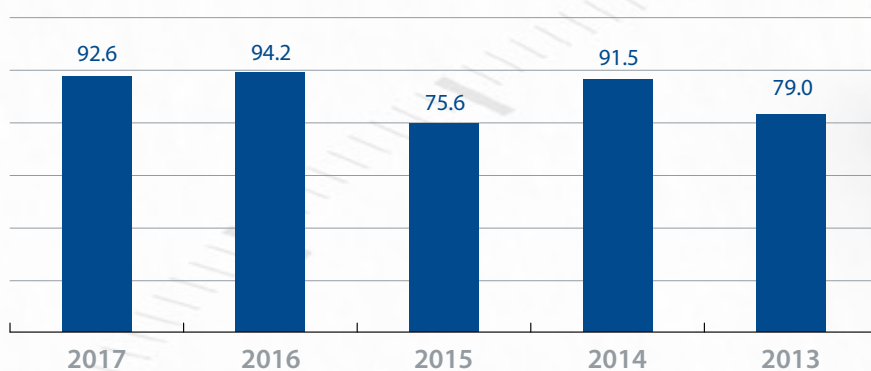
Chairman of the Board of Directors

Net Profit (Million JOD)**Return on Average Total Shareholder's Equity****Return on Average Assets****Capital Adequacy**

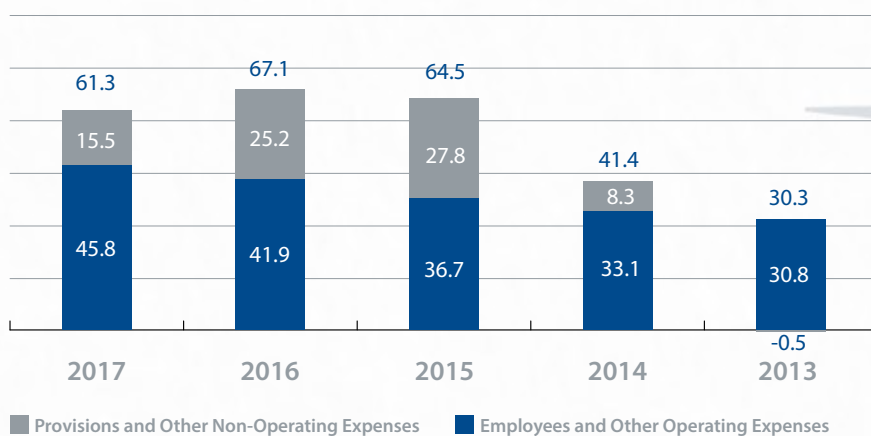
Total Assets (Million JOD)



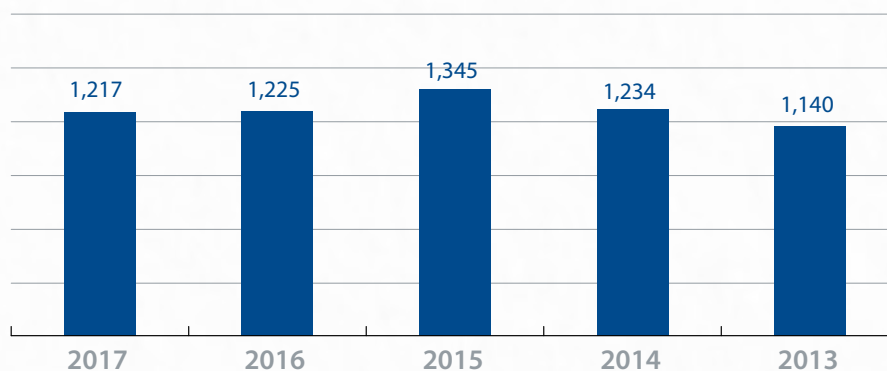
Gross Income (Million JOD)



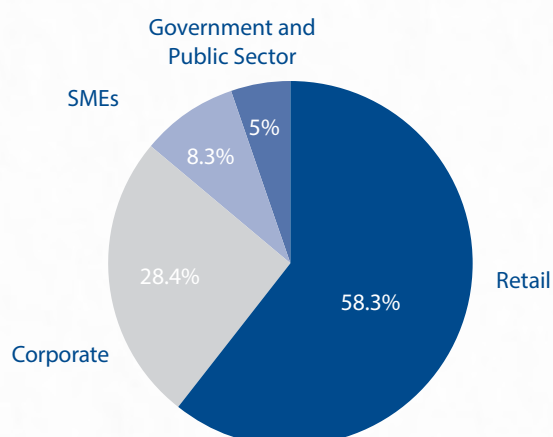
Expenditures (Million JOD)



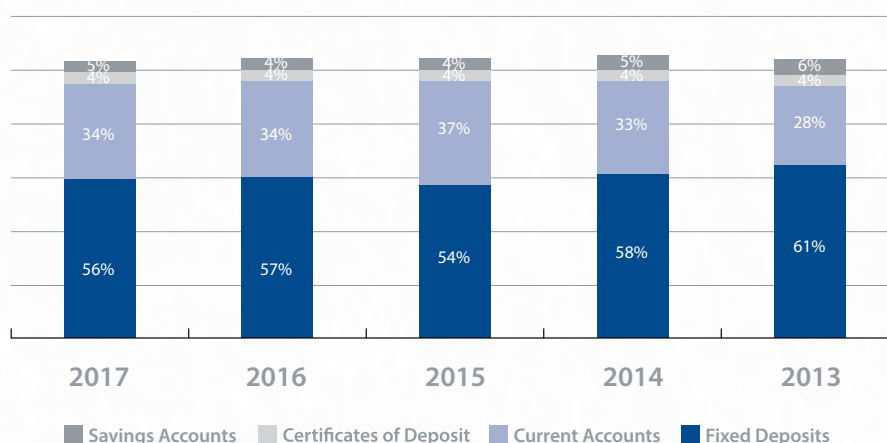
Total Deposits of Clients (Million JOD)



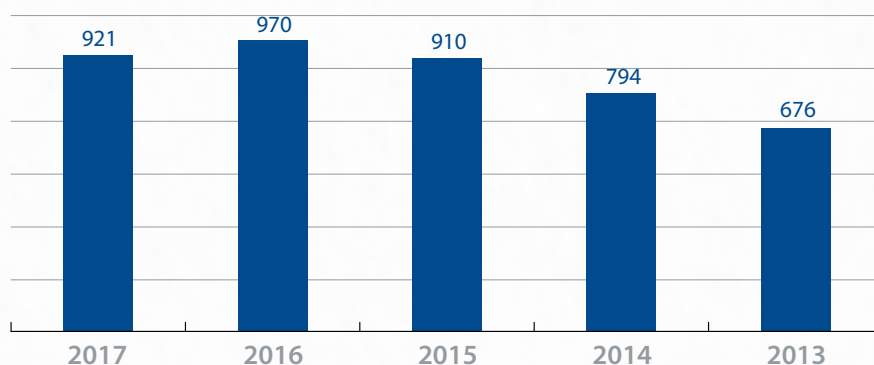
Client Deposits by Sector



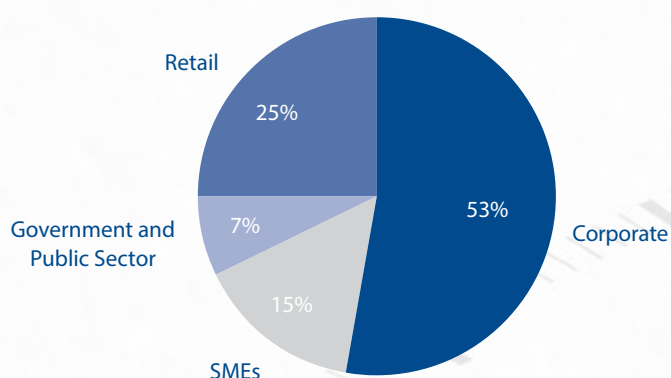
Client Deposits by Type



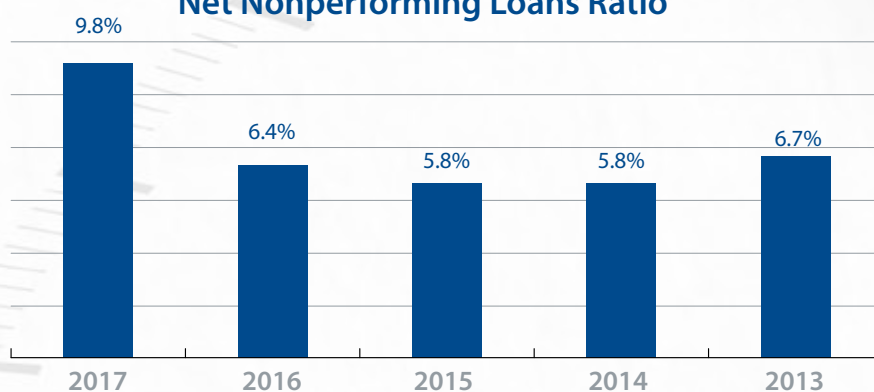
Net Credit Facilities (Million JOD)



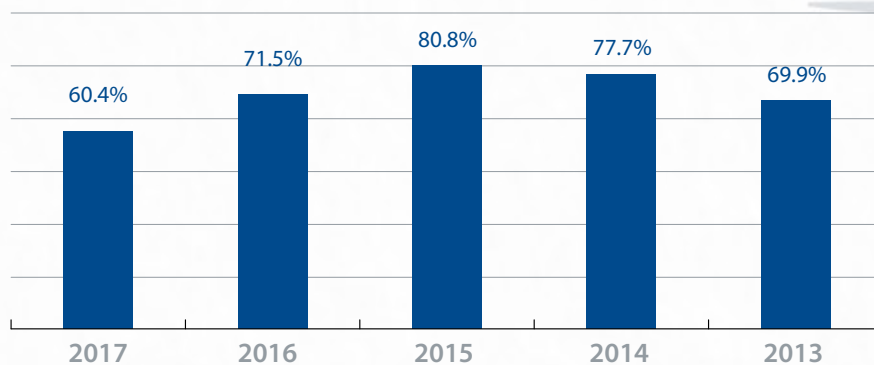
Net Credit Facilities by Sector



Net Nonperforming Loans Ratio



Ratio of Coverage of Nonperforming Loans (After Deducting Interest in Suspense)



Annual Report 2017 - Capital Bank

Board of Directors Report



Ladies and Gentlemen, the Shareholders,

Capital Bank's Board of Directors has the pleasure to present you with its annual report on the financial statements and achievements accomplished, as well as the activities, services and innovative products provided by the bank throughout 2017. The bank has been able to achieve its strategic objectives and reach positive results that have strengthened its local and regional positioning, in addition to acquiring a competitive advantage and offering advanced and modern services to our customers and added value to our shareholders.

We present to you the detailed Board of Directors report, which covers the activities and achievements of the bank throughout 2017:

Institutional Banking

In accordance with its strategic policy, Capital Bank is committed to providing its clients with its full attention and providing institutional clientele with outstanding banking services. As a result of this commitment, efforts were exerted to establish an Institutional Banking Department in which the Corporate Banking Department and the SME Department would reside. This department will be a functional new addition that will fully cater to the needs and requirements of institutional clients.

Corporate Banking

The bank continued to apply prudent credit policies for financing in spite of the market environment. These policies applied particularly to the corporate banking sector. However, said policies did not impede the bank from upholding its performance or maintaining a unique presence in this domain.

In 2017, the bank prioritized enhancing the quality of its credit portfolio. This was achieved by adopting new mechanisms for rating credit risks and correlating these risks to the pricing of their corresponding products, in addition to enhancing banking relations with the current clients and attracting new clients from targeted business sectors. Furthermore, Capital Bank has given the Corporate Banking Department strategic precedence, as demonstrated by offering comprehensive banking solutions that complement the rapid changes in the banking market.

Moreover, the bank has continued to support a number of sectors, the most significant of which are industry, renewable energy, and tourism. The bank's continued support of these sectors is in line with the Central Bank of Jordan's program supporting those sectors by providing banks with medium-term loans that will then be lent to projects that operate in these sectors at subsidized interest rates and with concessionary conditions.

The bank continued to improve its competitive positioning by being one of the leading banks in the domain of institutional banking, as seen by its launch of the Financial Market Department offering hedging services and derivatives. This launch comes with the intention of assisting clients in reducing the risk of fluctuations in currency exchange rates, interest rates, and the prices of commodities. All this is done in accordance with sound banking practices, standards, and principles that are founded on an accurate understanding of the business environment.

SMEs

Capital Bank believes in the importance of SMEs in pushing the national economy forward by reducing poverty and unemployment ratios, as they provide around 65% of job opportunities, in addition to achieving sustainable development in various economic sectors. This sector constitutes 95% of the enterprises that operate in the kingdom, and it contributes around 40% of the gross domestic product (GDP). Moreover, this sector does not get its fair share of adequate financing through Jordanian banks, receiving a mere 9% of the total volume of credit facilities granted by these banks. Therefore, in 2017 Capital Bank has continued its broad interest in this sector, demonstrating this by offering integrated packages of financial solutions and modern products tailored to suit this sector's requirements, a matter that had an immense positive impact on the bank's SMEs Department.

The well-defined credit offerings that the bank has put forth in support of this vital sector have provided a comprehensive array of solutions and flexible financing programs to these enterprises, such as financing their working capital, purchases, fixed assets, extracts of public and private contracts, dues of Network International – Jordan, and housing projects. Moreover, the mechanism of awarding the facilities was marked by clarity, ease, and speed; approvals were granted in less than 72 hours.

The bank, relying on the SMEs Department, has also developed specific products for emerging projects that find it difficult to obtain finance because of their inability to meet banking requirements for newly founded projects. Consequently, the financing of such projects relied upon presenting a feasibility study and securing the guarantee of the Jordan Loan Guarantee Corporation (JLGC) with a cover of 85%.

The SMEs Department continuously seeks to utilize the medium-term loans that the Central Bank offers as earmarked loans for some sectors considered to be vital, such as industry, renewable energy, tourism, information technology, and engineering consultancy.

To implement the objectives of the SMEs Department and facilitate granting funding to enterprises without sufficient capital to develop their projects and lacking sufficient guarantees to procure loans, the bank has sealed agreements with the JLGC and the American Overseas Private Investment Corporation (OPIC). These agreements secure coverage guarantees to the bank with ratios that correspond to 70%-85% of the conferred loans. The bank has also signed an agreement with the Agence Française de Développement (AFD) for securing subsidized long-term loans (up to 10 years) in favor of furnishing loaned finance to environmentally friendly projects. Added to these agreements, the bank has also sealed an agreement with the European Bank for Reconstruction and Development (EBRD) according to which EBRD would grant Capital Bank a loan of USD 10 million in addition to JOD 1 million to be lent for the technical development of those enterprises. An additional agreement was made with the International Bank for Reconstruction and Development (IBRD), which was the second of its type, with a value of JOD 3.9 million, and the funds were granted in loans to SMEs at concessionary interest rates.

The bank had previously launched a bundle of comprehensive financial and non-financial solutions targeted at the SMEs sector. The bank had signed agreements with seven companies that provide consultancy services and solutions in various fields (e.g., communications, financial consulting, legal consulting, services for human resources management, operations management, marketing services, and commercial services) classified within three bundles consisting of Plus, Gold, and Platinum. This collection of companies provides financial and non-financial services furnished at special rates to enable clients to access sources of finance and secure the growth of their businesses so they can play their significant role in serving the national economy.

In a continued effort to support SMEs by providing services and consultant-tailored solutions, the bank has signed a memorandum of understanding (the first of its kind) with the EBRD in accordance with which qualified SMEs would benefit from the expertise of a network of experts in the fields of quality management, marketing, engineering, and other services within the consultant program of Advice for Small Businesses, whereby clients benefit from grants that cover part of the cost of the consulting service, reaching more than 50% of the cost for local consultancies and more than 70% of the cost for international consultancies.

Another memorandum of understanding was signed with the Tourism Project to Promote Economic Sustainability in Jordan (Jordan Best), which is financed by the US Agency for International Development (USAID); it is geared toward supporting the tourism sector in Jordan and enabling enterprises that operate in the tourism industry to obtain the necessary finance and technical assistance.

As a result of the bank's aforementioned efforts in 2017 to support the SMEs sector, the portfolio of the direct credit facilities realized via the SMEs Department recorded a growth of 28% when compared to 2016, one of the highest growth rates among Jordanian banks.

Moreover, the bank continues to pursue the policies it adopted for the years 2015-2020, which aim to gain a considerable market share within the SMEs sector. To this effect, the bank has signed a new agreement with the Arab Fund for Economic and Social Development (AFESD) by which AFESD grants Capital Bank a loan of JOD 6.1 million to be re-lent to SMEs at reduced interest rates.

Consumer Banking

The Consumer Banking Department aims to provide its individual clients with the most distinct experience by adopting a continuous and structured development process of the quality and competence of its available services. In line with the bank's strategy which focuses on the concept of a "distinguished client and distinguished service", the department has revamped its branches and delivered a comprehensive training program to its employees to enable the bank to meet the clients' increasing demands. The department also worked on enhancing the bank's online banking services as they are considered a safe and user-friendly channel that enables our clients to access their account information and perform a variety of online banking transactions without the need to call the bank contact center or visit its branches.

An information center was also introduced in Taj Mall to market the bank's various products, services and programs such as the "VIP Today" program and credit card offerings. This center is manned by qualified personnel who handle inquiries and requests with efficiency and competence.

The Consumer Banking Department strives to provide personalized banking services specifically tailored for members of the "VIP Today" program who will be given priority in performing their banking transactions through a "VIP Pass Card" to ensure a satisfactory experience.

Alternative and e-Channels

As part of Capital Bank's strategy to stay up-to-date with the latest innovations in the field of information technology, the department offers online banking services to its clients through safe and user-friendly channels. This service empowers clients by granting them access to their accounts to perform several online banking transactions without the need to visit or contact their branch. Capital Bank offers the following services to its clients:

- Capital Online
- Capital Mobile
- Automatic teller machines (ATMs)
- SMS
- The contact center

The e-Channels Department is currently working on introducing the local payment method within the e-FAWATEER.COM service, which would enable our clients to inquire about and pay their bills via the billers' websites and settle them directly from their bank accounts.

The department is also working on developing the bank's VISA credit card online services to include immediate settlement of due balances, display of the card's detailed information and its latest transactions, instant disabling of the card and amendment of the assigned telephone number. Moreover, work is underway to improve the transaction details on clients' account statements across all electronic channels to enable clients to review all transactions with ease and without the need to contact the branch or their account officer.

Treasury and Investments

Despite 2017's increased pressure on business environment resulted from JOD interest rates rise, which affected the net interest margin for banks due to fierce competition to attract deposits, in addition to the effects of regional tensions on Jordan's investment environment, the Treasury and Investments Department succeeded in managing its assets and liabilities in an efficient manner, prioritizing safety and liquidity factors in light of the continuing instability in the region.

Moreover, the department managed to provide a wide spectrum of services to its institutional clients including hedging against FX and interest rate fluctuations.

Following are the main activities of the department:

- Investing in Jordanian treasury bills and bonds and in securities guaranteed by the Jordanian government.
- Investing in debt instruments issued by Jordanian or regional corporations that enjoy high credit and financial solvency.
- Investing in local, regional, and international enterprises that enjoy high growth opportunities and good investment returns.
- Investing in funds that have excellent performance history within the framework of acceptable risk levels.
- Investing in structured securities as per bank needs.
- Managing foreign currency positions in a way that achieves the best possible returns within the ratios determined by the Central Bank of Jordan.

The Treasury and Investments Department continued to furnish distinctive services to the bank's customers in the spot and forward foreign currency markets, in addition to its usual services that include:

- Issuing certificates of deposit in Jordanian dinars, as well as in other major currencies for various terms at competitive rates.
- Offering competitive rates of exchange for spot and forward foreign currencies against the Jordanian dinar and US dollar, for various terms to all client segments, including retail, corporations, and money exchange companies.
- Dealing in money market and capital market instruments in favor of the clients, including treasury bonds and bills, commercial papers, and various debt instruments.
- Dealing on cash and margin basis in the spot and forward foreign exchange markets.
- Performing foreign currency and interest rate swap transactions.
- Offering advice and guidance to the bank's retail and corporate clients in order to hedge against fluctuations of interest rates and exchange rates, as well as proposing suitable hedging techniques by using traditional market tools or derivatives.
- Offering subscription services in the primary issues of government securities or those guaranteed by the government for individuals and corporations, in addition to providing safe keeping services at competitive prices.

The Treasury and Investments Department continued to expand its operational base in Iraq through the National Bank of Iraq by supplying its staff with the necessary expertise to improve its market share and maximize its revenues.

The Money Exchange Department, which is part of the Treasury and Investments Department, continued carrying out its concerted efforts to manage and plan complete business solutions, activities, and services for money exchange companies that range from selling and buying currencies to accepting deposits and withdrawals. These efforts come in response to the bank's aspirations and strategies geared toward expanding and providing services for all sectors of the economy in a way that conforms with the policies of the Central Bank of Jordan. Its objectives are focused on the following:

- Securing sufficient liquidity and growing the bank's cash reserves.
- Securing foreign currencies for the local market.
- Increasing incoming and outgoing transfers.
- Facilitating the work of money exchange companies through centralizing services, which would reflect positively on the bank's profits.
- Following up, in cooperation with the Compliance Department, on the sources of funds for money exchange

companies as part of anti-money laundering procedures.

- Selling and buying foreign currencies, as well as performing deposits and withdrawals, in coordination with the Treasury and Compliance Departments.

In 2017, the Financial Institutions Department played a significant role in opening new channels for dealing with several banks and financial institutions. This was carried out by establishing banking relations with the aforementioned institutions, and by boosting and strengthening preexisting relations with others. This was accomplished with professionalism and transparency by expanding dealings with highly rated correspondent banks to satisfy the needs of Capital Bank and amplify the scope and spread of its operations. This reinforced Capital Bank's ability to conduct its activities in the field of trade finance and treasury operations as well as in credit facilities, lending it greater flexibility in covering international markets.

Furthermore, in spite of the political challenges that still face Iraq, Capital Bank management has played an effective and highly competent role in responding to the needs and requirements of the National Bank of Iraq's foreign trade operations.

Capital Bank has also signed several agreements with international institutions. These include an agreement with the EBRD according to which Capital Bank was granted a credit line of USD 10 million for reinforcing the bank's trade finance operations and another loan of USD 10 million for lending support to SMEs. These deals come in addition to preexisting partnerships and agreements with several international institutions, such as the agreement with the International Finance Corporation (IFC), according to which Capital Bank was granted a credit line of USD 15 million to support its trade finance operations.

Going forward, the Treasury and Investments Department is seeking to continue offering its clients the best products and services possible. It has sought to diversify the sources of its fee income by setting up the Financial Markets Sales Department, which became operational in early 2017. This department is concerned with marketing financial derivatives in favor of institutional clients and with providing suitable solutions to the bank's clients to hedge against risks on exchange rates, interest rates, and commodities prices. The bank will also apply the "Fund Transfer Pricing" approach for managing the cost of funds and return on funds in an efficient manner. The bank will also purchase an electronic system for the treasury to improve the efficiency of its operations. Moreover, the bank is considering the introduction of financial derivatives for currencies for the benefit of its clients, in addition to introducing margin trading through a trading platform that will be set up in cooperation with prominent financial institutions in this field. The bank is also considering expanding its investments in various instruments and investment opportunities, as well as making use of the favorable market conditions pertinent to some instruments to maximize the bank's returns with acceptable risks—all within the limits and guidelines of the bank's investment policy and the instructions of the Central Bank of Jordan. The bank's management also seeks to assist the National Bank of Iraq by providing expertise and training to its staff to build a strong base for its development and to move forward with banking operations in Iraq to make use of available investment opportunities in that market.

Strategy

The Strategy Department is concerned with translating the vision and strategic direction of the bank into strategic plans at the level of the Capital Bank Group. It is also concerned with supervising the implementation of these plans. The Strategy Department also participates in projects and specific strategic initiatives for the group. The Strategy Department contains the following sub-departments: Product Development, Marketing, Corporate Communications and Corporate Social Responsibility, and Business Excellence and Customer Experience.

Product Development

In line with the bank's vision, and to meet its strategic objectives, the Product Development Department has launched a set of products and programs that aim to provide the best and most comprehensive services for Capital Bank clients. On the retail level, the Product Development Department launched the VIP TODAY program that offers a wide range of comprehensive services and privileges to individuals upon joining the program by transferring their salaries to the bank. The VIP TODAY program provides different types of credit facilities ranging from personal loans to car financing loans and housing loans all at competitive rates and comfortable ceilings. The program also provides credit and debt cards with exclusive benefits that are considered the first of their kind in Jordan. The program also includes investment solutions for its clients who wish to save by opening a premium savings account or through certificates of deposit. The bank has also designed another set of specific privileges such as 10% cash back of the interest value paid during the loan's tenure — the first offer of its kind in Jordan. Clients enrolled in the program can enjoy an instant loan of JOD 3,000 from Capital Bank by calling the bank's contact center. This is in addition to the set of exemptions and deductions on many of the banking operations that are carried out through the bank's online channels. The program also allows its subscribed clients to withdraw cash from other ATMs spread throughout Jordan and belonging to other banks without extra charges. The bank has also arranged, in partnership with Royal Jordanian Airlines, a unique prize called "Your Ticket to the World", whereby winners and their relatives can travel on Royal Jordanian Airlines and discover the world via a set of travel tickets valued at JOD 20,000 valid for 15 years. The department also introduced a cashback service on clients' spendings, whereby clients can redeem 10% of the value of their bills in stores and from online shopping, and 15% in restaurants. The department has reinforced the products and services of the National Bank of Iraq by launching the services of the international Western Union company to enable the bank's clients to send and receive their financial transfers across the world. The bank has also received an award for being the first Jordanian bank to apply instant redemption of points on the Point of Sale machine at designated stores and locations.

The Product Development Department seeks to launch a new and unique set of banking services catering to individuals and SMEs in the form of new programs and cards that grant them exclusive privileges. With regards to large institutions, the bank is designing special solutions to be presented to this sector in conformity with the bank's strategic direction.

Marketing

The Marketing Department offers functional support to all business sectors by preparing marketing strategies and managing advertisement campaigns. The department continuously seeks to develop its methodology in developing and implementing a marketing strategy geared toward effective and result-oriented marketing the bank's products and services to different targeted sectors and audience. The Marketing Department maintains the bank's brand identity and the design and is responsible for management of marketing campaigns for various bank offerings.

Corporate Communications and Corporate Social Responsibility

The Corporate Communications and Corporate Social Responsibility Department is concerned with the support and reinforcement of the bank's internal and external communication. The role of the department is twofold — the role of public relations and corporate social responsibility in the following forms:

Public Relations

- Enhancing institutional performance by keeping employees aware of administrative and business-related matters, as well as the bank's future plans.
- Maintaining communication channels with the society at large through various media campaigns.
- Developing a distinctive media identity for the bank and managing media relations.
- Preparing and publishing press releases and reports.
- Organizing interviews and press conferences with media representatives.
- Providing answers to the media's questions and inquiries.

Corporate Social Responsibility

Capital Bank has reinforced its role in the service of the local community and its development by providing financial and non-financial support to social initiatives in the fields of education, entrepreneurship, and humanitarian aid, among others. This service is in line with the national guidelines that aim to achieve sustained development at the humanitarian and social levels. Capital Bank has supported many initiatives, projects, and social programs that targeted various segments of the community; some of these are as follows:

A. Educational and Entrepreneurship Initiatives

- Covering tuition fees for students with special needs through the Society of Young Muslim Women's Association for Special Education.
- Covering tuition fees for university students in cooperation with the AMAN fund for the future of orphans.
- Supporting the Queen Rania Institute/the Jordanian Education Initiative.
- Giving financial support to underprivileged students in order to pursue their university education.
- Financially supporting a group of students at the King's Academy.
- Covering tuition fees for students in vocational training, in cooperation with the Elia Nuqul Foundation.
- Supporting the society "Minhati" (My Scholarship) to provide academic and vocational scholarships to distinguished students who dwell in remote areas.
- Supporting health and sports programs for students in refugee camps in cooperation with the society "Khutuwat" (Paces).
- Sponsoring a football tournament for students at the Baptist School.
- Donating to the Society for Gifted Children with Autism.
- Supporting the Central Bank of Jordan's initiative to spread financial awareness among public school students.
- Supporting the One Thousand Entrepreneurs initiative by "Intaj".

B. Humanitarian Initiatives

- Supporting the "Al-Ber wal Ihsan" (Goodwill) campaign, which was launched on the first day of the holy month of Ramadan.
- Offering support to the nonprofit organizations and charities concerned with aiding orphans and the poor by sponsoring two houses in the orphaned children's villages (SOS).
- Supporting the Royal Healthcare Awareness Society, which is committed to spreading health awareness and enabling the local community to observe correct health behavior.
- Donating to the King Hussein Cancer Center.
- Sponsoring 25 orphans housed by the society "Rea'ayat Wa Kafel Al Yateem Al Khayreeyyah" (Charity for Care and Sponsorship of Orphans) in the city of Mafraq.
- Distributing food parcels to orphans in the district of Mafraq during the holy month of Ramadan with the participation of the bank's employees.
- Offering presents for Eid and meals to the orphaned children's villages (SOS) during the holy month of Ramadan with the participation and contribution of the bank's employees.
- Distributing food parcels to the needy in Amman in cooperation with "Tkiyet Um Ali".
- Helping to serve Iftar meals to 1,500 fasting men, women, and children during the holy month of Ramadan in the "Tkiyet Um Ali" headquarters.

Business Excellence and Customer Experience

Because Capital Bank's clients are its primary driving force, in the second half of 2017, Capital Bank established the Business Excellence and Customer Experience Department as part of the Strategy Department with the aim of reinforcing its competitive capability, improving the client experience, improving banking services for individuals and corporations, and achieving the best practices in the banking sector. To achieve these objectives, the department has drawn plans and initiatives at the departmental level, the first stage of which has begun with the following:

- Submitting the necessary suggestions and initiatives to raise the level of the services and products offered to individual clients.
- Studying the behavior, needs, and expectations of clients and measuring their satisfaction vis-à-vis existing services, products, procedures, and employee qualification by using questionnaire forms and contacting the clients by telephone.
- Revising internal banking operations that have the greatest effect on clients' experience and on institutional performance that is directly related to achieving profits.
- Establishing a new program for evaluation of bank branches and employees based on the general appearance of the branch and employees, as well as evaluation of employee knowledge of the bank's products, and their skills and behavior in dealing with clients in person and over the telephone.
- Developing customer experience management and measurement tools.

Added to the above, in 2018, the department will start applying the Customer Experience Management Program across all bank departments to include all bank employees at all managerial levels.

Operations

Formerly called the Support Department, the Operations Department includes the Operations, Information Technology, Project Management, Operations Control, and Corporate Operations Departments as well as Administrative Affairs and Engineering. The subordinate departments were restructured in the following manner:

Operations Department

In line with the bank's expansion plans, the organizational structure for the Operations Department has been reviewed, and the corporate and SMEs sectors were consequently separated from the retail sector to provide enhanced banking services and products and better meet the demands and expectations of clients in both sectors. In addition to this, efforts are underway to attract competent personnel with expertise in banking operations to reinforce the bank's long-term goals.

Information Technology

Due to Capital Bank's determination to stay up-to-date with technological advancements and respond to the requirements of its clients, in 2017, the bank successfully utilized the best international banking technologies and techniques for serving the bank's operations. This was manifested by upgrades of the infrastructure and operational environment in addition to the provision of a safer financial environment for the clients.

To stay up-to-date regarding business development, a number of operating systems at the bank were upgraded (e.g., updating of the anti-money laundering systems in line with the best international practices in the field, updating the credit risk classification system, and shaping the bank's surveillance of the ATMs to guarantee that service is provided around the clock with the highest standards of security and protection). Moreover, the bank finalized the requirements for obtaining the PCI DSS Compliance Certification, relating to credit card information security, that was awarded to the bank for the third year in a row.

A designated strategy for the Information Technology Department for the next five years has been developed and adopted. This strategy aims to enhance the overall level of services the bank offers through contracting with the best international corporations and applying advanced technical solutions in the field of information technology. Currently, work is underway to apply the best international practices (known as COBIT5), which are concerned with governance and information management in conjunction with their associated technologies to conform to the instructions of the Central Bank of Jordan. A special manual was introduced and is being implemented in accordance with the bank's COBIT5 operational framework and requirements. You may refer to the following link to review the manual: <https://goo.gl/wQB2cc>

Project Management

The Project Management Department and Department of Information Technology were separated so as to assure the optimal application of project governance and project execution with the available budgets and human resources, within the scheduled time ceilings. This change was brought about so as to enable the management to concentrate on the set of projects that the bank intended to execute, including, but not limited to, projects related to the banking system, the electronic services system, the credit system, the treasury system, and the system of management for banking relations. In addition to the aforementioned projects, there is another set of projects through which the bank will provide banking products and services that will positively reflect on the clients. The bank is also currently in the process of attracting new cadres who enjoy specific skills, which will introduce a new approach unique to Capital Bank and contribute to expediting the effective application of the bank's projects.

Administrative Affairs and Engineering

This department is responsible for the management of the bank's buildings and all the logistical support services provided to the bank headquarters, branches, and real-estate ventures. Consequently, the organizational structure of the department was revisited, and a new structure that complies with the requirements of these activities was founded. In the new structure, the Real Estate Department and the Engineering Department were joined together, while a new department of Security, Protection, and Public Safety was established to provide adequate safety and security services to Capital Bank employees and clients.

Furthermore, the year 2018 shall witness the upgrade and rehabilitation of a number of the bank's branches in line with the bank's strategy and its institutional identity, in a manner that guarantees customer satisfaction.

Control

Just as the Operations Department and its various subordinate departments were restructured, the Control Department was established to contain the following departments: Operations Control, Policies and Procedures, and IT Risk and Compliance Control. This department and its subordinate departments compose a comprehensive system that sets the necessary framework and mechanisms to continuously control and monitor the progress of banking operations in a clear and specific way. The department submits relevant periodic reports to the Chief Operations Officer.

Operations Control

The Operations Control Department aims to achieve the designated strategic targets by evaluating internal operations and measuring the extent of their conformity to the determined standards, as well as measuring their conformity to the bank's policies and procedures to ascertain the effectiveness, competence, and adequacy of monitoring controls over those operations and to ensure that there are no breaches, whether from employees or from inadequacy of the monitoring procedures. This evaluation has been designed for the purpose of maintaining the strength and the soundness of banking operations so that the rights of the bank, the depositors, and the shareholders are safeguarded. The Operations Control Department is also entrusted with the supervision and management of the operations that pertain to banking reconciliation and ensuring that they come within the limits of the delegated authority and adhere to the instructions of the bank. It is furthermore tasked to ensure that these operations properly fit the evaluation indicators that uncover deviations, to give an account of the underlying reasons behind such an assumed deviation, and, finally, to treat those deviations.

Policies and Procedures

In 2017, the bank continued revising most of its policies and procedures manuals, in addition to updating the specific forms used by Capital Bank and the Capital Investments and Brokerage and uploading them on the internal portal which is specified for procedures to improve the competence of various banking operations and reinforce monitoring of business activities, as well, including the various credit and operational systems, with a particular emphasis on those departments that have direct contact with clients. These updates have been implemented according to international standards and the best banking practices in the arena, clearly showing that the focus is on providing high-quality service to Capital Bank's clients and subsidiaries while always taking banking laws and legislation into consideration.

The Policies and Procedures Department has participated in many related projects that will improve the services rendered to customers to ensure completed transactions in the optimal time and fashion. Activity is currently underway to formulate a revision plan to update all the bank's procedures in line with developments in the field and in terms of the freshly instituted organizational structures. Periodic revisions of the procedures according to their classifications by the Department of Risk Management have already been adopted.

Monitoring bodies then followed up on the revisions in these departments, in addition to updating the planning procedures for the purposes of human resources and employment. The update includes a procedure to familiarize new employees with the work procedures that relate to their respective jobs, and requires them to sign a document stating that they have been notified of these procedures. This new approach will boost the functional awareness of the staff and fulfills the action plans that will apply to all departments in the Capital Bank Group.

IT Risk and Compliance Control

The Risk and Compliance Control Department is concerned with the supervision of IT and ensures that all operations and activities concluded using the automated systems and programs currently in operation at the bank, the external programs and systems connected to the bank's systems, and the standing projects relating to the bank's automated systems are functioning according to pertinent international standards and controls for governance of IT.

Corporate Customer Service

The Corporate Customer Service Department was recently introduced to serve corporate customers. Its scope of activities is to follow up on the execution of all requests pertinent to customers' banking services and products. This includes financial transfers and drafts, commercial services, electronic services, and telephone calls, in addition to answering customer inquiries relating to the products and services and the most advanced banking products, their conditions, and their advantages in terms of customer needs, expectations, and satisfaction regarding the provided service. This department is also entrusted with measuring responses through available communication means.

Finance

The Finance Department has put into practice all the tasks assigned to it in 2017 according to best practice and in agreement with approved bank policies and strategic direction. Because monitoring is one major axis of the bank's strategic direction, the new department of MIS and Regulatory Reporting was introduced and assigned the responsibility of preparing all the reports of the monitoring bodies, especially those of the Central Bank of Jordan, in addition to activating the role of the information management systems to provide the bank's departments with all financial reports and all analytical studies that support the decision-making mechanism and assist in developing and measuring the departments' performance. The department has also prepared the monitoring reports that are linked to the budget, together with an explanation of the values of deviation and their underlying reasons. Hence, and to develop this mechanism, the Finance Department collaborated with the Department of Information Technology and launched projects for automating report preparation, including the financial statements, the Central Bank reports, the performance measurement reports, and the profitability reports.

Furthermore, the bank's Finance Department assumes the overall supervision of the financial control departments of the bank's subsidiaries through its Financial Control Department by providing it with the necessary support to ensure that it fulfills its assigned role in line with the bank's approved policies.

The Financial Control Department has also participated in calculating the financial impact of applying the International Financial Reporting Standard IFRS 9 and laying the grounds for its application within the financial and accounting system in 2018.

