BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2018
TOGETHER WITH THE REVIEW REPORT

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

FOR THE SIX-MONTH PERIOD ENDED JUNE 30,2018

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KPMG

Kawasmy & Partners CO.
Amman - Jordan
Shmeisani, Al-Shareef Abdul Hameed Sharaf Str. BLD # 28
Tel : +962 6 5650700, Fax : +962 6 5688598

Review Report

To the Chairman and the Members of the Board of Directors
Bank of Jordan
(Public Shareholding Limited Company)
Amman – Jordan

We have reviewed the accompanying consolidated condensed interim statement of financial position of **Bank of Jordan – Public Shareholding Company** as of June 30, 2018 and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in owners' equity and cash flows for the six-month period then ended, and notes to the consolidated condensed interim financial information. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information for **Bank of Jordan - Public Shareholding Company** is not presented fairly, in all material respects, in accordance with IAS (34) "Interim Financial Reporting".

Other Matter

The Bank's financial year ends on December 31, of each year, while the accompanying consolidated condensed interim financial statements of Bank of Jordan (public shareholding limited company) has been prepared in accordance with the instructions of Amman Security Exchange, Central Bank of Jordan and for Companies Control Purposes.

Kawasmy and Partners
KPMG

Hatem Kawasmy
License no. (656)

Amman - Jordan
August 14, 2018

KPMG
Kawasmy & Partners Co.

KPMG Kawasmy & Partners Co., a registered Jordanian partnership under No. (226), is a member firm of KPMG International, a Swiss cooperative

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(REVIEWED NOT AUDITED)

STATEMENT (A)

	Note	JUNE 30, 2018 (REVIEWED NOT AUDITED)	DECEMBER 31, 2017
		JD	JD
Assets			
Cash and balances with central banks	4	243,105,998	268,583,151
Balances with banks and financial institutions	5	256,070,405	265,682,212
Deposits with banks and financial institutions	6	109,992,409	125,000,000
Financial assets at fair value through profit or loss	7	181,306	196,987
Financial assets at fair value through comprehensive income	8	105,680,241	114,791,862
Financial derivatives		33,441	-
Direct credit facilities – Net	9	1,469,723,146	1,447,227,771
Financial assets at amortized cost	10	222,880,554	219,576,390
Property and equipment – Net	11	33,227,993	31,930,233
Intangible assets		4,929,677	4,839,231
Deferred tax assets	16/b	15,878,538	14,683,719
Other assets	12	89,414,309	72,620,383
Total Assets		**2,551,118,017**	**2,565,131,939**
Liabilities and Owners' equity			
Liabilities:			
Banks and financial institutions' deposits	13	106,387,068	64,896,195
Customers' deposits	14	1,847,432,453	1,845,800,756
Cash margins		125,799,237	149,356,693
Financial derivatives		-	178,833
Other provisions	15	4,955,721	5,006,765
Income tax provision	16/a	10,765,470	19,602,158
Deffered tax liabilities	16/c	7,322,778	-
Borrowed funds	17	3,912,838	2,437,716
Other liabilities	18	36,823,997	38,696,473
Total Liabilities		**2,143,399,562**	**2,125,975,589**
Owners' Equity:			
Equity attributable to the Bank's Shareholders			
Paid-up capital		200,000,000	200,000,000
Statutory reserve		80,820,869	80,820,952
Voluntary reserve		134,247	134,330
General banking risks reserve		2,258,434	15,128,290
Special reserve		4,103,632	4,103,632
Foreign currency translation differences	21	(12,262,187)	(12,256,254)
Fair value reserve	19	71,714,747	81,288,341
Retained earnings	20	33,064,523	64,446,126
Profit for the period after income tax		22,013,282	-
Total equity attributable to the Bank's shareholders		**401,847,547**	**433,665,417**
Non-Controlling Interests		5,870,908	5,490,933
Total Owners' Equity		**407,718,455**	**439,156,350**
Total Liabilities and Owners' Equity		**2,551,118,017**	**2,565,131,939**

THE ACCOMPANYING NOTES FROM (1) TO (36) ARE AN INTEGRAL PART
OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
AND SHOULD BE READ WITH THEM AND WITH REVIEW REPORT.

Board of Director's Chairman

Chief Executive Officer

BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT (B)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

(REVIEWED NOT AUDITED)

	NOTE	For the Three-Month Period Ended June 30, 2018 JD	For the Three-Month Period Ended June 30, 2017 JD	For the Six-Month Period Ended June 30, 2018 JD	For the Six-Month Period Ended June 30, 2017 JD
Interest income	23	36,649,565	31,769,473	71,780,441	60,799,858
Less : Interest expense	24	9,071,065	6,034,468	17,613,199	10,738,561
Net Interest Income		27,578,500	25,735,005	54,167,242	50,061,297
Commissions Income – Net		5,636,653	5,600,421	11,909,098	11,858,596
Net Interest and Commissions Income		33,215,153	31,335,426	66,076,340	61,919,893
Foreign currencies income		665,461	743,068	1,350,887	1,346,214
(Loss) from financial assets at fair value through profit or loss	25	(18,662)	(1,732)	(1,634)	(2,132)
Cash dividends from financial assets at fair value through comprehensive income	8	514,984	604,730	523,597	4,614,644
Gains on sale of financial assets at amortized cost	10	-	87,724	-	87,724
Other income	26	632,385	14,836,750	1,644,006	16,377,652
Total Income		35,009,321	47,605,966	69,593,196	84,343,995
Employees expenses		8,886,248	7,850,392	19,300,048	17,697,697
Depreciation and amortization		1,216,478	1,215,949	2,447,020	2,357,333
Other expenses		7,436,955	6,031,939	14,698,734	11,620,059
(Reversal from) Financial assets expected credit loss provision	27	1,822,413	11,126,925	(2,486,470)	11,706,116
(Reversal from) Provision for assets foreclosed by the Bank	12	(6,525)	821,745	(23,536)	1,500,623
Other provisions	15	225,418	82,760	419,996	308,831
Total Expenses		19,580,987	27,129,710	34,355,792	45,190,659
Profit for the period before income tax		15,428,334	20,476,256	35,237,404	39,153,336
Less: Income tax	16/D	4,753,803	7,160,944	13,174,395	12,617,367
Profit for the Period- Statement (C) and (D)		10,674,531	13,315,312	22,063,009	26,535,969
Attributable to:					
Bank's Shareholders		10,502,181	13,429,492	22,013,282	27,342,384
Non–Controlling Interest		172,350	(114,180)	49,727	(806,415)
		10,674,531	13,315,312	22,063,009	26,535,969
				Fils/Dinar	Fils/Dinar
Earnings per share for the period attributable to the Banks' shareholders	28			0.110	0.137

THE ACCOMPANYING NOTES FROM (1) TO (36) ARE AN INTEGRAL PART
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Board of Director's Chairman

Chief Executive Officer

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

STATEMENT (C)

	For the Three-Month Period Ended June 30,		For the Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Profit for the period - Statement (B)	10,674,531	13,315,312	22,063,009	26,535,969
Other comprehensive income items that may be reclassified subsequently to the consolidated condensed intrem statement of profit or loss:				
Foreign currencies translation differences	7,108	42,240	(55,639)	15,206
	7,108	**42,240**	**(55,639)**	**15,206**
Items that will not be reclassified subsequently to the consolidated condensed intrem statement of profit or loss:				
(Loss) from sales of financial assets at fair value through comprehensive income	-	2,417,247	(52,574)	-
Net Change in fair value for equity instrument included in the financial assets at fair value through comprehensive income- Net after tax	(10,190,050)	2,073,108	(9,992,254)	(344,139)
	(10,190,050)	**4,490,355**	**(10,044,828)**	**(344,139)**
Total Consildated Condensed Interim Comprehensive Income - Statement (D)	**491,589**	**17,847,907**	**11,962,542**	**26,207,036**
Total Comprehensive Income Attributable to:				
The Bank's Shareholders	315,442	17,942,432	11,941,191	27,005,520
Non-Controllers' Interest	176,147	(94,525)	21,351	(798,484)
	491,589	**17,847,907**	**11,962,542**	**26,207,036**

THE ACCOMPANYING NOTES FROM (1) TO (36) ARE AN INTEGRAL PART
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BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT (D)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

(REVIEWED NOT AUDITED)

		Reserves										
	Authorized and Paid-up Capital	Statutory	Voluntary	General Banking Risks	Special	Foreign Currency Translation Differences	Fair Value Reserve	Retained Earnings	Profit for the Period	Total Banks' Shareholders Equity	Non-Controlling Interest	Total Owner's Equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the Six-Month Period Ended June 30, 2018												
Balance - beginning of the period	200,000,000	80,820,952	134,330	15,128,290	4,103,632	(12,256,254)	81,288,341	64,446,126	-	433,665,417	5,490,933	439,156,350
Effect of IFRS (9) Implantation	-	-	-	-	-	-	-	(7,342,151)	-	(7,342,151)	(58,286)	(7,400,437)
Adjusted Balance- Beginning of the period	200,000,000	80,820,952	134,330	15,128,290	4,103,632	(12,256,254)	81,288,341	57,103,975	-	426,323,266	5,432,647	431,755,913
Foreign currencies translation differences	-	(83)	(83)	(16)	-	(5,933)	-	(21,148)	-	(27,263)	(28,376)	(55,639)
Profit for the period- Statement (B)	-	-	-	-	-	-	-	-	22,013,282	22,013,282	49,727	22,063,009
(Loss) from sale of financial assets at fair value through comprehensive income	-	-	-	-	-	-	418,660	(471,234)	-	(52,574)	-	(52,574)
Net Change in fair value for financial assets at fair value through comprehensive income- Net after tax	-	-	-	-	-	-	(9,992,254)	-	-	(9,992,254)	-	(9,992,254)
Total Consildated Condensed Interim Comprehensive Income- Statement (C)	-	(83)	(83)	(16)	-	(5,933)	(9,573,594)	(492,382)	22,013,282	11,941,191	21,351	11,962,542
Transfer to reserves **	-	-	-	(12,869,840)	-	-	-	12,452,930	-	(416,910)	416,910	-
Dividends paid *	-	-	-	-	-	-	-	(36,000,000)	-	(36,000,000)	-	(36,000,000)
Balance – End of the Period	**200,000,000**	**80,820,869**	**134,247**	**2,258,434**	**4,103,632**	**(12,262,187)**	**71,714,747**	**33,064,523**	**22,013,282**	**401,847,547**	**5,870,908**	**407,718,455**
For the Six-Month Period Ended June 30, 2017												
Balance - beginning of the period	200,000,000	73,917,046	113,124	12,996,161	3,330,908	(12,401,835)	63,565,588	63,926,237	-	405,447,229	6,989,005	412,436,234
Foreign currencies translation differences	-	248	248	47	-	20,817	-	(14,085)	-	7,275	7,931	15,206
Profit for the Period - Statement (B)	-	-	-	-	-	-	-	-	27,342,384	27,342,384	(806,415)	26,535,969
Net Change in fair value for financial assets at fair value through comprehensive income- Net after tax	-	-	-	-	-	-	(344,139)	-	-	(344,139)	-	(344,139)
Total Consildated Condensed Interim Comprehensive Income- Statement (C)	-	248	248	47	-	20,817	(344,139)	(14,085)	27,342,384	27,005,520	(798,484)	26,207,036
Transfer to reserves	-	-	-	1,248,127	-	-	-	(1,248,127)	-	-	-	-
Dividends paid *	-	-	-	-	-	-	-	(36,000,000)	-	(36,000,000)	-	(36,000,000)
Balance - End of the Period	**200,000,000**	**73,917,294**	**113,372**	**14,244,335**	**3,330,908**	**(12,381,018)**	**63,221,449**	**26,664,025**	**27,342,384**	**396,452,749**	**6,190,521**	**402,643,270**