Risk Management

As a result of adopting a comprehensive strategy for applying the finest practices in the combined management of risk and credit, the year 2017 witnessed the addition of the Credit Department to the Department of Risk Management with the aim of solidifying credit impartiality and credit independence. This restructuring aimed also at governing this impartiality and independence in clear terms and with transparent credit justification side-by-side with the control of all the risks facing the bank at the levels of the client and the bank's credit portfolio. It also aimed to achieve the bank's targeted profitability that in turn would cover these risks by using the yardstick of the risk-adjusted return on capital (RAROC).

The Risk Management Department is considered to be an independent department headed by the Chief of Risk Management and connected to the Risk Management Committee emanating from the Board of Directors, with a line of communication between the Chief of Risk Management and the Chief Executive Officer.

The Risk Management Department is composed of the following departments:

- Financial Risks
- Operational Risks
- Information Security
- Major Enterprise Credit Review
- SME Credit Review
- Individual Credit Review
- Credit Monitoring

Financial Risk

This department assumes responsibility for managing the risk of credit and of concentration at all levels of the credit and economic sectors, as well as the management and planning of capital by utilizing the Internal Capital Adequacy Assessment Process (ICAAP), which ensures the competent use of capital. This is in addition to weighing the impact of stress testing on the bank and ensuring that it remains within the acceptable limits. The tasks of this department also include observing and applying the bank's risk management policies to preserve the bank's standing and profitability when managing the risks of the market, the liquidity, and the rates of interest, which is done by identifying, measuring, and controlling the financial risks the bank may be subject to. Finally, this department is entrusted with adopting and applying the requirements of the Basel Committee and the requirements of the Central Bank of Jordan.

Operational Risk

When applying the bank's policies that pertain to risk management, this department assumes responsibility for the management of the internal and external operational risks the bank may be exposed to. This is done by setting the necessary monitoring controls to curb such risks and to reduce their impact. Added to that, this department is entrusted with guaranteeing the application of the requirements of the Basel Committee, as well as the requirements of the Central Bank of Jordan.

Information Security

This department is assigned the responsibility of preserving the secrecy, the availability, and the accuracy of information at the bank. It is entrusted with installing the necessary restraints and controls that guarantee the fulfillment of this assignment, and it must take the necessary steps to reduce and to control such risks. This is accomplished by applying the policies that pertain to information security and adopting the best international standards in this field. The department also holds periodic informational workshops to ensure compliance to the information security procedures.

Credit Review (Corporate, SMEs, Consumer)

These departments perform thorough financial and credit analysis of clients' submitted studies in accordance with each client's classification. The departments then submit their recommendations impartially. Judgments are made on the basis of the clients' standing as seen through their financial statements and supporting documents supplemented by the classification of the client's risk according to Moody's Analytics, the classification system the bank adopts. Additionally, these departments play a consulting role in establishing and strengthening the credit outlook because

their operating teams enjoy vast experience in the field of credit, which is what qualified the managers of these departments to become effective members of the Facilities Committees.

Credit Control

This department embarks upon the periodic monitoring processes to ensure that the necessary documents are furnished and the Credit Committees' conditions are met. This process is also meant to authenticate clients' guarantees and to later monitor the credit ceilings and validate their commitment to abiding by the bank's credit policies and the Central Bank of Jordan's instructions prior to notifying for execution. Moreover, this department must immediately notify clients if they exceed the limits so that the proper steps may be taken to preserve the rights of the bank. Beyond that, this department supervises the application of the IFRS 9 standard in relation to the clients, and it also prepares internal monitor reports for the bank and external ones for submission to the Central Bank of Jordan.

Compliance

In 2017, the bank's Compliance Department performed tasks that aimed to support the management to guarantee that Capital Bank and its subsidiaries, which maintain the highest standards of performance and practices held in the banking industry, complied with the sound guidelines, laws, and instructions issued by local and international monitoring agencies, thus protecting the bank from the risk of noncompliance.

The department monitors compliance according to the requirements of institutional governance, the charter of professional conduct, achievement of the principle of "know your customer," and anti-money laundering and counterterrorist financing, as well as dealing with customer complaints.

Given the desire of the bank and its subsidiaries to abide by the directives of the monitoring agencies, in addition to the highest international standards of performance in the banking industry, the department performed all of the tasks that were assigned to it in 2017 by monitoring the application of instructions and conducting periodic tests and checkups, in addition to carrying out field visits. Instructions for compliance included the following:

- The department will continue to update the Anti-Money Laundering (AML) Profiling System to obtain high efficiency and precision records to uncover operations that may be connected to money laundering and terrorist financing, and to prepare the necessary response in accordance with the instructions of the monitoring agencies and according to best international practices and standards.
- The Compliance Department will work with the Information Technology Department to update the special link with the Anti-Money Laundering and Counterterrorist Financing Unit (GO AML) to pave the way for its application at the beginning of 2018.
- The department prepared the Anti-Money Laundering (AML) Assessment in conformity with the Risk-Based Approach (RBA) in the field of anti-money laundering and counterterrorist financing.
- During the first quarter of 2017, the third phase of the American Foreign Account Tax Compliance Act (FATCA) was applied; and the required report was submitted. Moreover, a special policy that deals with FATCA was adopted, and the management consistently provided the necessary periodic training for the concerned staff.
- The section of the Compliance Department that deals with customer complaints has participated in revising a number of work procedures; it has introduced some new procedures and amended some others. This has had a positive impact on the advancement of services rendered to customers. The department also applies international standards in handling customer complaints by classifying them according to the degree of risk and responding to them promptly to provide customers with the best possible service.
- A firm that specializes in e-learning in the fields of anti-money laundering, and counterterrorist financing and FATCA was selected in 2017 and will commence its training courses for all bank employees during the first quarter of 2018; this will be in addition to the bank's periodic specialized training sessions for concerned staff. Moreover, selective staff, in continued coordination with the Human Resources Department, will be nominated to attend international course sessions to keep up with all the developments in this regard, both locally and internationally.
- The Compliance Department has also supervised the introduction of new work procedures for dealing with those who have special needs in conformity with best practices and the monitoring agencies' instructions.

Internal Audit

The bank's Internal Audit Department enjoys total independence. The department reports directly to the Audit Committee, which emanates from the Board of Directors. Its scope of activity includes auditing the internal monitor and risk management regulations and the institutional governance. Building on the risk audit plan for the entire Capital Bank Group, the undertakings of the Internal Audit Department also extend to all the activities and operations of the entire group.

The Internal Audit Department conforms to the international internal audit standards issued by the Institute of Internal Auditors (IIA) and to the Central Bank of Jordan's instructions.

It is also worth mentioning that the automatization of the entire department's work and activities began in 2017 and that it is expected to be up and running during 2018.

Human Resources

In conjunction with Capital Bank's commitment to provide a healthy working environment that attracts and maintains broadly qualified employees, the Department of Human Resources continued to invest in this human capital by capitalizing on the powerful faculties that bank employees enjoy and providing them with opportunities for training and constant improvement to achieve functional progress. We did this because we believe that our team is a major participant in the realization of the bank's strategic objectives based on distinction, and indeed those team members are the cornerstones in attaining the bank's competitive advantage at the local and regional levels.

Thanks to the bank's choice to invest in human capital, the Department of Human Resources achieved the following during 2017:

- Launching the system of "Management Based On Performance," which was determined by measuring the key performance indicators and correlating the aforementioned to long-term and short-term incentives scheme in a continued effort to build a culture of fair salaries.
- Developing skills, qualifications, and leadership qualities based on the bank's definition of performance and behavioral indicators. The department also developed a mechanism of documenting practices and continued to provide training programs that simulate the required qualifications and competencies.
- Improving and updating work policies and procedures, as well as the policies and procedures and bylaws in a form consistent with the Jordanian Labor Law and the Central Bank of Jordan's instructions.
- Launching and applying the automatization of employee request forms to provide better, more competent services and reduce the burden of paperwork.
- Holding several seminars on professional training and development to uplift the administrative, behavioral, and leadership competencies of employees.
- Continuing our partnership with the Frankfurt School of Finance and Management to continue providing a package of training programs for soft and hard skills development programs related to techniques and mechanics with a special focus on leadership skills for middle management. These programs also deal with the personal advancement of Capital Bank employees, each in his/her respective function.
- Holding several activities and interactive events geared toward reinforcing the work environment, as well as building up an institutional culture (These included holding the Bake for Hope event in cooperation with the King Hussein Cancer Center, recognizing the importance of breast cancer awareness month. At that event, advice related to the disease was given, in addition to free medical examinations for female bank employees. All the revenue raised during that event was earmarked for the support of the King Hussein Cancer Center.)
- Concentrating on attracting and appointing highly experienced professionals will contribute to the advancement and distinction of the bank's services, selecting them from both the local and regional markets.
- Upgrading and automatizing the hiring method through the Capital Bank website to attract and hire competent personnel and talents from the Jordanian market.
- Setting up a medical clinic at the bank headquarters in cooperation with the bank accredited insurance company.

Subsidiaries

Capital Investments

During 2017, Capital Investments maintained its pioneer position among local and regional investment enterprises by providing, across the board, the best of services in the whole range of investment exchange.

Despite the difficult times the region witnessed in 2017, which most certainly had their toll on the performance of investment enterprises, Capital Investments achieved a positive outcome on multiple fronts as proved by an increase in market share in all the fields of its operation: financial brokerage, enterprise finance, and asset management

Financial Brokerage in the Local, Regional, and International Markets

The company's Local Brokerage Department continued its advance, moving from ranking tenth in the Amman Stock Exchange market in 2016 to seventh in 2017. This was coupled with hitting a market share of 3%. Moreover, if we were to exclude the special deals that were struck in this market, then Capital Investments would have ranked third among the brokerage enterprises operating in the Amman Stock Exchange.

The Regional Brokerage Department also went on providing brokerage services for its clients across the Arab markets, capping its efforts in 2017 by the service of online circulation of negotiable bills in addition to compatible service through mobile telephones with the application Capinvest Trader. This new application provides the possibility of buying and selling diverse shares and securities on the Arab and international markets by means of smart devices. The application also furnishes investors with all kinds of investment information, including live displays of prices and charts and the circulation of shares on a single electronic platform.

The International Brokerage Department provided a substantial set of modern investment services in 2017, resulting in a sizable growth in the department's business proceedings. Of these modern investment services was circulation of international stock shares and their derivatives, such the right of "options," in addition to deals related to the Exchange Traded Fund (ETF). The International Brokerage Department continued to expand its activities in such a way that clients became able to diversify their investments and directly join more than 19 markets around the globe, beginning with the North American markets, passing through the European markets, and ending with Asian and Pacific Ocean markets.

Asset Management

The Asset Management Department team looks forward to establishing a long-term partnership with individual investors, as well as establishing a similar partnership with institutional investors by introducing and managing portfolios and investment funds. Such funds would be specifically designed to suit the desires of those investors and their limits of investment. This would lead to the option of using scientific methods combining simple and technical analysis to draw up investment policy that focuses on the optimal distribution of assets.

The activities of the Asset Management Department are subdivided into four major sections:

- **Portfolio management:** Both the targets and limits of investment that clients seek, whether as individual clients or institutions, are taken into consideration, as is a balanced optimal distribution of these clients' portfolios such that these portfolios would match expected returns at an acceptable level of risk.
- **Investment funds:** The department will manage funds characterized by having specific strategies in the different markets of the Middle East and North Africa, alongside the management of the existing (Horizon) fund.
- **Structured investment products:** The department will take on the design and management of various types of these investments, such as the portfolios of assured capital.
- **Consultant services:** Financial consultant services will be offered to clients to assist them in specifying their targets and meeting their needs. The services also extend to the domain of restructuring the clients' current investment portfolios.

Corporate Finance

The Corporate Finance Department offers a wide range of consulting and investment services based on the broad knowledge and technical expertise that the members of the department's team enjoy. This department has been able to build a privileged performance record characterized by successful operations in addition to dealing with a diverse client base that includes public and private institutions, as well as financial and government institutions.

The department seeks to set up long-term relations with its clients through its commitment to understanding and achieving the financial requisitions and strategic targets of each client. The department endeavors to ensure sustained growth while maintaining its distinguished level of service in all that it offers. The department's activities consist of the following:

- Equity instruments (common stock): These include the initial public offerings (IPO), as well as the private ones.
- Debt instruments: These include the issue of corporate bonds, commercial paper programs, Islamic instruments, and the management of bank group loans.
- Financial advisory: These include operations that are related to mergers, ownership, operations of restructuring and evaluating enterprises, and privatization operations, in addition to advice related to structuring capital and distributing it between debt and owner's equity.

Capital Bank Corporate Advisory

Capital Bank Corporate Advisory (DIFC) Ltd., located in the Dubai International Financial Center (DIFC), acts as Capital Bank Group's primary gateway into the United Arab Emirates (UAE) and the wider GCC region. The company offers a unique platform that enables the bank's clients in Jordan and Iraq to connect with multinational companies and investors, as well as offer access to attractive business and investment opportunities within the region. Furthermore, the company provides expertise for GCC based investors and companies looking for investment opportunities in Jordan and Iraq.

Capital Bank Corporate Advisory will continue to expand its business activities through offering unique services to solidify Capital Bank Group's positioning and brand in the UAE and the wider GCC region, in line with the Group's overall vision and strategy.

Corporate Finance

The company's Corporate Finance Department provides customized financial advisory services to clients including deal structuring, equity and debt advisory, M&A advisory, valuation services, strategic initiative evaluation and business restructuring. Working closely with our group members in Jordan and Iraq, our team delivers significant value for the businesses with deep regional expertise across a broad range of sectors.

The team also offers a range of financing solutions, including advice on capital structuring, refinancing, recapitalizations, equity private placements and private debt placements. The team conducts thorough analysis to identify key drivers and value proposition for businesses and assist them in raising the required debt and equity capital to reach the optimal capital structure most advantageous to their operations.

Since its inception, the company succeeded in building a strong network of investors from multiple disciplines, including sovereign wealth funds, private equity funds as well as strategic investors. The department is currently engaged in a number of advisory deals spanning across various industries such as technology, Food & Beverage, Healthcare, Education and Oil & Gas.

Business Development and Group Product Marketing

The company's Business Development Department works on creating business opportunities for the group by attracting clients based in the UAE and wider GCC, through the wide range of commercial and investment banking services offered by Capital Bank, Capital Investments, and the National Bank of Iraq. The group's regional banking platform provides a unique value proposition, which enables it to effectively serve companies that operate across the UAE, Jordan, and Iraq.

The department focuses on connecting with international and local companies working in Iraq, through targeting the head corporate offices in the UAE and wider GCC. The team focuses its marketing efforts on offering potential clients a comprehensive set of banking services and trade finance solutions through connecting them with the National Bank of Iraq. The business development scope also includes identifying and referring clients to Capital Bank and the rest of the group.

By offering a unique regional platform and a cross-border service offering, the company succeeded in securing a solid client base for the group thus building a large network of corporates that are based in the United Arab Emirates and the wider GCC as a hub for their operations in Iraq and Jordan.

National Bank of Iraq

Consistent with the strategic vision of Capital Bank and in parallel to the established policies of the Central Bank of Iraq, the National Bank of Iraq seeks to take part in developing the Iraqi banking sector by providing the best banking services and products and complimentary online products that help cover the needs of the two sectors of consumer banking, for individuals and enterprises alike.

These services include the following:

- Offering different types of customer accounts (i.e., current accounts, savings accounts, and fixed deposit accounts in Iraqi dinars, US dollars, or any other major currency).
- Supplying salary transfers to all customers, whether public or private-sector employees.
- Providing credit facilities for individuals, including personal loans and credit cards.
- Providing exclusive services for major enterprises, such as the commercial services that accommodate incoming and outgoing letters of credit and letters of guarantee, in addition to bank drafts and various other banking services. Allowing enterprises to deal in the exchange (purchase and sale) of foreign currencies through participating in the window specified for that purpose, in addition to providing services for SMEs.
- Providing financial brokerage services, including the purchase and sale of securities via "Wahat Al-Nakhil" (Palm Oasis) Brokerage.
- Providing card services for ATMs and online banking, in addition to providing a call center to respond to customer concerns quickly and competently.

Some of the most apparent accomplishments for the year 2017 are as follows:

- Connecting the National Bank of Iraq to the national network of the Central Bank of Iraq, which makes ATMs available at all the bank's branches, in addition to other vital locations in Baghdad, Basra, Erbil, and Sulaymaniyah.
- Activating the bank's branch in AlRumaila to serve the corporations operating in one of the largest oil field areas in the world.
- Strengthening the role of the bank branches located in the various quarters of Iraq and refining their services with a particular emphasis on electronic banking channels.
- Launching banking services via mobile phone and SMS.
- Upgrading the financial brokerage system and regulations of signature management.
- Expanding the project for public sector employees salary transfers and expanding the amount of loans that may be granted to them.
- Launching Phase 1 of the Western Union service for money transfers.
- Activating the Department of Consumer Banking Services.

The bank's plans for 2018 are as follows:

- Advancing the regional presence of the bank by introducing and establishing a new branch in Beirut, Lebanon.
- Introducing two new branches in the capital city of Baghdad, which will be located in the quarters of Al Kathimia and Jamilah respectively, in addition to moving into the new location of the Basra branch.
- Launching the service of prepaid cards.
- Launching Phase 2 of the service of money transfers via Western Union.
- Assembling a permanent database in Iraq and launching of Phase 2 of the Disaster Recovery Orderly Process.
- Executing Phase 2 of online banking services, which will enable clients to perform money transfer transactions electronically.
- Expanding the bank's network of relations with correspondent international banks.
- Expanding the ATMs network.
- Extending the working hours of the call center to become 24 hours a day, 7 days a week.

An Analytical Overview of Domestic and Regional Economic Performance

The analytical overview of domestic and regional economic performance constitutes an integral part of Capital Bank's annual report, in which we address the foremost local and regional economic developments. We will present an analytical reading of key economic indicators based on what took place in the previous year and what was presented in this year's economic indicators and data, in addition to the developments witnessed in the local banking sector, interest rate trends and their impact on economic growth rates.

This section highlights unemployment rates, public debt evolution, and public fiscal position at the domestic level, as well as the fiscal policies adopted by the government throughout 2017.

This report will also touch on the economic conditions in the Iraqi market, given the importance of Iraq as a strategic trade partner linked to our national economy, not to mention Capital Bank's role as an ideal gateway for business in the region and particularly in the Iraqi market through the bank's subsidiaries in the region. We hope that what we are about to present will be of significant benefit and value to you.

Chairman of the Board of Directors,
Bassem Khalil Al-Salem

Subdued Growth Underpinned by Contractionary Policies and Regional Instability with Distant Indicators that Call for Optimism.

The Jordanian economy sustained its feeble performance in 2017, wherein the gross domestic product (GDP) grew by a mere 2% during the first nine months of the year when compared to its position during the equivalent interval in 2016. This occurred under the intensive pressure of the government's and the Central Bank of Jordan's restrictive policies, combined with the intricate geopolitical situation causing a state of uncertainty in the region, and together with the closures of Jordan's northern borders and the economic turbulence in the Arabian Gulf Region.

As far as the sectors of the economy are concerned, the mining and quarrying sector recorded the biggest growth rate at 15.9%, followed by the agricultural sector with a growth rate of 5.2%, the nonprofit sector at 3.9%, the government services sector at 0.9%, the domestic services sector at 0.2%, and finally the construction sector at the bottom of the list with a registered growth rate of 0.1%.

The recorded leap in the growth rate of the mining and quarrying sector was caused by a push that increased the produced quantities of Potash and phosphates by 21.8% and 5.4% respectively. The quantities of fertilizers and chemical acids registered an eye-catching growth with rates of 19.3% and 16.7% respectively, whereas the produced quantities of clinker recorded a negative growth of 6.7% because of the weakened construction sector.

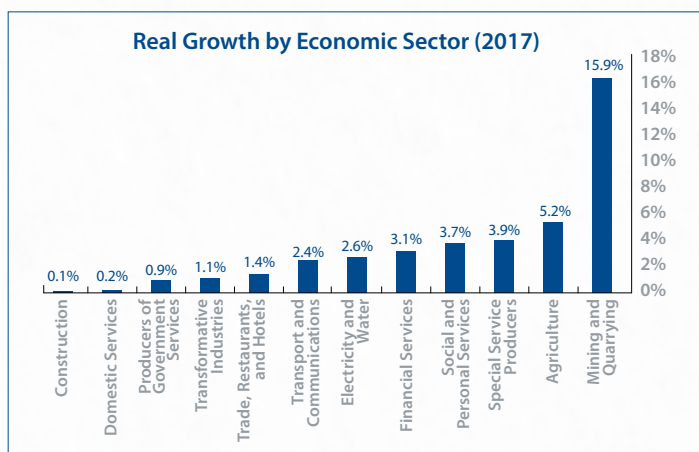
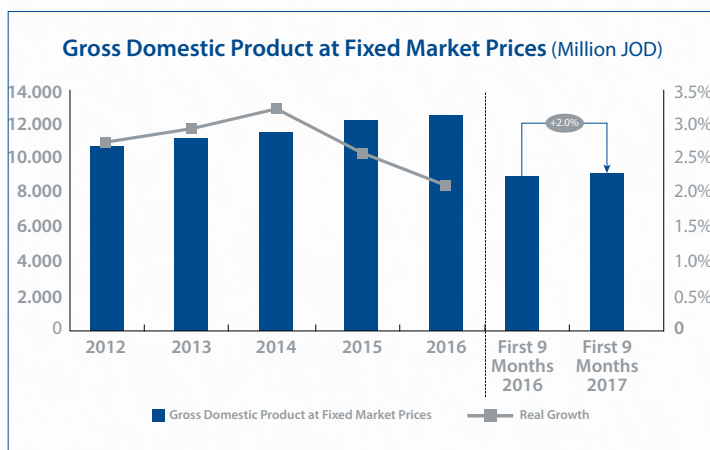
Looking ahead, there are some indicators that call for optimism, the most significant of which are the positive political and security developments in Iraq and what they may mean for Jordan in terms of trade and investment opportunities. Added to that, there are a number of sizable projects that will be carried out in the construction and energy sectors, such as expanding the electricity grid, and constructing the Iraqi oil pipeline. In light of these developments, we expect a gradual recovery in the economic activity. On the other hand, we do not foresee growth crossing the 3% barrier in the near future.

Inflation Back in Positive Territory

2017 witnessed a positive comeback of inflation after two years of negative inflation; it registered a rate of 3.3%, as compared to -0.8% and -0.9% for the years 2016 and 2015 respectively.

There were multiple reasons behind this comeback:

1. The rise in international oil prices
2. The decline in the exchange rates of the US dollar vis-à-vis international currencies
3. Increased taxes and fees in the context of the fiscal reforms being implemented under the supervision of the IMF.



The biggest rise in consumer prices affected transport and health, which rose at the rates of 12.9% and 8.4% respectively. It goes without saying that the rise in cost of transportation costs was caused by the hike in international energy prices. The prices of alcoholic beverages and tobacco and cigarettes also registered a 7.9% raise due to additional tolls imposed by the government.

Some items recorded a drop in prices. Perhaps the most important of those were clothing and footwear, which recorded negative inflation of 2.3% due to the drop in clothing prices by 3%, in addition to food and nonalcoholic beverages that also dropped by a rate of -0.4%. This followed a drop for meats and poultry, as well as fruit and nuts, with rates of 5% and 3.3% respectively.

Inflation rates are expected to continue rising to reach a peak of 5% in 2018, propelled by a rise in energy prices, a decline in the exchange rate of the US dollar, and the fiscal reforms that involve additional taxes and tolls. We then expect the inflation rate to retreat gradually beginning in 2019 to reach 3% in the year 2021.

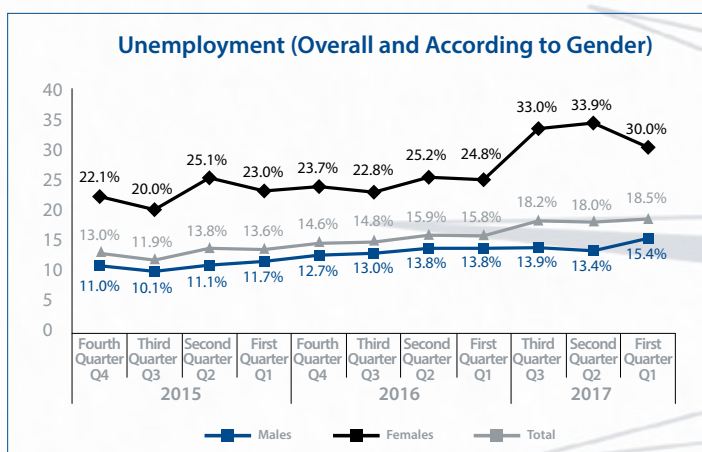
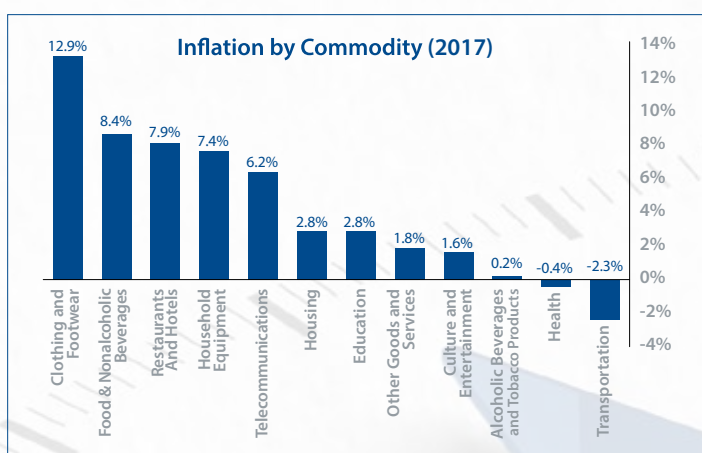
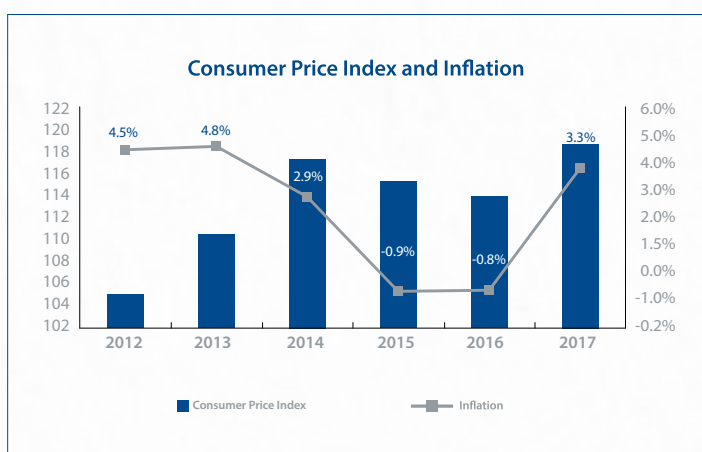
Economic Slowdown Casts its Shadow on Unemployment Rates

During the third quarter of 2017, unemployment reached 18.5%, 0.5% over what it was in the preceding quarter. The rate of unemployment among males was 15.4% in contrast to 30% among females. During the third quarter of 2017, the rate of unemployment among males jumped by 2%, while the similar rate among females dropped by 3.9% in comparison to the preceding quarter.

Figures published by the Department of Statistics reveal that unemployment was at a high of 23.2% among holders of university degrees when compared to unemployment among those with lower educational levels. These statistics also revealed that 55% of the unemployed were holders of high school degrees or of some education. The statistical results also indicated that the highest rates of unemployment affected the age groups of 15-19 and 20-24, where the recorded unemployment figures stood at 41.5% and 38.2% respectively.

When examining the governorates, the Tafilah Governorate proved to be the area with the highest rate of unemployment, at 33.7%, whereas the Aqaba Governorate recorded the lowest rate, at 10.7%.

Statistics pertinent to the employed, out of the overall population, showed that 31.9% of employed individuals had been employed for 15 years or more. Of the employed males, 59.5% were between the ages of 20 and 39, while of the employed females, 69.9% were between those ages. Results also indicated that most of the employed (83.9%) were on wage employment.



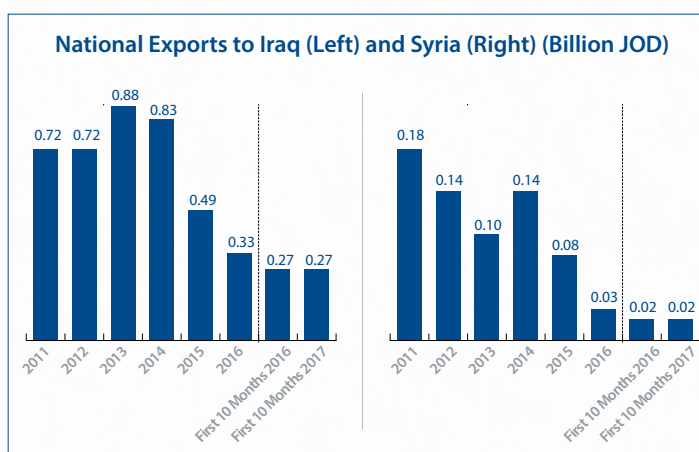
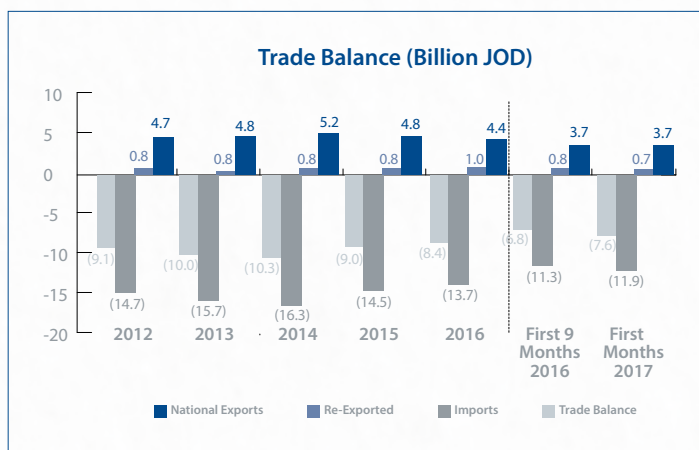
2017 data were not compared with 2016 data, as the Department of Statistics adopted a new methodology in the Labor Force Survey in the first quarter of 2017.

For the third quarter of the year 2017, figures for both the employed and unemployed indicated that the average ratio of the raw economic participation (i.e., the ratio of the labor force measured against the total population) stood at 26.0%, while the revised ratio of economic participation (i.e., the ratio of the labor force measured against the total population of individuals over the age of 15) 39.2% (60.7% were males and 17% were females), as compared to a figure of 38.8% (59.4% were males and 17.7% were females) for the second quarter of the year 2017.

Exports Likely to Rise Amid Improved Access to the Iraqi Market

Following two consecutive years of steep drops, Jordan's national exports shifted direction and returned to their upward trajectory by displaying a slight increase of 0.4% during the first ten months of the year 2017. This rise came about as a result of the exports to Iraq and Syria reaching a trough. Statements published by the Department of Statistics demonstrated that national exports to the Iraqi market stabilized at the level of JOD 275 million during the first ten months of 2017 after having slumped sharply by 40.5% in 2015 and 32.9% in 2016.

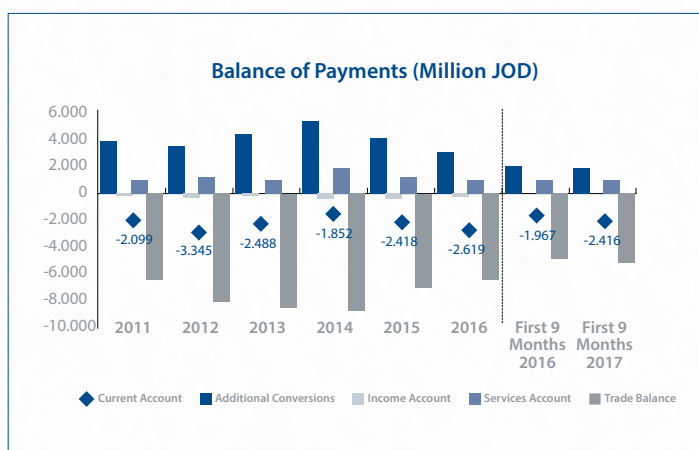
The same thing happened with exports to Syria, which steadied at JOD 25 million following a sharp decline in 2015 and 2016. The Department of Statistics' statements also demonstrated a decline in the re-export of goods by 16.3% during the same period. The overall gross exports of Jordan fell by 2.7%, whereas its imports climbed by an annual rate of 5.6% during the first 10 months of 2017. This rise in imports came as a result of a 34.6% surge in crude oil imports and items labeled as "machinery, equipment, and parts used for power generation," which almost doubled when it leveled out at 197%. Consequently, the deficit in the balance of trade grew at an annual rate of 11.1% to reach JOD 7.6 billion at the end of October 2017 compared to JOD 6.8 billion at the end of October 2016.



Surplus in the Financial Account Offset the Current Account Deficit

When compared to the same period in the preceding year, and in light of previous developments, the current account deficit witnessed vast growth during the first nine months of 2017 by climbing at a rate of 22.8% to settle at JOD 2.4 billion.

Some items of the current account noted positive improvements during the same time span; the services account reported an annual growth of 38.9%, driven by the growth of net travel receipts at a rate of 14%.

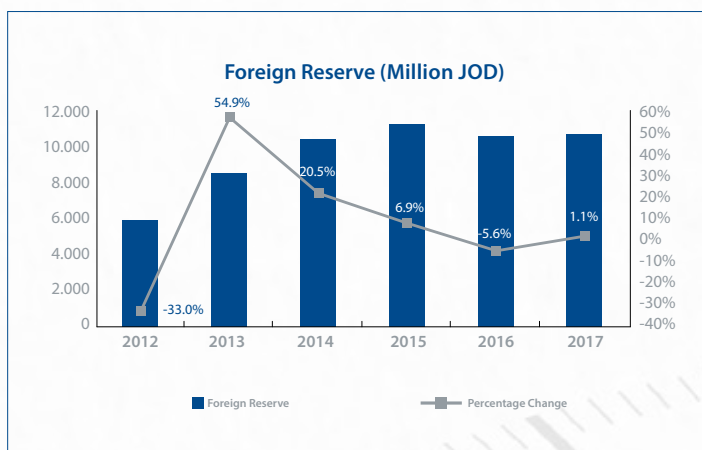


Imports experienced an upturn of 5.6% as a result of the increased cost of imported crude oil, which rose by 34.6%, and the upsurge in the imports of items labeled as "machinery, equipment, and parts used for power generation," which almost doubled, stabilizing at a rate increase of 197%.

Consequently the deficit in the trade balance grew at an annual rate of 11.1% to reach JOD 7.6 billion at the end of October 2017, compared to JOD 6.8 billion at the end of October 2016.

The gold and foreign exchange reserves grew in the vicinity of JOD 100 million due to a surplus in the balance of payments during the first nine months of 2017, which was a result of the sovereign Eurobonds issued in the international markets.

The current level of foreign reserves is sufficient to cover the import expenditure of Jordan for an interval that extends up to approximately eight months, which is considered to be comfortable. This comfort also points to the strength of the Jordanian dinar and its capability to absorb external shocks.



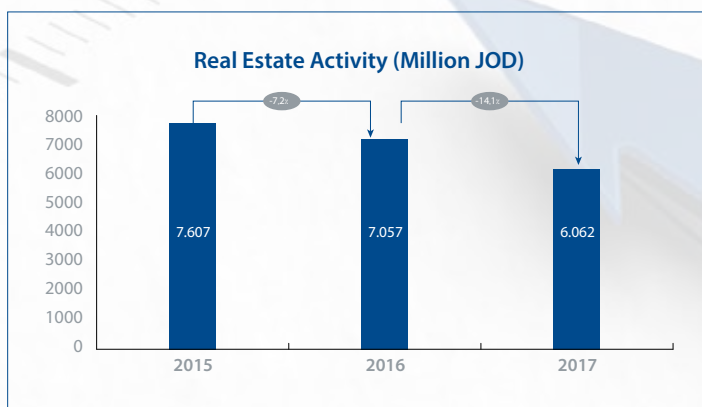
A Noticeable Setback in the Performance of the Real Estate Market

In 2017, the value of activities in the real estate market dropped by 14.1% to JOD 6.06 billion. The area of Amman, which embraces more than 40% of Jordan's population, captured the majority share of that market at 71%, or JOD 4.3 billion of transactions.

Reasons behind this setback can be summarized as follows:

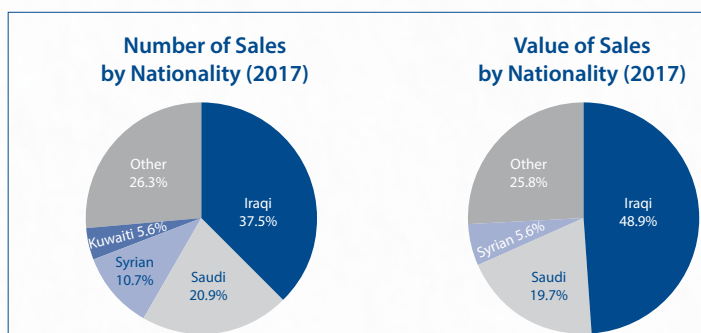
1. Weaknesses in general economic activity.
2. A drop in the individual's share of the GDP from JOD 2,940 in 2013 to JOD 2,695 during the first half of 2017.
3. A rise in the rate of unemployment, which reached 18.5% during the third quarter of 2017.
4. A rise in interest rates in response to conservative fiscal policies.
5. Retraction of foreign involvement in the real estate market in response to weaknesses in the oil-exporting economies.

In 2017, the number of sale contracts to non-Jordanian investors came to 2,775 contracts, as compared to 3,657 contracts in 2016. Of these, 2,060 transactions concerned apartments, and 715 concerned land lots, in contrast to 2,655 transactions regarding apartments and 1,002 transactions regarding land lots in 2016. The appraised value of transactions that concerned non-Jordanians totaled at JOD 321.8 million in 2017, showing a drop of 14% in comparison to that of 2016 and a drop of 24% in comparison to that of 2015. In terms of nationalities, Iraqi clients came first in 2017 with 1,042 transactions, while Saudis came second with a total of 580 transactions. Syrians ranked third with a total of 296 transactions, and Kuwaitis occupied the fourth place with a total of 126 transactions.



Sales for Non-Jordanians (2017)						
	Value (Million JOD)	Rate of Change	Number of Transactions			Rate of Change
			Apartments	Land Lots	Total	
2015	423	-	3,481	1,248	4,729	-
2016	375	11.4%	2,655	1,002	3,657	22.7%
2017	322	14.2%	2,060	715	2,775	24.1%

It is noticeable that in spite of the huge number of Syrians who reside in Jordan, their involvement in the real-estate market was very limited and did not surpass JOD 18.1 million or the equivalent of 6% of the transactions that involved non-Jordanians, which we regard as indicative of the poor state of their finances.



The Government Continues its Reformative Policies in the Context of Self-Sufficiency

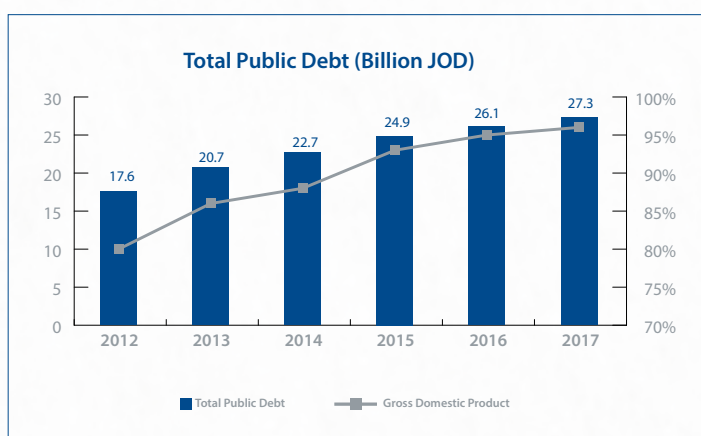
The government is pushing an economic reform agenda to address the budget and current accounts deficits through increasing taxes and curbing public spending. The government has succeeded in phasing out direct subsidies on petroleum products and electricity and replaced them with more targeted cash grants.

The 2017 budget carried JOD 450 million in extra taxation, which was not classified in the budget because of the short time span in which the government prepared the budget.

For most items, revenues rose, but they did not reach the budget's assumed values due to the government's inability to take certain austerity measures because of parliamentary opposition.

Domestic revenues amounted to approximately JOD 6.7 billion in 2017, showing a 7.7% increase rate, in comparison to 2016. External grants amounted to approximately JOD 708 million in 2017 compared to JOD 836 million in 2016, pointing to a drop of 15%. As a whole, public revenues stood at JOD 7.4 billion by the end of 2017, registering a 1.5% rise.

On the expenditure side, the current expenditures showed a slight increase of 2.5% during the year to reach JOD 7.1 billion while the capital expenditure of the year 2017 reached a value of JOD 1.1 billion, showing a rise by 6.4%.



The budget deficits for 2017 after adding the grants reached approximately JOD 750 million compared to a deficit of JOD 880 million at the end of 2016. Therefore, in terms of ratios relevant to the GDP, the 2017 deficit declined by 2.6% compared to the figures of 2016, where the decline stood at 3.2%.

By the end of 2017, the gross public debt had reached JOD 27.3 billion or the equivalent of 95.3% of the GDP for that year, in comparison to JOD 26.1 billion or 95.1% of the GDP at the end of 2016.

Summary of the Budget Bills (Million JOD)							
	2012	2013	2014	2015	2016	2017 Budget	2017 Estimate
Domestic Revenues	4,726.9	5,119.8	6,031.1	5,910.9	6,233.6	7,342.0	6,717.0
Growth Rate		8.3%	17.8%	-2.0%	5.5%	17.8%	7.8%
External Grants	327.3	639.1	1,236.5	886.2	836.0	777.0	708.0
Growth Rate		95.3%	93.5%	-28.3%	-5.7%	-7.1%	-15.3%
Total Revenues	5,054.2	5,758.9	7,267.6	6,797.1	7,069.6	8,119.0	7,425.0
Growth Rate		13.9%	26.2%	-6.5%	4.0%	14.8%	5.0%
Current Expenditure	6,202.8	6,055.9	6,713.6	6,624.5	6,919.1	7,595.6	7,097.0
Growth Rate		-2.4%	10.9%	-1.3%	4.4%	9.8%	2.6%
Capital Expenditure	675.4	1,021.0	1,137.5	1,098.2	1,029.1	1,216.9	1,078.0
Growth Rate		51.2%	11.4%	-3.5%	-6.3%	18.2%	4.8%
Gross Expenditure	6,878.2	7,076.9	7,851.1	7,722.7	7,948.2	8,812.5	8,175.0
Growth Rate		2.9%	10.9%	-1.6%	2.9%	10.9%	2.9%

Summary of the Budget Bills (Million JOD)							
	2012	2013	2014	2015	2016	2017 Budget	2017 Estimate
Deficit after the Grants	-1,824.0	-1,318.0	-583.5	-925.6	-878.6	-693.5	-750.0
% GDP	-8.3%	-5.5%	-2.3%	-3.5%	-3.2%	-2.4%	-2.6%
Deficit Before the Grants	-2,151.3	-1,957.1	-1,820.0	-1,811.8	-1,714.6	-1,470.5	-1,458.0
% GDP	-9.8%	-8.2%	-7.2%	-6.8%	-6.2%	-5.2%	-5.1%

The general budget for the year 2018 was approved in 2017, the most significant item being the removal of the direct subsidy of bread, which will save the government around JOD 200 million annually. This is in addition to tax orders that are expected to collect JOD 570 million annually. Furthermore, and in order to ease the resultant pressures on the citizens, the government has allocated a cash support valued at JOD 171 million, which will benefit an estimated 80% of Jordanians. Finally, the budget ended with a deficit amounting to JOD 534 million or 1.2% of the GDP in comparison to (an estimated) JOD 880 million in 2017 and JOD 750 million in 2016.

The government is also engaged in preparing a draft law amending the income tax law to conform to the recommendations of the International Monetary Fund (IMF) that call for reducing the ceilings of tax exemptions. Recurrent news messages have described a direction to reduce the ceiling of exemption from JOD 12,000 annually to JOD 6,000. It is expected that the newly amended law will go into effect at the beginning of 2019.

Summary of the Budget Bill 2018			
Amount	Breakdown	Amount	Breakdown
Million JOD	Revenues	Million JOD	Expenditure
7,796	Domestic Revenues	7,866	Current Expenditure
5,146	Tax Revenues	2,040	Civil Service
2,650	Non-Tax Revenues	1,429	Military Service
		1,105	Security and Public Safety Service
		3,293	Other Expenditure
700	External Grants	1,321	Pensions and Compensations
		1,020	Interest of Public Debt
		171	Social Security Net
		360	Settlement of Preceding Obligations
		421	Other
		1,153	Capital Expenditure
		236	Ongoing Undertakings
		671	Projects Under Fulfillment
		246	Supplementary Undertakings
8,496	Total Revenue	9,019	Total Public Expenditure
523	Budget Deficit		

Contractionary Monetary Policy. Banks are Safe and Sound

The Jordanian monetary policy follows its American counterpart due to the peg between the Jordanian dinar and US dollar, and it aims to retain a comfortable interest margin between the two currencies to preserve the dinar's attractiveness and maintain it as a savings container.

The Central Bank of Jordan raised the interest rates four times in 2017. The first raise was in February and amounted to 50 basis points, which was surprising in terms of both time and amount. It evidently was a preemptive lift that was ushered in before the decision of the Federal Reserve to raise interest rates, which had been generally expected to be around 25 basis points and which eventually occurred in March.

The preemptive raise did not prevent the Central Bank from raising interest rates again in March in response to the Federal Reserve's decision to raise the interest rate; like the Federal Reserve's, the Central Bank's raise came to 25 basis points. The Central Bank later raised the interest rate twice more by an amount of 25 basis points each time, the first raise being in June and the second in December, both also conforming to raises made by the Federal Reserve.

We expect the Central Bank to continue following a conservative monetary policy in 2018 to sustain a constant interest margin with the US dollar because expectations indicate that the American Federal Reserve will raise interest rates three times in 2018.

In the banking sector, the direct credit facilities in 2017 grew at a rate of 8.1% in comparison to 8.5% in 2016. This growth occurred largely due to increased volume of credit facilities in the sectors of industry (23.6%), construction (13.3%), and agriculture (10.8%).

For deposits, growth was slight in 2017, just 0.9%, which was similar to the growth of the preceding year. Deposits also contracted in February by a rate of 2.1%, likely due to the purchase of Arab Bank shares because the contraction came in parallel to a decline in the volume of foreign exchange reserves.

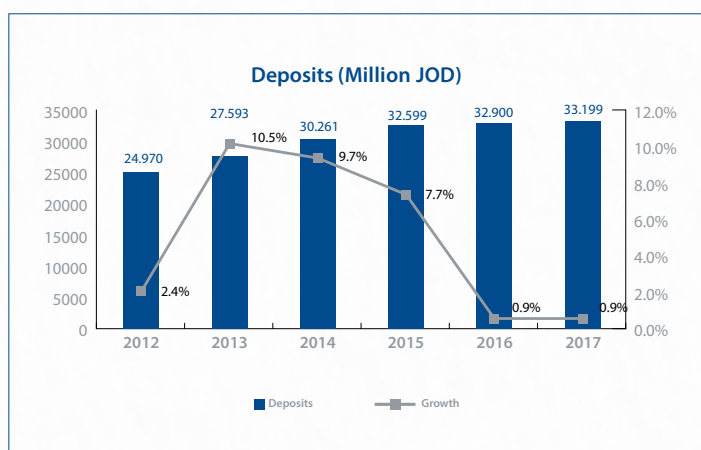
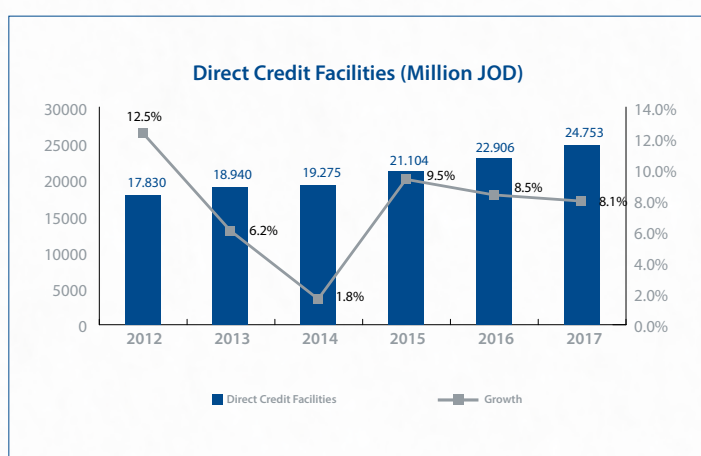
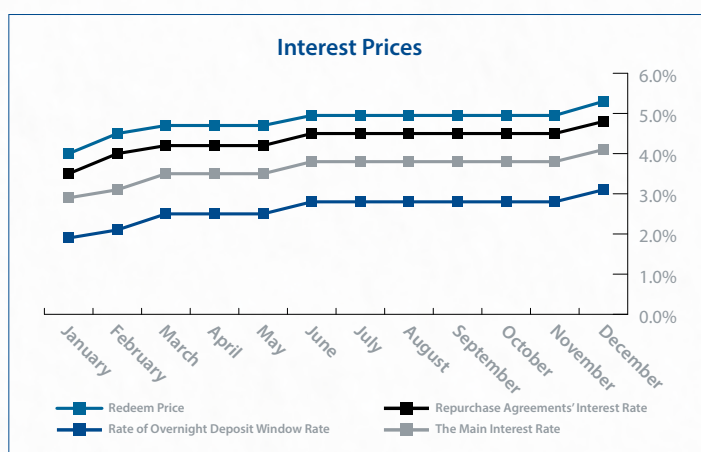
The banking sector enjoys a strong financial position, with nonperforming loans (NPLs) comprising 4.3% of total loans as of year end 2016, of which 77.9% are covered by impairment provisions.

According to the Central Bank of Jordan's figures, the capital adequacy ratio of the sector at the end of 2016 stood at 18.5%, which is a very comfortable percentage that exceeds the Central Bank requirements (12%) and the Basel Committee requirements (8.0%). These ratios indicate the banking sector's ability to adopt the decisions of Basel Committee 3, especially given that the banks' capital is mostly concentrated in Tier 1.

As the figures indicate, banks enjoy a good level of liquidity that permits them to deal with different circumstances.

A Quick Glimpse of the Iraqi Economy

The Iraqi economy is a rentier economy that relies upon oil and is controlled by the state. Iraq contains the fourth largest oil reserves in the world and enjoys the advantage of low-cost extraction. In spite of the country's unstable security conditions, the production of oil has multiplied threefold since 2003. However, the state has failed to diversify the economy, as the non-oil sector has been negatively affected by the absence of security and the unaccommodating business environment. The increase of oil production has financed a vast expansion in public spending, which also multiplied threefold between 2003 and 2014. The structure of public expenditure is to a large extent directed toward wages, salaries, and recompenations. In spite of the enormous size of the public sector even when compared to that of other oil-exporting countries, the quality of public services, especially in the fields of health, education, and utilities (electrical cuts are frequent and recurrent), remain below an acceptable level.



Violence and the unstable business environment have resulted in narrowing the margins of the private sector and hindering the development of the financial sector. The report on the business environment issued by the International Bank for Reconstruction and Development (IBRD) considered the inefficient supply of electricity, political instability, corruption, and the nonexistent financial resources to be the most important impediments that the Iraqi economy faces.

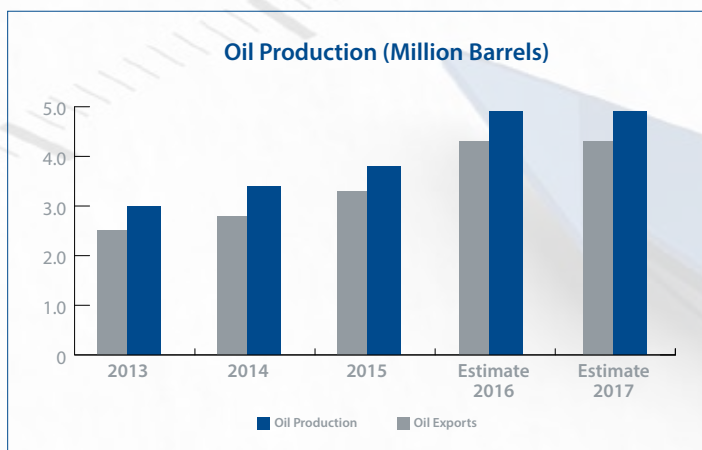
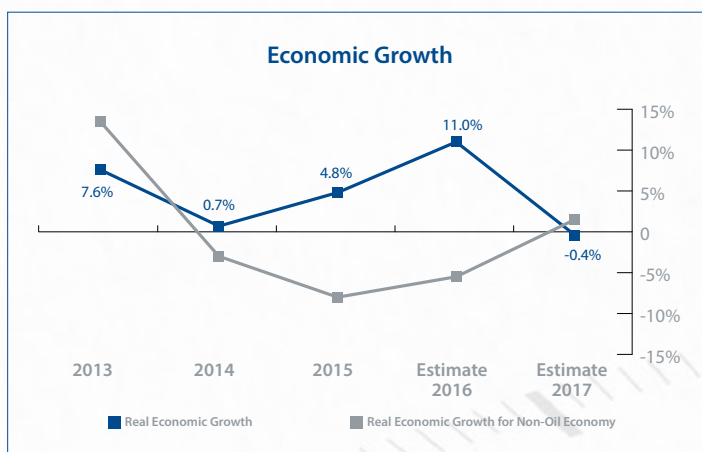
Sluggish Economic Activity Amid Less Accommodative Policy Stance

The Iraqi economy grew at a rate of 11%, propelled by a 25% rise in oil production in 2016, whereas the non-oil production shrank by 8% in light of the conservative measures that authorities applied under the supervision of the IMF and in light of the effects of the war on terrorism on the investment climate and economic activity in general.

Pursuant to the Vienna agreement that was concluded among the Organization of the Petroleum Exporting Countries (OPEC) in addition to non-OPEC members among oil-exporting countries, Iraq was allotted a quota of 4.35 million barrels per day. Iraq has not adhered fully to the quota given the semi autonomous nature of both Kurdistan and IOCs in Iraq's oil industry.

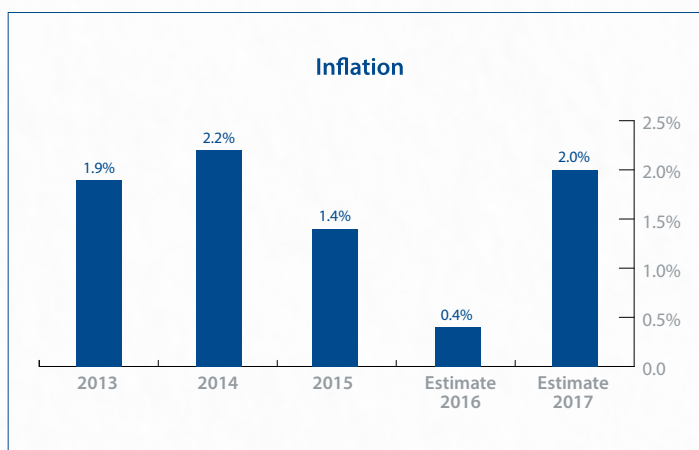
However, we expect to see closer adherence to Iraq's Vienna accord quota, given the separatist referendum that led to Baghdad's government gaining control over Karkuk oil fields. Which would lead to limited contribution by the oil economy to the overall economy. The rate of economic growth in the year 2018 is not expected to exceed 1.5% to 2.0% given this limited participation by the non-oil economy.

Looking ahead, Iraq's production of oil will witness a gradual increase but will stay below the expected level because of the setbacks in investment in the oil sector in 2015 and 2016 in addition to the limitations regarding export ports and the withdrawal of huge corporations like the Shell Corporation from the fields of Majnoon.



Inflation is Climbing

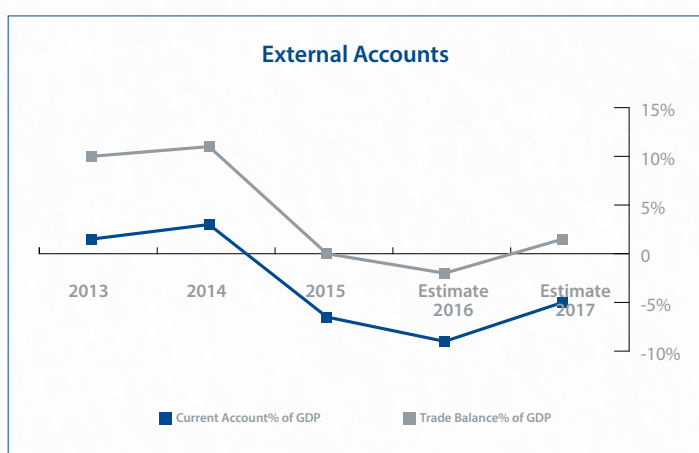
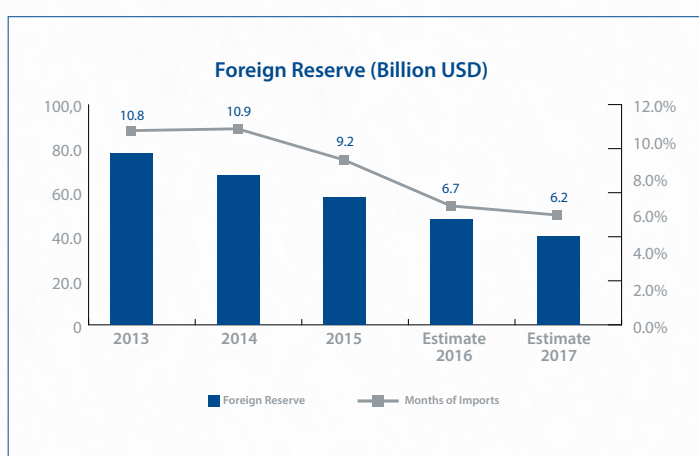
In 2016, inflation was low at a rate of 0.4% as a result of the government's austerity measures, which reflected negatively on the demand-driven inflation. However, most expectations point to an increase in inflation rates over the next five years as a result of a number of factors, the most significant of which will be the flow of external investments for the purpose of reconstruction, a global rise in the prices of foodstuffs (considering that Iraq imports most of its needs), and the recovery of local demand in light of the defeat of ISIS.



Reconstruction:

Positive for Growth, Negative for the Balance of Payments

The fall of oil prices caused a widening of the gap in the balance of payments. The deficit in the trade balance widened to reach 8.7% of the GDP in 2016 when oil prices declined by nearly 22%. This deficit was financed by two sources, namely external borrowing and foreign exchange reserves, which declined from USD 54 billion at the end of 2015 to USD 45 billion at the end of 2016 (covering the cost of 6.7 months of imports). In spite of the rise in oil prices, we do not expect an improvement on the balance of payments because the rise in petrodollar revenues will be countered by a rise in expenditure attached to the reconstruction of the country and an increase in the import of commodities. However, the influence of the trade balance deficit on the foreign exchange reserves will be benign considering that the preparatory credit agreement signed with the IMF will increase Iraq's ability to borrow externally and open the door to other sources of foreign finance.



Fiscal Policy:

Austerity Measures on the Way

The huge slump in oil prices caused public debt to leap from 31% of the GDP in 2013, when the average price of the oil barrel stood at USD 103, to 67% by the end of 2016.

Oil prices will continue to dictate the fiscal policy of the state. The budget deficit is expected to decrease due to a rise in oil prices and the rationalization of government expenditure as per the recommendations of the IMF. The draft budget law for 2018 expects a budget deficit of IQD 22.8 trillion, the equivalent of USD 19.3 billion, on par with 9.9% of the expected GDP for the year. One of the most significant assumptions behind this budget is that the average price of the oil barrel will amount to USD 43.4; however, if the oil prices level at where they stood near the end of 2017, the deficit will be far less than expected. It may also slip into the 3% bracket of the GDP according to our estimation.

In consideration of the IMF recommendations, we believe it to be probable that the government will stop subsidizing electricity in May 2018 and will furthermore stop appointments and incentives in the public sector after the scheduled elections. However, the effects of these measures on the budget deficit will be limited, taking into account the

expansion in capital expenditure for reconstruction and resuming the imposed compensations that originated from the Iraqi invasion of Kuwait and are observed at 0.5% of the 2018 exported oil revenues, at 1.0% of similar revenues in 2019, and 1.5% of similar revenues in 2020.

Authorities to Maintain the Fixed Exchange Rate and a Deposit Insurance Fund to Enhance Trust in the Banking Sector

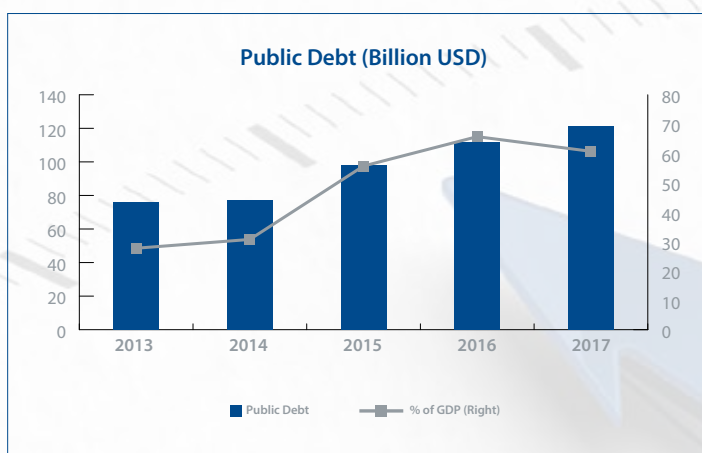
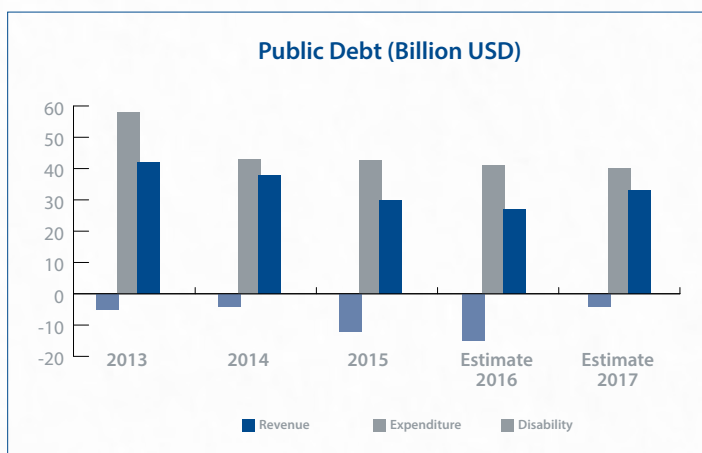
Where the banking sector is concerned, the government banks continue to dominate the scene by taking 86% of the total deposits and 54% of loans.

The government banks suffer from weak capitalization and deterioration in the quality of their credit portfolios. The weakness and shallowness of the banking sector are impediments preventing the Iraqi Central Bank from applying an effective financial policy. Nonetheless, the Iraqi government intends to institute a deposit insurance fund to encourage people to deposit their money, because ordinary citizens still have doubts and fears about dealing with banks.

In February 2016, the Central Bank lowered the interest rates from 6% to 4% to activate economic performance, control the rate of inflation, and achieve a higher degree of stability in the currency market. Financial policy ties to its American counterpart are conditional on the speed of the intended reforms in the banking sector. The IMF's second revision, conducted within the framework of

the stand-by agreement, also recommended that the Iraqi authorities sustain the fixed exchange rate considering that tying the Iraqi dinar to the dollar was vital for recapturing the confidence of investors in the Iraqi economy.

The IMF also recommended that authorities facilitate the access to foreign currency to eradicate currency distortions and dislodge the black market. The authorities expressed their commitment to a fixed exchange rate and to taking the necessary measures to dislodge the parallel black market. This leads us to believe that the exchange rate of the Iraqi dinar will rise to approximate the official rate within 12 months.



Institutional Governance Code

Capital Bank's new Institutional Governance Code is available on the following link:

<https://bit.ly/2rhpZHA>

The code has been approved by the board of directors and awaiting final approval from the Central Bank of Jordan



Annual Report 2017 - Capital Bank

Consolidated Financial Statements

31 December 2017



INDEPENDENT AUDITORS' REPORT**To the Shareholders of Capital Bank of the Jordan Public Shareholding Company****Amman - Jordan****Opinion**

We have audited the consolidated financial statements of Capital Bank of Jordan (a public shareholding company; the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2017, in addition to the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes for the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements fairly present, in all material respects, the financial position of the Group as of 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ending on 31 December 2016 were audited by Ernst & Young – Jordan as the sole auditor of the Bank for the fiscal year 2016. Unqualified opinion was issued on the consolidated financial statements on 28 February 2017. Ernst & Young – Jordan and PricewaterhouseCoopers Jordan were appointed as joint auditors of the Bank for the fiscal year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ending on 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, we have provided our description of how our audit addressed the matter provided in that context.

Provision for Impairment Losses of Direct Credit Facilities**Key audit matter:**

Impairment of loans and advances to customers is one of the most significant matters that impact the reported results of the Bank, in addition of being an area that requires a considerable amount of judgment for determining the impairment event and measurement of impairment loss.

Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral, inputs and calculation of specific and collective impairment, and determining the default date, and as a result, impairment is calculated including interest in suspense as of 31 December 2017.

As of 31 December 2017, the gross loans and advances recorded amounted to JOD 997,293,481 against an accumulated loan loss provision of JOD 61,606,026.

How the key audit matter was addressed in the audit:

Our audit procedures included obtaining the nonperforming and watch list loans schedules and then selecting samples to test impairment that included collateral valuation and assessing the provision required based on the date of default.

We also selected a sample from the performing loans to determine whether management had identified all impairment events.

In addition, we have assessed the basis applied by management for identifying impairment and impairment provision at the portfolio level as of 31 December 2017.

The provision for impairment losses of direct credit facilities is disclosed in Note 8 on the consolidated financial statements.

Investment Risks in Iraq

Key audit matter:

The Bank's subsidiary, National Bank of Iraq (NBI), faces operational risks imposed by the political and economic situation in Iraq, particularly the regulations related to the banking sector in Iraq that may impact NBI's operational results. The bank's inability to utilize the deposited balances at the Central Bank of Iraq (CBI) branches in Erbil and Sulaymaniyah, which amounted to JOD 93,948,749 as of 31 December 2017, compared to JOD 119,000,861 as of 31 December 2016, is considered the most prominent risk.

How the key audit matter was addressed in the audit:

Our audit procedures included reviewing correspondence with CBI about NBI's operation and correspondence with CBI branches in Erbil and Sulaymaniyah about the balances at these branches. We have reviewed management's assumptions to estimate the recoverable amount of deposited balances as of 31 December 2017. Additionally, we have assessed and reviewed the methodology and the appropriateness of key assumptions applied by management, including the discount rate and timing of estimated future cash flows. Also we have reviewed management's sensitivity analysis to assess the impact of reasonable possible changes in key assumptions.

Accordingly, a provision of JOD 12,963,155 is recorded against investment risks in Iraq and particularly the risk associated with the deposited balances as disclosed in Notes 4 and 19 on the consolidated financial statements. We also assessed whether the consolidated financial statements' disclosures appropriately reflect the Group's exposure to credit risk.

Other Information Included in the Group's 2017 Annual Report

This other information consists of the information included in the annual report in addition to the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether this information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to either liquidate the Group or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine which matters were most significant in the audit of the consolidated financial statements of the current period, and which are therefore the key audit matters. We describe these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts, which are in agreement with the consolidated financial statements, and we recommend to approve it.

Ernst & Young – Jordan
PricewaterhouseCoopers Jordan

Amman, Jordan

	Notes	2017	2016
		JOD	JOD
Assets			
Cash and Balances at Central Banks	4	282,738,524	260,950,882
Balances at Banks and Financial Institutions	5	194,421,910	166,478,834
Financial Assets at Fair Value Through Income Statement	6	3,261,060	4,071,180
Financial Assets at Fair Value Through Other Comprehensive Income	7	9,135,100	9,498,110
Direct Credit Facilities - Net	8	920,962,363	970,472,231
Financial Assets at Amortized Cost - Net	9	467,884,699	450,742,440
Property and Equipment - Net	10	30,268,752	29,938,896
Intangible Assets - Net	11	5,795,651	5,537,532
Deferred Tax Assets	20	10,286,431	10,698,156
Other Assets	12	75,619,014	98,935,781
Total Assets		2,000,373,504	2,007,324,042
Liabilities and Equity			
Liabilities			
Banks' and Financial Institutions' Deposits	13	107,872,683	142,757,612
Customer Deposits	14	1,217,020,225	1,224,710,400
Margin Accounts	15	144,662,384	145,005,158
Loans and Borrowings	16	118,914,171	77,885,428
Subordinated Loans	17	17,725,000	17,725,000
Secondary Loan	18	-	4,521,452
Sundry Provisions	19	16,817,883	25,363,744
Income Tax Provision	20	2,446,732	11,020,115
Deferred Tax Liabilities	20	679,685	424,086
Other Liabilities	21	24,840,278	23,803,793
Total Liabilities		1,650,979,041	1,673,216,788
Equity			
Equity Attributable to the Bank's Shareholders			
Issued and Paid in Capital	22	200,000,000	200,000,000
Additional Paid in Capital		709,472	709,472
Statutory Reserve	24	34,689,204	32,257,341
General Banking Risk Reserve	24	8,840,593	9,811,521
Foreign Currency Translation Adjustments	25	(4,082,668)	(3,868,943)
Fair Value Reserve	26	416,990	(566,421)
Retained Earnings	28	50,994,187	39,562,631
Total Equity Attributable to the Bank's Shareholders		291,567,778	277,905,601
Noncontrolling Interest		57,826,685	56,201,653
Total Equity		349,394,463	334,107,254
Total Liabilities and Equity		2,000,373,504	2,007,324,042

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

	Notes	2017	2016
		JOD	JOD
Interest Income	29	95,379,292	95,835,693
Interest Expense	30	44,636,315	38,425,704
Net Interest Income		50,742,977	57,409,989
Net Commission Income	31	31,616,575	24,417,810
Net Interest and Commission Income		82,359,552	81,827,799
Gain from Foreign Currencies	32	3,293,234	8,522,587
(Loss) Gain from Financial Assets at Fair Value Through Income Statement	33	(209,629)	27,243
Dividends Income from Financial Assets at Fair Value Through Other Comprehensive Income	7	356,510	344,265
Gain from Financial Assets at Amortized Cost	9	545,015	-
Other Income	34	6,299,605	3,461,145
Gross Income		92,644,287	94,183,039
Employees' Expenses	35	23,422,412	20,985,521
Depreciation and Amortization	10,11	4,590,769	4,449,788
Other Expenses	36	17,551,848	16,297,481
Loss on Sale of Seized Property		207,696	207,705
Impairment Losses on Direct Credit Facilities	8	24,124,636	8,670,583
(Reversed from) Impairment Losses and Other Sundry Provisions	37	(8,635,567)	16,481,563
Total Expenses		61,261,794	67,092,641
Profit Before Tax		31,382,493	27,090,398
Income Tax Expense	20	4,070,847	10,954,422
Profit for the Year		27,311,646	16,135,976
Attributable to:			
Bank's Shareholders		24,356,884	12,442,588
Noncontrolling Interest		2,954,762	3,693,388
		27,311,646	16,135,976
		JOD/Fils	JOD/Fils
Basic and Diluted Earnings Per Share	38	0.122	0.062

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

	2017	2016
	JOD	JOD
Profit for the Year	27,311,646	16,135,976
Add: Other Comprehensive Income Items to Be Reclassified to Profit or Loss in Subsequent Periods: Foreign Currency Translation Adjustments	(438,091)	(6,632,611)
Add: Other Comprehensive Income Items Not to Be Reclassified to Profit or Loss in Subsequent Periods: Change in Financial Assets at Fair Value Through Other Comprehensive Income	(468,727)	253,476
Total Other Comprehensive Income for the Year, Net of Tax	(906,818)	(6,379,135)
Total Comprehensive Income for the Year	26,404,828	9,756,841
Attributable to: Bank's Shareholders	23,662,177	8,437,469
Noncontrolling Interest	2,742,651	1,319,372
	26,404,828	9,756,841

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

	Issued and Paid in Capital	Additional Paid in Capital	Reserves			Foreign Currency Transaction Adjustments	Fair Value Reserve	*Retained Earnings	Equity Attributable to the Bank's Shareholders	Noncontrolling Interest	Total Equity
			Statutory	Voluntary	General Banking Risk						
31 December 2017	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Beginning Balance	200,000,000	709,472	32,257,341	-	9,811,521	(3,868,943)	(566,421)	39,562,631	277,905,601	56,201,653	334,107,254
Total Comprehensive Income for the Year	-	-	-	-	-	(213,725)	(480,982)	24,356,884	23,662,177	2,742,651	26,404,828
Realized Losses from Selling Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	-	-	-	-	-	-	1,464,393	(1,464,393)	-	-	-
Cash Dividends (Note 23)	-	-	-	-	-	-	-	(10,000,000)	(10,000,000)	(1,117,619)	(11,117,619)
Transferred to (from) Reserves	-	-	2,431,863	-	(970,928)	-	-	(1,460,935)	-	-	-
Balance as of 31 December 2017	200,000,000	709,472	34,689,204	-	8,840,593	(4,082,668)	416,990	50,994,187	291,567,778	57,826,685	349,394,463
31 December 2016											
Beginning Balance	200,000,000	709,472	30,116,739	9,690	8,882,456	379,962	(1,407,974)	30,777,787	269,468,132	54,882,281	324,350,413
Total Comprehensive Income for the Year	-	-	-	(9,690)	-	(4,248,905)	253,476	12,442,588	8,437,469	1,319,372	9,756,841
Realized Losses from Selling Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	-	-	-	-	-	-	588,077	(588,077)	-	-	-
Transferred to (from) Reserves	-	-	2,140,602	-	929,065	-	-	(3,069,667)	-	-	-
Balance at 31 December 2016	200,000,000	709,472	32,257,341	-	9,811,521	(3,868,943)	(566,421)	39,562,631	277,905,601	56,201,653	334,107,254

- The balance of retained earnings includes a restricted amount of JOD 10,286,431 as of 31 December 2017 against an amount of JOD 10,698,156 as of 31 December 2016, which represents the deferred tax assets that cannot be utilized according to Central Bank of Jordan regulations.
- The balance of retained earnings includes unrealized gain of JOD 1,088,445 as of 31 December 2017 against an amount of JOD 1,125,859 as of 31 December 2016, which represents represents the effect of early adoption of IFRS9. This amount is restricted from use except for the amounts that become realized as per the Securities and Exchange Commission.
- An amount equal to the negative balance of fair value reserve is a restricted reserve that cannot be utilized.
- Gains from revaluation of assets at fair value through income amounted to JOD 168,096 as of 31 December 2017 against an amount of JOD 460,031 as of 31 December 2016. These funds are restricted from use according to the Jordan Securities commission.
- The general banking risks reserve is restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan.

Operating Activities	Notes	2017	2016
		JOD	JOD
Operating Activities			
Profit Before Income Tax		31,382,493	27,090,398
Adjustments for Non-Cash Items			
Depreciation and Amortization		4,590,769	4,449,788
Impairment Loss on Direct Credit Facilities		24,124,636	8,670,583
Loss from Revaluation of Financial Assets at Fair Value Through Income Statement		282,071	137,043
Provision for Lawsuits Raised Against the Bank		(18,893)	-
Impairment Losses and Other Sundry Provisions		(8,616,674)	16,481,563
Net Accrued Interest		3,447,119	(2,959,375)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(2,208,271)	(2,647,437)
Cash Flows from Operating Activities Before Changes in Assets and Liabilities		52,983,250	51,222,563
Changes in Assets and Liabilities			
Restricted Balances		(10,687)	(3,098)
Balances at Central Banks		25,318,263	14,517,249
Deposits at Banks and Financial Institutions		-	15,158,414
Financial Assets at Fair Value Through Income Statement		528,049	(833,984)
Direct Credit Facilities		25,132,426	(73,102,831)
Other Assets		20,765,925	(799,917)
Banks' and Financial Institutions' Deposits Maturing in More than Three Months		(2,055,000)	55,000
Customers' Deposits		(7,352,276)	(115,980,223)
Margin Accounts		(78,635)	30,330,196
Other Liabilities		(165,984)	1,726,587
Paid Lawsuits Provisions		(15,107)	-
Net Cash Flow From (Used in) Operating Activities Before Income Tax		115,050,224	(77,710,044)
Income Tax Paid		(12,268,944)	(10,993,283)
Net Cash Flow From (Used in) Operating Activities		102,781,280	(88,703,327)
Investing Activities			
Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2,573,054)	(3,226,029)
Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2,747,116	401,750
Purchase of Financial Assets at Amortized Cost		(130,662,886)	(174,233,774)
Matured Financial Assets at Amortized Cost		113,520,627	100,948,353
Purchase of Property and Equipment		(3,375,562)	(2,676,935)
Sale of Property and Equipment		24,035	21,939
Purchase of Intangible Assets		(1,865,458)	(3,413,965)
Net Cash Flow Used in Investing Activities		(22,185,182)	(82,178,661)
Financing Activities			
Proceeds From Loans and Borrowings		83,569,407	46,228,056
Repayment of Loans and Borrowings		(42,540,664)	(52,656,722)
Repayment of Secondary Loans		(4,521,452)	(3,151,111)
Cash Dividends		(9,680,981)	-
Net Cash Flow From (Used in) Financing Activities		26,826,310	(9,579,777)
Net Increase (Decrease) in Cash and Cash Equivalents		107,422,408	(180,461,765)
Effect of Exchange Rate Changes on National Bank of Iraq		(2,043,713)	2,647,437
Effect of Exchange Rate Changes on Cash and Cash Equivalents		2,223,378	(6,740,749)
Cash and Cash Equivalent at the Beginning of the Year		166,607,551	351,162,628
Cash and Cash Equivalent at the End of the Year	40	274,209,624	166,607,551

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

1. General Information

The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of 1989, numbered 291. Its registered office is in Amman.