*According to the resolution of the Bank's General Assembly in its ordinary meeting held on April 26, 2018, it was approved to distribute 18% of the Bank's capital in cash to shareholders which is equivalent to JD 36,000,000 (against 18% of the Bank's capital in cash to shareholders which is equivalent to JD 36,000,000 according to the resolution of the bank's general assembly in its ordinary meeting held on April 17,2017)

**According to Central Bank of Jordan Circular No. 10/1/1359 dated January 25, 2018, General banking risks reserve accumulated balance as of January 1, 2018 related to the Jordan branches and its subsidiaries were transferred to the retained earnings.

*** According to the instructions of the regulatory bodies:

- The general banking risks reserve and special reserve cannot be utilized without prior approval from the Central Bank of Jordan and the Palestine Monetary Authority.
- Retained earnings include a restricted amount of JD 15,878,538 against deferred tax benefits as of June 30, 2018. This restricted amount cannot be utilized through capitalization or distribution unless actually realized based on the Central Bank of Jordan's instructions.
- Retained earnings include an amount of JD 3,305,173 as of June 30, 2018 which are restricted amounts and represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized through actual sale.
- The fair value reserve cannot be utilized including the capitalization, distribution, write-off losses or any other commercial acts unless realized through actual sale as instructed by the Central Bank of Jordan and Jordan Securities Commission also retained earning balance include 813,437 JD as of June,30 2018 that cannot be utilized through distribution or any other purposes unless there are a former approval from the Central Bank of Jordan resulting from application of Central Bank of Jordan Circular no. 10/1/1359 dated January 25, 2018.

THE ACCOMPANYING NOTES FROM (1) TO (36) ARE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH REVIEW REPORT

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

STATEMENT (E)

	Note	For the Six-Month Period Ended June 30, 2018	2017
Cash Flows From Operating Activities:		JD	JD
Profit for the period before tax - Statement (B)		35,237,404	39,153,336
Adjustments for non cash items:			
Depreciation and amortization		2,447,020	2,357,333
(Reversal from) expected credit loss provision	27	(2,486,470)	11,706,116
(Gains) from sale of property and equipment	26	(32,161)	(119,035)
Loss from financial assets at fair value through profit or loss – unrealized	25	6,959	6,132
Effect of exchange rate fluctuations		(1,141,362)	(1,147,545)
Other provisions	15	419,996	308,831
(Reversal from) provision for assets foreclosed by the Bank	12	(23,536)	1,500,623
Other – Foreign currency exchange differences		2,229	2,682
Profit before Changes in Assets and Liabilities		**34,430,079**	**53,768,473**
Changes in Assets and Liabilities:			
Decrease (Increase) in restricted balances		700	(5,257)
Decrease (Increase) in deposits with banks and other financial institutions (maturing over 3 months)		15,000,000	(110,485,550)
Decrease in financial assets at fair value through profit or loss		8,722	-
(Increase) in direct credit facilities		(25,956,892)	(210,857,305)
(Increase) in other assets		(17,889,390)	(21,638,981)
Increase in deposits with banks and other financial institutions (maturing over 3 months)		59,405,874	20,000,000
Increase in customers deposits		1,631,697	255,157,117
(Decrease) Increase in cash margins		(23,557,456)	7,675,993
Increase in borrowed funds		1,475,122	147,224
(Decrease) Increase in other liabilities		(8,092,823)	5,336,428
Net Change in Assets and Liabilities		**2,025,554**	**(54,670,331)**
Net Cash Flows from (used in) Operating Activities before Paid Taxes, End-of-Service Indemnity Provision		36,455,633	(901,858)
Paid income tax	16	(17,833,700)	(16,262,101)
Paid from end-of-service indemnity and lawsuits provisions	15	(471,582)	(339,344)
Net Cash flows from (used in) Operating Activities		**18,150,351**	**(17,503,303)**
Cash Flows From Investing Activities:			
(Purchase) of financial assets at amortized cost		(22,561,574)	(64,574,295)
Maturity of financial assets at amortized cost		19,191,426	25,817,639
(Purchase) of financial assets at fair value through comprehensive income		(341,469)	(2,746,502)
Sale of financial assets at fair value through comprehensive income		6,731,040	50,000
(Purchase) maturity of financial derivatives		(212,274)	(242,319)
(Purchase) of property and equipment	11	(3,432,632)	(3,069,563)
Sale of property and equipment		157,767	181,107
(Purchase) of intangible assets		(529,424)	(948,796)
Net Cash Flows (used in) Investing Activities		**(997,140)**	**(45,532,729)**
Cash Flows From Financing Activities:			
Foreign currencies translation differences		(55,639)	15,206
Dividends distributed to shareholders		(35,248,288)	(36,084,087)
Net Cash Flows (used in) Financing Activities		**(35,303,927)**	**(36,068,881)**
Effect of exchange rate fluctuations on cash and cash equivalents		1,141,362	1,147,545
Net (Decrease) in Cash and Cash Equivalents		**(17,009,354)**	**(97,957,368)**
Cash and cash equivalents – beginning of the period		476,846,860	564,145,672
Cash and Cash Equivalents – End of the Period	29	**459,837,506**	**466,188,304**

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BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED CONDENSED ITERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

1. GENERAL

- Bank of Jordan was established as a public shareholding limited company with headquarters in Amman – Jordan on March 3, 1960, and registered under number (1983) according to the Companies Law No. 33 for the year 1962 with an authorized capital of JD 350,000, represented by 70,000 shares at a par value of JD 5 per share. The capital of the Bank was increased in stages last of which took place in accordance to the resolution of the general assembly in their extraordinary meeting held on April 9, 2016, thus, the Bank's capital was increase from JD 155/1 million to JD 200 million by capitalization of JD 13,702,858 from the voluntary reserve and JD 31,197,142 from retained earnings, all of the legal procedures related to the capital increase were completed on April 19, 2016.

- The Bank provides all financial and banking services within its scope of activities through the headquarter and its (75) branches in Jordan, (14) branches in Palestine and its subsidiaries in Jordan and Syria (Excel for Financial Investments Company, Jordan Leasing Company and Bank of Jordan-Syria).
- The Bank has established a branch in Kingdom of Bahrain, which commenced it's operations during the first quarter of 2018 after obtaining all necessary approvals from Central Bank of Jordan and Bahrain regulatory authorities.
- The accompanying consolidated condensed interim financial statements were approved by the Board of Directors in their meeting Number (609) dated July 26, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES
BASIS OF PREPARATION

- The accompanying consolidated condensed interim financial statements for The Bank and its subsidiaries were prepared in accordance with the International Accounting Standard (IAS) 34 "interim financial reporting", and in accordance with the effective local regulations and the Central Bank of Jordan (CBJ) instructions.
- The accompanying consolidated condensed interim financial statements were prepared on the historical cost basis except for financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income and financial derivatives that measured at fair value at the date of preparation of the consolidated condensed interim financial statements. Moreover, hedged assets and liabilities that are stated at their fair value.
- The consolidated condensed interim financial statements are presented in Jordanian Dinar "JD", being the functional currency of the Bank.

- The accompanying consolidated condensed interim financial statements do not include all the information and disclosures to the financial statements required in the annual financial statements, which are prepared in accordance with International Financial Reporting Standards. Moreover, the results of The Bank's operations for the six-month period ended on June 30, 2018 do not necessarily represent indications of the expected results for the year ending December 31, 2018. Therefore, these consolidated condensed interim financial statements should be read with the Bank's annual report for the year ended December 31, 2017 and it does not contain the appropriation of profit for the six-month period ended June 30, 2018 which is perforemed at the end of the fisical year.

- The accounting policies adopted in the consolidated condensed interim financial statement are consistent with those adopted for the year ended December 31, 2017 except for the following new adopted and modified standards , which became effective starting from January 1st,2018 :

- International Financial Reporting Standard (9): Financial Derivatives
- International Financial Reporting Standard (15): Revenue from Contracts with Customers.
- International Financial Reporting Standard (2): Classification and Measurements of Share-Based Payments.
- IAS (40): Clarify Transfers of Investment in Property.
- Annual Improvements to IFRSs (2014 –2016) Cycle- Amendments on IFRS (1) and IAS (28).
- IFRIC (22): Foreign currency transactions and Advance Considiration.

The adoption of the above standards has not affected the amounts or disclosures in the interim condensed consolidated financial statements, except for the effect of applying International Financial Reporting Standard (9), the expected financial impact of applying IFRS (9) and IFRS (15) is as follows:

IFRS (9): Financial Instruments
The Bank has adopted IFRS (9) starting from January 1, 2018. IFRS (9) defines requirements for the recognition and measurement of both financial assets and liabilities and certain contracts for the purchase or sale of non-financial items. This standards replaces IAS No.(39) "Financial instruments" (Recognition and Measurement).

The following table summarizes the impact of the adoption of IFRS (9) net of tax on opening balances on provisions, deferred tax assets, retained earnings and non-controlling interests:

In Jordanian Dinar	**Impact of IFRS (9) Implementation on Opening Balances**
Provisions	
Recognition of expected credit losses under IFRS (9)	11,654,128
Impact as of January 1, 2018	**11,654,128**
Deferred tax assets	
Recognition of deferred tax assets on expected credit losses calculated in accordance with IFRS (9)	4,253,691
	4,253,691
Retained earnings	
Recognition of expected credit losses in accordance with the requirements of IFRS (9)	11,595,842
Related taxes	(4,253,691)
Effect of application as of January 1, 2018	**7,342,151**
Non- controlling interest	
Recognition of expected credit losses in accordance with the requirements of IFRS (9)	58,286
Effect of application as of January 1, 2018	**58,286**

The details of the new significant accounting policies and the nature of the impact of changes in previous accounting policies are set out below:

A- Classification and measurement of financial assets and financial liabilities

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities. However, but eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the criteria of International Accounting standards No. (39).