The bank provides its banking services through its 12 branches located in Amman, Jordan and its subsidiaries Capital Investment and Brokerage Company Ltd. in Jordan, National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

The bank has increased its capital in previous years from JOD 20 million to JOD 200 million. The increases in capital were effected through capitalizing its distributable reserves, retained earning, and private placements to shareholders, and also thanks to the participation of International Finance Corporation (IFC), which became a strategic partner.

Capital Bank of Jordan shares are listed on the Amman Stock Exchange.

The consolidated financial statements were authorized for issue by the bank's Board of Directors in their Meeting No. 2/2018 held on 26 February 2018, and they are subject to the approval of the Central Bank of Jordan and Shareholders' General Assembly. Moreover, the bank's Board of Directors approved the action to recommend a 10% cash dividend distribution to shareholders, which decision is also subject to the approval of Central Bank of Jordan and the Shareholders' General Assembly.

2. Significant Accounting Policies

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

The accompanying consolidated financial statements of the bank and its subsidiaries have been prepared in accordance with IFRS and their interpretations (IFRICs), and in conformity with the Central Bank of Jordan's applicable laws and regulations.

The consolidated financial statements have all been prepared on the historical cost basis except for the following: financial assets at fair value through income statement, financial assets at fair value through other comprehensive income, and financial derivatives that are presented at fair value as of the statements date. Moreover, we have stated financial assets and financial liabilities hedged against the risk of value fluctuation at fair value.

The consolidated financial statements have been presented in Jordanian dinars (JOD), which is the functional currency of the bank.

(2-2) Changes in Accounting Policies:

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016, except for the following:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

These consist of limited amendments that require entities to provide disclosures about changes in their liabilities arising from financing activities, including changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments has no impact on the bank's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognized Losses

These consist of limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of those deductible temporary differences, in addition to some other limited amendments. The adoption of these amendments has no impact on the bank's consolidated financial statements.

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

In August 2014, the IASB amended IAS 27 Separate Financial Statements, restoring the option for entities, in 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 separate financial statements using the equity method to apply the IFRS 1 exemption for past business combinations in 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 the following:

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

(2-3) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries. Control exists when the bank controls the subsidiaries and relevant activities and is exposed, or has the right, to variable returns from its involvement with the subsidiaries, as well as the ability to affect those returns. All intracompany balances, transactions, income and expenses, and profits and losses recognized in assets or liabilities resulting from intracompany transactions between the bank and the following subsidiaries are eliminated in full:

1. Capital Investment and Brokerage Company Ltd. Jordan, of which the bank owns 100% of its paid-in capital of JOD 10,000,000 as of 31 December 2017. The purpose of the company is to provide brokerage services; it was established on 16 May 2005.
2. National Bank of Iraq (NBI), of which the bank owns 61.85% of its paid-in capital of IQD 250 billion, equivalent to JOD 141,913,531 as of 31 December 2017. The bank provides banking services. National Bank of Iraq was acquired effective 1 January 2005.
3. Capital Investment Fund Company Bahrain, of which the bank owns 100% of its paid-in capital of BHD 1,000, equivalent to JOD 1,888, as of 31 December 2017. The purpose of the company is to manage mutual funds; it has not started its operations as of the preparation date for these consolidated financial statements.
4. Capital Bank Corporate Advisory (DIFC) UAE, of which the bank owns 100% of its paid-in capital of USD 250,000 (JOD 177,250) as of 31 December 2017. The purpose of the company is to offer financial consulting services. The company was registered and incorporated on 23 February 2015.
 - The financial statements of the subsidiaries are prepared for the same reporting year as the bank, using consistent accounting policies. If different accounting policies are applied by the subsidiaries, adjustments shall be made to their financial statements to make them comply with those of the Bank.
 - The results of the subsidiaries' operations are consolidated in the consolidated statement of income from the acquisition date, which is the date on which control over the subsidiaries was gained by the bank. The operations results of the disposed subsidiaries are consolidated in the consolidated statement of income up to the disposal date, which is the date the bank lost control over them.
 - Noncontrolling interests represent the portion of equity and profit or loss not owned by the Bank.
 - When preparing separate financial statements, investment in subsidiaries is recorded at cost.

Segment Information

- The business segment represents distinguishable components of the Bank that are engaged in providing products or services subject to risks and rewards that are different from those of other segments, and which are reported based on the reports used by the bank's chief executive decision-maker.
- The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economic environments.

Direct Credit Facilities

- Direct credit facilities are financial assets with fixed or determinable payments, which are provided by the bank or have been acquired. They have no market price in the active markets and are measured at amortized cost.

- Impairment of direct credit facilities is recognized in the provision for impairment loss when events occur after the initial recognition of the credit facilities that have an impact on their future cash flows that can be reliably estimated. The impairment is recorded in the consolidated statement of income.
- Interest and commission arising from nonperforming facilities is suspended according to the Central Bank of Jordan's regulations.
- Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated statement of income, and cash recoveries of loans that were previously written off are credited to the consolidated statement of income.

Financial Assets at Amortized Cost

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows and if the contractual terms of the financial assets give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount.
- Debt instruments meeting these criteria are initially measured at cost plus transaction costs. Subsequently, they are amortized using the effective interest rate method with less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.
- It is not permitted to reclassify assets to or from this category except in certain circumstances specified in IFRS 9.
- If any of these assets are sold before maturity, the resulting gain or loss is recognized in the consolidated statement of income.

Financial Assets at Fair Value Through Income Statement

- This refers to financial assets that do not meet the business model for financial assets at amortized cost and are purchased with the aim of resale in the near future to generate profit from the short-term market price fluctuations or the trading profit margins.
- Financial instruments at fair value through income statement are initially measured at fair value, unless the bank has classified the financial investments as not meant for trading at fair value through other comprehensive income at the purchase date.
- Subsequently, these assets are revalued at fair value. Gains or losses arising from subsequent measurement of these financial assets, including the change in fair value arising from nonmonetary assets in foreign currencies, are recognized in the consolidated statement of income. When these assets or portions thereof are sold, the resulting gain or loss is recorded in the consolidated statement of income.
- Dividend and interest income are recorded in the consolidated statement of income.
- It is not permitted to reclassify assets to or from this category except in certain circumstances specified in IFRS 9.
- It is prohibited to classify financial assets that do not hold a market value in active markets, as well as actively traded instruments under this category. Active trading constitutes the trading of financial assets within three months of the purchase date.

Financial Assets at Fair Value Through Other Comprehensive Income

- These assets represent investments in equity instruments that are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising from subsequent measurement of these equity investments, including the change in fair value arising from nonmonetary assets in foreign currencies, are recognized as other comprehensive income in the consolidated statement of changes in equity. The gain or loss upon disposal of the asset is classified from fair value reserve to retained earnings, and not through consolidated statement of income.
- It is not permitted to reclassify assets to or from this category except in certain circumstances specified in IFRS.

- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the consolidated statement of income.

Fair Value

- The Bank values the financial instruments, such as derivatives and non-financial assets, at fair value as of the date of the financial statements. The fair value of the financial instruments classified at amortized cost is also disclosed.
- The fair value represents the price that will be obtained when selling the assets or the amount that will be paid to transfer liability of regulated transactions between participants in the market.
- In the absence of the principal market, the most advantageous market will be used to trade the assets or liabilities.
- The bank needs the opportunities to reach the primary or most suitable markets.
- The fair value of an assets or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
- A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- The Bank uses adequate valuation techniques in setting and disclosing the fair value of the financial instruments.
- All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:
 - **Level 1** – Quoted market prices in active markets for identical assets or liabilities
 - **Level 2** – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
 - **Level 3** – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable
- For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
- Members of the appraisal committee, along with the Group's external appraisers, compare the changes and related external information on the fair value of assets and liabilities to evaluate the reasonableness of the changes.
- For the purpose of the fair value disclosure, the Group classifies the assets and liabilities according to their nature, the assets' risks and liabilities, and their fair value level.
- In the valuation of non-current assets and liabilities and those that do not incur interest, in accordance with the discounted cash flow and effective interest rate, a discount/premium is amortized from the paid-and-received interest revenue in the consolidated income statement.

Impairment of Financial Assets

The Bank assesses, as of the date of each consolidated statement of financial position, whether there is any objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated to determine the amount of impairment loss.

Impairment is determined as follows:

- For assets carried at amortized cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted according to the original effective interest method.

Impairment is recognized in the consolidated statement of income. If in a subsequent period, the amount of impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognized in the consolidated statement of income and the consolidated statement of other comprehensive income for equity instruments.

Property and Equipment

- Property and equipment are measured at cost after deducting accumulated depreciation impairment in value. Depreciation (except for lands) is calculated using the straight-line method throughout their residual values over their estimated useful lives. Depreciation rates used are as follows:

	%
Buildings	2
Equipment and Furniture	2.5-15
Vehicles	15
Computers	25
Other	10

- When the carrying values exceed the estimated recoverable amounts, the assets' recoverable amounts are written down, and the impairment is recorded in the consolidated statement of income.
- Useful life for property and equipment is reviewed each year. If the expected useful life is different from the previous year, the difference is adjusted prospectively as a change in accounting estimates.
- An item of property and equipment ceases to be recognized upon disposal or when no future economic benefits are expected from its use or disposal.

Provisions

Provisions are recognized when, as of the date of the consolidated financial position, the bank has a present obligation arising from a past event and the costs to settle the obligation are both probable and reliably measured.

Income Tax

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits disclosed in the consolidated statement of income. Accounting profits may include non-taxable profits or tax-deductible expenses that may be exempted in the current or subsequent financial years.

Taxes are calculated based on confirmed tax rates under the laws, regulations, and instructions of the Hashemite Kingdom of Jordan and the countries in which subsidiaries operate.

Deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities — the consolidated financial statements and the value of the tax basis profit. Deferred taxes are measured by using the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when assets are realized or liabilities are settled.

The carrying amount of the deferred assets is reviewed at the time of the consolidated financial statements and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets be utilized.

Fiduciary Assets

Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administering such assets are recognized in the consolidated statement of income. A provision is recognized for decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue and Expense Recognition

Interest income is recognized using the effective interest method except for fees and interest on nonperforming facilities, for which interest is transferred to the interest in suspense account and not recognized in the statement of income.

Expenses are recognized on an accrual basis.

Commission income is recognized upon the rendering of services. Dividend income is recognized when the right to receive payment is established.

Date of Recognition of Financial Assets

Purchases and sales of financial assets are recognized on the trade date (the date on which the sale or purchase is enforceable to the bank).

Financial Instruments and Hedge Accounting

Hedge Financial Instruments

For the purpose of hedge accounting, derivatives are presented at fair value and are classified as follows:

- **Fair Value Hedges**

A fair value hedge is a hedge of the exposure to changes in the fair value of the Bank's recognized assets or liabilities that is attributable to a particular risk. For designated and qualifying effective fair value hedges, the change in the fair value of a hedging derivative is recognized in the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as adjustment to the carrying value of the hedged item and is also recognized in the consolidated statement of income.

- **Cash Flow Hedges**

A cash flow hedge is a hedge of the exposure to variability in the bank's actual and expected cash flows and is attributable to a particular risk associated with a recognized asset or liability.

For designated and qualifying effective cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity. It is subsequently transferred to the consolidated statement of income in the period in which the hedged cash flows affect income, or at such a time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the statement of income.

- **Hedge of Net Investments in Foreign Operations**

Hedges of net investments in a foreign operation are accounted for by measuring the fair value of the hedging instrument. The effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, while the ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the consolidated statement of income.

- For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument are recognized directly in the consolidated statement of income.

Derivative Financial Instruments Held for Trading

Derivative financial instruments (such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options, and others) are initially recorded at cost as other assets/liabilities and subsequently carried at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices are not available, the method of valuation is stated and changes in fair value are recognized in the consolidated statement of income.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's financial consolidated statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies (where the buyer has the right to use these assets, either by selling or re-liening them, they are reclassified as liened financial assets).

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the bank's consolidated financial statements as assets because the bank is not able to control these assets. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities, as applicable, and the difference between purchase and resale price is recognized in the consolidated statement of income over the agreement term using the effective interest method.

Financial Assets Pledged as Collateral

The financial assets pledged by the Bank are for the purpose of providing collateral for the counterparty to the extent that the counterparty is permitted to sell and/or re-pledge the assets. The method of valuation is related to the financial policies for its original classification.

Assets Seized by the Bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "Other Assets," at the lower end of their carrying value or fair value. Assets are revalued at the time of the consolidated statement of financial position on an individual basis, and losses from impairment are transferred directly to the consolidated statement of income, while revaluation gains are not recognized as income. A reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Intangible Assets

Intangible assets are recognized on the basis of their useful lives, whether finite or infinite. Intangible assets with finite lives are amortized over their useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and recognized in the consolidated statement of income. Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income. Indications of impairment of intangible assets are reviewed for, and their useful economic lives are reassessed at the time of the consolidated financial statements. Adjustments are reflected in the current and subsequent periods.

Intangible assets include trademarks, computer software, and programs. Management estimates the useful life for each item. Amortization is calculated using the straight-line method at 25%.

The following is the accounting policy for each of the Bank's intangible assets:

- Trademarks: Amortized using the straight-line method at 25%
- Computer software and programs: Amortized using the straight-line method at 25%

Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange prevailing as of the transaction date.

Monetary assets and liabilities in foreign currencies are translated into their respective functional currencies at the rates of exchange prevailing at the time of the statement of financial position as issued by Central Bank of Jordan.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates from the date on which the fair value was determined.

Any gains or losses are taken to the consolidated statement of income.

Exchange differences for nonmonetary assets and liabilities in foreign currencies (such as equity instruments) are recorded as part of the change in fair value.

When consolidating the financial statements, the assets and liabilities of foreign branches and subsidiaries are translated into the functional currency of each entity at the average exchange rates of the Central Bank of Jordan prevailing on the date of the consolidated statement of financial position. Income and expense items are translated at the average rates for the year. Any exchange differences arising upon translation are taken directly to a separate component of equity. Upon disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the consolidated statement of income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash balances at banks and financial institutions that mature within three months, less banks' and financial institutions' deposits that mature within three months from their acquisition date and restricted balances.

3. Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect revenues and expenses and the resultant provisions, as well as fair value changes reported in shareholder equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors and involve varying degrees of judgment and uncertainty. Furthermore, actual results may differ, resulting in future changes in such provisions.

The Bank's management believes that the consolidated financial statements' estimates are reasonable. The details of these estimates are as follows:

- In terms of provision for impairment in direct credit facilities, the bank reviews its credit facilities according to the regulations of the Central Bank of Jordan as a minimum reference and according to IFRS, as well.
- Impairment losses on repossessed assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.
- The income tax provision is calculated based on the prevailing laws and regulations and IFRS. Moreover, deferred tax assets and liabilities and the related provisions are recorded.
- Management periodically reevaluates the useful lives of tangible and intangible assets to assess the depreciation and amortization for the year based on their useful lives and the general status of these assets. Any related impairment is charged to the consolidated income statement.
- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.
- Impairment of non-financial assets:

The Group assessed any indicators of impairment of non-financial assets as of 31 December 2016. It estimates the recoverable amount of those assets if impairment indicators are found, or if the annual depreciation testing brings an issue to light. The recoverable amount represents the fair net value of whichever is higher, the selling expenses or used amount. This calculation is executed on each asset separately, unless the asset has a separate fund-generating unit. If the asset's book value is higher than the recoverable amount, the asset value is impaired to reflect the recoverable amount. To calculate the used amount, the asset's future cash flows are discounted back to the present value using a pre-tax discount rate. This in turn reflects the market evaluation of the time value of money and risks bared by the asset. Current market conditions are examined, if possible, when calculating the net fair value of these assets; otherwise proper valuation methods are used. Impairment losses are recorded on the consolidated income statement.

Impairments booked on those assets in prior periods are revisited at the time of the consolidated financial statements to examine whether the conditions in which those impairments were calculated have changed or if the impairments have changed in value. The group estimates the recoverable value of the asset. Impairment losses booked in prior periods are reversed only if the assumptions used to calculate the recoverable amount have changed. Impairment reversals are reflected on the consolidated statement of income. Impairment testing of these non-financial assets is based on the following:

- * Intangible assets with indefinite life: Impairment testing on intangible assets with indefinite lives is carried out annually or if indicators of impairment are detected.
- Goodwill: Goodwill impairment testing is carried out annually or if indicators of impairment are detected. Goodwill impairment losses cannot be reversed in future periods.

4. Cash and Balances with Central Banks

	2017	2016
	JOD	JOD
Cash on Hand	34,563,216	25,981,287
Balances at Central Banks: Current and Demand Deposits	152,191,762	164,636,332
Certificate of Deposits	18,500,000	-
Statutory Cash Reserve	77,483,546	70,333,263
Total	282,738,524	260,950,882

- There were no balances maturing within a period of more than three months as of 31 December 2017 and 2016.
- The National Bank of Iraq's balances at the Central Bank of Iraq's Irbil and Al-Sulaymani branches amounted to JOD 62,089,584 and JOD 31,859,165 respectively, as of 31 December 2017, against JOD 85,997,791 and JOD 33,003,070 in 31 December 2016. Due to the current political and economic conditions in Iraq, exploitation of these balances through banking operations is limited.

5. Balances at Banks and Financial Institutions

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
	JOD	JOD	JOD	JOD	JOD	JOD
Current and Demand Deposits	2,650,873	9,166,372	166,814,287	63,613,358	169,465,160	72,779,730
Deposits Maturing in Three Months or Less	-	87,411,704	24,956,750	6,287,400	24,956,750	93,699,104
Total	2,650,873	96,578,076	191,771,037	69,900,758	194,421,910	166,478,834

- Non-interest bearing balances at banks and financial institutions amounted to JOD 169,440,318 as of 31 December 2017, as compared to JOD 72,735,758 as of 31 December 2016.
- Restricted balances amounted to JOD 1,129,379 as of 31 December 2017, against JOD 1,118,692 as of 31 December 2016 (Note 40).

6. Financial Assets at Fair Value Through Income Statement

	2017	2016
	JOD	JOD
Equities	3,175,506	2,785,111
Bonds	-	479,257
Investment Funds	85,554	806,812
Total	3,261,060	4,071,180

7. Financial Assets at Fair Value Through Other Comprehensive Income

	2017	2016
	JOD	JOD
Quoted shares	4,608,894	5,088,627
Unquoted shares	4,526,206	4,409,483
Total	9,135,100	9,498,110

- Realized losses resulted from sales of financial assets at fair value through other comprehensive income, amounting to JOD 1,464,393 as of 31 December 2017, as compared to JOD 588,077 as of 31 December 2016.
- The cash dividends amounted to JOD 356,510, reflecting the shares the bank owns in other companies as of 31 December 2017, against JOD 344,265 as of 31 December 2016.

8. Direct Credit Facilities - Net

	2017	2016
	JOD	JOD
Retail Customers		
Overdrafts	9,229,190	11,189,619
Loans and Bills *	79,297,196	93,913,407
Credit Cards	7,324,567	6,760,968
Real-Estate Mortgages	154,609,224	155,234,146
Large Corporates		
Overdrafts	87,089,700	117,608,731
Loans and Bills *	442,393,520	461,309,457
SME Facilities		
Overdrafts	34,066,264	31,071,059
Loans and Bills *	113,985,177	85,423,928
Government and Public Sector Lending	69,298,643	98,104,698
Total	997,293,481	1,060,616,013
Less: Suspended Interest	14,725,092	34,880,731
Less: Allowance for Impairment in Direct Credit Facilities	61,606,026	55,263,051
Net Direct Credit Facilities	920,962,363	970,472,231

* The net of interest and commissions received in advance amounted to JOD 982,854 as of 31 December 2017, against JOD 955,928 as of 31 December 2016.

- Nonperforming credit facilities amounted to JOD 111,345,767 as of 31 December 2017, against JOD 100,019,129 as of 31 December 2016. This represents 11.16% of the total direct credit facilities as of 31 December 2017, against 9.43% as of 31 December 2016.
- Nonperforming credit facilities, net of suspended interest, amounted to JOD 96,620,675 as of 31 December 2017, as compared to JOD 65,138,398 in December 2016, which represents 9.83% of 2017's total direct credit facilities after excluding the suspended interest, against 6.35% in December 2016.
- Total credit facilities granted to and guaranteed by the government amounted to JOD 57,251,864 as of 31 December 2017, against JOD 86,540,369 as of 31 December 2016, representing 5.74% of the total direct credit facilities as of 31 December 2017, against 8.16% as of 31 December 2016.

Provision for Impairment Losses:

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

31 December 2017	Retail	Real-Estate Mortgages	Corporations	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Balance as of 1 January 2017	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051
Charge for the Year	1,979,526	1,316,714	19,206,072	1,622,324	24,124,636
Amounts Written Off	(2,321,451)	(234,781)	(14,560,116)	(555,429)	(17,671,777)
Foreign Exchange Differences	(5,327)	-	(104,550)	(7)	(109,884)
Balance at the End of the Year	8,869,576	2,557,682	47,200,069	2,978,699	61,606,026
Impairment on Individual Basis	8,464,547	2,456,036	44,565,774	2,904,222	58,390,579
Watch List Impairment on Portfolio Basis	405,029	101,646	2,634,295	74,477	3,215,447
Balance at the End of the Year	8,869,576	2,557,682	47,200,069	2,978,699	61,606,026

31 December 2016	Retail	Real-Estate Mortgages	Corporations	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Balance as of 1 January 2016	9,861,102	1,374,161	34,300,134	1,637,667	47,173,064
Charge for the Year	(443,313)	101,588	8,738,164	274,144	8,670,583
Amounts Written Off	(66,914)	-	(25,493)	-	(92,407)
Foreign Exchange Differences	(134,047)	-	(354,142)	-	(488,189)
Balance at the End of the Year	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051
Impairment on Individual Basis	9,091,587	1,463,822	34,109,073	1,885,952	46,550,434
Watch List Impairment on Portfolio Basis	125,241	11,927	8,549,590	25,859	8,712,617
Balance at the End of the Year	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051

The provisions no longer needed due to settlements or repayments and transferred against other debts amounted to JOD 9,789,307 as of 31 December 2017, against JOD 12,040,322 as of 31 December 2016.

The Board of Directors approved to write off JOD 43,502,345 of the nonperforming credit facilities and reclassify these loans with the related provisions and suspended interest to off-balance sheet accounts. The bank retained the legal right to claim these loans amounting to JOD 42,541,832. Nonperforming loans amounting to JOD 115,438,998 as of 31 December 2017 are fully covered by provisions and interest in suspense.

Interest in Suspense

The movement of interest in suspense is as follows:

31 December 2017	Retail	Real Estate	Corporations	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Balance as of 1 January 2017	5,117,309	916,174	27,740,735	1,106,513	34,880,731
Add: Suspended Interest During the Year	788,964	657,835	4,232,467	662,434	6,341,700
Interest Transferred to Income	(239,634)	(172,339)	(118,872)	(122,027)	(652,872)
Amounts Written Off	(1,848,290)	(257,421)	(23,274,918)	(449,939)	(25,830,568)
Foreign Exchange Differences	(4,968)	-	(8,931)	-	(13,899)
Balance at the End of the Year	3,813,381	1,144,249	8,570,481	1,196,981	14,725,092
31 December 2016					
Balance as of 1 January 2016	4,367,916	845,719	24,222,653	780,629	30,216,917
Add: Suspended Interest During the Year	1,300,905	261,097	6,375,099	494,751	8,431,852
Interest Transferred to Income	(357,964)	(190,642)	(2,277,628)	(132,049)	(2,958,283)
Amounts Written Off	(156,397)	-	(500,986)	(36,818)	(694,201)
Foreign Exchange Differences	(37,151)	-	(78,403)	-	(115,554)
Balance at the End of the Year	5,117,309	916,174	27,740,735	1,106,513	34,880,731

The direct credit facilities portfolio is distributed as per the following geographical and industrial sectors classification:

	Inside Jordan	Outside Jordan	31 December 2017	31 December 2016
	JOD	JOD	JOD	JOD
Financial	33,971,058	-	33,971,058	40,121,399
Industrial	104,505,303	6,676,655	111,181,958	116,888,831
Commercial	160,682,152	47,216,320	207,898,472	175,475,806
Real Estate	243,533,484	19,674,368	263,207,852	260,569,720
Tourism and Hotels	30,224,605	15,937,491	46,162,096	31,840,801
Agriculture	11,300,942	-	11,300,942	15,287,305
Shares	54,748,236	-	54,748,236	81,392,765
Services and Public Utilities	69,436,930	1,799,764	71,236,694	92,831,674
Transportation Services (Including Air Transportation)	11,846,558	-	11,846,558	12,065,836
Government and Public Sector	69,298,643	-	69,298,643	98,104,698
Retail	80,733,985	6,604,196	87,338,181	95,760,588
Other	29,102,791	-	29,102,791	40,276,590
Total	899,384,687	97,908,794	997,293,481	1,060,616,013

9. Financial Assets at Amortized Cost - Net

This item consists of the following:

	2017	2016
	JOD	JOD
Treasury Bonds	371,360,178	376,502,517
Governmental Debt Securities and Guarantees	59,531,804	38,835,386
Bonds, Corporate Debt Securities *	36,044,998	24,682,217
Other Government Bonds	947,719	10,722,320
Total	467,884,699	450,742,440
Analysis of Bonds and Bills:		
Fixed Rate	454,981,699	443,453,190
Floating Rate	12,903,000	7,289,250
Total	467,884,699	450,742,440

* The net of impairment loss amounted to JOD 500,000 as of 31 December 2017 and 2016.

- The bank sold financial assets at amortized cost amounting to JOD 21,881,613 due to the increased risks of these assets, which is inconsistent with the bank's business model. This transaction resulted in a profit of JOD 545,015 for 31 December 2017 (31 December 2016: JOD 0).

10. Property and Equipment - Net

2017	Lands	Buildings	Furniture and Fixtures	Vehicles	Computers	Other*	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:							
Balance as of 1 January 2017	12,263,031	7,170,437	10,173,844	536,968	5,242,410	8,885,600	44,272,290
Additions	465,913	-	1,441,631	108,591	240,301	256,612	2,513,048
Disposals	-	-	(181,416)	(102,317)	(167,833)	-	(451,566)
Foreign Exchange Differences	(17,829)	(3,923)	(15,468)	(469)	-	-	(37,689)
Balance at the End of the Year 2017	12,711,115	7,166,514	11,418,591	542,773	5,314,878	9,142,212	46,296,083
Accumulated Depreciation:							
Accumulated Depreciation as of 1 January 2017	-	1,083,972	5,784,268	407,080	3,191,872	5,939,090	16,406,282
Depreciation Charge for the Year	-	100,707	1,441,547	45,608	694,227	705,997	2,988,086
Disposals	-	-	(173,613)	(93,347)	(160,395)	-	(427,355)
Foreign Exchange Differences	-	140	5,213	59	-	-	5,412
Accumulated Depreciation at the End of the Year 2017	-	1,184,819	7,057,415	359,400	3,725,704	6,645,087	18,972,425
Net Book Value of Property and Equipment	12,711,115	5,981,695	4,361,176	183,373	1,589,174	2,497,125	27,323,658
Advanced Payment to Purchase Property and Equipment	-	-	904,006	-	-	2,041,088	2,945,094
Net Book Value of Property and Equipment at the End of 2017	12,711,115	5,981,695	5,265,182	183,373	1,589,174	4,538,213	30,268,752

2016	Lands	Buildings	Furniture and Fixtures	Vehicles	Computers	Other*	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:							
Balance as of 1 January 2016	12,464,582	7,214,907	8,215,426	538,392	4,257,431	8,406,698	41,097,436
Additions	-	-	2,438,256	3,892	1,417,982	478,902	4,339,032
Disposals	-	-	(353,488)	-	(433,003)	-	(786,491)
Foreign Exchange Differences	(201,551)	(44,470)	(126,350)	(5,316)	-	-	(377,687)
Balance at the End of the Year 2016	12,263,031	7,170,437	10,173,844	536,968	5,242,410	8,885,600	44,272,290
Accumulated Depreciation:							
Accumulated Depreciation as of 1 January 2016	-	989,045	4,906,129	356,176	3,130,916	5,199,545	14,581,811
Depreciation Charge for the Year	-	101,191	1,261,238	55,757	493,826	739,545	2,651,557
Disposals	-	-	(331,682)	-	(432,870)	-	(764,552)
Foreign Exchange Differences	-	(6,264)	(51,417)	(4,853)	-	-	(62,534)
Accumulated Depreciation at the End of the Year 2016	-	1,083,972	5,784,268	407,080	3,191,872	5,939,090	16,406,282
Net Book Value of Property and Equipment	12,263,031	6,086,465	4,389,576	129,888	2,050,538	2,946,510	27,866,008
Advanced Payment to Purchase Property and Equipment	177,250	284,814	527,410	-	-	1,083,414	2,072,888
Net Book Value of Property and Equipment at the End of the Year 2016	12,440,281	6,371,279	4,916,986	129,888	2,050,538	4,029,924	29,938,896

* "Other" represents renovation, interior design, and decoration of buildings and branch offices.

- The estimated costs to complete the projects in progress amounted to around JOD 551,283 as of 31 December 2017.
- Fully depreciated property and equipment amounted to JOD 8,844,541 as of 31 December 2017, versus JOD 6,772,316 as of 31 December 2016.

11. Intangible Assets - Net

This item consists of the following:

	Computer Software and Systems	
	2017	2016
	JOD	JOD
Balance at the Beginning of the Year	4,308,221	2,987,808
Additions	1,153,923	3,159,232
Amortization for the Year	(1,602,683)	(1,798,231)
Foreign Currency Differences	(6,207)	(40,588)
Balance at the End of the Year	3,853,254	4,308,221
Projects Under Construction	1,942,397	1,229,311
Balance at the Beginning of the Year	5,795,651	5,537,532

- The estimated cost to complete projects under construction was JOD 794,800 as of 31 December 2017.
- Fully amortized intangible assets amounted to JOD 10,116,069 as of 31 December 2017, against JOD 9,646,483 as of 31 December 2016.

12. Other Assets

The details are as follows:

	2017	2016
	JOD	JOD
Accrued Interest and Revenue	16,170,077	18,680,510
Prepaid Expenses	1,719,932	1,607,113
Collateral Seized by the Bank Against Matured Debts*	45,394,698	54,812,646
Purchased Bank Acceptances	9,336,513	6,862,320
Export Documents and Bills Purchased	317,897	317,897
Assets/Derivatives Unrealized Gain (Note 41)	277,362	-
Other Assets Seized **	-	12,113,849
Refundable Deposits	1,438,968	2,822,610
Others	963,567	1,718,836
Total	75,619,014	98,935,781

* According to the regulations of the Central Bank of Jordan, the bank is required to dispose of seized real estate in a maximum period of two years from the acquisition date. The Central Bank may approve of an extension of up to two executive years at most. According to the Central Bank Circular No. 10/1/4076, a provision should be calculated for real estate seized for a period longer than four years.

** There was no accumulated impairment of the other seized real estate as of 31 December 2017, versus JOD 8,075,894 as of 31 December 2016, meaning that the bank sold the seized real estate during 2017.

The following is a summary of the movement of assets seized by the bank:

	2017			2016
	Seized Real Estate	Other Seized Assets***	Total	Total
	JOD	JOD	JOD	JOD
Balance at the Beginning of the Year	53,151,354	1,661,292	54,812,646	59,503,052
Foreign Currency Translation Differences	(21,914)	-	(21,914)	(146,156)
Additions During the Year	2,409,155	-	2,409,155	7,128,094
Disposals During the Year	(3,444,528)	(399,434)	(3,843,962)	(10,562,595)
Impairment Losses During the Year	(3,678,924)	(1,261,858)	(4,940,782)	(361,251)
Provision for Seized Real Estate Against Matured Depts During the Year	(3,020,445)	-	(3,020,445)	(748,498)
Balance at the End of the Year	45,394,698	-	45,394,698	54,812,646

*** This item represents shares seized by the Bank to settle debts.

13. Banks' and Financial Institutions' Deposits

The details are as follows:

	2017			2016		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JOD	JOD	JOD	JOD	JOD	JOD
Current and Demand Deposits	1,019,043	90,279,134	91,298,177	2,598,140	22,777,867	25,376,007
Term Deposits	16,574,506	-	16,574,506	83,556,605	33,825,000	117,381,605
Total	17,593,549	90,279,134	107,872,683	86,154,745	56,602,867	142,757,612

14. Customer Deposits

The details are as follows:

2017	Retail	Corporations	SMEs	Government and Public Sector	Total
	JOD	JOD	JOD	JOD	JOD
Current and Demand Deposits	137,577,730	177,636,023	74,200,074	26,494,779	415,908,606
Saving Accounts	59,472,924	11,158	276,069	-	59,760,151
Time and Notice Deposits	459,713,470	168,316,642	26,832,865	32,138,517	687,001,494
Certificates of Deposit	52,307,974	-	42,000	2,000,000	54,349,974
Total	709,072,098	345,963,823	101,351,008	60,633,296	1,217,020,225

2016	Retail	Corporations	SMEs	Government and Public Sector	Total
	JOD	JOD	JOD	JOD	JOD
Current and Demand Deposits	183,632,902	129,739,569	63,723,430	38,377,529	415,473,430
Saving Accounts	53,751,315	68,910	374,229	-	54,194,454
Time and Notice Deposits	458,760,802	174,611,782	34,126,263	35,619,784	703,118,631
Certificates of Deposit	48,408,785	50,000	1,465,100	2,000,000	51,923,885
Total	744,553,804	304,470,261	99,689,022	75,997,313	1,224,710,400

- The deposits of the government and general public sector inside Jordan amounted to JOD 60,633,296, representing 4.98% of the total deposits as of 31 December 2017, versus JOD 75,997,313, representing 6.21% as of 31 December 2016.
- Non-interest-bearing deposits amounted to JOD 388,472,799, representing 31.93% of total deposits as of 31 December 2017, versus JOD 383,926,252, or 31.35% of the total deposits as of 31 December 2016.
- No deposits were reserved (restricted withdrawals) as of 31 December 2017 and 31 December 2016.
- Dormant deposits amounted to JOD 1,206,645 as of 31 December 2017, against JOD 1,121,565 as of 31 December 2016.

15. Margin Accounts

The details are as follows:

	2017	2016
	JOD	JOD
Margins on Direct Credit Facilities	32,535,019	33,940,773
Margins on Indirect Credit Facilities	40,430,004	48,984,699
Margin Dealings	552,857	403,314
Others	71,144,504	61,676,372
Total	144,662,384	145,005,158

16. Loans and Borrowings

The details are as follows:

2017	Amount	Number of Installments		Frequency of Installments	Collaterals	Interest Rate	Refinanced Interest Rate
		Total	Outstanding				
	JOD	JOD	JOD		JOD	%	
Amounts Borrowed from Central Banks	41,180,585	1,640	1,307	Monthly and Semiannual Payment and Payment at Maturity	-	0.70% - 5.50%	4.00% - 6.50%
Amounts Borrowed from Local Banks and Financial Institutions	60,000,000	6	6	One Payment	-	4.05% - 5.75%	4.50% - 11.78%
Amounts Borrowed from Foreign Banks and Financial Institutions	17,733,586	100	88	Monthly and Semiannual Payment and Payment at Maturity	-	1.77% - 2.58%	3.75% - 10.00%
Total	118,914,171				-		

2016	Amount	Number of Installments		Frequency of Instalments	Collaterals	Interest Rate	Refinanced Interest Rate
		Total	Outstanding				
	JOD	JOD	JOD		JOD	%	
Amounts Borrowed From Central Banks	38,696,347	814	699	Monthly and Semiannual Payment and Payment at Maturity	-	0.70% - 3.05%	4.00% - 6.50%
Amounts Borrowed from Local Banks and Financial Institutions	20,000,000	2	2	One Payment	-	4.05% - 4.50%	3.38% - 11.75%
Amounts Borrowed from Foreign Banks and Financial Institutions	19,189,081	103	73	Monthly and Semiannual Payment and Payment at Maturity	-	1.77% - 3.50%	3.50% - 10.00%
Total	77,885,428				-		

- The money borrowed from the Central Bank includes JOD 41,180,585 that represents amounts borrowed to refinance customers' loans in the medium-term financing programs that have been borrowed again. These loans mature between 2018 and 2039.
- The amounts borrowed from local institutions are all borrowed from the Jordan Mortgage Refinance Company for a total amount of JOD 60 million. The loans mature between 2018 and 2020.
- The amounts borrowed from foreign banks / institutions are all borrowed from the European Bank for Reconstruction and Development and amounted to USD 8,571,429. The last payment falls due in 2020.
- Loans bearing fixed interest rates amounted to JOD 112,837,028, and loans bearing floating interest rates amounted to JOD 6,077,143 as of 31 December 2017.

17. Subordinated Loans

2017	Amount	Frequency of Installments	Collaterals	Interest Rate
	JOD		JOD	%
Subordinated Loan	17,725,000	One Payment Maturing on 1 March 2020	-	6.85%
Total	17,725,000		-	

- The bank has obtained the Amman Stock Exchange's approval to include these bonds in the Amman Stock Exchange starting from 26 July 2015. These bonds are US dollar bonds.

18. Secondary Loans

	2017	2016
	JOD	JOD
Nominal Value of the Convertible Loan	-	4,726,667
Issue Cost	-	(205,215)
Total	-	4,521,452

19. Sundry Provisions

2017	Balance at the Beginning of the Year	Provided During the Year	Utilized During the Year	Transferred to Income	Balance at the End of the Year
	JOD	JOD	JOD	JOD	JOD
Provision for Lawsuits Raised Against the Bank (Note 37)	34,000	3,850,406	(15,107)	(18,893)	3,850,406
Provision Against Iraq Risks (Note 37)	25,354,563	-	-	(12,391,408)	12,963,155
Other Provisions	-	38,995	-	-	38,995
Foreign Currency Translation Differences	(24,819)	(9,854)	-	-	(34,673)
Total	25,363,744	3,879,547	(15,107)	(12,410,301)	16,817,883

2016	Balance at the Beginning of the Year	Provided During the Year	Utilized During the Year	Transferred to Income	Balance at the End of the Year
	JOD	JOD	JOD	JOD	JOD
Provision for Lawsuits Raised Against the Bank (Note 37)	34,000	-	-	-	34,000
Provision Against Iraq Risks (Note 37)	12,001,722	13,352,841	-	-	25,354,563
Foreign Currency Translation Differences	(24,819)	-	-	-	(24,819)
Total	12,010,903	13,352,841	-	-	25,363,744

- In light of the improvements in the political and the economic situations in Iraq in 2017, the bank collected a deposited amount of JOD 25,052,113 from National Bank of Iraq balances at the Central Bank of Iraq's Irbil and Al-Sulaymaniah branches. Therefore, the bank reversed a provision of JOD 12,963,155 during 2017, noting that the provision will be reviewed annually.

20. Income Tax

A- Income Tax Liabilities

The movement on income tax liability is as follows:

	2017	2016
	JOD	JOD
Balance at the Beginning of the Year	11,020,115	7,870,942
Income Tax Paid	(12,268,944)	(10,993,283)
Income Tax Charge	3,716,713	14,234,562
Income Tax on Other Comprehensive Income	(155,096)	-
Income Tax Charge for Previous Years	131,672	(42,824)
Foreign Exchange Translation Differences	2,272	(49,282)
Balance at the End of the Year	2,446,732	11,020,115

Income tax is presented in the consolidated income statement as follows:

	2017	2016
	JOD	JOD
Current Income Tax Charge for the Year	3,716,713	14,234,562
Income Tax Charge for Previous Years	131,672	-
Deferred Tax Assets for the Year	207,633	(2,647,314)
Deferred Tax Liabilities for the Year	14,829	(632,826)
	4,070,847	10,954,422

- The legal income tax rates on the bank revenues and brokerage firms are 35% and 24% respectively.
- Legal income tax on bank revenues in Iraq is 15%.
- A final settlement has been made with the Income and Sales Tax Department regarding the bank's tax till the end of 2014.
- The Income and Sales Tax Department has reviewed the tax return for the year 2015 and has not released the final settlement yet.
- A final settlement has been made with the Income and Sales Tax Department regarding the tax on the brokerage firm until the end of 2015.
- A final settlement has been made with the Income and Sales Tax Department regarding the tax on the National Bank of Iraq until the end of 2016. The bank obtained receipts confirming the amounts settled, and the Bank will settle the amounts due on 31 December 2017 during 2018.
- The bank and its subsidiaries have submitted the tax return for the year 2016. Final settlements were still pending on the date of these consolidated financial statements.
- The management believed that the income tax provision recorded is sufficient to meet the tax obligations as of 31 December 2017.

B- Deferred Tax Assets / Liabilities

The details are as follows:

Included Accounts	2017					
	Balance at the Beginning of the Year	Released Amounts	Additions	Balance at the End of the Year	Deferred Tax	2016
	JOD	JOD	JOD	JOD	JOD	JOD
a) Deferred Tax Assets						
Provision for Lawsuits Held Against the Bank	34,000	(34,000)	355,500	355,500	85,320	11,900
Impairment Loss on Seized Shares	5,929,983	-	1,261,858	7,191,841	2,517,144	2,075,494
Losses From Revaluation of Financial Assets Through Income Statement	355,862	(216,634)	366,123	505,351	135,728	102,821
Provision for Watch List Facilities	304,518	(154,608)	-	149,910	52,481	106,280
Losses from Revaluation of Financial Assets Through Other Comprehensive Income	2,335,227	(1,412,620)	613,096	1,535,703	514,673	718,765
Additional Provision on Other Credit Facilities	2,977,988	(76,296)	3,266,729	6,168,421	1,898,329	816,319
Losses on Impairment of Financial Assets at Amortized Cost	500,000	-	-	500,000	175,000	175,000
Impairment of Seized Assets	10,384,161	(8,085,554)	6,048,415	8,347,022	2,921,458	3,634,456
Impairment Loss in Investment in Subsidiaries	24,782,816	(12,391,408)	-	12,391,408	1,239,141	2,478,282
Other Deferred Tax Assets	1,653,829	(1,528,807)	2,060,000	2,185,022	747,157	578,839
Total	49,258,384	(23,899,927)	13,971,721	39,330,178	10,286,431	10,698,156
b) Deferred Tax Liabilities						
Unrealized Gains – Financial Assets at Fair Value Through OCI	1,369,597	(117,320)	741,644	1,993,921	635,765	394,995
Unrealized Gain from Financial Assets – at Fair Value Through Income Statement	92,175	(65,140)	98,455	125,490	43,920	29,091
Total	1,461,772	(182,460)	840,099	2,119,411	679,685	424,086

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

	2017		2016	
	Assets JOD	Liabilities JOD	Assets JOD	Liabilities JOD
Balance at the Beginning of the Year	10,698,156	424,086	8,235,623	862,360
Additions	4,768,082	286,960	3,257,311	212,699
Released	(5,179,807)	(31,361)	(794,778)	(650,973)
Balance at the End of the Year	10,286,431	679,685	10,698,156	424,086

- The income tax rates on deferred tax assets and liabilities ranged between 24% and 35%.
- Reconciliation between taxable profit and the accounting profit is as follows:

	2017	2016
	JOD	JOD
Accounting Profit	31,382,493	27,090,398
Non-Taxable Income	(25,767,185)	(2,122,750)
Non-Deductible Expenses	12,587,080	22,440,322
Taxable Profit	18,202,388	47,407,970
Effective Rate of Income Tax	12.97%	40.44%

21. Other Liabilities

The details are as follows:

	2017	2016
	JOD	JOD
Accrued Interest Expense	6,548,245	5,611,559
Accrued Expenses	2,709,339	2,273,266
Certified Checks	2,911,545	2,737,820
Checks Payable	1,311,421	2,141,389
Board of Directors' Remuneration	573,383	85,000
Brokerage Payables	6,174,335	7,069,058
Negative Fair Value of Derivatives (Note 41)	-	9,904
Guarantees	99,849	-
Others	4,512,161	3,875,797
Total	24,840,278	23,803,793

22. Paid-In Capital

The authorized and paid-in capital amounting to JOD 200,000,000 was divided into shares at a par value of JOD 1 per share as of 31 December 2017 and 31 December 2016.

23. Cash Dividends and Proposed Cash Dividends

In Meeting No. 2/2018 held on 26 February 2018, the bank's Board of Directors approved the proposed cash dividends equivalent to 10% of the bank's authorized and paid-in capital. The decision is subject to the approval of Central Bank of Jordan and the Shareholders' General Assembly.

In the meeting held on 25 May 2017, the bank's Board of Directors approved a plan to distribute cash dividends equivalent to 5% of the bank's authorized and paid-in capital.

24. Reserves

Statutory Reserve

As required by the law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

General Banking Risk Reserve

This reserve is appropriated from retained earnings in compliance with Central Bank of Jordan regulations.

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
	JOD	
Statutory Reserve	34,689,204	Companies Law and Banks Law
General Banking Risk Reserve	8,840,593	Central Bank of Jordan

25. Foreign Currency Translation Reserve

The foreign currency translation differences represents the exchange differences resulting from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

	2017	2016
	JOD	JOD
Balance at the Beginning of the Year	(3,868,943)	379,962
Net Movement	(213,725)	(4,248,905)
Balance at the End of the Year	(4,082,668)	(3,868,943)

26. Fair Value Reserve

The movement for this account is as follows:

	2017	2016
	JOD	JOD
Balance at the Beginning of the Year	(566,421)	(1,407,974)
Change in Fair Value for Financial Assets at Fair Value Through Other Comprehensive Income	(36,120)	632,809
Realized Losses Transferred Losses to Retained Earnings	1,464,393	588,077
Deferred Tax Liability	(240,770)	(194,552)
Deferred Tax Assets	(204,092)	(184,781)
Balance at the End of the Year	416,990	(566,421)

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

27. Material Partially-Owned Subsidiaries

First: Proportion of equity interest held by noncontrolling interests is as follows:

31 December 2017	Country	Nature of Activity	Country	Dividends Distribution
National Bank of Iraq	Iraq	Banking	38.15%	1,117,619
31 December 2016				
National Bank of Iraq	Iraq	Banking	38.15%	-

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

A. Summarized statement of financial position before elimination entries as of the following dates:

	31 December 2017	31 December 2016
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Cash, Balances, and Deposits	226,825,814	242,449,078
Financial Assets Through OCI	921,282	920,533
Credit Facilities - Net	77,125,452	63,150,888
Other Assets	38,164,033	48,291,353
Total Assets	343,036,581	354,811,852
Banks, Customers Deposits, and Margin Accounts	171,889,488	191,137,936
Loans and Borrowings	1,816,493	1,025,884
Provisions and Other Liabilities	18,040,350	15,736,754
Total Liabilities	191,746,331	207,900,574
Shareholders' Equity	151,290,250	146,911,278
Total Liabilities and Shareholders' Equity	343,036,581	354,811,852
Noncontrolling Interest	57,826,685	56,201,653

B. Summarized statement of comprehensive income before elimination entries as of the following dates:

	31 December 2017	31 December 2016
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Interest and Comission Income - Net	20,232,275	20,559,491
Other Income	1,541,091	7,296,195
Total Income	21,773,366	27,855,686
General and Administrative Expenses	10,643,606	9,568,029
Provisions	1,714,483	6,187,277
Total Expenses	12,358,089	15,755,306
Profit Before Tax	9,415,277	12,100,380
Income Tax	1,670,161	2,419,154
Profit After Tax	7,745,116	9,681,226
Other Comprehensive Income	(8,853)	(8,888)
Total Comprehensive Income for the Year	7,736,263	9,672,338
Noncontrolling Interest	2,954,762	3,693,388

C. Summarized cash flow for National Bank of Iraq:

Cash Flow	31 December 2017	31 December 2016
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Operating	34,288,530	39,041,268
Investing	(1,408,667)	(1,453,233)
Financing	(2,635,777)	455,949
Net Increase	30,244,086	38,043,984

28. Retained Earnings

The details are as follows:

	2017	2016
	JOD	JOD
Balance at the Beginning of the Year	39,562,631	30,777,787
Profit for the Year	24,356,884	12,442,588
Transferred to Reserves	(1,460,935)	(3,069,667)
Realized Losses from Selling Financial Assets at Fair Value Through Comprehensive Income	(1,464,393)	(588,077)
Distributed Dividends	(10,000,000)	-
Balance at the End of the Year	50,994,187	39,562,631

- The balance of retained earnings includes a restricted amount of JOD 10,286,431 as of 31 December 2017, versus JOD 10,698,156 as of 31 December 2016, which represents deferred tax assets that cannot be utilized according to the Central Bank of Jordan regulations.
- The balance of retained earnings includes an unrealized gain of JOD 1,088,445 as of 31 December 2017, versus JOD 1,125,859 as of 31 December 2016, which represents the effect of early adoption of IFRS. However, this amount is restricted from use except for the amounts that become realized regulations according to the Securities and Exchange Commission.
- A negative balance of a fair value reserve is considered a restricted reserve that cannot be utilized.
- Gains from revaluation of financial assets at fair value through income statement amounted to JOD 168,096 in 2017, compared to JOD 460,031 as of 31 December 2016, and are restricted from use, according to the Security and Exchange Commission regulations.

29. Interest Income

The details are as follows:

	2017	2016
	JOD	JOD
Direct Credit Facilities:		
Retail		
Overdrafts	902,102	894,847
Loans and Bills	7,224,159	7,950,504
Credit Cards	623,512	728,137
Real-Estate Mortgages	11,318,213	11,144,943
Corporate		
Overdrafts	6,841,009	6,760,944
Loans and Bills	25,542,792	29,478,371
SMEs		
Overdrafts	2,968,305	2,454,349
Loans and Bills	8,484,964	5,527,432
Government and Public Sectors	5,062,041	4,040,779
Balances at Central Banks	93,774	637,340
Balances at Banks and Financial Institutions	968,460	2,357,958
Financial Assets at Amortized Cost	25,349,961	23,860,089
Total	95,379,292	95,835,693

30. Interest Expenses

The details are as follows:

	2017	2016
	JOD	JOD
Banks' and Financial Institutions' Deposits	1,813,879	1,625,713
Customer Deposits:		
Current Accounts and Deposits	1,445,120	996,731
Saving Deposits	563,181	608,971
Time and Notice Deposits	29,973,398	25,675,999
Certificates of Deposits	2,099,657	1,994,720
Margin Accounts	1,096,980	1,519,643
Loans and Borrowings	5,562,331	3,795,172
Deposits Guarantee Fees	2,081,769	2,208,755
Total	44,636,315	38,425,704

31. Net Commission Income

The details are as follows:

	2017	2016
	JOD	JOD
Commission Income:		
Direct Credit Facilities	1,508,921	1,810,648
Indirect Credit Facilities	13,726,031	11,940,804
Other Commission	18,575,007	11,775,675
Commission Expense	(2,193,384)	(1,109,317)
Net Commission Income	31,616,575	24,417,810

32. Net Gain From Foreign Currencies

The details are as follows:

	2017	2016
	JOD	JOD
Revaluation of Foreign Currencies	2,208,271	2,647,437
Revaluation Trading in Foreign Currencies	1,084,963	5,875,150
Total	3,293,234	8,522,587

33. (Loss) Gain from Financial Assets at Fair Value Through Income Statement

The details are as follows:

2017	Realized (Losses) Gains	Unrealized Losses	Dividends Income	Total
	JOD	JOD	JOD	JOD
Equity Shares	(75,345)	(282,071)	138,064	(219,352)
Bonds	9,723	-	-	9,723
Total	(65,622)	(282,071)	138,064	(209,629)

2016	Realized (Losses) Gains	Unrealized Losses	Dividends Income	Total
	JOD	JOD	JOD	JOD
Equity Shares	51,071	(130,169)	45,602	(33,496)
Bonds	67,613	(6,874)	-	60,739
Total	118,684	(137,043)	45,602	27,243

34. Other Income

The details are as follows:

	2017	2016
	JOD	JOD
Recovery from Written-Off Debts	950,556	1,350,471
Income and Commission from Investments and Securities	5,081,393	1,830,611
Others	267,656	280,063
Total	6,299,605	3,461,145

35. Employees' Expenses

The details are as follows:

	2017	2016
	JOD	JOD
Salaries and Benefits	19,415,870	17,424,327
Bank's Contribution in Social Security	1,732,031	1,619,589
Medical Expenses	1,031,898	970,289
Employees' Training	603,197	491,108
Paid Vacations	370,701	187,137
Bank's Contribution to Social Activities Fund	36,330	21,059
Others	232,385	272,012
Total	23,422,412	20,985,521

36. Other Expenses

The details are as follows:

	2017	2016
	JOD	JOD
Rent and Building Services	3,586,984	3,407,629
Consulting and Professional Fees	2,450,486	2,358,360
Stationery and Printing	387,475	397,645
Board of Directors' Transportation	755,148	776,890
Reuters and Bloomberg Subscription Expense	165,115	155,987
Donations	581,220	362,367
Advertisement	2,590,681	2,358,333
Subscriptions, Fees, and Licenses	852,217	842,135
Security Services	206,951	193,259
Travel and Transportation	410,614	581,287
Computer Expenses	1,475,456	1,310,406
Post, Telephone, Swift, and Internet	447,452	403,988
Subscriptions	367,926	318,268
Cash Transportation Services	69,471	57,084
Insurance	305,132	358,248
Hospitality	77,345	76,072
Board of Directors' Remuneration	592,849	85,000
Maintenance	668,157	600,207
Others	1,561,169	1,654,316
Total	17,551,848	16,297,481

37. (Reversed) Impairment Losses and Other Sundry Provisions

The details are as follows:

	Notes	2017	2016
		JOD	JOD
Gain from Selling (Impairment Loss) Seized Assets		(114,667)	3,128,722
Other Sundry Provisions		(12,352,413)	13,352,841
Lawsuits Provision	19	3,831,513	-
Total		(8,635,567)	16,481,563

38. Basic and Diluted Earnings Per Share From Profit for the Year Attributable to Bank's Shareholders

Basic and Diluted Earnings Per Share

The details are as follows:

	2017	2016
	JOD	JOD
Profit for the Year Attributable to Bank's Shareholders	24,356,884	12,442,588
Weighted Average Number of Shares During the Year	200,000,000	200,000,000
Basic and Diluted Earnings Per Share From Profit for the Year Attributable to Bank's Shareholders	0.122	0.062

- The basic earning per share is equivalent to the diluted earning per share because the bank did not issue any convertible financial instruments.

39. Fair Value of Financial Assets Not Presented at Fair Value in the Financial Statements

	31 December 2017		31 December 2016	
	Book Value JOD	Fair Value JOD	Book Value JOD	Fair Value JOD
Financial Assets at Amortized Cost	467,884,699	468,149,488	450,742,440	458,018,026
Direct Credit Facilities-Net	920,962,363	920,962,363	970,472,231	970,472,231

40. Cash and Cash Equivalents

The details are as follows:

	2017	2016
	JOD	JOD
Cash and Balances with Central Banks Maturing Within Three Months	188,789,776	141,950,021
Balances at Banks and Financial Institutions Maturing Within Three Months	194,421,910	166,478,834
Banks' and Financial Institutions' Deposits Maturing Within Three Months	(107,872,683)	(140,702,612)
Restricted Cash Balances at Banks and Financial Institutions (Note 5)	(1,129,379)	(1,118,692)
Total	274,209,624	166,607,551

41. Derivative Financial Instruments

The table below shows the details of derivative financial instruments at the end of the year:

2017	Par (Nominal) Value Maturity				
	Positive Fair Value	Negative Fair Value	Total Nominal Amount	Within Three Months	3-12 Months
	JOD	JOD	JOD	JOD	JOD
Currency Sale Contracts	-	-	205,829,191	205,829,191	-
Currency Purchase Contracts	317,955	-	206,147,146	206,147,146	-
Currency Swap Contracts	-	40,593	39,416,525	-	39,416,525
2016					
Currency Sale Contracts	-	-	4,683,648	4,683,648	-
Currency Purchase Contracts	-	9,904	4,673,744	4,673,744	-

The par (nominal) value indicates the value of the outstanding transactions at year end and does not indicate market risk or credit risk.

42. Related Party Transactions

The consolidated financial statements of the bank include the following subsidiaries:

Company Name	Ownership%		Paid-In Capital	
	2017	2016	2017	2016
	%	%	JOD	JOD
Capital Investment and Brokerage Company	100%	100%	10,000,000	10,000,000
National Bank of Iraq	61.85%	61.85%	86,739,856	86,739,856
Bahrain Investment Fund Company	100%	100%	1,888	1,888
Capital Bank Corporate Advisory (DIFC) Limited	100%	100%	177,250	177,250

The bank deals with major shareholders, directors, and senior management in the ordinary course of business at commercial commission and interest rates.

- The following related party transactions took place during the year:

	Related Party				Total	
	BOD Members and Related Parties	Executive Management	Subsidiaries	Major Shareholders	2017	2016
	JOD	JOD	JOD		JOD	JOD
Statement of Financial Position Items:						
Bank Deposits with Related Parties	-	-	-	-	-	38,266,462
Bank Deposits	17,777,295	948,477	48,697,123	2,794	67,425,689	29,991,052
Margin Accounts	758,637	19,214	24,570,068	300	25,348,219	70,134,700
Direct Credit Facilities	33,134,932	1,731,027	-	2,396,826	37,262,785	35,810,472
Direct Credit Facilities - Watch List	1,982,063	-	-	-	1,982,063	4,298,964
Off-Balance Sheet Items:						
Indirect Credit Facilities	8,101,061	1,000	25,476,077	300	33,578,438	44,160,733
Statement of Income Items:						
Interest and Commission Income	3,278,040	71,947	559,832	116,746	4,026,565	2,743,545
Interest and Commission Expense	964,097	27,336	839,154	-	1,830,587	2,646,038

- Interest rates on credit facilities in JOD range between 4.5% - 11%.
- Interest rates on credit facilities in foreign currency range between 3.75% - 4.62%.
- Interest rates on deposits in JOD range between 3.03% - 5.50%.
- Interest rates on deposits in foreign currency range between 0.40% - 1.75%.

Compensation of the key management personnel is as follows:

	2017	2016
	JOD	JOD
Benefits (Salaries, Wages, and Bonuses) of Executive Management	4,003,034	2,281,561

43. Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, direct credit facilities, other financial assets, customers' deposits, banks' deposits, and other financial liabilities.

There are no material differences between the fair value of financial instruments and their book value.

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques by which all inputs significantly affect the recorded fair value, observed either directly or indirectly from market information

Level 3: Other techniques using inputs significantly affecting the recorded fair values, not based on observable market data

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

2017	Level 1	Level 2	Level 3	Total
	JOD	JOD	JOD	JOD
Financial Assets				
Financial Assets at Fair Value Through Income Statement	3,175,506	85,554	-	3,261,060
Financial Assets at Fair Value Through Other Comprehensive Income	4,608,894	4,526,206	-	9,135,100
Derivative Instruments	-	-	277,362	277,362
2016	Level 1	Level 2	Level 3	Total
	JOD	JOD	JOD	JOD
Financial Assets				
Financial Assets at Fair Value Through Income Statement	3,264,368	806,812	-	4,071,180
Financial Assets at Fair Value Through Other Comprehensive Income	5,088,627	4,409,483	-	9,498,110
Financial Liabilities				
Derivative Instruments	-	-	(9,904)	(9,904)

44. Risk Management Policies

The Bank follows a comprehensive strategy aimed at maintaining the best practices in risk management relating to credit risk, operational risk, market risk, liquidity risk, interest rate risk, concentration risk, and information security risk, in addition to other types of risk in order to maintain both the financial position and profitability of the bank.

The process of identifying, managing, and mitigating risk, as well as complying with the instructions of regulatory authorities and the Basel Committee is considered an overall shared responsibility throughout the bank. These tasks are carried out by several entities within the bank beginning with the Board of Directors and its committees, such as the Risk Committee, the Audit Committee, and the Compliance Committee, in addition to other internal committees within the bank such as the Internal Risk Management Committee, Assets and Liabilities Committee, the various Credit Committees, and all of the bank's branches and departments.

As an independent and specialized department in the bank, the Risk Management Department focuses its efforts, in accordance with its approved policies, on identifying the existing and potential threats (financial and non-financial). The Risk Management Department designs methods that help in measuring and dealing with such threats and reports them to the relevant parties on a regular basis, in addition to adapting and complying with instructions set by CBJ and the Basel Committee and keeping up with the best practices in relation to measuring and managing risk.

The Risk Management Department also participates in evaluating the bank's Capital Adequacy as well as its effectiveness in employing this capital to achieve its strategic goals and determine the requirements needed to manage and control the strategy-related risks.

In addition, the Risk Management Department at the bank operates within the general principles and corporate governance codes that are consistent with the regulator's instructions and international best practices in relation to the bank's size, the volume of its activities, and the complexity of its operations. These principles are as follows:

1. The Board of Directors and its Risk Committee both review and approve the bank's risk appetite for potential losses associated with the various risk factors, as well as reviewing and approving the Risk Management Policies to ensure that they are up-to-date with all developments in the banking industry in terms of the growth of its operations and the expansion of its services. In addition, the Board of Directors ensures that the bank's strategies are being implemented in relation to the bank's risk management.
2. The Chief Executive Officer is the primary actor tasked with risk management and its associated practices within the activity framework of the bank and is also the head of the Internal Risk Management Committee.
3. The risk management philosophy at the bank is based on knowledge, experience, the judgment capability of the supervisory management, and the availability of a clear authority matrix set by the Board of Directors.
4. The Bank is continuously developing the risk management systems and taking the necessary steps and measures needed to make sure that it is in compliance with the new international standards, namely the requirements of Basel III and IFRS 9.
5. The Risk Department manages the bank's risks according to a comprehensive centralized methodology with the presence of systems that assist in managing these risks and by providing various business departments at the bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, headed by the Chief Risk Officer, is linked to the Board's Risk Committee. There is also a direct link that connects the Chief Risk Officer with the Chief Executive Officer.
6. Risk management is the responsibility of all employees.
7. The role of the Assets and Liabilities Committee is planning the optimal deployment and allocation of capital, assets, and liabilities and the continuous monitoring of liquidity and market risks.
8. The Internal Audit Department provides independent assurance about the compliance of the bank's business departments with the risk management policies and procedures, and the effectiveness of the bank's risk management framework.
9. The Chief Financial Officer (CFO) is responsible for identifying the financial risks, as well as monitoring and maintaining the quality and soundness of financial information and ensuring the accuracy and integrity of the disclosed financial statements.
10. The Chief Compliance Officer is responsible for ensuring that the bank complies with all the relevant regulations, legislation, and laws, especially those issued by the regulatory authorities.

In 2017, the bank worked on several primary principles in risk management, primarily the following:

1. Reviewing risk management policies in relation to new requirements and the strategic vision of the bank as well as to enhancing the measurement and management of risk
2. Adopting and implementing the Risk Adjusted Return of Capital (RAROC) concept
3. Implementing Moody's rating system for capital investment
4. Preparing to implement the IFRS 9 Standard, including developing the calculation model, framework, and methodology that will be put into practice. An impact study was also conducted on the effect of the implementation of the IFRS 9 Standard on the bank's financial position and Capital Adequacy Ratio.

5. Updating and developing the authority matrix of the credit process to be in line with the new structure
6. Measuring internal CAR using ICAAP
7. Obtaining a PCI DSS certificate for the second year
8. Implementing PCI DSS requirements at the National Bank of Iraq
9. Developing IT controls to cover SWIFT and COBIT5 regulations
10. Implementing new information security software, such as Data Loss Prevention Software (DLP)
11. Preparing to apply the standardized approach to measuring operational risk

For the year 2018, the bank is planning to work on several primary principles in risk management, mainly as follows:

1. Continuing to work on the new IFRS 9 Standard and enhance its methodology
2. Producing and developing a credit risk system
3. Implementing Moody's rating system in the National Bank of Iraq
4. Obtaining the PCI DSS certificate for the third year at Capital Bank and the PCI DSS certificate for the first year at NBI
5. Applying all information technology controls to cover SWIFT and COBIT5 regulations
6. Fully implementing CRSA at all operational National Bank of Iraq branches
7. Applying the standardized approach to measure operational risk

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail or will be unable to meet his/her contractual obligations toward the bank in accordance with the agreed-upon terms, which could lead to possible losses. Credit risk comprises the default and concentration risk that may arise from direct or indirect borrowings in addition to treasury investments classified within the bank's portfolio.

The bank generally manages credit risk through the following:

- Maintaining a clear and comprehensive policy for managing credit risk in addition to approved credit policies
- Setting clear and specific limits for credit risk levels, set by the Board of Directors and then circulated to the different business departments
- Adopting the concept of credit committees to ensure that the credit decisions are not made on an individual or subjective basis
- Having clear criteria for selecting clients, the target market, and the acceptable level of credit
- Performing a comprehensive and thorough financial and credit analysis covering the various aspects of risk for each client and/or credit process
- Using the results of Moody's credit rating system to determine each client's risk classification
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators
- Evaluating and monitoring constantly to avoid high credit concentration, and implementing the required remedial actions
- Adopting early warning indicators and recognition of possible risks in the credit portfolios while revising them on a regular basis
- Effectively managing and following up on of the preservation of the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate preemptive or safety actions
- Periodically revising (or when necessary) all extended credit facilities on an individual basis to ensure that there are no negative indicators or regress that necessitate preemptive or safety actions

Credit Risk Management Methods:

1- Credit Risk Appetite and Early Warning Procedures:

Key risk indicators for credit risk are set along with their corresponding limits; these represent the general framework of the credit risk profile for the Board of Directors and are monitored on a monthly basis. In addition, early warning procedures are set in advance within pre-agreed-upon limits to avoid any breaches. These are also reviewed on an annual basis to keep up with any developments.

2- Internal Risk Rating:

Clients are internally rated according to specialized and advanced internally developed systems that use Moody's credit rating system to classify clients including corporations, SMEs, retail clients, financial institutions, as well as countries relative to a set of predetermined standards, in addition to being rated by a score card rating system for lending to companies' employees. The results of these systems are then used to identify clients' risk, upon which the credit decision is made. The credit portfolio is monitored periodically to ensure that each client is rated and redistributed according to the rating grades.

3- Stress Testing:

Stress testing is an imperatively effective and robust tool used by the bank as part of the risk management process in general, including credit risk. It is highly effective in alerting the Board of Directors and executive management about the impact of unexpected adverse events that may increase default rates, and in measuring the impact of such events on the bank's profits/losses and capital adequacy ratio, all in order to take the necessary actions and precautions to be in compliance with the Central Bank of Jordan's instructions and enhance the bank's risk management

Credit Risk Mitigation Techniques:

The bank follows several techniques to reduce credit risk:

1. Collaterals against loans and facilities, which include:
 - a. Real-estate mortgages
 - b. Car and vehicle mortgages
 - c. Machinery and equipment mortgages
 - d. Possession of goods stored in the bonded warehouse on behalf of the Bank mortgages
 - e. Financial instruments such as stocks and bonds mortgages
 - f. Bank guarantees
 - g. Cash collateral
 - h. Governmental guarantees
 - i. Assignment of proceeds
 - j. Debt instruments whereby the external ratings issued by international rating agencies such as Standard and Poor's, Moody's, and Fitch, or other equivalent agencies, are used in managing credit risk exposure to debt instruments

The Credit Review and Business Departments determine the acceptable collaterals and their terms, taking into consideration the following:

- a. Accepting quality collaterals that can be easily liquidated at the appropriate time and value as needed by the bank
- b. A lack of correlation between the value of the collateral and the client activity
- c. Monitoring the market value of collaterals on a regular basis, and in case of a decrease in the value of the collateral, requesting additional collaterals to cover the deficit
- d. Periodically evaluating the collaterals that are against nonperforming loans
- e. Setting insurance policies on some portfolios and setting the appropriate provisions to mitigate credit risks

2. Credit Evaluation, Monitoring, and Follow-Up:

The bank develops the necessary policies and procedures to determine the method of evaluating credit, while maintaining the impartiality and objectivity of the decision-making process in an institutional manner and within clear credit standards and principles.

After changing the bank's organizational structure in 2017, primarily by joining the credit review departments (Corporate, SMEs, and Retail) to the Risk Department with the aim of enhancing independence and mitigating credit risk at the customer level, the credit process follows these phases:

- a. Business Departments: Attract clients, prepare the credit study reports, and prepare the credit rating for the clients
- b. Credit Review Departments (Corporate, SMEs, and Retail): Receive credit reports and their attached documents to conduct their own analysis (credit-related, financial, or non-financial), contribute their own recommendations, and review the client's credit rating
- c. Credit Control and Credit Administration Departments: Review credit decisions, monitor credit limits and collaterals, follow up to obtain any missing documents, and prepare the necessary control reports. In addition, the departments monitor the compliance with the Bank's credit policies and the directives of the Central Bank of Jordan in this regard.

The bank adopts the principle of segregation of duties between its commercial function, credit management, and executing operations to ensure control over the credit-granting process and guarantee that all the conditions are in full compliance with the bank's credit policy in terms of credit ceilings, guarantees, and any other limitations. Moreover, the bank authenticates all documents and credit contracts prior to execution. The credit policies also specify clear and detailed authority-granting matrices, according to credit size, cash flow, and pertinent guarantees and collateral.

The bank also places great importance on its training courses and programs for the employees working in the credit field, to enable them to carry out their duties and responsibilities proficiently and competently.

1) Credit risk exposures (after impairment provisions and suspended interest and before collateral held or other mitigation factors) are as seen below:

	2017	2016
	JOD	JOD
Statement of Financial Position Items:		
Balances at Central Banks	248,187,472	234,969,595
Balances at Banks and Financial Institutions	194,429,646	166,807,232
Financial Assets at Fair Value Through Income Statement	-	486,160
Direct Credit Facilities		
Retail	84,293,334	100,874,275
Mortgages	152,015,439	154,172,938
Corporations and SMEs		
Corporations	477,885,242	512,257,512
Small and Medium Enterprises (SMEs)	144,798,701	114,416,121
Governmental and Public Sector	70,246,521	99,411,546
Bonds and Treasury Bills:		
Financial Assets at Amortized Cost - Net	475,626,876	458,420,444
Other Assets	9,696,905	7,187,263
Total Statement of Financial Position Items	1,857,180,136	1,849,003,086
Off-Statement of Financial Position Items		
Letters of Guarantee	143,235,118	142,028,092
Export Letters of Credit	47,553,193	76,250,162
Confirmed Import Letters of Credit	7,577,588	16,205,224
Issued Acceptances	53,167,056	40,732,449
Unutilized Credit Facilities	82,207,585	33,381,425
Forward Purchase Contracts	81,720,341	2,241,000
Total Off-Statement of Financial Position Items	415,460,881	310,838,352
Total	2,272,641,017	2,159,841,438

- The table above represents the maximum limit of the bank's credit risk exposure as of 31 December 2017 and 31 December 2016, without taking into consideration collateral and other factors which will decrease the bank's credit risk.
- For the statement of financial position items, the exposure in the above table is based on the balances as they appeared on the consolidated statement of financial position, in addition to the related accrued interests.

2) Credit exposures are classified by the level of risk according to the following table:

2017	Retail	Real Estate Mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Low Risk	9,957,711	40,372	5,059,904	7,242,405	604,337,156	-	626,637,548
Acceptable Risk	76,859,849	137,602,316	438,185,509	128,266,111	152,068,265	204,131,374	1,137,113,424
Past Due:							
Up to 30 Days	1,808,188	616,150	7,806,672	3,916,110	109,863	-	14,256,983
From 31 to 60 Days	333,194	163	13,681,143	254,660	-	-	14,269,160
Watch List	1,116,855	6,776,338	45,786,922	4,734,400	-	-	58,414,515
Nonperforming:							
Substandard	884,529	2,018,019	1,557,483	1,557,336	-	-	6,017,367
Doubtful	1,573,294	3,190,352	34,209,365	2,555,986	-	-	41,528,997
Loss	6,584,053	6,089,973	46,507,234	4,618,143	-	-	63,799,403
Total	96,976,291	155,717,370	571,306,417	148,974,381	756,405,421	204,131,374	1,933,511,254
Less: Suspended Interest	(3,813,381)	(1,144,249)	(8,570,481)	(1,196,981)	-	-	(14,725,092)
Less: Allowance for Impairment Losses	(8,869,576)	(2,557,682)	(47,200,069)	(2,978,699)	-	-	(61,606,026)
Net	84,293,334	152,015,439	515,535,867	144,798,701	756,405,421	204,131,374	1,857,180,136

2016	Retail	Real-Estate Mortgages	Corporate	SMEs	Governmental and Public Sector	Banks and Financial Institutions	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Low Risk	6,310,869	673,171	8,944,395	10,709,329	579,596,599	-	606,234,363
Acceptable Risk	93,686,245	148,455,234	454,705,705	100,830,343	178,061,950	184,721,426	1,160,460,903
Past Due: Up to 30 Days	1,628,116	55,499	12,084,209	799,203	-	-	14,567,027
From 31 to 60 Days	839,919	12,700	16,660,098	142,213	-	-	17,654,930
Watch List	3,433,874	970,890	66,404,701	1,623,005	-	-	72,432,470
Nonperforming: Substandard	1,013,897	211,104	753,181	571,459	-	-	2,549,641
Doubtful	1,754,500	2,465,674	742,466	76,090	-	-	5,038,730
Loss	9,009,026	3,788,787	76,008,727	3,624,220	-	-	92,430,760
Total	115,208,412	156,564,861	607,559,176	117,434,445	757,658,549	184,721,426	1,939,146,868
Less: Suspended Interest	(5,117,309)	(916,174)	(27,740,735)	(1,106,513)	-	-	(34,880,731)
Less: Allowance for Impairment Losses	(9,216,828)	(1,475,749)	(42,658,663)	(1,911,811)	-	-	(55,263,051)
Net	100,874,275	154,172,938	537,159,778	114,416,121	757,658,549	184,721,426	1,849,003,086

- Credit exposure includes facilities, balances and deposits at banks, bonds, treasury bills, and any other assets with credit exposure.
- The total debt balance is considered due if one installment or interest is due.
- The overdraft account is considered due if it exceeds its limit.