Financial Assets:
The Bank has early adopted the first phase of IFRS (9) as of January 1st, 2011 based on the request of Central Bank of Jordan and the Jordan Securities Commission. There were no material differences between the first phase of the Standard and the final version of the Standard issued on July 24, 2014.

Under IFRS (9), on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment or equity investment; or fair value through profit or loss. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through statement of comprehnsive income:

- It's held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in the consolidated condensed interim statement of comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through the consolidated condensed interim statement of profit or loss. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies applied are similar to the accounting policies adopted by the Bank (considering that the Bank has early adopted to the first phase of IFRS (9)) with the exception of the following accounting policies that became effective from January 1, 2018:

Debt investments at fair value through other comprehensive income.	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated condensed interim statement of profit or loss. Other net gains and losses are recognized in the consolidated condensed interim statement of other comprehensive income. On derecognition, accumulated gains and losses transferred from the consolidated condensed interim statement of other compressive income to consolidated condensed interim statement of profit or loss.

The adoption of IFRS (9) did not have any impact on the Bank's consolidated condensed interim financial statements with respect to financial assets.

- **Financial liabilities:**

The adoption of IFRS (9) has no material impact on the Bank's accounting policies relating to financial liabilities. IFRS (9) has maintained the requirements of IAS (39) regarding the classification of financial liabilities. IAS (39) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated condensed interim statement of profit or loss, whereas IFRS (9) requires:

• Recognition of differences in valuation of financial liabilities classified as financial liabilities at fair value through statement of profit and loss as a result of changes in credit risk in the consolidated condensed interim statement of comprehensive income.
• The remaining amount of fair value valuation differences is recognized in the consolidated condensed interim statement of profit or loss.

The Bank has not classified any financial liabilities as financial liabilities at fair value through profit or loss. Accordingly, there is no impact of applying IFRS (9) to the consolidated condensed interim financial statements:

B- Impairment on financial assets:

IFRS (9) replaces the "loss recognition" model adopted in IAS (39) to calculate the impairment of financial assets over "expected credit loss" model, which requires the use of estimates and judgments to estimate economic factors. The model will be applied to financial assets - debt instruments classified at amortized cost or at fair value through other comprehensive income but not to investments in equity instruments. Where credit losses are recognized in accordance with IFRS (9), which is earlier than IAS (39).

Under IFRS (9), impairment losses are measured according to the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: These ECLs result from all possible default events over the expected life of a financial instrument.

The Bank measures impairment allowances equal to expected credit losses within 12 months if these assets are classified as Tier 1 and have the following characteristics:

- Debt securities that are determined to have low credit risk at the reporting date.
- Other debt securities and balances at central Banks and financial institutions and for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk, which requires the conversion of the financial instrument from level 1 to level 2, or if the financial instrument is applied to specific situations within the Standard, Within the second level directly.

If the financial instrument is impaired or there is objective evidence of impairment as a result of a loss or default after initial recognition with a negative impact on the future cash flow, the financial instrument is transferred to the third level. The expected credit loss model requires recognition of the expected loss over the life of the asset debt instruments are very similar to the requirements of IAS (39).

When determining whether the credit risk of financial assets has increased significantly since initial recognition and in estimating the expected credit loss, the Bank relies on reasonable and supportive information available and relevant, including quantitative and qualitative information and analysis of this information based on the Bank's past experience and credit study, The Bank assumes that the credit risk of the financial asset has increased substantially if it is more than 30 days past due or the credit rating of the customer has decreased by two levels.

The Bank considers financial assets to be impaired when:

- The borrower likely be unable to pay its credit obligations to the Bank without recourse to the procedures for using the collateral held against such obligations (if any).
- If more than, 90 days have elapsed on maturity of financial assets.

The expected credit loss calculation mechanism depends on the (probability of default), which is calculated according to the credit risk and future economic factors, (loss given default), which depends on the value of the existing collateral, the (exposure at default), The expected credit loss is discounted at the effective interest rate of the financial asset.

In each financial period, the Bank evaluates the credit rating of financial assets at amortized cost and debt securities at fair value through other comprehensive income. The credit rating of financial assets is considered to be impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occur.

Provisions loss for financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset. For debt securities at fair value through other comprehensive income, the provision for impairment is recognized in other consolidated statement of comprehensive income and is not deducted from the carrying amount of the financial asset. The losses of other financial assets are presented under 'Financing expenses' in the same manner of disclosure used in accordance with IAS (39). Such disclosure is not included in the consolidated condensed interim statement of profit or loss and other consolidated condensed interim statement of comprehensive income based on material considerations.

In general, it is expected that the impairment losses will increase and become more fluctuate for the financial assets according to IFRS (9), ECL results at the implementation date on January 1, 2018 was as follows:

Account (in Jordaninan Dinar)	Balance as of December 31, 2017	Reclassified balances	ECL*	Balance as of January 1, 2018 after adopting IFRS (9)	Effect of reclassification	Statement of financial position items affected by the adoption of IFRS (9)
Cash and balances with central banks	268,583,151	-	200,884	268,382,267	-	268,382,267
Balances with banks and financial institutions	265,682,212	-	17,291	265,664,921	-	265,664,921
Deposits with banks and financial institutions	125,000,000	-	7,150	124,992,850	-	124,992,850
Financial assets at fair value through profit or loss						
Include: equity instruments	196,987	-	-	196,987	-	196,987
Financial assets at fair value through comprehensive income						
Include: equity instruments	114,791,862	-	-	114,791,862	-	114,791,862
Direct credit facilities						
Include: Debt instruments	1,447,227,771	-	5,938,890	1,441,288,881	-	1,441,288,881
Debt instruments within financial assets at amortized cost portfolio						
Include: Debt instruments	219,576,390	-	74,293	219,502,097	-	219,502,097
Letters of guarantees	133,848,164	-	5,338,797	128,509,367	-	128,509,367
Un-utilized balances**	108,819,747	-	-	108,819,747	-	108,819,747
Letters of credit	174,176,350	-	76,823	174,099,527	-	174,099,527
	2,857,902,634	-	11,654,128	2,846,248,506	-	2,846,248,506

*** The expected credit loss is calculated after the classification process**

**** The expected credit loss for un-utilized balances was calculated within direct credit facilities portfolio**

The effect of IFRS (9) implementation was as follows:

Financial Instrument	Provisions Balance before IFRS (9) Implementation	Result of Recalculation Difference	Provisions Balance According to IFRS 9
Balances with central banks	-	200,884	200,884
Balances with banks and financial institutions	-	17,291	17,291
Deposits with banks and financial institutions	-	7,150	7,150
Direct credit facilities	86,485,514	5,938,890	92,424,404
Debt instruments within financial assets at amortized cost portfolio	-	74,293	74,293
Letters of guarantees	-	5,338,797	5,338,797
Un-utilized balances*	-	-	-
Letters of credit	-	76,823	76,823
	86,485,514	**11,654,128**	**98,139,642**

The expected credit loss was distributed according to IFRS 9 on the opening balances as follows:

	First Stage		Second Stage			
	Individual	Collective	Individual	Collective	Third Stage	Total
Balances with central banks	200,884	-	-	-	-	200,884
Balances with banks and financial institutions	17,291	-	-	-	-	17,291
Deposits with banks and financial institutions	7,150	-	-	-	-	7,150
Direct credit facilities	1,799,509	3,804,342	1,136,029	271,928	85,412,596	92,424,404
Debt instruments within financial assets at amortized cost portfolio	74,293	-	-	-	-	74,293
Letters of guarantees	88,069	-	2,889	-	5,247,839	5,338,797
Un-utilized balances*	-	-	-	-	-	-
Letters of credit	62,420	-	11,084	-	3,319	76,823
	2,249,616	**3,804,342**	**1,150,002**	**271,928**	**90,663,754**	**98,139,642**

*The expected credit loss over un-utilized balances is calculated within the direct credit facilities portfolio.

Transmission to IFRS (9):
The Bank has utlized the exception provided by the standard on the implementation as of January 1, 2018, by recording the impact from adopting IFRS (9) to the opening balances of retained earnings and non-controlling interests rather than restating the consolidated financial statements for the year ended December 31, 2017 and earliest, note (35) provides detailed information about the Bank methodolgy and the distribution of financial assets according to IFRS (9) requirments.

IFRS (15) Revenue from Contracts with Customers
IFRS (15) revenue from contracts with customers, which sets out a comprehensive framework for determining the value and timing of revenue recognition, applies to all entities entering into contracts for the supply of services and goods with customers except for contracts subject to other accounting standards such as the International Financial Reporting Standard NO. (9), International Accounting Standards No.(17), which superseded IAS (1), Construction Contracts, IAS (18) Revenue and the Report Standards Committee's Interpretation (13): Customer Loyalty Program, Interpretations Committee Report Criteria (15): Agreements creation of real estate, and the interpretation of the Standards Committee reports (18): operations of assets from customers transfer, interpretation (31) - barter transactions involving advertising services, were no material impact of the application of the standard on the summary of the Bank's consolidated condensed interim financial statements.

Basis of Consolidation

- The consolidated condensed interim financial statement include the financial statements of the Bank and the subsidiary companies controlled by the Bank. Control is achieved whereby the Bank has the power to govern the financial and operating policies of the subsidiaries to obtain benefits from their activities. All intra-group transactions, balances, income, and expenses are eliminated in full.

- The financial statements of the subsidiary companies are prepared for the same period of the Bank using the same accounting policies adopted by the Bank. If the accounting policies adopted by the subsidiary companies are different from those used by the Bank, the necessary adjustments to the financial statements of the subsidiary companies are made to comply with the accounting policies used by the Bank.

The Bank has the following subsidiary companies as of June 30, 2018:

Name of Subsidiary	Paid-up Capital	Bank's Ownership Percentage	Subsidiary's Nature of Business	Place of Operation	Acquisition Date
		%			
Excel for Financial Investments Company	JD 3.5 Million	100	Financial Brokerage	Amman	March 23, 2006
Bank of Jordan – Syria *	3,000 Million (Syrian – Lira) value of investment JD 21/9 Million	49	Banking Activities	Syria	May 17, 2008
Jordan Leasing Company	JD 20 Million	100	Finance Lease	Amman	October 24, 2011

- The results of the subsidiaries are incorporated into the consolidated condensed interim statement of profit or loss from the effective date of acquisition, which is the date on which actual control over the subsidiary is assumed by the Bank. Moreover, the operating results of the disposed subsidiaries are incorporated into the consolidated condensed interim statement of profit or loss up to the effective date of disposal which is the date on which the Bank losses control over the subsidiary companies.

* The results of Bank of Jordan – Syria has been incorporated in the consolidated condensed interim financial statements due to the Bank's power to govern the financial and operating policies of the subsidiary.