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

2017	Retail	Real-Estate Mortgages	Corporate	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Collaterals	9,957,711	40,372	5,059,904	7,242,405	22,300,392
Low Risk					
Acceptable Risk	41,933,974	62,061,662	149,249,813	48,385,979	301,631,428
Watch List	277,156	2,026,665	4,672,770	1,486,678	8,463,269
Nonperforming: Substandard	371,396	302,995	3,323,789	215,577	4,378,623
Doubtful	816,203	2,227,096	15,682,059	2,257,698	20,983,056
Loss	4,033,541	3,708,603	17,992,309	1,994,964	27,729,417
Total	57,554,847	70,367,393	195,980,644	61,583,301	385,486,185
Comprised of:	10,393,336	330,713	8,904,799	7,910,686	27,539,534
Cash Margin					
Real Estate	26,077,250	69,763,414	144,452,094	47,144,574	287,437,332
Quoted Equities	-	-	12,981,957	2,871,654	15,853,611
Vehicles and Machinery	21,084,261	273,266	29,641,794	3,656,387	54,655,708
Total	57,554,847	70,367,393	195,980,644	61,583,301	385,486,185

2016	Retail	Real-Estate Mortgages	Corporate	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Collaterals					
Low Risk	6,310,869	673,171	8,944,395	10,709,329	26,637,764
Acceptable Risk	36,776,437	109,307,828	116,826,259	44,130,045	307,040,569
Watch List	1,029,208	1,608,411	35,857,468	1,162,633	39,657,720
Nonperforming:					
Substandard	404,221	-	115,428	103,778	623,427
Doubtful	584,915	1,308,798	392,362	150,092	2,436,167
Loss	821,124	3,560,247	14,796,880	2,335,364	21,513,615
Total	45,926,774	116,458,455	176,932,792	58,591,241	397,909,262
Comprised of:					
Cash Margin	6,310,869	673,171	8,944,395	10,709,329	26,637,764
Real Estate	20,601,475	115,785,284	123,511,751	39,411,370	299,309,880
Quoted Equities	-	-	14,178,315	2,942,236	17,120,551
Vehicles and Machinery	19,014,430	-	30,298,331	5,528,306	54,841,067
Total	45,926,774	116,458,455	176,932,792	58,591,241	397,909,262

The fair value of collaterals shown above does not exceed the value of the loan for each individual client.

Rescheduled Loans

These are defined as loans that were classified as “nonperforming” credit facilities and subsequently removed and included under “watch list” based upon a proper rescheduling in compliance with the Central Bank of Jordan's regulations. These loans amounted to JOD 8,332,672 as of 31 December 2017, versus JOD 16,236,208 as of 31 December 2016.

The rescheduled loans balances represent the scheduled loans that are either still classified as watch list or transferred to performing.

Restructured Loans

According to the Central Bank of Jordan's instruction No. 47/2009, issued on 10 December 2009, and its amendments, restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferring installments, or extending the grace period and accordingly classifying loans as “watch list” in case of restructuring twice during the year according to the Central Bank of Jordan's instructions number 47/2009, issued on 10 December 2009, and its amendments. These debts amounted to JOD 71,237,889 as of 31 December 2017, as compared to JOD 70,126,546 as of 31 December 2016.

3) Bonds and treasury bills:

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies as of 31 December 2017:

Risk Rating Class	Financial Assets at Fair Value Through Income Statement	Financial Assets at Amortized Cost	Financial Assets at Fair Value Through Other Comprehensive Income	Total
	JOD	JOD		JOD
Non-Rated	-	30,683,997	-	30,683,997
Governmental	-	430,891,981	-	430,891,981
(A- / A+) S&P	-	5,193,149	-	5,193,149
(BBB+ /BBB-) S&P	-	1,115,572	-	1,115,572
Total	-	467,884,699	-	467,884,699

4) Credit concentration based on geographic distribution is as follows:

Geographic Sector	Inside Jordan	Other Middle Eastern Countries	Europe	Asia*	America	Other	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances at Central Banks	107,687,584	140,499,888	-	-	-	-	248,187,472
Balances at Banks and Financial Institutions	2,650,873	43,910,792	26,909,912	21,682,428	78,577,397	20,698,243	194,429,646
Direct Credit Facilities:							
Retail	79,309,632	4,983,702	-	-	-	-	84,293,334
Real-Estate Mortgages	152,015,439	-	-	-	-	-	152,015,439
Corporate Lending:							
Large Corporations	405,831,183	72,054,059	-	-	-	-	477,885,242
Small and Medium Enterprises (SMEs)	143,219,972	1,578,729	-	-	-	-	144,798,701
Governmental and Public Sector	70,246,521	-	-	-	-	-	70,246,521
Bonds and Treasury Bills:							
Financial Assets at Amortized Cost	465,839,598	8,574,320	564,285	648,673	-	-	475,626,876
Other Assets	5,454,087	4,242,818	-	-	-	-	9,696,905
Total 2017	1,432,254,889	275,844,308	27,474,197	22,331,101	78,577,397	20,698,243	1,857,180,136
Total 2016	1,533,415,605	271,380,326	13,286,582	2,770,013	26,382,648	1,767,912	1,849,003,086

* Excluding inside Jordan and Middle Eastern countries.

5) Concentration in credit exposures based on economic sectors is as follows:

Economic Sector	Financial	Industrial	Commercial	Real Estate*	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances at Central Banks	-	-	-	-	-	-	-	248,187,472	-	248,187,472
Balances at Banks and Financial Institutions	194,429,646	-	-	-	-	-	-	-	-	194,429,646
Credit Facilities	33,432,274	90,546,928	197,919,579	250,295,437	10,933,296	53,052,897	73,124,714	70,246,521	149,687,591	929,239,237
Bonds and Treasury Bills:										
Financial Assets at Amortized Costs - Net	10,301,690	-	-	20,151,347	-	-	-	438,312,095	6,861,744	475,626,876
Other Assets	9,336,513	-	-	-	-	-	-	360,392	-	9,696,905
Total 2017	247,500,123	90,546,928	197,919,579	270,446,784	10,933,296	53,052,897	73,124,714	757,106,480	156,549,335	1,857,180,136
Total 2016	223,243,443	126,794,437	161,222,775	248,396,884	14,780,406	54,996,059	88,497,173	767,761,789	163,310,120	1,849,003,086

* The balance includes real-estate loans granted to large corporations and housing loans.

Market Risk

Market risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates, and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business departments. The risks include the following:

- Interest rate risk
- Exchange rate risk
- Equity price risk

The bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed.

The Market Risk Department has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

1. Policies and procedures that have been approved by the Board of Directors and the Central Bank of Jordan
2. Market Risk Policy that includes principles of identifying, managing, measuring, and monitoring this type of risk and having it approved by the relevant committees
3. Monitoring reports for managing and monitoring market risk
4. Development of tools and measures to manage and monitor market risk through:
 - Sensitivity analysis
 - Basis point analysis
 - Value at risk (VaR)
 - Stress testing
 - Stop-loss limit reports
 - Monitoring of the Bank's investment limits
 - Monitoring of the Bank's investment portfolio at fair value through other comprehensive income and conducting reevaluations of the portfolio on a regular basis
5. The Middle Office Department's monitoring, on a daily basis, of all the investment limits in the money market and the foreign exchange transactions

Interest Rate Risk:

Interest rate risk arises from the possible impact of changes in interest rates on the bank's profits or the fair value of financial instruments. The bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which the interest rate risk is affected by the current and expected interest rates, while comparing it with the approved limits and implementing hedging strategies when needed.

The bank uses hedging instruments such as interest rate swaps to curb the negative impact of fluctuations in interest rates.

Interest Rate Risk Reduction Methods:

The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the maturity gaps of assets and liabilities, maturity gaps, as well as the extent of their exposure to the impacts of current and expected interest rates. In addition, solutions are proposed to reduce the impact of these risks.

By balancing due dates of assets and liabilities, the management of the bank seeks to harmonize the impact of interest rate changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

Interest Rate Gaps

The bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities, linking and balancing the maturities and interests.

- Interest Rate Hedging:

The bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the bank invests in short-term investments to meet any possible fluctuations.

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the bank's profits for one year. It is calculated based on the financial assets and liabilities that carried a variable interest rate as of 31 December 2017.

2017	Increase in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	JOD	JOD
US Dollar	1	545,345	-
Euro	1	16,185	-
Pound Sterling	1	12,686	-
Japanese Yen	1	55,199	-
Other Currencies	1	19,452	-
2016	Increase in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	JOD	JOD
US Dollar	1	2,250,704	-
Euro	1	6,970	-
Pound Sterling	1	4,847	-
Japanese Yen	1	30,228	-
Other Currencies	1	11,561	-
2017	Decrease in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	JOD	JOD
US Dollar	1	(545,345)	-
Euro	1	(16,185)	-
Pound Sterling	1	(12,686)	-
Japanese Yen	1	(55,199)	-
Other Currencies	1	(19,452)	-
2016	Decrease in Interest Rate	Sensitivity of Interest Income (Profit and Loss)	Sensitivity of Equity
Currency	%	JOD	JOD
US Dollar	1	(2,250,704)	-
Euro	1	(6,970)	-
Pound Sterling	1	(4,847)	-
Japanese Yen	1	(30,228)	-
Other Currencies	1	(11,561)	-

Currency Risks

The currency risk is the risk of change in the value of financial instruments due to a change in exchange rates. The Jordanian dinar is the Bank's base currency. The Board of Directors imposes limits for the financial position of each currency at the bank; the foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies' positions within the approved limits.

The bank's investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of the shareholders' equity for each currency, and that the gross foreign currencies position does not exceed 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, complex market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that protect the bank from exposure to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the Jordanian dinar, assuming that all other variables remain constant:

2017	Change in Currency Exchange Rate	Effect on Profit and Loss
Currency	%	JOD
Euro	5	55,663
Pound Sterling	5	(2,784)
Japanese Yen	5	522
Other Currencies	5	3,566,789

2016	Change in Currency Exchange Rate	Effect on Profit and Loss
Currency	%	JOD
Euro	5	41,037
Pound Sterling	5	4,441
Japanese Yen	5	645
Other Currencies	5	5,167,350

In the event of a negative change in the indicator, the effect will remain constant but with the opposite sign.

Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments. The bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the bank's equity investments are listed in the Amman Stock Exchange.

The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

Indicator	Change in Indicator	Effect on Profit and Loss	Effect on Equity
2017	%	JOD	JOD
Amman Stock Exchange	5	159,618	275,650
Regional Markets	5	3,435	181,106

Indicator	Change in Indicator	Effect on Profit and Loss	Effect on Equity
2016	%	JOD	JOD
Amman Stock Exchange	5	153,688	238,533
Regional Markets	5	13,805	236,256
International Markets	5	12,103	-

In the event of a negative change in the indicator, the effect will remain constant but with the opposite sign.

The sensitivity of the interest rates is as follows:

The following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:

31 December 2017	Less than 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 Years or More	Non-Interest Bearing	Total
Assets	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cash and Balances at Central Banks	18,500,000	-	-	-	93,948,749	-	170,289,775	282,738,524
Balances at Banks and Financial Institutions	21,149,592	3,832,000	-	-	-	-	169,440,318	194,421,910
Direct Credit Facilities	178,716,804	82,557,736	59,763,032	90,508,277	195,401,889	247,290,887	66,723,738	920,962,363
Financial Assets at Fair Value Through Income Statement	-	-	-	-	-	-	3,261,060	3,261,060
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	9,135,100	9,135,100
Financial Assets at Amortized Cost - Net	13,240,588	20,004,062	4,700,170	79,166,647	102,217,215	248,556,017	-	467,884,699
Property and Equipment - Net	-	-	-	-	-	-	30,268,752	30,268,752
Intangible Assets - Net	-	-	-	-	-	-	5,795,651	5,795,651
Deferred Tax Assets	-	-	-	-	-	-	10,286,431	10,286,431
Other Assets	8,763,215	3,348,110	3,808,879	3,942,046	3,850,433	4,180,129	47,726,202	75,619,014
Total Assets	240,370,199	109,741,908	68,272,081	173,616,970	395,418,286	500,027,033	512,927,027	2,000,373,504
Liabilities	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Banks' and Financial Institutions' Deposits	16,574,507	-	-	-	-	-	91,298,176	107,872,683
Customers' Deposits	185,821,200	109,198,416	181,367,134	218,455,169	122,685,232	11,026,129	388,466,945	1,217,020,225
Cash Margin Accounts	25,028,072	28,166,117	14,553,981	12,845,271	26,967,227	29,157,875	7,943,841	144,662,384
Loans and Borrowings	1,657,231	6,309,102	11,277,635	16,346,511	58,196,840	25,126,852	-	118,914,171
Subordinated Loans	-	-	-	-	17,725,000	-	-	17,725,000
Sundry Provisions	-	-	-	-	-	-	16,817,883	16,817,883
Income Tax Provisions	-	-	-	-	-	-	2,446,732	2,446,732
Deferred Tax Liabilities	-	-	-	-	-	-	679,685	679,685
Other Liabilities	7,991,911	938,427	1,581,339	1,911,491	1,062,736	96,821	11,257,553	24,840,278
Total Liabilities	237,072,921	144,612,062	208,780,089	249,558,442	226,637,035	65,407,677	518,910,815	1,650,979,041
Interest Rate Sensitivity Gap	3,297,278	(34,870,154)	(140,508,008)	(75,941,472)	168,781,251	434,619,356	(5,983,788)	349,394,463
31 December 2016	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Total Assets	292,764,183	99,069,454	66,827,796	175,243,395	436,167,859	454,084,444	483,166,911	2,007,324,042
Total Liabilities	352,634,963	238,364,353	147,493,171	245,713,716	165,139,484	92,231,162	431,639,939	1,673,216,788
Interest Rate Sensitivity Gap	(59,870,780)	(139,294,899)	(80,665,375)	(70,470,321)	271,028,375	361,853,282	51,526,972	334,107,254

Concentration in Foreign Currency Risk:

2017	US Dollar	Euro	Pound Sterling	Japanese Yen	Other	Total
Assets						
Cash and Balances at Central Bank of Jordan	57,433,902	1,363,065	247,709	-	124,851,496	183,896,172
Balances at Banks and Financial Institutions	145,440,580	15,839,271	6,271,763	20,841,738	5,990,946	194,384,298
Financial Assets at Fair Value Through Other Comprehensive Income	511,321	-	-	-	2,911,556	3,422,877
Financial Assets at Amortized Cost - Net	68,717,195	-	-	-	-	68,717,195
Direct Credit Facilities	151,037,348	66,736	6	-	21,516,834	172,620,924
Property and Equipment - Net	417,572	-	-	-	9,172,980	9,590,552
Intangible Assets - Net	1,384	-	-	-	1,799,905	1,801,289
Other Assets	1,480,928	3,801,170	4,283	-	27,252,785	32,539,166
Total Assets	425,040,230	21,070,242	6,523,761	20,841,738	193,496,502	666,972,473
Liabilities						
Banks' and Financial Institutions' Deposits	86,406,413	9,434,296	7,232	2,750	1,156,155	97,006,846
Customers' Deposits	287,243,883	16,779,891	6,185,802	20,817,100	67,179,066	398,205,742
Margin Accounts	33,740,874	6,243,137	1,942	11,453	49,344,096	89,341,502
Loans and Borrowings	11,656,443	-	-	-	1,816,493	13,472,936
Secondary Loans	17,725,000	-	-	-	-	17,725,000
Sundry Provisions	16,462,383	-	-	-	-	16,462,383
Income Tax Provision	-	-	-	-	1,652,459	1,652,459
Other Liabilities	1,953,142	2,736	1,258	-	1,979,123	3,936,259
Total Liabilities	455,188,138	32,460,060	6,196,234	20,831,303	123,127,392	637,803,127
Net Concentration in the Statement of Financial Position	(30,147,908)	(11,389,818)	327,527	10,435	70,369,110	29,169,346
Forward Contracts	59,056,623	12,503,085	(383,200)	-	966,670	72,143,178
Net Concentration in Foreign Currency	28,908,715	1,113,267	(55,673)	10,435	71,335,780	101,312,524
2016						
Total Assets	419,731,717	6,916,037	8,079,679	2,768,800	220,217,499	657,713,732
Total Liabilities	441,554,683	33,512,288	8,121,207	2,755,897	116,870,493	602,814,568
Net Concentration in the Statement of Financial Position	(21,822,966)	(26,596,251)	(41,528)	12,903	103,347,006	54,899,164
Forward Contracts	(7,024,421)	27,417,000	130,350	-	-	20,522,929
Net Concentration in Foreign Currency	(28,847,387)	820,749	88,822	12,903	103,347,006	75,422,093

Liquidity Risk

Liquidity risk refers to the risk arising from the probability of the bank being unable to raise adequate funds in any geographical region, currency, or time to meet its obligations when they are due, or to finance its activities without bearing high costs or incurring losses because of resorting to:

1. Selling bank assets at low prices, leading to a decrease in the expected returns and financial profits of the bank
2. Acquiring high-cost obligations to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the bank

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The bank should provide the assets that can be sold at a price close to their fair value. Accordingly, the liquidity risk the bank may be subject to can be divided into the following:

A. Funding Liquidity Risk:

The inability of the bank to convert assets, such as accounts receivable, into cash or obtain financing to meet commitments

B. Market Liquidity Risk:

The inability of the bank to sell assets in the market, or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market

The Treasury and Investment Department is responsible for managing the bank's liquidity, while the Asset and Liability Committee (ALCO) manages, measures, and monitors the liquidity risk. Both bodies are governed by preset policies and procedures as well as the Contingency Funding Plan. ALCO is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the bank's assets and liabilities, whether in the on/off-statement of financial position items or in coordination with the head of the Treasury and Investment Department. The management of liquidity risk is conducted with the following group of inputs:

1. A set of policies and procedures approved by the committees that determine principles, definition, management, measurement, and monitoring of liquidity risk
2. Liquidity Contingency Funding Management Plan, which includes several aspects:
 - a. Specific procedures for liquidity contingency management
 - b. A specialized committee for liquidity contingency management
 - c. A plan to provide liquidity in emergency situations (Liquidity Contingency Plan)
 - d. Analysis of the liquidity position of the bank based on the following liquidity reports:
 - Duration gap analysis of assets and liabilities
 - Legal liquidity ratio, liquidity according to the maturity ladder (in JOD and foreign currencies)
 - Certificates of deposit (CDs) issued by Capital Bank (in JOD and foreign currencies)
 - Customers' deposits (in JOD and foreign currencies)
 - Liquidity Indicators Report
 - Stress testing

The Treasury and Investment Department, in coordination with the Market Risk Department, diversifies funding sources, matches their maturity dates, and maintains sufficient liquid assets in order to mitigate liquidity risk. This is accomplished through the following:

Analysis and Monitoring of Assets' and Liabilities' Maturity Dates:

The bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Management Committee, the bank seeks to achieve a balance between the maturity dates of the assets and liabilities and monitors the gaps in relation to those specified by the bank's policies.

Liquidity Contingency Plan:

The Asset and Liability Management Committee submits its recommendations regarding liquidity risk management and its procedures, sets necessary orders to apply effective monitoring controls, and produces issues reports regarding liquidity risk and the ability to adhere to the policies and controls. It also provides analytical resources to top management including monitoring all technical updates related to the measurements and liquidity risk and its application.

Geographical and Sectorial Distribution:

The assets and liabilities of the bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing customer credit and corporate credit. Furthermore, the bank seeks to diversify the sources of funding and their maturity dates.

Cash Reserves at the Banking Monitoring Authorities:

The bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JOD 77,483,546.

First: The table below summarizes the undiscounted cash flow of the financial liabilities:

31 December 2017	Less than 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 Years or More	No Fixed Maturity	Total
Liabilities	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Banks' and Financial Institutions' Deposits	107,900,583	-	-	-	-	-	-	107,900,583
Customers' Deposits	574,814,622	110,126,602	184,450,375	225,882,644	135,199,126	12,900,571	-	1,243,373,940
Margin Accounts	32,989,354	28,216,816	14,606,376	12,937,757	27,549,719	30,207,558	-	146,507,580
Loans and Borrowings	1,662,700	6,371,562	11,500,933	16,993,832	65,110,624	30,101,968	-	131,741,619
Subordinated Loans	-	-	-	-	-	23,893,300	-	23,893,300
Sundry Provisions	-	-	-	-	-	-	16,817,883	16,817,883
Income Tax Provision	1,674,504	764,136	8,092	-	-	-	-	2,446,732
Deferred Tax Liabilities	-	679,685	-	-	-	-	-	679,685
Other Liabilities	10,608,046	1,040,209	1,766,201	2,167,224	1,285,506	122,853	-	16,990,039
Total Liabilities	729,649,810	147,199,010	212,331,977	257,981,457	229,144,975	97,226,250	16,817,883	1,690,351,362
Total Assets	273,195,865	116,931,980	65,655,064	180,587,845	421,719,975	497,194,523	445,088,251	2,000,373,504

31 December 2016	Less than 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 Years or More	No Fixed Maturity	Total
Liabilities	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Banks' and Financial Institutions' Deposits	126,750,562	14,280,678	2,084,181	-	-	-	-	143,115,421
Customers' Deposits	566,161,227	207,174,579	130,043,198	236,144,643	108,808,491	4,441,157	-	1,252,773,295
Margin Accounts	33,298,548	9,520,977	9,209,169	16,305,985	36,566,433	44,943,864	-	149,844,976
Loans and Borrowings	2,577,789	8,423,910	3,640,430	1,651,331	36,498,769	34,049,420	-	86,841,649
Subordinated Loans	-	-	-	-	-	23,884,438	-	23,884,438
Secondary Loans	-	-	1,604,171	1,632,786	1,519,671	-	-	4,756,628
Sundry Provisions	-	-	-	-	-	-	25,363,744	25,363,744
Income Tax Provision	2,438,979	8,581,136	-	-	-	-	-	11,020,115
Deferred Tax Liabilities	-	417,170	6,916	-	-	-	-	424,086
Other Liabilities	15,126,445	1,490,715	959,622	1,747,386	784,510	32,383	-	20,141,061
Total Liabilities	746,353,550	249,889,165	147,547,687	257,482,131	184,177,874	107,351,262	25,363,744	1,718,165,413
Total Assets	404,570,208	91,038,928	64,063,668	176,104,886	420,559,502	440,427,464	410,559,386	2,007,324,042

Second: The table below summarizes the maturities of financial derivatives as of the date of the consolidated financial statements:

Financial derivatives/liabilities settled in net include foreign currency derivatives, items not present on the statement of financial position, market currency options, currency futures, and foreign currency swap contracts.

Foreign Currency Derivatives

2017	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	Total
Derivatives Held for Trading:	JOD	JOD	JOD	JOD	JOD
Outflows	-	49,713,291	32,007,050	-	81,720,341
Inflows	-	49,815,465	32,154,685	-	81,970,150

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

Third: The table below summarizes items not present on the statement of financial position:

2017	Up to 1 Year	1 – 5 Years	Total
	JOD	JOD	JOD
Acceptances and Letters of Credit	60,744,644	47,553,193	108,297,837
Unutilized Credit Limits	-	82,207,585	82,207,585
Letters of Guarantee	143,235,118	-	143,235,118
Foreign Currency Forward Deals	81,720,341	-	81,720,341
Total	285,700,103	129,760,778	415,460,881

2016	Up to 1 Year	1 – 5 Years	Total
	JOD	JOD	JOD
Acceptances and Letters of Credit	40,732,449	92,455,386	133,187,835
Unutilized Credit Limits	-	33,381,425	33,381,425
Letters of Guarantee	142,028,092	-	142,028,092
Foreign Currency Forward Deals	2,241,000	-	2,241,000
Total	185,001,541	125,836,811	310,838,352

Operational Risk:

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, human factors, or systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk, and reputational risk.

Due to the continuous change in the working environment and the management's desire to remain in-sync with all technological advancements and introduce new banking services and products, Operational Risk Policy has been designed and developed for the bank's departments, branches, and subsidiaries. It includes the main principles of risk management, and the policy's objectives are aligned with the bank's strategic objectives.

As a result, the bank's strategies have been implemented to enhance the role of operational risk management, which is represented by the Operational Risk Management Framework and includes all the bank's divisions, branches, and subsidiaries. This requires determining, evaluating, supervising, and rendering the operational risk to each branch separately as it is outlined in the Basel Committee accords and carrying out control risk self-assessment (CRSA) by:

1. Holding workshops based on adopted analysis procedures and audit reports, thus identifying risks and controls, and determining the regulatory gap through the matrix of risk. In this context, a model of regulatory examinations is created by the manager of the department/branch or his/her representative, whereby a Control and Risk Self Assessment (CRSA) is conducted.
2. Building a key risk indicator to cover all bank departments and its branches.
3. Providing a mechanism to collect operational events and calculate expected losses based on these events using the actuarial model, thus determining the carrying capacity for risk appetite at every level individually.
4. Supervising the renovation and development of a business continuity plan in the bank and its subsidiaries.

From this point, the continuity and effectiveness of operational risk management is an integral part of the responsibilities of all those concerned in the bank. This is accomplished by the following:

1. Adhering to regulatory examinations conducted on schedule and without delay.
2. Showing the results of regulatory tests with transparency and accuracy.
3. Reporting and disclosing any losses or operating events without delay or hesitation.
4. Implementing the recommendations entitled "Remedial Actions/Recommendations/Mitigations" put forward by the Operational Risk Department which will mitigate the risks identified through the workshops, reporting of events or operating losses, and regulatory examinations.
5. Acknowledging the role of the Board of Directors, Risk and Compliance Committee, senior management, and Audit Department to activate the importance of operational risk and make it an integral part of daily activities.

To ensure that the above procedures are implemented, the Operational Risk Management Department is keen to increase awareness about operational risk management by conducting training courses and workshops for all bank departments and creating effective work relationships between the Operational Risk Management Department and the concerned parties from other departments. In addition, the Operational Risk Management Department is responsible for submitting reports to the Internal Risks Committee concerning any shortcomings or violations. This will ultimately lead to the development of risk profiles on the level of each department and the bank as a whole.

In addition to the above, the Operational Risk Management Department is concerned with the following:

1. Reviewing the bank's internal policies and procedures to highlight the associated risks and work on minimizing such risks prior to implementation
2. Conducting stress testing and observing the results
3. Internally assessing capital with respect to operational risks in accordance with Central Bank of Jordan instructions
4. Continuously developing management systems
5. Continuing to develop the integrated program for business continuity plans

Information Security:

The responsibility of the Information Security/Risk Management Department lies in ensuring security, availability, and accuracy of the bank's information by taking the following steps:

1. Developing an information security program based on leading international standards (ISO 27k, PCI DSS) that is in line with the bank's strategy.
2. Providing the tools and means necessary to reduce information security risks.
3. Developing security policies related to information systems and resources.
4. Stressing continuous security awareness for the bank's employees and ensuring their compliance with the security program.
5. Managing security incidents related to information management systems and submitting recommendations to top management.
6. Developing security standards for various information systems.
7. Working on developing a business continuity plan to ensure business continuity in the event of any disaster.
8. Identifying the appropriate controls to mitigate the risks faced by the bank through analyzing various information security risks.
9. Preparing and developing security measures related to information systems security incidents.

10. Managing information systems security incidents and submitting relevant recommendations to the top management.
11. Ensuring the security and integrity of hardware, software, and various applications through risk analysis and periodic testing to ensure safe use of these resources.

45. Segment Information

1. Information about Bank Activities:

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

- Retail banking: Includes handling individual customers' deposits, credit facilities, credit cards, and other services.
- Corporate banking: Includes monitoring deposits, credit facilities, and other banking facilities provided to corporate customers.
- Corporate finance: Principally includes arranging structured financing and providing services relating to privatizations, IPOs, and mergers and acquisitions.
- Treasury: Principally includes providing 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 segment information, the following table gives information about the bank's business sectors per activity:

	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total	
						2017	2016
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Total Revenue	25,545,445	56,463,220	2,864,801	32,872,780	22,009,811	139,756,057	133,736,419
Impairment Losses on Direct Credit Facilities	(3,296,240)	(20,828,396)	-	-	-	(24,124,636)	(8,670,583)
Segment Results	4,263,781	10,797,814	2,864,801	28,583,446	22,009,809	68,519,651	85,512,456
Unallocated Expenses						(37,137,158)	(58,422,058)
Profit Before Tax						31,382,493	27,090,398
Income Tax						(4,070,847)	(10,954,422)
Net Profit						27,311,646	16,135,976
Other Information							
Segmental Assets	250,460,177	670,502,186	-	957,441,293	121,969,848	2,000,373,504	2,007,324,042
Segmental Liabilities	709,072,098	652,610,511	-	244,511,854	44,784,578	1,650,979,041	1,673,216,788
Capital Expenditure						(5,241,020)	(6,090,900)
Depreciation and Amortization						(4,590,769)	(4,449,788)

2. Geographical Information

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America, and the Far East.

The following table shows the distribution of the bank's operating income and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2017	2016	2017	2016	2017	2016
	JOD	JOD	JOD	JOD	JOD	JOD
Total Revenue	112,117,495	122,525,272	27,638,562	11,211,147	139,756,057	133,736,419
Total Assets	1,750,320,266	1,815,695,759	250,053,238	191,628,283	2,000,373,504	2,007,324,042
Capital Expenditure	3,256,822	4,098,727	1,984,198	1,992,173	5,241,020	6,090,900

46. Capital Management

The bank maintains an appropriate paid-in capital to meet its operational risk, and it regularly monitors its capital adequacy in accordance with Basel to comply with the Central Bank of Jordan's regulations.

According to the Central Bank of Jordan's Regulations 52/2010, the minimum paid-in capital of Jordanian banks should be JOD 100 million before the end of 2011, and the capital for foreign banks in Jordan not less than half of the capital for Jordanian banks, in accordance with Articles 12 and 8 from the Banking Law No. 28 for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 6%.

Through its operational years, the bank has maintained a capital adequacy ratio in excess of 12%, which is the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator, noting that the instructions impose a ratio of no less than 14%.

The bank manages and restructures its capital in light of the changes in the business environment. There were no changes made in the bank's capital structure in 2017 and 2016.

Description of Paid-In Capital

According to CBJ regulations regarding Basel III, regulatory capital comprises:

1. Tier 1, which refers to the bank's core capital and consists of:
 - Common equity tier 1 (CET1), which includes the following: paid-in capital, retained earnings, statutory and voluntary reserves, cumulative change in fair value, foreign currency translation adjustment, minority interest (recognizable under CET1). It also includes the following deductions: year/period losses, goodwill and intangible assets, deferred tax assets, treasury stocks, shortage in required provisions, shortages in tier 2 capital, restricted balances, and gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.
 - Additional tier 1 (AT1) capital, which consists of the sum of the following elements: convertible bonds, preferred stocks, financial instruments issued by the bank with the characteristics of additional capital, and minority interest (recognizable under AT1). It also includes the following deductions: gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.
2. Tier 2, which is the supplementary capital, consists of the following elements: subordinated debt, general banking risk reserve, and minority interest. It deducts the following: insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.

The transition period for the deductions in tier 1 and tier 2 related to the investments in banks, financial institutions, insurance companies, and unconsolidated subsidiaries occurs gradually over five years according to CBJ regulations. By the end of the year 2020, these deductions will be fully deducted from tier 1.

The Central Bank of Jordan emphasized the importance of complying with Basel III regulations in building up additional capital as a percentage of risk-weighted assets, restricting cash dividends, through the following buffers:

1. Conservation buffer
2. Countercyclical buffer
3. D-SIBs

Regulatory Requirements for Paid-In Capital

The capital adequacy ratio is calculated based on the simplified (standardized) approach in accordance with the regulations of the Central Bank of Jordan, which in turn are based on the verdicts of the Basel committee. Below are the comparative figures of the capital adequacy ratio:

	2017	2016
	JOD	JOD
Primary Capital		
Paid-In Capital	200,000,000	200,000,000
Statutory Reserves	34,689,204	32,257,341
Share Premium	709,472	709,472
Retained Earning	50,994,187	39,562,631
Fair Value Reserve	187,646	(566,000)
Foreign Currency Translation Reserve	(4,082,668)	(3,868,943)
Noncontrolling Interest	47,452,938	50,354,657
Proposed Issue of Shares	(20,000,000)	(10,000,000)
Less		
Intangible Assets	5,795,651	5,537,532
Deferred Tax Assets	10,286,431	10,698,156
Balances at Central Bank of Iraq - Net	81,557,340	94,218,045
Total Primary Capital	212,311,357	197,995,425
Supplementary Capital		
General Banking Risk Reserve	8,840,593	9,811,521
Noncontrolling Interest	709,106	1,800,013
Subordinated Loans	7,090,000	10,950,111
Total Supplementary Capital	16,639,699	22,561,645
Total Regulatory Capital	228,951,056	220,557,070
Total Risk-Weighted Assets	1,514,338,178	1,589,768,876
Capital Adequacy (%)	15.12%	13.87%
Primary Capital (%)	14.02%	12.45%

47. Fiduciary Accounts

Investment custody accounts amounted to JOD 39,988,858 as of 31 December 2017, compared to JOD 23,255,244 on 31 December 2016.

In the normal course of business, the bank performs investment management services for its clients. Investments and other assets held by the bank (Horizon Fund) in a fiduciary capacity amounted to JOD 884,525 as of 31 December 2017, are segregated from the bank's assets, and are not included in the consolidated financial statements.

48. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2017	Up to 1 Year	More than 1 Year	Total
	JOD	JOD	JOD
Assets			
Cash and Balances at CBJ	188,789,775	93,948,749	282,738,524
Balances at Banks and Financial Institutions	194,421,910	-	194,421,910
Direct Credit Facilities - Net	454,800,408	466,161,955	920,962,363
Financial Assets at Fair Value Through Income Statement	3,261,060	-	3,261,060
Financial Assets at Fair Value Through Other Comprehensive Income	-	9,135,100	9,135,100
Financial Assets at Amortized Cost - Net	117,111,467	350,773,232	467,884,699
Property and Equipment - Net	-	30,268,752	30,268,752
Intangible Assets - Net	-	5,795,651	5,795,651
Deferred Tax Assets	-	10,286,431	10,286,431
Other Assets	67,588,452	8,030,562	75,619,014
Total Assets	1,025,973,072	974,400,432	2,000,373,504
Liabilities			
Banks' and Financial Institutions' Deposits	107,872,683	-	107,872,683
Customers' Deposits	1,083,308,864	133,711,361	1,217,020,225
Margin Accounts	88,537,282	56,125,102	144,662,384
Loans and Borrowings	35,590,480	83,323,691	118,914,171
Subordinated Loans	-	17,725,000	17,725,000
Sundry Provisions	16,817,883	-	16,817,883
Income Tax Provision	2,446,732	-	2,446,732
Deferred Tax Liabilities	679,685	-	679,685
Other Liabilities	23,556,679	1,283,599	24,840,278
Total Liabilities	1,358,810,288	292,168,753	1,650,979,041
Net	(332,837,216)	682,231,679	349,394,463

2016	Up to 1 Year	More than 1 Year	Total
	JOD	JOD	JOD
Assets			
Cash and Balances at Central Banks	141,950,021	119,000,861	260,950,882
Balances at Banks and Financial Institutions	166,478,834	-	166,478,834
Direct Credit Facilities	478,205,159	492,267,072	970,472,231
Financial Assets at Fair Value Through Income Statement	4,071,180	-	4,071,180
Financial Assets at Fair Value Through Other Comprehensive Income	-	9,498,110	9,498,110
Financial Assets at Amortized Cost	90,319,257	360,423,183	450,742,440
Property and Equipment - Net	-	29,938,896	29,938,896
Intangible Assets - Net	-	5,537,532	5,537,532
Deferred Tax Assets	699,141	9,999,015	10,698,156
Other Assets	17,521,122	81,414,659	98,935,781
Total Assets	899,244,714	1,108,079,328	2,007,324,042
Liabilities			
Banks' and Financial Institutions' Deposits	142,757,612	-	142,757,612
Customers' Deposits	1,124,570,565	100,139,835	1,224,710,400
Margin Accounts	67,968,415	77,036,743	145,005,158
Loans and Borrowings	16,088,859	61,796,569	77,885,428
Subordinated Loans	-	17,725,000	17,725,000
Secondary Loans	3,151,111	1,370,341	4,521,452
Sundry Provisions	-	25,363,744	25,363,744
Income Tax Provision	8,581,136	2,438,979	11,020,115
Deferred Tax Liabilities	424,086	-	424,086
Other Liabilities	19,204,056	4,599,737	23,803,793
Total Liabilities	1,382,745,840	290,470,948	1,673,216,788
Net Assets	(483,501,126)	817,608,380	334,107,254

49. Contingent Liabilities and Commitments (Not Present on the Statement of Financial Position)

a) Commitments and contingent liabilities:

	2017	2016
	JOD	JOD
Export Letters of Credit	47,553,193	76,250,162
Confirmed Import Letters of Credit	7,577,588	16,205,224
Acceptances	53,167,056	40,732,449
Letters of Guarantee		
- Payments	30,799,360	31,155,007
- Performance	65,314,628	64,938,282
- Other	47,121,130	45,934,803
Foreign Currency Forward	81,720,341	2,241,000
Unutilized Direct Credit Limits	82,207,585	33,381,425
Total	415,460,881	310,838,352

b) Contractual commitments:

	2017	2016
	JOD	JOD
Intangible Assets Contracts	780,122	882,378
Fixed Assets Contracts	208,139	788,206
Construction Contracts	791,033	1,054,681
	1,779,294	2,725,265

Annual rent amounted to JOD 1,547,206 as of 31 December 2017 (2016: JOD 1,343,611).

50. Lawsuits Against the Bank

- The lawsuits raised against the bank, as part of the ordinary course of business, amounted to JOD 24,525,979 as of 31 December 2017, compared to JOD 24,545,479 as of 31 December 2016. According to the bank's management and legal counselor, the bank will not be liable in any of these cases.
- The lawsuits raised against Capital Investment and Brokerage Company Ltd. - Jordan, as part of the ordinary course of business, amounted to JOD 355,686 as of 31 of December 2017 and as of 31 December 2016. According to the bank's management and legal counselor, provisions amounting to JOD 355,500 were taken against these lawsuits.
- The lawsuits raised against the National Bank of Iraq, as part of the ordinary course of business, amounted to JOD 7,087,147 as of 31 of December 2017, compared to JOD 3,579,196 in 31 December 2016. Provisions amounting to JOD 3,519,455 were taken against these lawsuits.

51. Standards, Amendments, and Interpretations Issued But Not Yet Effective

The standards and interpretations that have been issued but are not yet effective as of the date of issuance of the bank's financial statements are disclosed below. The bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment, and hedge accounting. The bank has implemented the first phase of IFRS 9 as issued in 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The bank plans to adopt the new standard on the required effective date and will not restate comparative information. In 2017, the bank performed an impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information that will become available to the bank in 2018 when the bank adopts IFRS 9. Based on preliminary figures, the bank expects an increase in the loss allowance for an amount of JOD 9.58 million resulting in an equal negative impact on equity, as well as a possible impact on deferred taxes. In addition, the bank will implement changes in classification of certain financial instruments.

a) Classification and Measurement

The bank does not expect a significant impact on its balance sheet or equity upon applying the new classification and measurement category of IFRS 9. It expects to continue being measured at amortized cost and to use the new category starting from 1 January 2018 for classifying part of the debt securities portfolio to be measured at fair value through OCI.

Credit facilities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The bank analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

b) Impairment

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FVTOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.

Incurred Loss Versus Expected Loss Methodology

The application of ECL will significantly change the credit loss methodology and models. ECL allowances represent credit losses that should reflect an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information about past events, current conditions, and economic forecasts. This compares to the present incurred loss model under IAS 39 that incorporates a single best estimate, the time value of money, and information about past events and current conditions. The objective of the new impairment standard is to record lifetime losses on all financial instruments that have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments that have experienced an SICR since initial recognition. This compares to the present incurred loss model that recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses. Because of the inclusion of relative credit deterioration criteria and consideration of forward-looking information, the ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier under IFRS 9.

Stage Migration and Significant Increase in Credit Risk**For Non-Impaired Financial Instruments**

Stage 1 is comprised of all non-impaired financial instruments that have not experienced an SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as of the reporting date, with the risk of a default occurring on the financial instrument as of the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments that have experienced an SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

For Impaired Financial Instruments

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or loan portfolio. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Key Drivers of Expected Credit Loss

The following concepts are subject to a high level of judgment, will have a significant impact on the level of ECL allowances, and will be the cause of increased volatility of allowances:

- Determining when an SICR of a financial asset has occurred.
- Measuring both 12-month and lifetime credit losses.
- Incorporating forward-looking information using multiple probability-weighted scenarios.
- Collateral quality.

Further, the preliminary expected impact disclosed above may change as a result of the following factors:

- The systems and associated controls in place have not been operational for an extended period.
- The bank has not finalized the testing and assessment of controls over its IT systems and changes to its governance framework.
- The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to reassessment and change based on the instructions of the regulatory authority.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 16, "Leases."

IFRS 15 supersedes the below:

- IAS 11 construction contracts
- IAS 18 revenue
- IFRIC 13 customer loyalty programs
- IFRIC 15 agreements for the construction of real estate
- IFRIC 18 transfers of assets from customers
- SIC-31 revenue-barter transactions involving advertising services

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions

The IASB issued amendments to IFRS 2 share-based payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled, share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting in which a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively; they are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16: Leases

During January 2016, the IASB issued IFRS 16, "Leases," which sets out the principles for the recognition, measurement, presentation, and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 17: Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition, measurement, presentation, and disclosure of insurance contracts, replacing IFRS 4, "Insurance Contracts." The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance, and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into/out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively, effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Amendments to IFRS 4: Applying IFRS 9, "Financial Instruments," with IFRS 4, "Insurance Contracts"

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4: a temporary exemption from implementing IFRS 9 during annual periods beginning before 1 January 2021 at the latest and an overlay approach that allows an entity applying IFRS 9 to reclassify as "profit," "loss," or "other comprehensive income" an amount that results, at the end of the reporting period, for the designated financial assets as if IAS 39 had been applied to them.

IFRIC Interpretation Number 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) or the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

IFRIC Interpretation Number 23: Uncertainty Over Income Tax Treatment

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12. Nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

52. Comparative Figures:

Some of 2016's balances were reclassified to correspond with the 2017 presentation. The reclassification did not have any effect on profits or equity for 2017.

Annual Report 2017 - Capital Bank

Statements of the Requirements of the Securities Commission



A. Chairman's Letter:

This appeared at the beginning of the report.

B. Report of the Board of Directors:

This appeared at the beginning of the report.

1. Description of the Bank's Main Activities:

Capital Bank offers all banking and financial products and services directed toward all economic sectors in Jordan via its branches in the country. In addition, it offers a variety of investment services and financial brokerage through Jordanian Money for Investment and Financial Brokerage, which is a subsidiary that is 100% owned by Capital Bank, and the capital of which amounts to JOD 10 million. This is in addition to the bank's investment in the Iraqi National Bank, the capital of which amounts to IQD 250 billion, 61.85% of which is owned by Capital Bank. Added to that is the subsidiary of Capital Bank Consulting for Enterprises at the DIFC, which specializes in providing consultancy in matters of investment and enterprise finance.

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

The number of the employees at the bank and at Capital Investment and Financial Brokerage, in addition to the other subsidiary companies, amounted to 941 employees distributed over the following geographic locations:

Location	Address	Number of Employees
Headquarters	Amman	445
Main Branch	Amman	15
VIP Branch	Amman	9
Madinah Munawara Branch	Amman	13
Sweifieh Branch	Amman	5
Dabouq Branch	Amman	8
Majdi Mall Branch	Amman	8
Wehdat Branch	Amman	8
Gardens Branch	Amman	11
Free Zone Branch/Zarqa	Zarqa Free Zone	9
New Zarqa Branch	Zarqa	6
Irbid Branch	Irbid	8
Aqaba Branch	Aqaba	7
Capital Investment and Financial Brokerage	Amman	41
National Bank of Iraq	Iraq	340
Al-Nakheel Enterprise	Iraq	3
Capital Bank Corporate Advisory (DIFC)	Dubai	5
Total		941

- The bank does not operate any branch outside the Kingdom.

Capital Investment of the Bank:

The capital invested in the bank amounted to JOD 36,064,403. This represents the net value of the possessions, equipment, and intangible assets as they appeared at the end of 2017.

2. Subsidiaries:

Enterprise Name	Capital Investment and Financial Brokerage	National Bank of Iraq	Capital Bank Corporate Advisory (DIFC)	Bahrain Fund Investment Company
Type of Company	Limited Liability Company	Public Shareholding Corporation	Limited Liability Company	Bahraini Shareholding Company (Closed)
Activity of Company	Investment and Financial Brokerage	Banking	Advisory	Founding of Investment Funds
Capital of Company	JOD 10,000,000	IQD 250 Billion	USD 250,000	BHD 1,000
Address of Subsidiary	Amman Al-Shmeisani	Iraq	United Arab Emirates /Dubai/DIFC	Bahrain
Other Information				Activities have not been initiated.

3. Synopsis of the Chairman and Directors:

This appeared in the governance report.

4. Meetings of the Board of Directors and Committees Emanating from the Board in 2017:

This appeared in the governance report.

5. The Executive Management of Capital Bank:

The members of the senior executive management are as follows:



Ala Atallah George Qumsieh

Occupation:	Chief Executive Officer
Date of Birth:	22/04/1980
Nationality:	Jordanian
Date of Appointment:	01/03/2017
Educational Certificates:	Bachelor's of Business Administration from Al-Yarmouk University, Master's of Strategic Business Administration from Aston University in the United Kingdom. He also has acquired several specialized vocational certificates.
Expertise:	He has experience extending over 18 years in the field of banking services, with a special emphasis on enterprise banking in addition to a deep knowledge of several economic fields. He previously held the post of Chief Executive of Citibank in Qatar, as well as Chief of Enterprise Banking in Saudi Arabia, Qatar, and Bahrain, where he successfully led and executed the bank's growth strategy. Prior to that, he held several leadership positions at other banks.

**Ayman O'mran Abdullah Abu Dheim**

Occupation:	Head of International Business
Date of Birth:	16/11/1972
Nationality:	Jordanian
Date of Appointment:	06/03/2011
Educational Certificates:	Bachelor's of Accounting from the University of Jordan, Master's in Accounting and Business Sciences from Southampton University in the United Kingdom. He also possesses the following vocational qualifications: member of the Jordanian Certified Public Accountants Society, holding the degrees of Certified Public Accountant (CPA), Certified Financial Manager (CFM), Certified Branch Manager (CBM), and Certified Project Manager (CPM).
Expertise:	He has acquired more than 21 years of experience in banking and finance management. He had held several administrative positions in several financial institutions, the most recent of which was Chief of Financial Monitoring at the Social Security Investment Fund. He currently occupies the position of Vice President of the Iraqi National Bank in addition to his membership on the Board of Directors of Capital Bank Consulting for Enterprises at the DIFC.

**Ali Mohammad Daoud Abu Swai**

Occupation:	Treasurer
Date of Birth:	02/02/1966
Nationality:	Jordanian
Date of Appointment:	09/08/1997
Educational Certificates:	Bachelor's and Master's in Banking and Finance
Expertise:	He possesses over 24 years of experience in financial markets, banking operations, treasury, and investment and since 2010 has occupied the position of President of ACI Jordan. He also represents the Arab Union of Circulators in Financial Markets. Moreover, he has worked for five years at the Amman Investment Bank.

**Ra'fat Abdullah Ismai'l Khalil**

Occupation:	Chief Auditor
Date of Birth:	10/12/1964
Nationality:	Jordanian
Date of Appointment:	04/07/2010
Educational Certificates:	Bachelor's in Accounting from Al-Yarmouk University, vocational certificates of CBA and CICA
Expertise:	He possesses over 26 years of experience, having previously worked for 7 years at the Central Bank of Jordan, for 4 years at Muscat Bank, and for 7 years at the Oman Arab Bank.

**Eyas Nazmi Zuhdi Khawaja**

Occupation:	Chief Operating Officer
Date of Birth:	14/11/1976
Nationality:	Jordanian
Date of Appointment:	02/07/2017
Educational Certificates:	Bachelor's degree in Economics from the Applied Sciences Private University
Expertise:	He possesses 18 years of experience in the banking sector, having worked for several financial and banking institutions. The most recent position he occupied was Chief of Operations and Technology at Standard Chartered Bank.

**Rania Mohammad Saeed Ahmad Dweikat**

Occupation:	Head of Compliance
Date of Birth:	07/02/1970
Nationality:	Jordanian
Date of Appointment:	21/04/2002
Educational Certificates:	Bachelor's in Economics and Statistics from the University of Jordan, Diploma Degree in Audit and Compliance from Reading University in the United Kingdom. She also possesses other certificates and vocational certifications like the certifications in Audit, Compliance, and Anti-Money Laundering from Reading University, in addition to the certificate of Certified Lender Business Banker (CLBB) from the American Bankers Association.
Expertise:	She possesses more than 21 years of experience in the banking sector. She previously worked at Cairo Amman Bank for 11 years, where she occupied the position of Director of the Monitor and Contract Certification Department.

**Zeid Yahya Amin Salah**

Occupation:	Head of Strategy
Date of Birth:	06/01/1977
Nationality:	Jordanian
Date of Appointment:	01/09/2015
Educational Certificates:	Bachelor's in Civil Engineering and Master's in Business Administration (MBA) from McGill University in Canada
Expertise:	He possesses considerable expertise in the fields of business development, strategic analysis, and risk management, in which he occupied several leading positions at J.P. Morgan, Bank of Montreal, Citibank in Canada, the United Kingdom, and in the United Arab Emirates. He began his career path by working as a field engineer for Schlumberger Oil field Services.

**Yasser Ibrahim Mohammad Kleib**

Occupation:	Head of Institutional Banking
Date of Birth:	27/04/1974
Nationality:	Jordanian
Date of Appointment:	16/06/2004
Educational Certificates:	Bachelor's in Business Administration from Al-Yarmouk University, certificate of Certified Lender Business Banker (CLBB) from the American Bankers Association
Expertise:	He possesses 20 years of experience in the fields of commercial and institutional development. He joined Capital Bank in 2004 and began his work in the banking services and credit facilities section after having worked for Arab Bank for eight years.

**Falah Hassan Khalil Kokash**

Occupation:	Chief Risk Officer
Date of Birth:	01/08/1967
Nationality:	Jordanian
Date of Appointment:	09/09/2012
Educational Certificates:	Bachelor's in Money and Banking from Al-Yarmouk University, Master's in Financial Management from Al-Yarmouk University, in addition to the following certifications: Financial Risk Management (FRM), Certified Management Accountant, Certified Financial Manager, and Certified Lender Business Banker (CLBB)
Expertise:	He possesses more than 21 years of experience in the financial sector. He has occupied leadership positions in the fields of risk management and credit analysis. He has worked at several banks, such as the Jordan Bank, Al-Ahli Bank, Investment Bank, and Al-Bilad Bank.

**Anton Francis Anton Lolas**

Occupation:	Head of Consumer Banking
Date of Birth:	16/08/1965
Nationality:	Jordanian
Date of Appointment:	01/10/2017
Educational Certificates:	British (IFS) vocational diploma specializing in management of banking services, Master's in Leadership from the University of Liverpool in the United Kingdom, Canada Securities Institute certificate
Expertise:	He possesses nearly 19 years of experience in the banking sector, where he has worked for several banking and financial institutions. His most recent post was that of financial consultant at Sun Life Financial.

**Mohammed Hafez Abdulkarim Mohammed Hafez Muaz**

Occupation:	Legal Counselor
Date of Birth:	27/10/1969
Nationality:	Jordanian
Date of Appointment:	06/02/2003
Educational Certificates:	Bachelor's in Law from the University of Jordan, a higher diploma in International Law, Master's in Commercial Law from Staffordshire University in the United Kingdom
Expertise:	He previously worked for two years in the Legal Department/ Foreign Section of Arab Bank. Prior to that, he worked for five years as a lawyer at the Dajani and Co. Law Firm. Since 1997, he has been a member of the Union of Jordanian Lawyers. He has also been a member of the International Federation of Lawyers since 1998.

**Manar Mohammad Abdulhalim AINsour**

Occupation:	Chief Financial Officer
Date of Birth:	20/09/1979
Nationality:	Jordanian
Date of Appointment:	18/06/2001
Educational Certificates:	Bachelor's in Accounting from the University of Jordan
Expertise:	She possesses approximately 16 years of experience having made gradual progress through the administrative positions at Capital Bank until she came to be the Chief Financial Manager as of 30/07/2016.

Resigned Executive Members

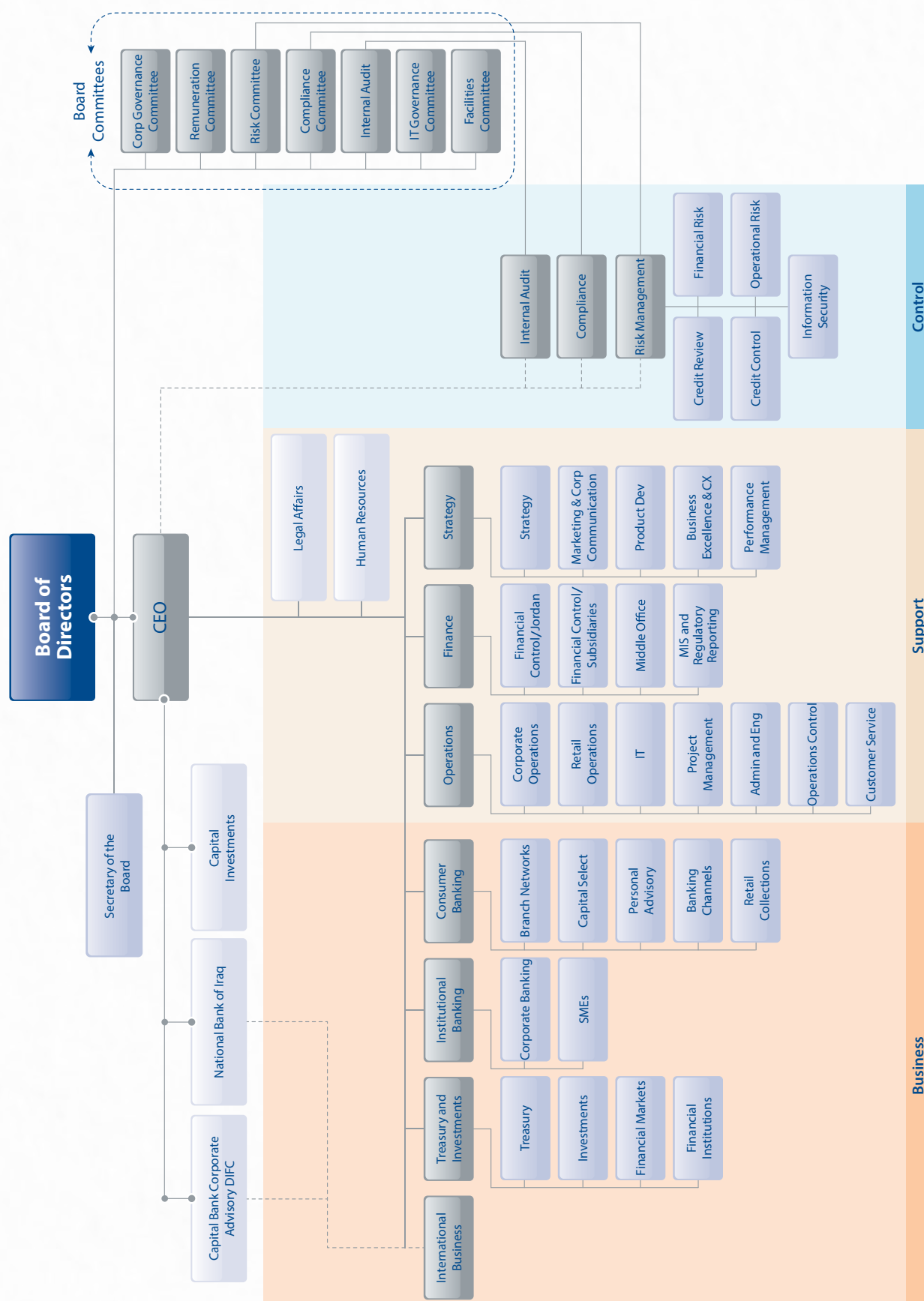
#	Name	Post	Date of Resignation
1	Haitham Yusuf Abdul-Muni'm Qamhieh	General Manger	28/02/2017
2	Nabil Nicola Najib Al-A'wwa	Chief of Credit Review	30/09/2017
3	Nidal Tawfiq Ali Ali	Chief of Internal Audit	28/02/2017
4	Nasser Abdul-Rahman Badr Ziadah	Chief of Logistics	30/03/2017

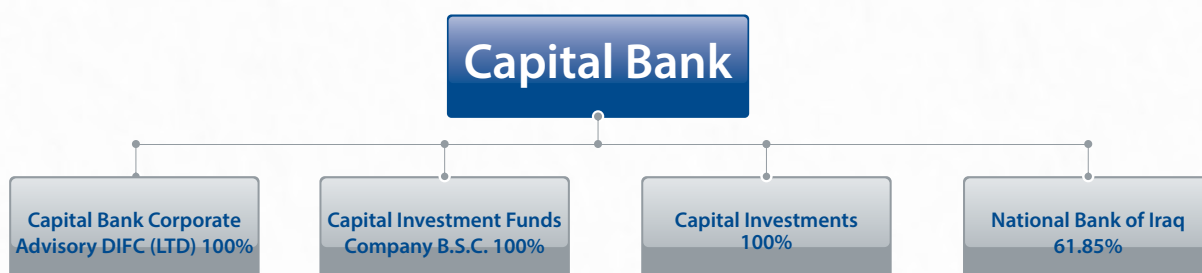
6. The Bank's Competitive Status Within the Industry:

Description	2017	2016
Our Market Share/Credit Facilities	4.0%	4.2%
Our Market Share/Deposits	3.7%	3.7%
Our Market Share/Assets	4.1%	4.1%

- 7. The bank does not rely upon specific suppliers or specific major clients, whether domestically or externally, who constitute 10% or more of the gross purchases, the gross sales, or the gross revenues.**
- 8. The bank and its products do not enjoy any sort of government protection or privileges under the laws and regulations or otherwise.**
- 9. The bank has not acquired any sort of patents or preference privileges.**
- 10. No decision issued by the government or international organization or other body affects the bank's performance, products, or competitive capability. International quality standards do not apply to the bank.**

11. A. The Organizational Structure of the Bank and of its Subsidiaries:



B. Organizational Structure of the Subsidiaries:**C. Academic Credentials of Bank Employess and Capital Investment and Financial Brokerage Company (Subsidiary):**

Academic Credential	No. of Employees at the Bank	No. of Employees at Capital Investment and Brokerage Company
Ph.D.	0	0
Master's	33	9
Higher Diploma	1	0
Bachelor's	448	25
Diploma	28	0
High School	18	1
Less than High School	22	5
Total	552	41

D. Training Programs for Bank and Subsidiaries Employees:

Breakdown	Capital Bank		Subsidiary Enterprises	
Type of Training	No. of Circuits	No. of Participants	No. of Circuits	No. of Participants
Trainings Held at the Bank's Training Centers	11	363	0	0
Trainings Held Domestically in Jordan	112	793	3	5
External Trainings Held Outside Jordan	18	123	0	0
Specialized Vocational Certificates	5	6	1	1
Total	146	1,285	4	6

E. Names of Training Courses for Bank Employees and Subsidiaries:

	No. of Trainings	No. of Participants from Capital Bank	No. of Trainings	No. of Participants from Subsidiaries
Training Programs That are Tailored for Capital Bank	14	542	0	0
Development of Teamwork Program	1	27	0	0
English Language Proficiency Program	27	36	1	1
Specialized Banking Programs	32	121	1	3
Training Programs in Risk Management, Audit, Compliance, and Anti-Money Laundering	10	99	0	0
Programs in Commercial Services and Draft Transfer	2	7	0	0
Programs in Financial Aspects	6	8	0	0
Programs in Qualitative Behavioral Skills	12	41	0	0
Programs in Leadership Skills	6	43	1	1
Programs in Information Technology Skills	11	100	0	0
Programs in Human Resources Development	3	18	0	0
External Circuits and Conferences	6	11	0	0
Circuits of Vocational Certification	5	6	1	1
Domestic Conferences	5	11	0	0
Various Educational Seminars and Sessions	6	215	0	0
Total	146	1285	4	6

12. The Bank's Risk Exposure:

Capital Bank is subject to the following risks that face the banking sector:

- Credit risks
- Market risks
- Liquidity risks
- Interest rate risks
- Operational risks
- IT security risks
- Compliance risks

13. The Achievements of the Bank in 2017:

The Board of Directors' report contained a detailed description of achievements, supported by figures, that were accomplished by the bank in 2017.

14. The Financial Impact of Operations of a Non-Recurrent Nature in 2017 That Do Not Fall Within the Bank's Main Activities:

No operations of a non-recurring nature took place in 2017.

15. The Value of Legal Proceedings Instituted by the Bank Against Third Parties as of 31/12/2017 Amounted to Nearly JOD 151 Million. These Were Lawsuits Against Hampered or Bad Debt Accounts Of Clients.

16. The Time Sequence of Profits or Losses Realized and the Distributed Dividends and Net Shareholder Equity for 2003-2017:

Financial Year	Stockholders' Stock Valuation JOD	Net Profits JOD	Distributed Profits		Closing Price JOD
			Cash Profits JOD	Free Shares JOD	
2003	45,779,476	8,061,827	--	4,500,000	3.9
2004	59,872,518	12,346,354	--	7,000,000	4.41
2005	135,934,724	21,358,989	--	10,500,000	3.32
2006	156,991,770	18,059,905	--	14,000,000	1.93
2007	172,375,124	13,508,666	--	7,000,000	2.07
2008	203,161,545	15,250,169	7,500,000	--	1.8
2009	208,070,606	1,338,383	--	17,200,000	1.56
2010	214,107,952	5,149,968	--	--	1.54
2011	221,258,745	1,428,331	--	--	1.36
2012	242,807,956	22,036,184	--	--	1.13
2013	324,291,358	37,036,290	--	15,000,000	1.60
2014	344,881,127	36,314,776	16,500,000	16,000,000	1.51
2015	324,350,413	1,068,872	10,890,000	18,500,000	1
2016	334,107,254	16,135,976	--	--	0.83
2017	349,394,463	27,311,646	10,000,000	--	0.79

17. Analysis of the Bank's Financial Position and the Results of its Efforts During the Financial Year:

Financial Ratios	31/12/2017	31/12/2016
Return on the Average of Assets	1.36%	0.81%
Return on the Average of Owner's Equity	7.99%	4.90%
Return on Share	0.122%	0.062%
Ratio of Owner's Equity/Assets	17.74%	16.64%
Sufficiency of Capital	15.12%	13.87%
Ratio of Inactive Credit (After Deducting the Suspended Interest)	9.83%	6.35%
Ratio of Cover of Allocations for Inactive Credit (After Deducting the Suspended Interest)	60.43%	71.46%
Ratio of Monetary and Quasi-Money Liquidity	133.55%	127.46%

18. Important Forthcoming Developments and the 2018 Plan for the Bank:

Complimentary to its progress and its continuous efforts to strengthen its competitive position and increase its market share in the various sectors, the bank has begun implementing its strategic plan for the upcoming five years, which targets the realization of its vision of becoming a leading financial institution and the partner of choice for institutions and individuals enterprises and individuals looking for innovative financial and banking solutions.

Capital Bank's strategic objectives include attaining growth in operational profits, improving the return of risk, and enriching the customer satisfaction experience. It also aims to reinforce productivity and maintain the monitoring controls in addition to developing and qualifying its staff.

The five-year strategy plan is based upon developing a customer-centric business model by providing highly value-added services that meet all their demands.

Capital Bank will continue to finance the operations of major enterprises and present banking services and products that meet their expectations and needs. This, in turn, will help these enterprises serve their functional purpose in the national economy with ability and vigor.

Capital Bank, in cooperation with the Central Bank of Jordan, will pursue its support of emerging enterprises, as well as continuing to support SMEs to enable them to strengthen their role in the domestic market. Capital Bank will also finance enterprises that operate in various sectors including industry, renewable energy, tourism, agriculture,

and information technology by offering medium-term finance loans at preferential interest rates and with flexible schedules of repayment. This would in turn enable such enterprises to reduce their costs and consequently increase their competitiveness and their ability to create job opportunities. The bank will also provide non-financial and consulting services to those enterprises.

Capital Bank shall also continue to improve the consumer's experience by continuously updating its electronic channels to stay up-to-date with the latest progress in IT and raise the capability of the bank's system. This will include facilitating the use of ATMs, online banking services, and other electronically-applied services. The bank will also continue to supply its customers with banking services characterized by high efficiency and competitiveness.

Moreover, and with due regard for the subsidiaries of Capital Bank (namely Capital Investment and Brokerage, the National Bank of Iraq, and Capital Bank Corporate Advisory DIFC Ltd.), the bank will continue to nourish their partnerships in order to furnish unique services to accompany current economic developments and respond to the demands of domestic and regional customers.

Capital Bank's personnel are at the heart of the bank and represent the firm base that enables the bank to accomplish its strategies. This year, we will work to accomplish a set of pioneering projects that will participate in the progress of business and reinforce the strong and supportive structure the bank needs to sustain progress and distinction.

19. Auditing Fees for the Bank and its Subsidiaries:

The fees of the auditors Messrs. Ernst and Young and Messrs. PricewaterhouseCoopers for auditing the accounts of the bank and its subsidiaries for 2017 amounted to JOD 190,940, including the relevant taxes, and are detailed as follows:

	Amount
Capital Bank	106,740
Capital Investment and Brokerage (Subsidiary Enterprise)	4,000
National Bank of Iraq	73,200
Capital Bank Corporate Advisory	7,000
Total	190,940

20. Statement of the Number of Securities:

The following tables represent the numbers of securities owned by members of the Board of Directors and/or persons in senior management who possess executive authority, the numbers of securities owned by relatives of the members of the Board of Directors and/or persons in the senior management, and the numbers of securities owned by enterprises that are under the control of members of the Board of Directors and/or persons in the senior management, together with the numbers of securities that are owned by relatives of all the aforementioned:

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

Member	Post	Nationality	No. of Owned Shares as of 31/12/2016	No. of Owned Shares as of 31/12/2017
Bassem Khalil Salem Al-Salem	Chairman	Jordanian	9,686,180	9,836,556
Mazen Samih Taleb Darwazeh	Deputy Chairman	Jordanian	3,491,990	3,491,990
Social Security Corporation, represented by Issam Abdallah Yousef Alkhatib	Member	Jordanian	18,544,288	18,544,288
		Jordanian	-	-
Investments and Integrated Industries C. Plc, represented by Omar M. I. Shahrour	Member	Jordanian	10,073,007	10,073,007
		Jordanian	-	-
Hitaf Investment Company, represented by "Mohammed Ali" Khaldoun Sati' Al-Husry	Member	Jordanian	6,047,776	6,047,776
		Jordanian	3,023,886	3,023,886
Al Khalil Company for Investments, represented by Khalil Hatem Khalil Al-Salem	Member	Jordanian	64,567	64,567
		Jordanian	120,948	-
Al Jadara Company for Real Estate Investment, represented by Sultan Mohammed M. Elseif	Member	Jordanian	37,796	37,796
		Saudi Arabian	-	60,000
Omar Akram Omran Bitar	Member	Palestinian	27,548	27,548
Reem Haitham Jamil Goussous	Member	Jordanian	27,548	27,548
Ahmad Qasem Deeb Al-Hanandeh	Member	Jordanian	25,000	25,000
Khalid Walid Hussni Nablisi	Member	Jordanian	15,117	175,000
Dawod M. D. Al Ghoul	Member	Jordanian	-	27,000
Mohammad Hasan Subhi (AlHaj Hasan)	Member	Jordanian	-	35,000

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

Relatives of Members of the Board of Directors	Member	Relation	Nationality	No. of Owned Shares as of 31/12/2016	No. of Owned Shares as of 31/12/2017
Rudaina Farhan Sa'd Abu-Jaber	Bassem Khalil Salem Al-Salem	Wife	Jordanian	685,849	776,587
Rula Samir Khalil Nasr	Mazen Samih Taleb Darwazeh	Wife	Jordanian	88,143	88,143
Ghalia Charley Ghaleb Becharat	Khalil Hatem Khalil Al-Salem, representative of Al-Khalil Company for Investment	Wife	Jordanian	2,589	20,000
Hatem Khalil Hatem Al-Salem	Khalil Hatem Khalil Al-Salem, representative of Al-Khalil Company for Investment	Son	Jordanian	12,000	30,000

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

Name of the Member Insider	Capacity	Controlled Enterprise	Legal Capacity of Enterprise	No. of Shares Owned by the Controlled Enterprise	
				31/12/2016	31/12/2017
Bassem Khalil Salem Al-Salem	Chairman of the Board of Directors	Al-Khalil Company for Investment	Limited Liability Company	64,567	64,567
	Member	The Public Mining Company	Public Shareholding Company	80,693	41,173
Mazen Samih Taleb Darwazeh	Member	Darhold Limited	Private Company	3,537,497	3,537,497
"Mohammed Ali" Khaldoun Sati' Al-Husry, representative of Hitaf Investment Company	Member	Darhold Limited	Private Company	3,537,497	3,537,497
Investments and Integrated Industries C. Plc	Member	Universal Modern Industries Co. Ltd. (UMIC)	Public Shareholding Company	25,825	25,825
Khalil Hatem Khalil Al-Salem, representative of Al-Khalil Company for Investments	Deputy Chairman of the Board of Directors	Al-Salem Investment Company	Limited Liability Company	—	50,000

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

Relatives of the Board of Directors	Name of the Member Insider	Relation	Capacity	Controlled Enterprise	Legal Capacity of Enterprise	No. of Shares Owned by the Controlled Enterprise	
						31/12/2016	31/12/2017
Rudaina Farhan Sa'd Abu-Jaber	Bassem Khalil Salem Al-Salem	Wife	Deputy Chairman of the Board of Directors	Al-Khalil Company for Investment	Limited Liability Company	64,567	64,567
			Chairman of the Board of Directors	Gibran Enterprise for Translation Services	Limited Liability Company	3,973	3,973
			Chairman of the Board of Directors	Al-Salem Investment	Limited Liability Company	-	50,000

E. Number of Securities Owned by Persons of the Senior Executive Management:

Member's Name	Position	Nationality	No. of Shares as of	
			31/12/2016	31/12/2017
Ala Atallah George Qumsieh	Chief Executive Officer	Jordanian	-	125,000
Ayman O'mran Abdullah Abu Dheim	Head of International Business	Jordanian	10,000	5,000
Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking	Jordanian	-	5,505
Ra'fat Abdullah Ismai'l Khalil	Chief Auditor	Jordanian	-	22,179
Mohammed Hafez Abdulkarim Mohammed Hafez Muaz	Legal Counselor	Jordanian	-	5,500
Ali Mohammad Daoud Abu Swai	Treasurer	Jordanian	1,942	5,870
Rania Mohammad Saeed Ahmad Dweikat	Head of Compliance	Jordanian	-	685
Zeid Yahya Amin Salah	Head of Strategy	Jordanian	-	-
Falah Hassan Khalil Kokash	Chief Risk Officer	Jordanian	-	2,416
Manar Mohammad Abdulhalim AlNsour	Chief Financial Officer	Jordanian	6,396	8,544
Eyas Nazmi Zuhdi Khawaja	Chief Operating Officer	Jordanian	-	-
Anton Francis Anton Lolas	Head of Consumer Banking	Jordanian	-	-

- There are no securities owned by relatives of members of the senior executive management.
- There are no securities owned by companies controlled by members of the senior executive management or by any of their relatives.

F. Names of Major Shareholders Who Possess 5% or More, and the Respective Numbers of Shares Owned by Each of Them Compared to Their Ownerships in the Previous Year:

Name	Nationality	No. of Shares Owned as of 31/12/2016	% Rate	No. of Shares Owned as of 31/12/2017	% Rate
Saad Assim A. Al-Janabi	Iraqi	19,957,663	9,979	19,957,663	9,979
Social Security Corporation	Jordanian	18,544,288	9,272	18,544,288	9,272
Said Samih Taleb Darwazeh	Jordanian	16,070,349	8,035	16,070,349	8,035
International Finance Corporation	International	13,836,296	6,918	13,836,296	6,918
Investments and Integrated Industries C. Plc	Jordanian	10,073,007	5,037	10,073,007	5,037
Asim Abood Suwail Al-Janabi	Iraqi	33,333	0,017	10,010,942	5,005

G. Names of the Shareholders Who Own more than 1% and the Number of Shares Owned by Each of Them and the Ultimate Beneficial Owners as of 31 Dec. 2017:

Shareholder	No. of Shares	% Rate of Shares	Mortgaged Shares	Ultimate Beneficiary
Saad Assim A. Al-Janabi	19,957,663	9,979		Same
Social Security Corporation	18,544,288	9,272		Same
Said Samih Taleb Darwazeh	16,070,349	8,035	Partially Mortgaged	Same
International Finance Corporation	13,836,296	6,918		—
Investments and Integrated Industries C. Plc	10,073,007	5,037		Public Shareholding Company
Asim Abood Suwail Al-Janabi	10,010,942	5,005		Same
Abdallah S. A. Al Janabi	9,977,613	4,989		Same
Bassem Khalil Salem Al-Salem	9,836,556	4,918	Partially Mortgaged	Same
Sara International Holdings, Ltd.	8,858,525	4,429		Sara International Holdings, Ltd., owned by Mr. Ali Qolaghassi
Mohammed M. S. Elseif	8,495,472	4,248		Same
Black Pearl Global Opportunity Fund	8,400,000	4,200		—
Hitaf Investment Company	6,047,776	3,024		A Private Limited Liability Company owned by Mohammad Ali Khaldoun Sati' Al-Hossary and Al-Sharifa Nisreen Zeid Shaker AOun
Darhold Ltd.	3,537,497	1,769		A Private Shareholding Company owned by several partners
Mazen Samih Taleb Darwazeh	3,491,990	1,746	Partially Mortgaged	Same
"Mohammed Ali" Khaldoun Sati' Al-Husry	3,023,886	1,512		Same
Sa'd Abu Jaber and Sons	2,641,022	1,321		Limited Liability owned by: Mr. Sa'd Farhan Abu Jaber Mr. Kim Fuad Abu Jaber Mr. Nimr Faeq Sa'd Abu Jaber Mr. Laith Faeq Sa'd Abu Jaber Mr. Omar Farouq Sa'd Abu Jaber Mr. Ziad Raouf Sa'd Abu Jaber Mr. Marwan Raouf Sa'd Abu Jaber Mr. Qais Fuad Sa'd Abu Jaber Mrs. Aida/Nadira Faeq Sa'd Abu Jaber
Salahaldin Mahmoud Arafah Bitar	2,420,071	1,210		Same

H. A Summary of the Policy of Performance Evaluation and of Reward-Granting at the Bank:

To draft its policy systemizing performance evaluation, relevant to incentives and granting rewards from the Board of Directors, Capital Bank used the Central Bank of Jordan's instructions on institutional governance and a scaled scope of the bank's general performance. This policy rewards personnel according to individuals' performance during the year in such a way that an employee with weak performance will not be rewarded. Evaluation is looked upon as an important tool used to review the functional performance of employees and to pinpoint weaknesses; once these weaknesses have been identified, the bank can send the concerned employees to training courses to help them overcome their weaknesses and reinforce their tenacity, stimulating them to produce even more and be rewarded for their performance.

This system has three major axes: key performance indicators (KPIs), qualitative evaluation factors and behavioral indicators, and continuous training and development. Performance management should be founded on transparency and discussion between the direct supervisor and the employee, beginning the discussion with an agreement that specifies targets for the employee to reach. These targets will be periodically reviewed, both parties discussing the employee's performance, diagnosing anything that has hampered performance, and coming up with solutions to overcome any obstacles. At the end of the year, a performance evaluation will be conducted for a comprehensive assessment based on achievements as compared to the initial targets. For this reason, this policy considers the necessity of meeting the standards of the KPIs at the organizational level and as approved by the Board of Directors when specifying the value of rewards.