- Non - Controllers' interest represents the portion of equity not held by the Bank in the subsidiary.

3. ACCOUNTING ESTIMATES

Preparation of the consolidated condensed interim financial statements and the application of the accounting policies require the Bank's management to perform assessments and assumptions that affect the amounts of assets, liabilities, fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the consolidated condensed interim statement of comprehensive income and within owners' equity. In particular, this requires the Bank's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the before mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

We believe that the assessments adopted in the consolidated condensed interim financial statements are reasonable and detailed as follows:

- A provision for expected credit loss on financial assets is taken on the basis and assumption approved by Bank's management in conformity with the International Financial Reporting Standards (IFRS). The outcomes of these basis and assumptions are compared against the provisions calculated as per the instructions of the Central Banks where the Bank's branches and subsidiaries operate, the more conservative outcomes are used for the purpose of determining the provision and in compliance with IFRS.

- Impairment of assets foreclosed are recorded based on recent and approved evaluations of these assets performed by certified evaluators for the purpose of calculating the impairment. The impairment is reviewed periodically. Moreover, at the beginning of 2015 and in accordance with the dissemination of the Central Bank of Jordan No. 15/1/4076 dated on March 27, 2014 and No. 10/1/2510 dated on February 14, 2017 the bank has started to calculate gradual provision against the assets foreclosed against debts with a period exceeding 4 years, noting that the Central Bank of Jordan has issued circular No. 10/1/16607 dated December 17, 2017 to postpone the provision calculation until the beginning of the year 2019.

- Income tax expense is charged for the current period according to the accounting regulations, laws and standards. Deferred tax assets, liabilities and tax provision are calculated and recognized.

- A provision for lawsuits raised against the Bank is taken. This provision is based on a legal study prepared by the Bank's legal advisors. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

- Management periodically review financial assets that presented at amortized cost to estimate if there are any indication of impairment in its fair value, impairment loss is recorded in the consolidated condensed interim statement of profit or loss.

- Fair value hierarchy: the Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in the IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When assessing the financial assets and liabilities' fair value, the Bank uses market information when available. In case level 1 inputs are not present, the Bank will deal with independent, qualified parties to prepare evaluation studies. Proper evaluation methods and inputs used in preparing the evaluation are reviewed by the management.

4. CASH AND BALANCES WITH CENTRAL BANKS

- Balances at central banks amounted to JD 175,131,031 as of June 30, 2018 (JD 196,829,576 as of December 31, 2017), these balances are distributed to credit stages according to the requirements of IFRS(9) and as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period	196,829,576	-	-	196,829,576
New balances during the period	-	-	-	-
Paid balances	(21,698,545)	-	-	(21,698,545)
	175,131,031	-	-	**175,131,031**
Transferred to first stage	-	-	-	-
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
	-	-	-	-
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**175,131,031**	-	-	**175,131,031**

- The expected credit loss provision which calculated in accordance with the requirements of IFRS(9) amounted to JD 162,021 as of June 30, 2018 (JD 200,884 As of January 1, 2018), the movement on the expected credit loss provision was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period after IFRS (9) implementation	200,884	-	-	200,884
Credit loss on new balances during the period	-	-	-	-
Expected credit loss reversal- Paid balances	(38,837)	-	-	(38,837)
	162,047	-		162,047
Transferred to first stage	-	-	-	-
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	-	-	-	-
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	(26)	-	-	(26)
Balance at the End of the Period	**162,021**	-	-	**162,021**

- Statutory cash reserve amounted to JD 103,778,873 as of June 30, 2018 (JD 104,063,859 as of December 31, 2017).

- Except for the statutory cash reserve, restricted balances amounted to JD 2,441,599 as of June 30, 2018 (JD 2,443,099 as of December 31, 2017).

- Time and notice deposit include JD 9,358,800 maturing within a period exceeding three months as of June 30, 2018 (JD 9,358,000 As of December 31, 2017).

5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

- Balances at Banks' and financial institutions are distributed to credit stages distribution according to the requirements of IFRS(9) as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period	265,682,212	-	-	265,682,212
New balances during the period	30,980,654	-	-	30,980,654
Paid balances	(41,723,571)	-	-	(41,723,571)
	254,939,295	-	-	**254,939,295**
Transferred to first stage	1,132,994	-	-	1,132,994
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
	1,132,994	-	-	**1,132,994**
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**256,072,289**	-	-	**256,072,289**

- The provision for expected credit loss which was calculated in accordance with the requirements of IFRS(9) amounted to JD 1,884 as of June 30, 2018 (JD 17,291 as of January 1, 2018), the movement on the expected credit loss provision was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period after IFRS (9) implementation	17,291	-	-	17,291
Credit loss on new balances during the period	407	-	-	704
Expected credit loss reversal- Paid balances	(2,834)	-	-	(2,834)
	14,864	-	-	**14,864**
Transferred to first stage	(12,980)	-	-	(12,980)
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	**(12,980)**	-	-	**(12,980)**
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**1,884**	-	-	**1,884**

- Non-interest bearing balances at banks and financial institutions amounted to JD 23,086,481 as of June 30, 2018 (JD 15,073,372 as of December 31, 2017).

- Restricted balances at banks and financial institutions amounted to JD 2,253,202 as of June 30, 2018 (JD 2,253,202 as of December 31, 2017).

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following

	June 30, 2018	December 31, 2017
	JD	JD
Deposits maturing after 3 months and before 6 months	-	10,000,000
Deposits maturing after 6 months and before 9 months	30,000,000	-
Deposits maturing after 9 months and before one year	-	-
Deposits maturing after more than one year	80,000,000	115,000,000
	110,000,000	125,000,000
Less: expected credit loss provision	(7,591)	-
	109,992,409	**125,000,000**

- Deposits with banks and financial institutions are distributed to credit stages according to the requirements of IFRS(9) was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period	125,000,000	-	-	125,000,000
New balances during the period	-	-	-	-
Paid balances	(10,000,000)	-	-	(10,000,000)
	115,000,000	-	-	**115,000,000**
Transferred to first stage	(5,000,000)	-	-	(5,000,000)
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
	(5,000,000)	-	-	**(5,000,000)**
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**110,000,000**	-	-	**110,000,000**

- Provision for expected credit loss which was calculated in accordance with the requirement of IFRS(9) amounted to JD 7,591 as of Jun 30, 2018 (JD 7,150 as of January 1, 2018)), the movement on the expected credit loss provision was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period after IFRS (9) implementation	7,150	-	-	7,150
Credit loss on new balances during the period	-	-	-	-
Expected credit loss reversal- Paid balances	(1,675)	-	-	(1,675)
	5,475	-	-	**5,475**
Transferred to first stage	2,116	-	-	2,116
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	**2,116**	-	-	**2,116**
Changes due to the adjusments:				
Written off- Balances	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**7,591**	-	-	**7,591**

- There are no restricted deposits as of June 30, 2018 and December 31, 2017.
- Deposits with banks and financial institutions in the Hashemite Kingdom of Jordan amounted to JD 110,000,000 and there are no outside deposits as of June 30, 2018. (Against JD 125,000,000 in the Hashemite Kingdom of Jordan as of December 31, 2017).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	June 30, 2018	December 31, 2017
	JD	JD
Shares listed in local active markets	84,900	112,200
Shares unlisted in local active markets	96,406	84,787
	181,306	**196,987**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

This item consists of the following:

	June 30, 2018	December 31, 2017
	JD	JD
Shares listed in local active markets	95,051,931	100,843,880
Shares unlisted in local active markets*	3,394,815	2,856,601
Shares listed in foreign active markets	5,498,390	9,393,266
Shares unlisted in foreign active markets*	1,735,105	1,698,115
	105,680,241	**114,791,862**

- Cash dividends from financial assets at fair value through comprehensive income amounted to JD 523,597 for the six-month period ended June 30, 2018 (JD 4,614,644 for the six-month period ended June 30, 2017).

* The fair value of the unlisted investments is calculated based on the Bank's share of the net assets method using the latest audited financial statements of the investee company.

9. DIRECT CREDIT FACILITIES - NET

This item consists of the following:

	June 30, 2018	December 31, 2017
	JD	JD
Individuals (Retail Customers):	**411,560,483**	**377,216,321**
Overdraft accounts	9,360,125	9,255,980
Loans and discounted bills*	382,082,406	350,692,614
Credit cards	20,117,952	17,267,727
Real estate loans	**242,546,514**	**234,024,646**
Corporate:	**707,912,944**	**700,988,262**
Large corporate customers	450,755,204	459,850,066
Overdraft accounts	76,741,951	75,961,510
Loans and discounted bills*	374,013,253	383,888,556
SMEs	257,157,740	241,138,196
Overdraft accounts	62,097,656	56,231,895
Loans and discounted bills*	195,060,084	184,906,301
Government and public sector	**205,772,903**	**229,352,737**
Total	**1,567,792,844**	**1,541,581,966**
Less: Provision for expected credit loss on direct credit facilities	(89,724,600)	(86,485,514)
Less: Interest in suspense	(8,345,098)	(7,868,681)
Net Direct Credit Facilities	**1,469,723,146**	**1,447,227,771**

* Net of interest and commission received in advance in the amount of JD 15,386,140 as of June 30, 2018 (JD 13,765,564 as of December 31, 2017).

- Non-performing credit facilities amounted to JD 86,146,694 representing 5.49% of direct credit facilities balance as of June 30, 2018 (JD 76,806,921 representing 4.98% as of December 31, 2017).

- Non-performing credit facilities after deducting the interest in suspense amounted to JD 77,830,982 representing 4.99 % of direct credit facilities after deducting the interest in suspense as of June 30, 2018 (JD 68,938,240 , representing 4.5% as of December 31, 2017).

- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 77,276,317 representing 4.93% of total direct credit facilities as of June 30, 2018 (JD 78,267,657 representing 5.08% as of December 31, 2017). Moreover, credit facilities granted to the public sector in Palestine amounted to JD 53,607,412 as of June 30, 2018 (JD 65,823,307 as of December 31, 2017).