21. Allowances and Rewards of Members of the Board of Directors and the Senior Management in 2017:

A. Members of the Board of Directors:

Member	Fixed Allowance	Board and Committee Memberships	Rewards	Total
Bassem Khalil Salem Al-Salem	420,000	16,800	5,000	441,800
Mazen Samih Taleb Darwazeh	--	25,080	5,000	30,080
Investments and Integrated Industries C. Plc, represented by Omar M. I. Shahrou	--	29,640	5,000	34,640
Social Security Corporation / Issam Abdallah Yousef AlKhatib	--	27,640	5,000	32,640
Al-Khalil Company for Investments / Khalil Hatem Khalil Al-Salem	--	40,120	5,000	45,120
Hitaf Investment Company / "Mohammad Ali" khaldoun Sati' Al-Husry	--	20,040	5,000	25,040
Kim Fuad Sa'd Abu Jaber	--	5,850	5,000	10,850
Ahmad Qassem Deeb Al-Hanandeh	--	14,590	-	14,590
(Mohammed Said) Mohammad Ibrahim Shaheen	--	6,600	5,000	11,600
Dawod M. D. Al Ghoul	--	16,590	-	16,590
Mohammad Hasan subhi (Alhaj Hasan)	--	19,623	-	19,623
Khalid Walid Hussni Nabils	--	16,380	-	16,380
Omar Akram Omran Bitar	--	32,573	5,000	37,573
Reem Haitham Jamil Goussous	--	30,970	5,000	35,970
Mazen Ahmed M. AlJubeir	--	9,388	5,000	14,388
Al Jadara Company for Real Estate Investment, represented by Sultan Mohammed M. Elseif	--	23,263	5,000	28,263
Jawad Abdul Rida Abdul Baqi Al- Qassab	--	-	4,849	4,849
Total	420,000	335,148	64,849	819,997

B. Members of the Senior Management:

Name	Benefits and Advantages Up to 31/12/2017	Rewards	Equivalent of the Shares in JOD	Total
Ala Atallah George Qumsieh	390,578	-	-	390,578
Haitham Yusuf Qamhieh	72,950	804,045	31,033	908,028
Ayman O'mran Abdullah Abu Dheim	150,525	90,000	6,482	247,007
Ra'fat Abdullah Khalil	150,000	19,950	4,398	174,348
Mohammed Hafez Abdulkarim Muaz	120,450	48,000	4,743	173,193
Ali Mohammad Abu Swai	120,525	32,000	3,386	155,911
Yasser Ibrahim Kleib	150,375	60,000	4,747	215,122
Rania Mohammad Saeed Dweikat	89,775	5,985	2,315	98,075
Nabil Nicola Al-Awwa	70,156	10,700	1,760	82,616
Nidal Tawfiq Ali Ali	27,856	-	1,516	29,371
Falah Hassan Khalil Kokash	90,225	17,955	2,083	110,263
Nasser Abdulrahman Badr Ziadah	54,732	61,456	-	116,188
Zeid Yahya Amin Salah	150,450	30,000	-	180,450
Manar Mohammad Abdulhalim AlNsour	75,000	40,000	1,852	116,852
Anton Francis Anton Lolas	57,635	-	-	57,635
Eyas Nazmi Zuhdi Khawaja	89,751	-	-	89,751
Yazan Munther Jiryes Haddadin (Capital Investment)	462,631	-	-	462,631
Total	2,323,614	1,220,091	64,314	3,608,019

22. Donations and Grants Paid by the Bank in 2017:

Item	JOD
The Glitter of Baghdad Project (Alaq Baghdad)	176,066
The Bank's Sponsorship of a Group of the Students of the King's Academy	56,720
The Queen Rania Foundation for Education and Development.	50,000
The Financial Literacy Project for the Year 2017	47,600
"Al-Birr Wal Ihsan" (Goodwill) Campaign	43,967
The King Hussein Cancer Center	35,000
The Children's Villages (SOS)	30,000
Supporting Iraqi Drama Productions (Audio-Visuals)	16,908
The Young Muslim Women's Association – Centre for Special Education	14,250
"Kafel Al Yateem Al Khayriyah" (Care and Sponsorship of the Charity for Orphans) in the City of Mafraq	11,000
Support to Needy Families	10,483
Supporting "Al-Birr Wal Ihsan" (Goodwill) Campaign	10,000
Supporting the National Initiative One Thousand Entrepreneurs	9,860
Donating for the Benefit of the Families of Martyrs	6,989
Supporting "Minhati" (My Scholarship)	6,000
Loyac Company for National Training	5,000
The Society for the Care of Gifted Autistic Children	5,000
Supporting the "Khutuwat" (Paces) Society for the Children of Palestine	3,545
The Society of Diwan A'shaer Bani Hassan	3,000
The King Hussein Cancer Center	3,000
Conference of Physicians for Physical Medicine and Rehabilitation (New Horizons)	2,000
Irbid Center for the Sale of Hearing Aids	1,105
West Asia Table Tennis Union	1,000
Miscellaneous Donations	32,727
Total	581,220

23. There are no contracts, projects, and commitments concluded by the issuing company with subsidiaries, sister companies, affiliates, Chairman, Board Members, the CEO, or any employee or his/her relatives.

24. Contribution of the Bank to Protecting the Environment and Serving the Local Community:

This appeared at the beginning of the Board of Directors Report.

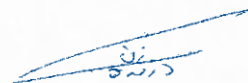
C. Declarations:

1. The Board of Directors acknowledges that there is no substantial matter that could influence the continuity of the bank during the upcoming financial year.
2. The Board of Directors acknowledges its responsibility in preparing the financial statements and in establishing an effective monitoring system at the bank.

Chairman of the Board of Directors
Bassem Khalil Al-Salem



Deputy Chairman of the Board of Directors
Mazen Samih Taleb Darwazeh



Representing the Social Security
Corporation
Issam Abdallah AlKhatib



Representing Investments and Integrated
Industries C. Plc
Omar M. I. Shahrour



Representing Hitaf Investment Company
"Mohammad Ali" Khaldoun Sati' Al-Hursy



Representing Al-Khalil Company
for Investments
Khalil Hatem Khalil Al-Salem



Representing Al Jadara Company for Real
Estate Investment
Sultan Mohammed M. Elseif



Member of the Board of Directors
Omar Akram Omran Bitar



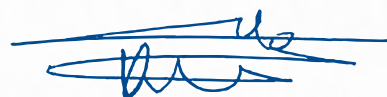
Member of the Board of Directors
Reem Haitham Jamil Goussous



Member of the Board of Directors
Ahmad Qassem Deeb Al-Hanandeh



Member of the Board of Directors
Khaled Walid Hussni Nabils



Member of the Board of Directors
Dawod M. D. Al Ghoul



Member of the Board of Directors
Mohammad Hasan Subhi (Al Haj Hasan)



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

Chairman of the Board of Directors
Bassem Khalil Al-Salem



Chief Executive Officer
Ala Atallah Qumsieh



Chief of Financial Management
Manar Mohammad Al Nsour



Annual Report 2017 - Capital Bank

Governance Report



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Introduction:

Dear Sirs,

The Capital Bank of Jordan was founded in 1995 as a public shareholding company that was properly registered in the records of the Companies Control Department under the name of the Export and Finance Bank. Since its founding, the bank has successively witnessed the formation of several Boards of Directors, the last of which was the one emanating from the General Assembly held in the month of May, 2017. At this session, 13 new members with the necessary qualities of knowledge, expertise, proficiency, and independence were elected. The qualities these new members enjoy enable them to uphold their duties with competence and professionalism. Moreover, these members are able to make decisions in an independent and neutral manner that upholds the interests of the bank, the shareholders, and the depositors free from any external interests or influences.

Because we know the Board should be able to function with additional independence and professionalism, 6 of the 13 members who comprise it qualify as independent members. These members by virtue of their impartiality, expertise, and distance from conflicts of interest grant a new dimension to the job.

To facilitate the Board's competent fulfillment of its tasks, it has formulated committees made up of its members. It has specified goals, assigned tasks and responsibilities, and delegated authority to these committees in accordance with an adopted charter in the Guide for Corporate Governance posted on the bank's website (<http://www.capitalbank.jo>). This report also includes the profiles and the detailed qualifications of each member of the Board of Directors.

In 2014, the Central Bank of Jordan issued the Corporate Governance Regulations, which were revised on more than one occasion, the last time in 2016. Moreover, in 2017, the Jordan Securities Commission issued its own regulations pertaining to the governance of shareholding companies incorporated within it. We at Capital Bank of Jordan were forerunners in applying Corporate governance. On our part, and in compliance with the various instructions and directives for regulation, we have tailored our own Corporate governance manual in collaboration with Ernst and Young. Our manual emanates entirely and comprehensively from the Central Bank of Jordan's regulations. Moreover, it gives due consideration to the instructions of the Jordan Securities Commission, as well as to the best international practices in this field.

Relying on the framework of our continued effort to institutionalize the principle of governance, we have adopted a set of policies that guarantees the best application of governance practices at the bank.

We at Capital Bank of Jordan affirm that we will abide by the instructions of Corporate governance issued by the Central Bank of Jordan under the number 2016/63, together with their later amendments, as well as with the 2017 directives of the Securities Commission that apply to the Corporate Governance of shareholding companies incorporated within it.

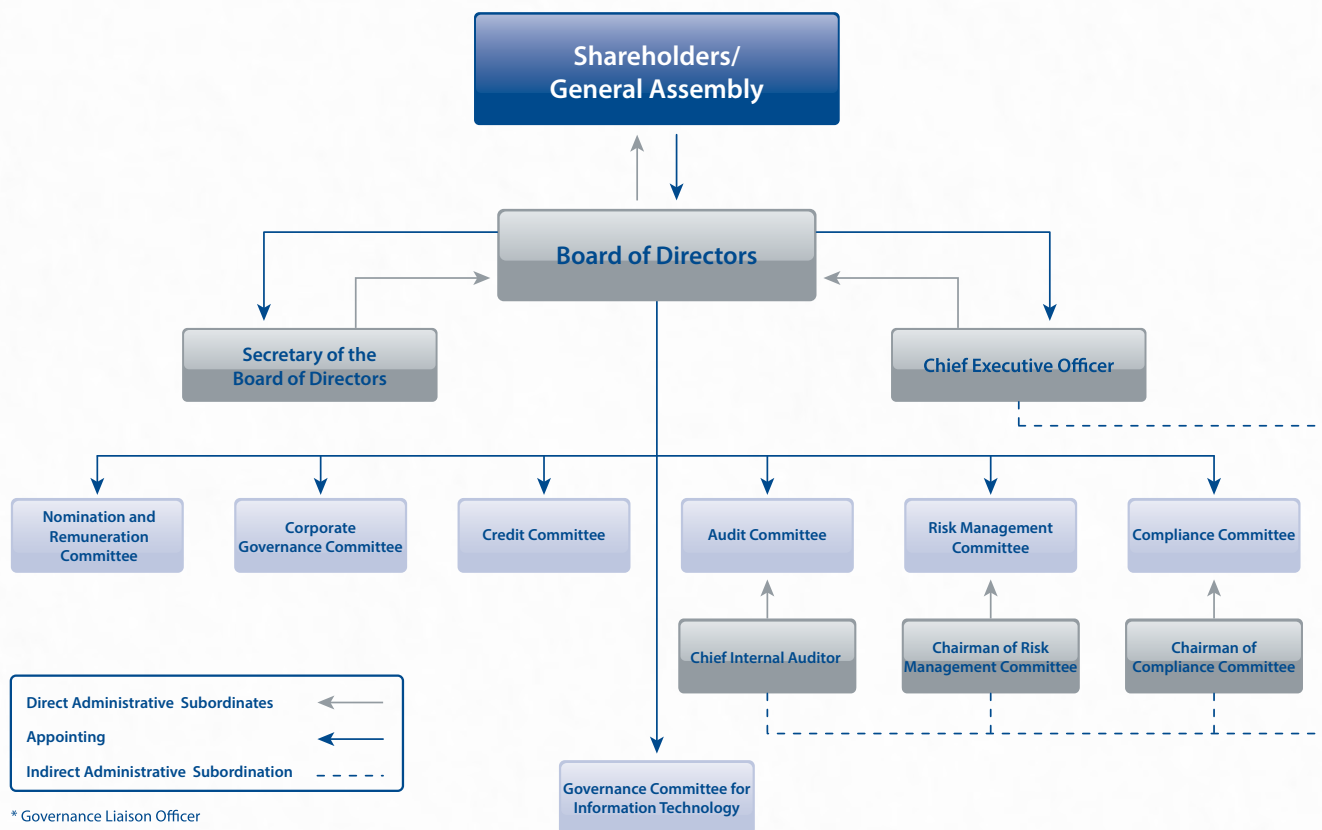
We present to you the Governance Report, which was duly adopted by the Board of Directors in conformity with the text of Article 17 of the instructions that are pertinent to regulating companies' practices.

Chairman of the Board of Directors
Bassem Khalil Al-Salem



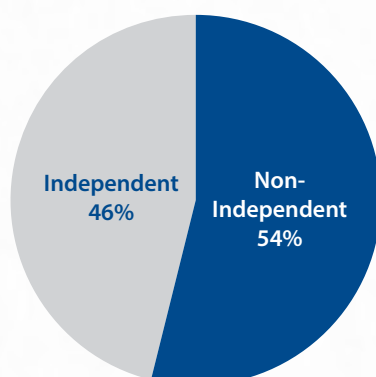
2. The General Framework of the Governance at the Bank:

The General Framework of the Governance at the Bank



3. Members of the Board of Directors:

3-1 Composition of the Board



*All board members are non-executive members.

3-2 Current Members of the Board of Directors:**Basem Khalil Salem Al-Salem**

Post:	Chairman of the Board of Directors
Date of Birth:	19/6/1956
Nationality:	Jordanian
Date of Membership:	20/4/2010
Independence:	Not Independent
Membership of Board Committees:	Chairman of the Credit Committee Chairman of the Corporate Governance Committee
Educational Certificates:	Bachelor's (with honors) in Chemical Engineering from the Imperial College in the United Kingdom
Posts:	He currently holds the post of Chairman of the Board of Directors of the King's Academy and presides over the Board of Directors for AlKhalil Company for Investment, in addition to being the Chairman of Capital Investment and Brokerage - Jordan Ltd. Co.
Experiences:	He has an extensive experience in the public sector; he was a former member of the Senate of Jordan. He was also a member of the Board of Directors of the Central Bank of Jordan and, between 2005 and 2009, held the positions of Minister of Finance and Minister of Labor. He has held the post of Chairman of the Board of Directors of the Social Security Corporation and was the founder and the Chairman of the Board of Directors for several companies in the private sector.
Other Memberships (Public Shareholding Companies):	Member of the Board of Directors of The Public Mining Company and of Royal Jordanian

**Mazen Samih Taleb Darwazeh**

Post:	Deputy Chairman of the Board of Directors
Date of Birth:	05/06/1958
Nationality:	Jordanian
Date of Membership:	23/03/2011
Independence:	Not Independent
Membership of Board Committees:	Deputy Chairman of the Credit Committee Deputy Chairman of the Nominations and Remuneration Committee
Educational Certificates:	Bachelor of Business Administration from the Lebanese American University in Beirut, a diploma in Advanced Management from INSEAD Business School in France, and a higher diploma in Marketing from Boston University
Posts:	Chairman of the Board of Directors and Chief Executive Officer of Hikma Pharmaceuticals Company (Middle East and North Africa), Chairman of the Board of Directors of the Business Development Center, Chairman of the Board of Directors of Trust Pharma Ltd. (Algeria), Chairman of the Board of Directors of Ixirco Pharma Ltd. (Sudan), member of the Board of Directors of Darhold
Experiences:	He was a member of the Senate of Jordan between the years of 2010 and 2013. He has also served as the Deputy Chairman of the Board of Directors and the Chief Executive Officer of Hikma Pharmaceuticals Company for the Middle East and North Africa and the Chairman of the Board of Directors of Trust Pharma Company (Algeria) and Ixirco Pharma Ltd. (Sudan).
Other Memberships (Public Shareholding Companies):	Member of the Boards of Directors of Propharma Company (Morocco), Ibn Al-Bitar Company (Tunisia), and Ixirco Pharma Ltd. (Sudan)

**Issam Abdallah Yousef Alkhatib**

Post:	Representative of the member of the board of directors the social security corporation
Date of Birth:	28/4/1965
Nationality:	Jordanian
Date of Membership:	31/8/2009
Independence:	Not Independent
Membership of Board Committees:	Chairman of the Risk Management Committee, Deputy Chairman of the Compliance Committee
Educational Certificates:	Bachelor's in Accounting, Master's in Finance, both degrees from the University of Jordan
Posts:	He currently occupies the position of Head of the Treasury and Loans Department at Social Security Investment Fund, as well as Acting Director of the IT Department at the Social Security Investment Fund.
Experiences:	He possesses over 25 years of experience in the financial and banking sector, during which he has held several administrative and executive positions. During the years 2006 through 2009, he held the title of Loans Department Manager at the Social Security Investment Fund. During the years 2005 and 2006, he held the position of Director of the Department of Organization and Banking Systems at Invest Bank. During the years 2001 to 2005, he served as the manager of the Corporate Credit Department at the Arab Islamic Bank. He has also served as a financial and credit analyst in the Finance and Investment Department of the Arab Bank.
Other Memberships (Public Shareholding Companies):	None

**Omar M. I. Shahrouh**

Post:	Representative of the member of the board of directors Investment and integrated Industries Company Holding
Date of Birth:	17/4/1967
Nationality:	Jordanian
Date of Membership:	31/8/2009
Independence:	Not Independent
Membership of Board Committees:	Chairman of the Compliance Committee Member of the Credit Committee
Educational Certificates:	Bachelor's in Accounting from the University of Jordan, Master's in Business Administration – Financial Sciences from Wayne State University in Detroit, Michigan, Certified Public Accountant certification from Colorado, USA
Posts:	He has occupied the post of Chief of the Financial Department at Fine Sanitary Paper Company since 2005, and he is a member of the Board of Directors at Capital Investment and Brokerage.
Experiences:	At the beginning of his career, he worked at several companies occupying different posts. He worked as an Accountant at the Haddad Company in the United States and an Internal Auditor and then Financial Controller with Edgo Group, and finally a Financial Manager with Coca-Cola Company-Jordan.
Other Memberships (Public Shareholding Companies):	Member of the Board of Directors of the Lu'lua' Company for Manufacturing Sanitary Paper

**"Mohammed Ali" Khaldoun Sati' Al-Husry**

Post:	Representative of the member of the board of directors Hitaf Company for Investment
Date of Birth:	20/4/1957
Nationality:	Jordanian
Date of Membership:	31/8/2009
Independence:	Not Independent
Membership of Board Committees:	Member of the Credit Committee
Educational Certificates:	Bachelor's in Mechanical Engineering from the University of Southern California, Master's in Business Administration from the INSEAD Business School in France
Posts:	Non-Executive Member of the Board of Directors of the Hikma Pharmaceuticals Company
Experiences:	He occupied the post of Chairman of the Board of Directors at Capital Bank of Jordan between the years 1995 and 2007, and has been a member of the Board of Directors for Hikma Pharmaceuticals, Micro Fund for Women Company, Darhold Company, and Alcazar Energy.
Other Memberships (Public Shareholding Companies):	None

**Khalil Hatem Khalil Al-Salem**

Post:	Representative of the member of the board of directors AlKhalil Company for Investment.
Date of Birth:	28/12/1982
Nationality:	Jordanian
Date of Membership:	31/8/2009
Independence:	Not Independent
Membership of Board Committees:	Deputy Chairman of the Risk Management Committee, member of the Audit Committee, member of the IT Governance Committee
Educational Certificates:	Bachelor's in Economics from Colombia University
Posts:	He currently holds the post of Financial Manager for AlMajal Company for Energy Services, as well as Deputy Chief Executive Officer for Iraq Logistics Ventures Ltd.
Experiences:	He previously occupied the post of Director of the Office of His Royal Highness Prince Ali Bin Al Hussein. He began his career development as a Financial Analyst with J.P. Morgan in New York, then shifted to the position of Financial Analyst and Business Development Manager at Capital Investment and Brokerage. He has also worked as a Financial Analyst for the Midrar Company for Investment.
Other Memberships (Public Shareholding Companies):	Member of the Board of Directors of the Specialized Trading and Investments Company

**Sultan Mohammed M. Elseif**

Post:	Representative of the member of the board of directors Al Jadara Company for Real States Investment
Date of Birth:	3/3/1985
Nationality:	Saudi Arabian
Date of Membership:	31/8/2009
Independence:	Not Independent
Membership of Board Committees:	Member of the Nominations and Remuneration Committee
Educational Certificates:	Bachelor's in Finance from Roger Williams University
Posts:	He currently occupies the post of General Manager at Elseif Corporation.
Experiences:	He has worked as a Financial Analyst with U.M.E. Investment and with Morgan Stanley. He was also a member of the Board of Directors for the Omani Company for Medical Projects, Al Musaed AlSeif and Co. Company, Allied Medical Group, Care Shield Holding Company, and United Medical Enterprises Group.
Other Memberships (Public Shareholding Companies):	None

**Omar Akram Omran Bitar**

Post:	Member of the Board of Directors
Date of Birth:	1/1/1963
Nationality:	Palestinian
Date of Membership:	4/6/2015
Independence:	Independent
Membership of Board Committees:	Chairman of the Nominations and Remuneration Committee, member of the Risk Management Committee; member of the Corporate Governance Committee
Educational Certificates:	Bachelor's in Finance and Banking from the University of Missouri – St. Louis
Posts:	-
Experiences:	He possesses lengthy experience in auditing and in the revision of the financial accounts of major companies, institutions, and banks in various sectors. He also possesses a vast experience in the domain of restructuring projects for major companies and international institutions, as well as working on projects of transformation and rectification of businesses in global companies.
Other Memberships (Public Shareholding Companies):	Member of the Board of Directors of the Palestine Company for Development and Investment and its subsidiaries, member of the Board of Directors of AlAmal Company for Financial Investments

**Reem Haitham Jamil Goussous**

Post:	Member of the Board of Directors
Date of Birth:	16/11/1971
Nationality:	Jordanian
Date of Membership:	4/6/2015
Independence:	Independent
Membership of Board Committees:	Deputy Chairman of the Corporate Governance Committee; member of the Compliance Committee; member of the Nominations and Remuneration Committee
Educational Certificates:	Bachelor's in Economics, Master's in Economic Development and International Trade, both degrees from Boston University in the US
Posts:	Chief Executive Officer of Endeavor – Jordan.
Experiences:	She has over 20 years of experience in both the economic and financial domains, particularly in the field of economic impact and in formulating policies for economic development, strategies, research, and market information. On the subjects of investment development and promotion of exports, she has managed over 80 projects and consultancies and has participated in the conduct of feasibility studies for projects in the financial, manufacturing, mining, and renewable energy fields, the value of which came to millions of dollars. She also occupied the post of Leading Manager and Chief Economic Expert at AlJadara Company. Moreover, she has founded many units specializing in conducting research and reporting. She also held the post of Adviser to the Minister of Planning and International Cooperation on policy affairs.
Other Memberships (Public Shareholding Companies):	Member of the Board of Directors for the Potash Company - as representative of PCS Jordan LLC

**Ahmad Qassem Deeb Al-Hanandeh**

Post:	Member of the Board of Directors
Date of Birth:	11/3/1973
Nationality:	Jordanian
Date of Membership:	8/1/2017
Independence:	Independent
Membership of Board Committees:	Deputy Chairman of the IT Governance Committee
Educational Certificates:	Bachelor's in Finance and Banking from Al-Yarmouk University
Posts:	Chief Executive Officer of Zain
Experiences:	He worked in the capacity of Chief Executive Officer for Financial Affairs at Zain Company in Sudan. He also worked as a general manager for the Postal Services Company and for ARAMEX, the international provider of transport services and logistical solutions that is used in many Asian countries.
Other Memberships (Public Shareholding Companies):	None

**Khalid Hussni Nabils**

Post:	Member of the Board of Directors
Date of Birth:	20/2/1972
Nationality:	Jordanian
Date of Membership:	24/5/2017
Independence:	Independent
Membership of Board Committees:	Member of the Credit Committee, member of the IT Governance Committee
Educational Certificates:	Bachelor's in Economics and Management from the University of Jordan, Master's in Business Administration from Hull University, Certified Public Accountant
Posts:	He currently works in the capacity of Head of the Financial Control Department at Hikma Pharmaceuticals.
Experiences:	He possesses experience in the fields of auditing and financial consulting, especially in mergers and acquisitions. During the years 2000 to 2001, he held the position of Chief Officer for Corporate Finance at the Atlas Group for Investment. He has also occupied several posts at Hikma Pharmaceuticals, including the Head of Financial Management of the Group and Deputy Head of Financial Control.
Other Memberships (Public Shareholding Companies):	None

**Dawod M. D. Al Ghoul**

Post:	Member of the Board of Directors
Date of Birth:	25/5/1971
Nationality:	Jordanian
Date of Membership:	24/5/2017
Independence:	Independent
Membership of Board Committees:	Chairman of the Audit Committee, member of the Nominations and Remuneration Committee
Educational Certificates:	Bachelor's in Accounting from the University of Jordan, Master's in Business Administration from the University of Colorado, Certified Public Accountant
Posts:	He currently holds the post of Head of Finance at Amanat Holding Company.
Experiences:	He worked for more than 22 years in the fields of financial and strategic planning, investments, and financial restructuring. He started his professional journey with Arthur Andersen in 1995 in Dubai and then moved to Schlumberger in Dubai as the Assistant Financial Manager for North Africa, the Middle East, and the Indian Subcontinent. After that, he moved to KPMG in Dallas, Texas as a Financial and International Taxation Consultant. Then he joined the Arab Bank Group in 2003 as Deputy Chief of Finance. In 2008, he held the position of Deputy Chief Executive for Planning and Investment, also with the Arab Bank Group, where his role was to lead, develop, and manage the financial plans of the group. In 2012 he worked as Chief of Finance for the Arab Bank Group.
Other Memberships (Public Shareholding Companies):	None

**Mohammad Hasan Subhi AlHaj Hasan**

Post:	Member of the Board of Directors
Date of Birth:	16/8/1981
Nationality:	Jordanian
Date of Membership:	24/5/2017
Independence:	Independent
Membership of Board Committees:	Chairman of the IT Governance Committee, Deputy Chairman of the Audit Committee
Educational Certificates:	Bachelor's in Finance and Microeconomics from MIT, Master's in Education and Business Administration from Stanford University
Posts:	He currently occupies the position of Chief Executive Officer of Jawaker Company.
Experiences:	He has worked in the capacity of Financial Analyst in the Department of the Purchase and Merger of Companies at the Dresdner Kleinwort Wasserstein Company. He also served as Deputy General Manager for Rasmala Company, which is registered in Dubai and operates in the field of investments. He founded the company Akhtaboot, which operates in the domain of networking and employment and attracts talents in the Gulf and Middle East to work in the fields of their specializations. He also founded the Jawaker Company, which specializes in electronic games.
Other Memberships (Public Shareholding Companies):	None

3.3 Resigned Members of the Board of Directors:

3-3 Resigned Members of the Board of Directors:

#	Member's Name	Resignation or End of Membership	
1	(Mohammed Said) Mohammad Ibrahim Shaheen	02/04/2017	Resigned
2	Kim Fuad Sa'd Abu Jaber	24/05/2017	End of Membership
3	Mazen Ahmed M. AlJubeir	24/05/2017	End of Membership

4. Count of the Meetings of the Board of Directors and of the Meetings of the Committees Emerging from It, Together with a Register of Attending Members:

#	Member's Name	Board of Directors	Audit Committee	Compliance Committee	Risk Management Committee	Nominations and Remuneration Committee	Corporate Governance Committee	Credit Committee	Information Technology Governance Committee
		Number of Meetings (10)	Number of Meetings (9)	Number of Meetings (6)	Number of Meetings (4)	Number of Meetings (2)	Number of Meetings (1)	Number of Meetings (2)	Number of Meetings (1)
1	Bassem Khalil Salem Al- Salem	10/10					0/1	1/2	
2	Mazen Samih Taleb Darwazeh	6/10				2/2		2/2	
3	Issam Abdallah Yousef Alkhatib	10/10		4/6	3/4				
4	Omar M. I. Shahrour	8/10		6/6				2/2	
5	"Mohammad Ali" Khaldoun Sati' Al-Husry	9/10						2/2	
6	Khalil Hatem Khalil Al-Salem	10/10	8/9		4/4				1/1
7	Sultan Mohammad M. Elseif	8/10				0/2			
8	Omar Akram Omran Bitar	9/10	4/4		4/4	1/1	1/1		
9	Reem Haitham Jamil Goussous	8/10		6/6		2/2	1/1		

Members Appointed in 2017

10	Ahmad Qassem Deeb Al-Hanandeh 08/01/2017	6/9	0/1						0/1
11	Khalid Walid Hussni Nabils 24/05/2017	5/5						2/2	1/1
12	Dawod M. D. Al Ghoul 24/05/2017	4/5	5/5			0/1			
13	Mohammad Hasan Subhi AlHaj Hasan 24/05/2017	2/5	4/5						1/1

Members Who Resigned or Members Whose Membership Ended in 2017

1	(Mohammed Said) Mohammad Ibrahim Shaheen 02/04/2017	4/4	3/3						
2	Kim Fuad Sa'd Abu Jaber 24/05/2017	1/5							
3	Mazen Ahmed M. AlJubeir 24/05/2017	1/5							

The External Auditors for the bank attended four Audit Committee meetings.

5. Executive Posts at the Bank and the Names of Their Occupants:

Member's Name	Occupied Post
Ala Atallah George Qumsieh	Chief Executive Officer
Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking
Ayman O'mran Abdullah Abu Dheim	Head of International Business
Ra'fat Abdullah Ismai'l Khalil	Chief Auditor
Mohammed Hafez Abdulkarim Mohammed Hafez Muaz	Legal Counselor
Ali Mohammad Daoud Abu Swai	Treasurer
Rania Mohammad Saeed Ahmad Dweikat	Head of Compliance
Zeid Yahya Amin Salah	Head of Strategy
Manar Mohammad Abdulhalim AINsour	Chief Financial Officer
Falah Hassan Khalil Kokash	Chief Risk Officer
Eyas Nazmi Zuhdi Khawaja	Chief Operating Officer
Anton Francis Anton Lolas	Head of Consumer Banking

6. Reports of the Committees Emanating from the Board of Directors About 2017's Performance:

The Audit Committee:

The Most Important Subjects Discussed in 2017:

- Internal Audit Management Subjects:
 - Approval of the Internal Audit plan that is based on 2017 risks and business methodology.
 - Approval of the amendments on the charter of the Internal Audit Department.
 - Approval of the performance evaluation of Internal Audit staff for the year 2017.
 - Approval of the amended organizational structure of the Internal Audit Department.
- Internal Audit reports:
 - Deliberating over reports submitted by Internal Audit about the affairs and activities of all business centers at the level of the bank's departments, its branches, and its subsidiaries, as well as discussions of the accomplishments of the Internal Audit Department in accordance with the general audit plan for 2017. The observations of the internal audit were revised, especially those notes that pointed to high risk. Furthermore, the appropriate measures were taken by the executive management at the bank or its subsidiaries.
 - Deliberating about the commissioning of additional assignments that were entrusted to the Internal Audit Department beyond the scope of the audit plan applied in 2017.
 - Reviewing the report of the annual evaluation of the internal audit system structure for the year 2016 at the bank level.
- Review of periodic reports related to the following:
 - Conflict of interest forms related to the Chief Executive Officer and members of the Board of Directors, as well as to members of the executive management.
 - The balanced score card.
 - Related parties transactions.
 - Management's report prepared by the external auditor.

4. Subjects related to the financial statements:

- Revision of the periodic reports containing the financial statements (annual, semiannual, and quarterly reports) and recommending the adoption of those statements to the Board after ensuring that they were precise, accurate, complete, and in conformity with the data known to members of the committee and that they reflected the proper accounting rules and norms to be presented to the Board of Directors.
- Ensuring of the sufficiency of appropriations allotted for doubtful debts and bank's investments and manifesting opinions regarding nonperforming debts or debts suggested to be considered lost.
- Giving the bank's Board of Directors recommendations about the appointment of external auditors and the conditions of contracting with them as stated in the approved external audit policy.
- Discussing the retainer of the auditor for the fiscal year of 2017.

5. Subjects related to the external auditor:

- Annual verification of the independence and objectivity of external auditors by obtaining acknowledgement that clarifies the relationship between the external auditors and the group, including the other services outside the domain of audit operations.
- Monitoring the comprehensiveness of the external audit of the bank's activities and making sure that there is coordination between the external auditors in the case that there is more than one auditor.
- Revising the comments included in the Central Bank of Jordan's reports those of external auditors, in addition to crucial accounting issues, including those related to complex dealings and dealings with parties who relevant to current vocational or legal statements, and understanding the effect of these statements on the financial statements of the group.

6. Subjects relevant that relate to control supervision and risk management:

- Revision and monitoring of the suitability and effectiveness of the control and internal monitoring methods, including the protection of information, accounting and financial controls, and the internal control and monitoring methods applied at the level of the group to monitor and manage risks.
- Guaranteeing the effectiveness of risk management and of the internal control and monitoring methods on the annual, semiannual, and quarterly financial statements.

7. Miscellaneous items:

- Meeting once with the external auditor, the compliance manager, and the audit manager in the absence of the executive management.
- Revision of the charter of the Audit Committee, which emanated from the Board of Directors.
- Reviewing the assumptions of IFRS9.
- A revision was conducted, and the recommendation to adopt the following policies was made:
 - The policy of notification of incorrect practices
 - The financial and accounting policy
 - The policy of reconciling defaulted debts and of executing bad debts
 - The policy of external audit

Corporate Governance Committee:

The Most Important Subjects Deliberated in 2017:

- Revision of the Corporate Governance Guide
- Revision of the Regulatory Requirements Report

Risk Management Committee:

The Most Important Subjects Discussed in 2017:

1. Revision of the information and the reports submitted by the Risk Management Department at the bank, together with the pertinent replies of the executive management.
2. Taking note of the events that may affect the risks the bank faces (such as political change and change in investment policies).
3. Revision of the internal evaluation of the sufficiency of capital (ICAAP), and making sure that the capital is sufficient for all risks the bank faces.
4. Ensuring that the management placed a framework for the evaluation of different risks and devised a system that connects the risks with the bank's level of capital, and established ways to monitor the extent of commitment to internal policies.
5. Revision of the framework of risk management.
6. Acquaintance with the plans of operational continuity and the tests the plan was subject to, along with the special tests for the disaster site to ensure that it is ready.
7. Acquaintance with the risk-weighted pricing mechanism (RAROC) to make sure it covers all the special risks in the various bank portfolios and that it achieves the return that is proportionate to these risks.
8. Reviewing the system of actual risks for all bank activities in comparison with the document of acceptable risks and the continued dealing with the negative deviations.
9. Specifying the degree of acceptable risks in liquidity that the bank can tolerate or accept by putting what is called "the degree of acceptable risks of liquidity" in line with both the bank's strategy and its ability.
10. Discussing the periodic reports submitted to the Risk Management Committee emanating from the Board of Directors.
11. Deliberating what will happen when IFRS 9 is applied and all related scenarios.
12. Revision of the bank policies regarding the following:
 - Pricing policy and associating it with the risks of credit
 - The policy of stress testing
 - The policy on distinct credit risks
 - The policy on the risks of operation

Nominations and Remuneration Committee:

The Most Important Subjects Discussed in 2017:

1. Nominating the persons who were appointed in the Board of Directors, taking into consideration their qualifications, skills, and abilities in accordance with the observed norms and laws.
2. Evaluating the performance of the members of the Board of Directors.
3. Specifying and evaluating the remuneration that is granted to the members of the Board of Directors and the staff of the senior executive management.
4. Revising the policy of adequate remuneration for the members of the Board of Directors and the staff of the senior executive management.
5. Revising the organizational structure.
6. Amending the charter of the Nominations and Remuneration Committee.

Compliance Committee:**The Most Important Subjects Discussed in 2017:**

1. The adoption of the Compliance Committee's plan for 2017.
2. Revision of the organizational structure of the compliance administration to make sure of the availability of adequate resources.
3. Overall evaluation of the bank and its subsidiaries observance of instructions imposed by regulators and overall evaluation of their abidance by best international practices in compliance, and combatting money laundering and the finance of terrorism.
4. The fines, penalties, or violations that the regulators and/or contracting parties imposed during the year as a result of not complying with the instructions and requirements of these parties.
5. The discovered risks of compliance and the suggested corrective procedures through conducting tests, inspections, and field visits to the business centers.
6. The banking products and services that were introduced during the year.
7. The results issued by the internal and external auditors, as well as the reports of the Central Bank of Jordan, which reveal cases of noncompliance.
8. Customer complaints that expose cases of noncompliance and the corrective measures.
9. Count of the inquiries and notifications sent to the Counterfinancing of Terrorism and Anti-Money Laundering Department.
10. The training sessions and support of the various bank branches and departments in addition to the activities that the compliance administration participated in.
11. Issuing warnings in circumstances that suggest that cases of noncompliance are likely to emerge.
12. Revision of the following policies:
 - The policy of dealing with customers complaints
 - The FATCA policy
 - The policies of subsidiaries regarding compliance and AML.
 - Disclosure policy

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

Branches

Branch	Address	Branch	Address
Main Branch - Head Quarters	Issam Al-Ajlouni Street – Ashmaaisani	Free Zone / Zarqa	Vehicles Licensing Area
P.O. Box:	941283 Amman 11194 Jordan	P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5100200	Tel.:	+962-5-382553
Fax:	+962-6-5692062	Fax:	+962-5-3824722
E-Mail:	main@capitalbank.jo	E-Mail:	freezone@capitalbank.jo
Capital Select	Issam Al-Ajlouni Street – Ashmaaisani	Irbid	Al-Huson Street – Irbid
P.O. Box:	941283 Amman 11194 Jordan	P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5100200	Tel.:	+962-2-7246280
Fax:	+962-6-5692062	Fax:	+962-2-7246492
E-Mail:	shmesani@capitalbank.jo	E-Mail:	irbid@capitalbank.jo
Madinah Munawara Street	Madinah Munawara Street	Aqaba	Annahdah Street – Aqaba
P.O. Box:	941283 Amman 11194 Jordan	P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5529994	Tel.:	+962-3-2039777
Fax:	+962-6-5549252	Fax:	+962-3-2039949
E-Mail:	madinah@capitalbank.jo	E-Mail:	aqaba@capitalbank.jo
Sweifieh	Tariq Al Jundi Street, intersection with Ali Nasuh Al Taher Street - Al-Swaifieh	Gardens	Wasfi Al-Tall Street – Building No. 115
P.O. Box:	941283 Amman 11194 Jordan	P.O. Box:	941283 Amman 11194 Jordan
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Dabouq	King Abdullah II Street	New Zarqa	New Zarqa – 36 Street – Kurdi Plaza Complex
P.O. Box:	941283 Amman 11194 Jordan	P.O. Box:	941283 Amman 11194 Jordan
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E-Mail:	majdimall@capitalbank.jo		
Wehdat	Madaba Street – Wehdat		
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