Direct credit facilities was distributed to credit stages according to the requirement of IFRS(9) as follows:

	First Stage		Second Stage			
Financial instruments	**Individual basis**	**Collective basis**	**Individual basis**	**Collective basis**	**Third Stage**	**Total**
Balance at the beginning of the period after IFRS (9) implementation	1,125,590,574	543,432,255	77,204,573	27,538,608	68,780,399	1,842,546,409
New credit facilities during the period	261,303,471	138,001,747	6,858,351	1,119,484	6,864,416	414,147,469
Credit facilities settelments	(116,891,560)	(61,426,378)	(29,667,171)	(2,469,972)	(2,482,655)	(212,937,736)
	1,270,002,485	**620,007,624**	**54,395,753**	**26,188,120**	**73,162,160**	**2,043,756,142**
Transferred to first stage	(52,243,957)	(16,471,328)	(15,336,361)	(13,664,314)	(225,393)	(97,941,353)
Transferred to second stage	(43,302,711)	(7,119,954)	45,375,213	7,558,879	(1,669,472)	841,955
Transferred to third stage	(851,710)	(2,003,082)	(2,089,135)	(4,784,808)	10,770,550	1,041,815
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	**(96,398,378)**	**(25,594,364)**	**27,949,717**	**(10,890,243)**	**8,875,685**	**(96,057,583)**
Changes due to the adjusments:						
Written off- facilities	-	-	-	-	-	-
Adjusment due to exchange rates fluctuations	(5,449)	(50)	(4,125)	(33)	(5,093)	(14,750)
Balance at the End of the Period*	**1,173,598,658**	**594,413,210**	**82,341,345**	**15,297,844**	**82,032,752**	**1,947,683,809**

*This balance includes un-utilized balances within direct credit facilities portfolio.

Provision for impairment on direct credit facilities

The following is the movement on the provision for impairment in direct credit facilities

	June 30, 2018					
			Corporate Entities			
	Individual Retail) (Customers	Real Estate Loans	Large Corporate Customers	SMEs	Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance – Beginning of the period	21,961,829	5,394,424	47,560,829	11,568,432	-	86,485,514
Effect of adopting IFRS (9)	844,190	676,607	(6,685,522)	10,869,649	233,966	5,938,890
Adjusted balance – Beginning of the period	**22,806,019**	**6,071,031**	**40,875,307**	**22,438,081**	**233,966**	**92,424,404**
Impairment loss of new facilities during the period	3,203,023	183,981	4,422,284	333,675	-	8,142,963
Reversed from impairment loss of the (settled) balances	(1,138,972)	(244,868)	(1,475,879)	(375,563)	-	(3,235,282)
	24,870,070	**6,010,144**	**43,821,712**	**22,396,193**	**233,966**	**97,332,085**
Transferred to first stage	(440,641)	(125,664)	(279,695)	(70,490)	(74,568)	(991,058)
Transferred to second stage	214,682	(21,994)	49,165	(12,356)	-	229,497
Transferred to third stage	979,263	927,838	(8,147,473)	(383,121)	-	(6,623,493)
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	**753,304**	**780,180**	**(8,378,003)**	**(465,967)**	**(74,568)**	**(7,385,054)**
Changes due to the adjusments:						
Written off- Facilities	-	-	-	-	-	-
Adjusment due to foreign currency differences	(10,363)	(32)	(13,483)	(198,553)	-	(222,431)
Balance – End of the period	**25,613,011**	**6,790,292**	**35,430,226**	**21,731,673**	**159,398**	**89,724,600**
Distributed as follows:						
Provision on individual basis	22,667,441	6,202,677	35,430,226	21,731,673	159,398	86,191,415
Provision on collective basis	2,945,570	587,615	-	-	-	3,533,185
Balance – End of the Year	**25,613,011**	**6,790,292**	**35,430,226**	**21,731,673**	**159,398**	**89,724,600**

	December 31, 2017					
			Corporate Entities			
	Individual Retail) (Customers	Real Estate Loans	Large Corporate Customers	SMEs	Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance – Beginning of the period	18,953,345	2,785,243	35,966,394	7,135,540	-	64,840,522
Foreign currency differences	103,241	6,855	855,790	41,598	-	1,007,484
Provision for the year deducted from revenues	2,905,243	2,602,326	10,738,645	4,391,294	-	20,637,508
Balance – End of the Year	**21,961,829**	**5,394,424**	**47,560,829**	**11,568,432**	**-**	**86,485,514**
Distributed as follows:						
On a single client basis	21,529,943	5,298,261	45,389,037	11,531,525	-	83,748,766
On a portfolio basis	431,886	96,163	2,171,792	36,907	-	2,736,748
Balance – End of the Year	**21,961,829**	**5,394,424**	**47,560,829**	**11,568,432**	**-**	**86,485,514**

Interest in Suspense:

The following is the movement on the interest in suspense

	June 30, 2018				
			Corporate Entities		
	Individual (Retail Customers)	Real Estate Loans	Large Corporate Customers	SMEs	Total
	JD	JD	JD	JD	JD
Balance – Beginning of the period	2,444,746	747,953	2,577,038	2,098,944	7,868,681
Add: Interest suspended during the period	(419,453)	258,275	(524,709)	1,669,686	983,799
Less: Interest in suspense reversed to profit or loss	(176,873)	(36,127)	(22,486)	(271,896)	(507,382)
Balance – End of the period	**1,848,420**	**970,101**	**2,029,843**	**3,496,734**	**8,345,098**

	December 31, 2017				
			Corporate Entities		
	Individual (Retail Customers)	Real Estate Loans	Large Corporate Customers	SMEs	Total
	JD	JD	JD	JD	JD
Balance – Beginning of the period	2,526,228	524,594	2,304,247	1,623,509	6,978,578
Add: Interest suspended during the period	499,700	372,198	429,842	639,862	1,941,602
Less: Interest in suspense reversed to profit or loss	(433,662)	(148,839)	(157,051)	(164,427)	(903,979)
Less: interest in suspense write off based on settlements	(147,520)	-	-	-	(147,520)
Balance – End of the period	**2,444,746**	**747,953**	**2,577,038**	**2,098,944**	**7,868,681**

Credit distributed according to geographic and economic segment as follows:

			Total	
			June 30	Decemebr 31
	Inside the Kingdom	Outside the Kingdom	2018	2017
Financial	9,387,846	-	9,387,846	9,011,477
Industrial	123,145,172	71,526,040	194,671,212	163,799,838
Commerce	232,066,180	47,327,071	279,393,251	299,453,758
Real estate	209,804,560	4,446,055	214,250,615	203,963,583
Construction	49,882,890	-	49,882,890	43,168,270
Agricluture	11,963,123	11,019,931	22,983,054	19,607,378
Tourism, restaurants and public facilities	151,754,402	7,299,382	159,053,784	175,163,205
Stocks	9,143,924	-	9,143,924	10,038,543
Individual	351,558,927	71,694,438	423,253,365	388,023,177
Government and public sector	152,165,501	53,607,402	205,772,903	229,352,737
Total	**1,300,872,525**	**266,920,319**	**1,567,792,844**	**1,541,581,966**

10. FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	June 30, 2018	December 31, 2017
Financial assets quoted in the market:	**JD**	**JD**
Governmental bonds and bonds guaranteed by the government	142,147,749	147,095,719
Corporate and banks bonds and debentures	52,488,424	35,151,182
Foreign governmental bonds	2,135,786	2,137,169
Total financial assets with available market value	**196,771,959**	**184,384,070**
Financial assets unquoted in the market:		
Corporate bonds	23,598,000	35,192,320
Governmental bonds- foreign	2,576,579	-
Total financial assets unquoted in the market	**26,174,579**	**35,192,320**
Total financial assets at amortized cost	**222,946,538**	**219,576,390**
Less: expected credit loss provision	(65,984)	-
Net financial assets at amortized cost	**222,880,554**	**219,576,390**

Analysis of bonds and bills:

	June 30, 2018	December 31, 2017
	JD	**JD**
Financial assets with fixed interest rate	216,376,938	216,002,472
Financial assets with floating interest rate	6,569,600	3,573,918
	222,946,538	**219,576,390**

- Financial assets at amortized cost was distributed to credit stages according to the requirements of IFRS(9) was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period after IFRS (9) implementation	219,576,390	-	-	219,576,390
New invesment during the period	22,507,642	-	-	22,507,642
Matured invesments	(19,141,516)			(19,141,516)
Change in fair value	-	-	-	-
	222,942,516	-	-	**222,942,516**
Transferred to first stage	4,022	-	-	4,022
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
	4,022	-	-	**4,022**
Changes due to the adjusments:				
Written off- Investments	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**222,946,538**	-	-	**222,946,538**

- The movement on the expected credit loss provision was as follows:

Item	First Stage	Second Stage	Third Stage	Total
Balance at the beginning of the period after IFRS (9) implementation	74,293	-	-	74,293
Credit loss on new balances during the period	5,241	-	-	5,241
Expected credit loss reversal of matured investments	(13,550)	-	-	(13,550)
	65,984	-	-	**65,984**
Transferred to first stage	-	-	-	-
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	-	-	-	-
Changes due to adjusments				
Written off- Investments	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-
Balance at the End of the Period	**65,984**	-	-	**65,984**

The maturities of these assets are as follows:

	Up to 1 month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Total
	JD	JD	JD	JD	JD	JD	JD
As of June 30, 2018	2,797,509	27,465,915	11,610,805	26,431,064	71,214,043	83,427,202	**222,946,538**
As of December 31,2017	-	17,000,095	2,141,421	39,280,656	102,938,133	58,216,085	**219,576,390**

- During the first half of 2017, financial assets at amortized cost were sold with a book value of JD 21,979,000 due to the decrease in the credit rating of the majority of these assets. This transaction resulted in a gain amounted to JD 87,724 for the period ended June 30, 2017.
-

11. PROPERTY AND EQUIPMENT – NET

The movement on the property and equipment for the six-month period ended in June 30, 2018 was represented by additions amounted to JD 3,432,632 (JD 5,489,943 for the year ended December 31, 2017) , and disposals amounted to JD 1,029,495 (JD 2,392,982 for the year ended December 31,2017) in addition to foreign currency differences related to Bank of Jordan Syria (subsidiary) amounted to JD 1,206.

12. OTHER ASSETS

This item consists of the following:

	June 30, 2018	December 31, 2017
	JD	JD
Accrued interest income	7,954,063	8,132,535
Prepaid expenses	7,490,450	3,282,556
Assets foreclosed by the Bank in repayment of debts - net*	48,687,910	45,050,608
Financial Assets foreclosed by the Bank	7,792,562	-
Clearance cheques	4,404,352	3,589,269
Advance payments on acquisition of lands and real estates	1,279,025	699,123
Prepaid tax expenses	3,330,897	1,101,552
Accounts receivables and other debit balances	8,475,050	10,764,740
	89,414,309	**72,620,383**

* The following is the movement on the assets foreclosed by the Bank in repayment of debts:

	Foreclosed Assets	
	For the Six-Month Period Ended on June 30, 2018	For the Year Ended on December 31, 2017
	JD	JD
Balance - beginning of the period/year	54,781,771	41,511,299
Additions**	3,692,099	14,968,144
Disposals	(78,333)	(1,697,672)
Balance - End of the Period/Year	58,395,537	54,781,771
Provision for assets foreclosed by the bank***	(9,707,627)	(9,731,163)
Balance - End of the Period/Year	**48,687,910**	**45,050,608**

According to the Jordanian Banks' Law, buildings and plots of land foreclosed by the Bank in fulfillment of debt obligations should be sold within two years from the foreclosure date. However, the Central Bank of Jordan may extend this period for two more years in exceptional cases. Moreover, in accordance with the Central Bank of Jordan's Circulars No. 10/1/4076 & No. 10/1/2510, dated March 27, 2014 & February 14, 2017, respectively, the Bank started from the beginning of year 2015 to calculate a gradual provision against assets foreclosed in fulfillment of debt obligations that have been foreclosed for a period exceeding 4 years. The provision calculation based on CBJ's Circular No. 10/1/16607, dated December 17, 2017, has been postponed until the beginning of year 2019.

** Additions during the period ended June 30 2018 include assets foreclosed in fulfilment of debt obligations as settled with a client, amounting to JD 3.1 million, which were registered based on an irrevocable power of attorney affirmed by the Land and Survey Department. Moreover, the Bank possesses declarations and documents confirming that the land ownership and its proceeds are in favour of the Bank and that is according to the settlement agreement between both parties, which gives the debtor the right to repossess these foreclosed assets within a specified period of time.

*** The movement on assets foreclosed by the Bank provision was as follow:

	For the Six-Month Period Ended on June 30, 2018	For the Year Ended on December 31, 2017
	JD	JD
Balance –beginning of the period /year	9,731,163	6,805,743
(Reversals) additions during the period / year	(23,536)	2,925,420
	9,707,627	**9,731,163**

13.BANKS AND FINANCIAL INSTITUTION DEPOSIT

This item consist of the following:

	June 30,2018			December 31,2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	JD	JD	JD	JD	JD	JD
Current account and demand deposit	-	18,349,201	18,349,201	-	16,109,902	16,109,902
Time deposit maturing in 3 months	3,000,000	4,100,000	7,100,000	-	27,254,300	27,254,300
Time deposit maturing in 3-6 months	-		-	-	1,063,500	1,063,500
Time deposit maturing in 6-9 months	-	-	-	-	-	-
Time deposit maturing in 9-12 months	-	-	-	-	-	-
Time deposit maturing after more than one year	30,000,000	50,937,867	80,937,867	-	20,468,493	20,468,493
	33,000,000	**73,387,068**	**106,387,068**	-	**64,896,195**	**64,896,195**

14. CUSTOMERS' DEPOSITS

This item consists of the following:

	June 30, 2018				
	Individuals	Large Corporates	SMEs	Public Sector and Government	Total
	JD	JD	JD	JD	JD
Current and demand accounts	350,674,092	53,665,563	80,136,312	9,490,553	493,966,520
Saving accounts	735,404,304	3,472,738	12,368,614	67,653	751,313,309
Time and notice deposits	256,921,271	112,715,310	43,924,220	60,113,175	473,673,976
Certificates of deposit	123,431,038	1,514,450	3,533,160	-	128,478,648
Total	**1,466,430,705**	**171,368,061**	**139,962,306**	**69,671,381**	**1,847,432,453**

	December 31, 2017				
	Individuals	Large Corporates	SMEs	Public Sector and Government	Total
	JD	JD	JD	JD	JD
Current and demand accounts	359,179,245	59,273,278	82,724,253	8,194,986	509,371,762
Saving accounts	728,405,946	4,136,458	14,585,865	104,141	747,232,410
Time and notice deposits	261,365,266	123,126,021	26,440,518	87,296,528	498,228,333
Certificates of deposit	85,987,776	1,157,675	3,822,800	-	90,968,251
Total	**1,434,938,233**	**187,693,432**	**127,573,436**	**95,595,655**	**1,845,800,756**

- Deposits of the Jordanian Government and the public sector inside Jordan amounted to JD 60,434,540 which represents (3.27%) of total customers' deposits as of June 30, 2018 (JD 90,414,825 which is represents 4.9 % as of December 31, 2017).

- Non-interest bearing deposits amounted to JD 670,894,951 which represents (36.31%) of total customers' deposits as of June 30, 2018 (JD 675,443,252 which represents 36.59% of total deposits as of December 31, 2017).

- Restricted deposits amounted to JD 13,261,410, which represents (0.72%) of total customers' deposits as of June 30, 2018 (JD 14,245,341 which represents 0.77% of total deposits as of December 31, 2017).

- Dormant deposits amounted to JD 93,203,411 as of June 30, 2018 (JD 82,220,824 as of December 31, 2017).

15. OTHER PROVISIONS

This item consists of the following:

For the Six-Month Period Ended June 30, 2018	Beginning Balance for the Period/Year	Provided Created During the Period/Year	Provision used During the Period/Year	Foreign Currencies Differences	Ending Balance for the Period / Year
	JD	JD	JD	JD	JD
Provision for end-of-service indemnity	4,073,409	325,678	(413,181)	-	3,985,906
Provision for lawsuits raised against the bank	676,564	99,071	(58,401)	-	717,234
Other provisions	256,792	(4,753)	-	542	252.581
	5,006,765	**419,996**	**(471,582)**	**542**	**4,955,721**

For the Year Ended December 31, 2017	Beginning Balance	Provided for During the Year	Used During the Year	Foreign Currencies Differences	Ending Balance
	JD	JD	JD	JD	JD
Provision for end-of-service indemnity	4,186,235	411,600	(524,426)	-	4,073,409
Provision for lawsuits raised against the bank	626,714	53,877	(4,027)	-	676,564
Other provisions	203,043	20,561	(5,483)	38,671	256,792
	5,015,992	**486,038**	**(533,936)**	**38,671**	**5,006,765**

16. INCOME TAX

a. Income tax provision

The movement on the income tax provision is as follows:

	For the Six-Month Period Ended June 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance- Beginning of the Period/ Year	19,602,158	16,872,706
Income tax paid	(17,833,700)	(21,876,847)
Accrued income tax	8,997,012	24,606,299
Balance- End of the Period/ Year	**10,765,470**	**19,602,158**

Income tax expense presented in the consolidated condensed interim statement of Profit or Loss represents the following:

	For the Six-Month Period Ended June 30,	
	2018	2017
	JD	JD
Income tax on current period profit	8,997,012	13,976,684
Prior years income tax	1,119,000	18,786
Deferred tax assets for the period – addition	(311,958)	(1,492,305)
Amortization of deferred tax assets	3,370,341	112,745
Foreign currencies differences	-	1,457
	13,174,395	**12,617,367**

- Legal income tax rate in Jordan amounts to 35%, whereas the legal income tax rate in Palestine at which the Bank had investments and branches amounts to 15%, in Syria (a subsidiary company) amounts to 25% and 24% for the subsidiary Companies in Jordan.

- A final settlement was reached with the Income and Sales Tax Department in Jordan up to the end of the year 2013 and 2015. Moreover, the Bank has submitted its tax returns for the years 2011, 2014, 2016 and 2017 and paid the required amounts according to Law, however, no final settlements have been reached with the Income and Sales Tax Department for these years yet, noting that the Income and Sales Tax Department claims the Bank with tax differences against the year 2011 amounting to JD 1,800,000. The Bank has objected this assessment and raised a lawsuit against the Income and Sales Tax Department in this regards at which a decision has been issued by the Court of Cassation during the first quarter of the year 2018 to pay an amount of JD 140,000 after the netting of the disputed amounts, the Bank recorded the required provisions in the condensed consolidated interim financial statements. Furthermore, the Income and Sales Tax Department also has claimed the Bank with tax differences against the year 2014 in the amount of JD 2,9 Million, the Bank has objected this assessment and raised a lawsuit against the Income and Sales Tax Department in this regards which is still at the initial stages. In the opinion of the management and it's tax consultant, that the Bank will not entail any obligations in excess of the provision booked in the consolidated condensed interim financial statements.
- A final settlement was reached with the income tax and VAT department on the Bank's operating results in Palestine until the end of 2016, The Bank also allocate JD 1,1 Million to meet the tax liabilities for the first half of 2018 (JD 460,000 for income tax and JD 600,000 for VAT), and in the opinion of the management and the tax consultant that they are sufficient to meet the tax obligations.
- A final settlement was reached with the Income and Sales Tax Department up to the year 2015 regarding Excel for Financial Investments Company (subsidiary company). Furthermore, the Company has submitted its tax returns for the years 2016 and 2017 and paid related taxes declared, however, it has not been reviewed by Income and sales Tax Department. In the opinion of the management and its tax consultant, the allocated provisions in the consolidated condensed interim financial statements are sufficient to meet the tax obligations.
- Jordan Leasing Company (subsidiary) has reached a final settlement with the Income and Sales Tax Department up to the year 2015. Moreover, the Company has submitted its tax returns for 2016 & 2017 and paid the declared taxes, however, it has not been reviewed by the Income and Sales Tax Department yet. In the opinion of the Company's management and its tax consultant, the allocated provisions in the consolidated condensed interim financial statement are sufficient to meet any tax obligations.
- The Bank calculated the accrued income tax for the six-month period ended June 30, 2018 for the Bank, its subsidiaries and foreign branches. In the opinion of the management and its tax consultant, the balance is sufficient to meet the tax obligations as June 30, 2018.

NOTES TO THE CONSOLIDATED CONDENSED ITERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

B. Deferred Tax Assets

The details of this item are as follows:

	For the Six Month ended June 30, 2018					For the year ended December 31, 2017
Accounts Included	Balance at the beginning of the period	Amounts released	Amounts added	Balance at the end of the period	Deferred tax	Deferred tax
Deferred Tax Assets	JD	JD	JD	JD	JD	JD
Provisions for non-performing debts	22,533,348	8,050,000	-	14,483,348	5,069,172	7,886,672
Provision for non-performing debts– Prior years	3,706,037	-	-	3,706,037	1,068,355	1,068,355
Provision for staff end-of-service indemnity	4,073,409	413,181	325,678	3,985,906	1,154,564	1,187,361
Interest in suspense	998,113	-	-	998,113	254,360	254,360
Provision for lawsuits raised against the Bank	676,564	58,401	99,071	717,234	239,549	225,624
Impairment in assets foreclosed by the Bank	9,731,163	23,536	-	9,707,627	3,235,218	3,243,455
Impairment in assets available for sale	62,831	-	-	62,831	21,991	21,991
Valuation of financial assets foreclosed by the Bank	-	-	512,466	512,466	179,363	-
Expected credit loss provisions	12,379,866	1,048,270	-	11,331,596	3,915,385	-
Other provisions	3,183,603	221,272	-	2,962,331	740,581	795,901
	57,344,934	9,814,660	937,215	48,467,489	15,878,538	14,683,719
C. Defferred Tax Liabilities:						
Fair value reserve	-	-	83,688,891	83,688,891	7,322,778	-

The movement of Deferred tax assets and liabilities as follows

	Deferred tax assets		Deferred tax liabilities	
	For the Six Month ended June 30, 2018	For the year ended December 31, 2017	For the Six Month ended June 30, 2018	For the year ended December 31, 2017
	JD	JD	JD	JD
Balance- beginning of the year	14,683,719	11,926,470	-	-
Effect of adopting IFRS (9)	4,253,691	-	-	-
Adjusted balance- beginning of the period/ year	18,937,410	11,926,470	-	-
Addition	311,958	2,840,086	7,322,778	-
Amortized	(3,370,341)	(207,689)	-	-
Foreign currency difference	(489)	124,852	-	-
Balance- Ending of the period	15,878,538	14,683,719	7,322,778	-

*The percentage of tax used in the calculation of deferred taxes is the rate in force in the countries where the bank is operated

The Bank has changed its accounting estimates related to the calculation of deferred tax liabilities on the realized gains on financial assets at fair value through the statement of comprehensive income during the first quarter of the year 2018 based on the decision of the Court of Cassation issued on February 6, 2018

d. The following is a summary of the reconciliation between accounting profit and taxable profit:

	For the Six-month period ended in June 30,	
	2018	2017
	JD	JD
Accounting profit	35,237,404	39,153,336
Tax-exempt profit	(11,087,625)	(5,642,546)
Tax-unacceptable expenses	2,619,687	6,970,566
Taxable Profit	**26,769,466**	**40,481,356**
Income tax rate	**%33,6**	**%34,5**

17. BORROWED FUNDS

This item consists of the following:

June 30,2018	Amount	Instalments Total Number	Instalments Remaining	Maturity	Guarantees	Borrowing Cost
Borrowing from CBJ	253,664	60	38	Monthly	Treasury	٪2.25
Borrowing from CBJ	336,910	113	101	Monthly	Promissory	٪1.75
Borrowing from CBJ	834,018	60	49	Monthly	Promissory	٪1.00
Borrowing from CBJ	867,379	60	52	Monthly	Promissory	٪1.00
Borrowing from CBJ	574,080	88	84	Monthly	Promissory	٪1.00
Borrowing from CBJ	242,018	60	58	Monthly	Promissory	٪1.75
Borrowing from CBJ	340,807	24	22	Monthly	Promissory	٪1.00
Borrowing from CBJ	268,934	60	58	Monthly	Promissory	٪1.75
Borrowing from CBJ	195,028	24	24	Monthly	Promissory	٪1.75
Total	**3,912,838**					

December 31,2017	Amount	Instalments Total Number	Instalments Remaining	Maturity	Guarantees	Borrowing Cost
Borrowing from CBJ	310,747	60	44	Monthly	Treasury	٪2.25
Borrowing from CBJ	258,686	113	107	Monthly	Promissory	٪1.75
Borrowing from CBJ	917,461	60	55	Monthly	Promissory	٪1.00
Borrowing from CBJ	950,822	60	55	Monthly	Promissory	٪1.00
Total	**2,437,716**					

- The above amounts has been re-granted to the Banks customers within the SME's segment at interest rate between 3% and 5.25%.

- This balance is borrowed at a fixed interest rate, and there is no borrowing at floating interest rates or with zero interest rate as of June 30, 2018 and December 31, 2017.

18. OTHER LIABILITIES

The details of this item as follows:

	June 30, 2018	December 31, 2017
	JD	**JD**
Accrued interest payable	5,450,056	5,079,792
Accepted cheques	7,759,467	6,315,946
Temporary deposits	4,694,311	17,814,290
Dividends payable	3,112,797	2,361,085
Deposits on safe boxes	175,067	173,945
Margins against sold real estate	184,250	289,250
Provision for expected credit loss against indirect credit facilities**	5,468,633	-
Other liabilities *	9,979,416	6,662,165
	36,823,997	**38.696.473**

* The details of other liabilities are as follows:

	June 30, 2018	December 31, 2017
	JD	**JD**
Social security deposits	285,028	277,056
Income tax deposits	308,251	322,528
Accrued expenses	5,809,468	4,947,970
Inward transfers	235,457	294,037
Outward transfers	2,553,183	12,953
Board of Directors' remuneration	27,500	55,000
Other credit balances	760,529	752,621
	9,979,416	**6,662,165**

**This balance represent the expected credit loss provision as per the requirements of IFRS (9) on indirect credit facilities, Indirect credit facilities credit stages distribution was as follows:

NOTES TO THE CONSOLIDATED CONDENSED ITERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

Items	First Stage		Second Stage		Third Stage	Total
	Individual	Collective	Individual	Collective		
Balance at the beginning of the period after IFRS (9) implementation	266,494,709	-	5,872,709	-	9,667,670	282,035,088
New exposures during the period	16,030,132	-	1,337,711	-	4,800	17,372,643
Accrued exposures	(10,104,060)	-	(458,954)	-	(287,380)	(10,850,394)
	272,420,781	-	**6,751,466**		**9,385,090**	**288,557,337**
Transferred to first stage	(39,091,618)	-	(509,358)	-	-	(39,600,976)
Transferred to second stage	(7,915,538)	-	11,761,239	-	(3,000)	3,842,701
Transferred to third stage	(355,056)	-	(234,688)	-	598,361	8,617
	(47,362,212)	-	**11,017,193**		**595,361**	**(35,749,658)**
Changes due to the adjusments:	-	-	-	-	-	-
Written off- facilities	-	-	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-	-	-
Balance at the End of the Period	**225,058,569**	-	**17,768,659**	-	**9,980,451**	**252,807,679**

- The following is the provision distribution to credit stages according to the requirement of IFRS(9) as follow:

Financial instruments	First Stage		Second Stage		Third Stage	Total
	Individual	Collective	Individual	Collective		
Balance at the beginning of the period after IFRS (9) implementation	150,489	-	13,973	-	5,251,157	5,415,620
Credit loss on new exposures during the period	85,937	-	19,919	-	30,929	136,785
Impairment loss over accrued exposures	(893)	-	-	-	(16,021)	(16,914)
	235,534	-	**33,892**	-	**5,266,065**	**5,535,491**
Transferred to first stage	(265)	-	(245)	-	-	(510)
Transferred to second stage	(1,976)	-	67,784	-	(1,525)	64,584
Transferred to third stage	(1,008)	-	(14)	-	(129,607)	(130,629)
Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period	**(3,249)**	-	**67,525**	-	**(131,132)**	**(66,856)**
Changes due to the adjusments:						
Written off- Balances	-	-	-	-	-	-
Adjusment due to exchange rates fluctuations	-	-	-	-	(2)	(2)
Balance at the End of the Period	**232,586**	-	**101,417**	-	**5,134,931**	**5,468,633**

19. FAIR VALUE RESERVE

The movement of the fair value reserve as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance - Beginning of the period/Year	81,288,341	63,565,588
Unrealized (losses) gains	(2,669,476)	17,722,753
Loss of financial assets at fair value through comprehensive income – Transferred to income	418,660	-
Deferred tax liabilities	(7,322,778)	-
Balance – End of the period/Year*	**71,714,747**	**81,288,341**

* The fair value reserve, net of deferred tax amounted to JD 7,322,778 as of June 30,2018.

20. RETAINED EARNINGS

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance - beginning for the period/year	64,446,126	63,926,237
Expected credit losses over the assets as a result of the IFRS (9) implementation	(11,595,842)	-
Effect of IFRS (9) implementation on the deffered tax assets	4,253,691	-
Adjusted balance- Beginning of the period/year	**57,103,975**	**63,926,237**
Dividends distributed to shareholders	(36,000,000)	(36,000,000)
Profit for the year	-	46,795,537
Transferred from / (to) reserves	12,452,930	(9,783,481)
Transferred as a result for sale of financial assets through comprehensive income	(471,234)	-
Foreign currencies differences	(21,148)	(492,167)
Balance – End of the Period/Year	**33,064,523**	**64,446,126**

- Retained earnings include an amount of JD 15,878,538 restricted against deferred tax benefits as of June 30, 2018 (JD 14,683,719 as of December 31, 2017).

- Retained earnings include an amount of JD 3,305,173 as of June 30, 2018 which represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized as instructed by Jordan Securities Exchange Commission.

- Retained earnings include an amount of JD 813,437 as of June 30, 2018 that cannot be utilized through distribution or any other purposes unless there are a former approval from the Central Bank of Jordan resulting from application of Central Bank of Jordan Circular no. 10/1/1359 dated January 25, 2018.

21. FOREIGN CURRENCY TRANSLATION DIFFERENCES

This item represents the net difference resulting from the translation of the net investment in the subsidiary (Bank of Jordan, Syria) on consolidation of the financial statements.

- The movement on this item is as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance – beginning of the period/year	(12,256,254)	(12,401,835)
Change in the translation of the net investment in the subsidiary during the period/year	(5,933)	145,581
Balance – End of the Period/Year	**(12,262,187)**	**(12,256,254)**

22. RESERVES

- Statuary reserve

The accumulated amount in this account represents the transferred amounts from the annual net income before tax at 10% during the year and previous years according to the Banks Law and Companies Law. This reserve cannot be distributed to shareholders which is transferred at the end of the year.

- Voluntary reserve

The accumulated amount in this account represents the transferred amounts from the annual net income before tax at 10% during the previous years. this reserve will be used for purposes that approved by the board of directors. moreover, the general assembly has the right to capitalize or distribute the whole reserve or part thereof as dividends.

- General banking risks reserves

This item represents the general banking risks reserve in line with the instructions of the Central Bank of Jordan and other regulatory bodies.

- Special Reserve

This reserve represents the periodic fluctuation reserve that calculated according to the instructions of the Palestinian Monetary Authority which is related to the Bank's branches operating in Palestine.

The restricted reserves are as follows:

Reserve	Amount	Nature of Restriction
	JD	
Legal reserve	80,820,869	Companies and Banks Laws
General banking risks reserve	2,258,434	Regulatory bodies requirements
Special reserve	4,103,632	Regulatory bodies requirements

23. INTEREST INCOME

The details of this item are as follows:

	For the Six-Month Period Ended June 30,	
	2018	2017
	JD	JD
Direct credit facilities:		
Individual (retail customers):	**20,803,797**	**16,826,092**
Overdraft accounts	783,136	627,123
Loans and discounted bills	18,334,034	14,972,673
Credit cards	1,686,627	1,226,296
Real estate loans	**9,340,438**	**8,289,962**
Corporate:	**25,390,471**	**21,296,648**
Large corporate customers:	16,490,027	14,397,416
Overdraft accounts	2,375,171	2,732,144
Loans and discounted bills	14,114,856	11,665,272
SMEs:	8,900,444	6,899,232
Overdraft accounts	1,955,995	1,598,368
Loans and discounted bills	6,944,449	5,300,864
Government and public sector	**5,874,703**	**4,894,767**
Balances with central banks	476,520	1,080,632
Balances and deposits with banks and financial institutions	5,187,586	4,556,883
Financial assets at amortized cost	4,706,926	3,854,874
	71,780,441	**60,799,858**

24. INTEREST EXPENSE

The details of this item are as follows:

	For the Six-Month Period Ended on June 30,	
	2018	2017
	JD	JD
Banks and financial institution deposits	909,779	639,556
Customers' deposits:		
Current and demand accounts	33,011	51,736
Saving accounts	2,116,281	552,086
Time and notice deposits	9,446,066	5,828,761
Certificates of deposit	2,331,038	1,257,619
Cash margins	765,986	605,227
Deposits insurance fees	1,992,104	1,747,227
Borrowed funds	18,934	56,349
	17,613,199	**10,738,561**

25. (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

For the Six-Month Period Ended in June 30,2018	Realized Gains	Unrealized (Losses)	Dividends	Total
	JD	JD	JD	JD
Shares	5,325	(6,959)	-	(1,634)
	5,325	**(6,959)**	**-**	**(1,634)**

For the Six-Month Period Ended in June 30,2017	Realized gains	Unrealized (Losses)	Dividends	Total
	JD	JD	JD	JD
Shares	-	(6,132)	4,000	(2,132)
	-	**(6,132)**	**4,000**	**(2,132)**

26. OTHER INCOME

The details of this item are as follows:

	For the Six-Month Period Ended on June 30,	
	2018	**2017**
	JD	**JD**
Revenues returned from written-off debts	315,502	13,547,293
Gain from the sale of assets foreclosed by the Bank	416,505	823,546
Income from Telephone, post and swift	298,867	274,004
Rents received from the Bank's real estate	55,772	37,786
Gains from the sale of property and equipment	32,161	119,035
Interest in suspense reversed to income	507,382	347,907
Financial assets foreclosed by the Bank valuation loss	(512,466)	-
Other Income	530,283	1,228,081
	1,644,006	**16,377,652**

27. FINANCIAL ASSETS EXPECTED CREDIT LOSSES PROVISION

The Bank has adopted IFRS(9) effective from January 1, 2018 which requires the Bank to calculate the expected credit losses on financial assets and as stated in note (2), the details on this item are as follows:

	For the Six-Month Period Ended on June 30,	
	2018	2017
	JD	JD
Expected credit losses over central banks balances	(38,837)	-
Expected credit losses over banks and financial institutions balances	(15,407)	-
Expected credit losses over deposits with banks and financial institutions	441	-
Expected credit losses over direct credit facilities	(2,477,373)	-
Expected credit losses over financial assets at amortized cost	(8,309)	-
Expected credit losses over indirect facilities	53,015	-
Impairment provision over direct credit facilities	-	11,706,116
	(2,486,470)	**11,706,116**

28. EARNINGS PER SHARE FROM PROFIT FOR THE PERIOD

The details of this item are as follows:

	For the Six-Month Period Ended on June 30,	
	2018	2017
	JD	JD
Profit for the period (Bank's shareholders)	22,013,282	27,342,384
Weighted average number of shares	200,000,000	200,000,000
Earnings per share (Bank's shareholders):		
Basic	**0,110**	**0,137**
Diluted	**0,110**	**0,137**

29. CASH AND CASH EQUIVALENTS

This item represents the following:

	June 30,	
	2018	**2017**
	JD	**JD**
Cash and balances with central Banks maturing within 3 months	233,909,219	257,628,290
Add: Balances with banks and other financial Institutions maturing within 3 months	256,072,289	298,350,676
Less: Banks and financial institutions' deposits maturing within 3 months	(25,449,201)	(85,129,696)
Restricted balances	(4,694,801)	(4,660,966)
	459,837,506	**466,188,304**

30. CAPITAL MANAGEMENT

Capital Components:

- **Paid-up Capital:**

  The paid-up capital of Bank of Jordan consists of 200/1 million ordinary shares at a nominal value of JD 1 per share. The Bank maintains capital, statutory reserves, and retained earnings to meet the growth in its operations and the requirements of branching locally and regionally.

- **Regulatory Capital:**

  Regulatory capital is considered a control tool according to the requirements of regulatory authorities and Basel (III) for the purposes of achieving control over the adequacy of capital and the ratio of regulatory capital to risky and weighted assets and market risk. Regulatory capital consists of:

- (Paid-up capital, legal reserve, voluntary reserve, and retained earnings).
- (Undisclosed reserves, general banking risks reserve, subordinated debts, and the positive fair value reserve at 100% and deducted from the regulatory adjustment based on Basel III).
- Foreign currency translation differences.

- **Regulatory Authorities' Requirements:**

  The regulatory authorities' instructions entail that the minimum capital shall be JD 100 million. Moreover, banks have been requested to increase their capital adequacy ratio to no less than 14.125% according to the Central Bank of Jordan instructions. The ratio of owner's equity to total assets must not be less than 4%.

- **Achieving the Objectives of Capital Management:**

  Management of the Bank aims at achieving the capital management objectives through developing (enhancing) the Bank's activities, achieving a surplus in operating profits and revenues, and optimally investing available funds. All of this is geared towards reaching the targeted growth in owner's equity through the increase in the compulsory reserve at 10% of the profits earned, voluntary reserve at 20%, and retained earnings.

- Regulatory capital and the capital adequacy ratio according to the requirements of Basel (III) are as follows:

	In Thousands	
	June 30, 2018	**December 31, 2017**
Primary Capital Items for common shareholders (CETI)	**JD**	**JD**
Authorized and paid-up capital	200,000	200,000
Statutory reserve	80,821	80,821
Voluntary reserve	134	134
Other reserves	4,104	4,104
Fair value reserves	71,715	81,288
Interim profit after tax	4,063	-
Retained earnings	33,065	28,446
Non- controlling interest in the capital of subsidiaries	2,573	3,198
Less: Intangible assets	(4,930)	(4,839)
Foreign Currency translation differences	(12,262)	(12,256)
Deferred tax assets	(15,878)	(14,684)
Total Primary Capital for common shareholders (CETI)	**363,405**	**366,212**
Additional Capital Items		
Stage one provision balance not exceeding 1.25% of the total risk weighted assets	5,273	-
General banking risk reserve	2,259	15,129
Total Additional Capital	**7,532**	**15,129**
Total Regulatory Capital	**370,937**	**381,341**
Total risk weighted assets	**2,028,989**	**1,998,965**
Regulatory capital adequacy ratio (%)	**18.28%**	**19.08%**
Capital adequacy ratio for common shareholders (%)	**17.91%**	**18.32%**
Common Equity Tier 1 (%)	**17.91%**	**18.32%**

31. INFORMATION ON THE BANK'S BUSINESS SEGMENTS

1. Information about the Bank's business segments:

   The Bank is organized for management purposes in a manner that allows measurement of its segments according to reports used by its Chief Executive Officer and main decision-maker through the following main segments:

- Retail Banking: includes following up on individual customers' accounts, granting them loans, credit, credit cards, and other services.
- Corporate Banking: includes following up on deposits, credit facilities, and other banking services pertinent to corporate customers.
- Treasury: includes providing dealing services and management of the Bank's funds.
- Financial Brokerage Services: include providing purchase and sale of customers' portfolios on their behalf, custody of investments, financial consultations, custody service, and management of initial public offerings.

Below is information about the Bank's business segments distributed according to activities:

	Retail	Corporate	Treasury	Financial Brokerage Services	Other	Total For the Six-Month Period Ended on June 30, 2018	2017
	JD	JD	JD	JD	JD	JD	JD
Total income	25,149,864	33,138,581	11,626,569	382,027	(703,845)	69,593,196	84,343,995
Direct facilities impairment provision	(3,351,320)	5,734,997	101,161	1,632	-	2,486,470	(11,706,116)
Segment result	21,798,544	38,873,578	11,727,730	383,659	(703,845)	72,079,666	72,637,879
Undistributed expenses	(20,445,505)	(11,294,719)	(1,571,196)	(135,269)	(3,395,573)	(36,842,262)	(33,484,543)
Profit before tax	1,353,039	27,578,859	10,156,534	248,390	(4,099,418)	35,237,404	39,153,336
Income tax	(483,059)	(9,044,433)	(2,925,603)	(59,519)	(661,781)	(13,174,395)	(12,617,367)
Net Profit for the period	**869,980**	**18,534,426**	**7,230,931**	**188,871**	**(4,761,199)**	**22,063,009**	**26,535,969**
Other information:							
Capital expenditures	901,325	97,671	45,690	-	2,387,946	3,432,632	3,069,563
Depreciation and amortization	993,565	128,187	37,862	1,889	1,285,517	2,447,020	2,357,333
						June 30, 2018	**December 31, 2017**
						JD	JD
Total Assets	**553,346,417**	**937,981,418**	**949,813,458**	**309,286**	**109,667,438**	**2,551,118,017**	**2,565,131,939**
Total Liabilities	**1,511,392,793**	**463,277,951**	**112,620,645**	**371,230**	**55,736,943**	**2,143,399,562**	**2,125,975,589**

2. Information about Geographical Distribution:

This item represents the geographical distribution of the Bank's activities. The Bank conducts its activities mainly in Jordan, representing local activities. Additionally, the Bank performs international activities in the Middle East, Europe, Asia, America and the Far East.

The following is the geographical distribution of the Bank's revenues, assets, and capital expenses according to geographical location:

	Inside the Kingdom		Outside the Kingdom		Total	
	June 30,		June 30,		June 30,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total Revenues	73,060,096	84,590,070	14,379,712	10,617,486	87,439,808	95,207,556
Capital Expenditures	3,055,169	2,751,076	377,463	318,487	3,432,632	3,069,563

	Inside the Kingdom		Outside the Kingdom		Total	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Total Assets	1,865,479,484	1,977,069,000	685,638,533	588,062,939	2,551,118,017	2,565,131,939

32. COMMITMENTS AND CONTINGENT LIABILITIES

a. Credit Commitments and Contingent Liabilities:

	June 30, 2018	December 31, 2017
	JD	JD
Letters of credit	66,850,626	117,983,214
Acceptances	35,817,010	56,193,136
Letters of guarantee:		
Payment	38,459,284	38,782,029
Performance	60,160,027	61,137,598
Other	33,658,921	33,928,537
Un-utilized direct credit facilities limits	91,846,172	108,819,747
Total	**326,792,040**	**416,844,261**

b. Contractual Obligations:

	June 30, 2018	December 31, 2017
	JD	JD
Contracts for purchasing of property and equipment	2,112,202	1,696,882
Contracts for operating and financing lease	15,912,180	12,002,332
Total	**18,024,382**	**13,699,214**

33. RELATED PARTIES TRANSACTIONS

Within its normal activities, the Bank entered into transactions with its major shareholders, members of the Board of Directors, executive management and the associate company at the commercial rates of interest and commission. Moreover, all loans and advances with related parties are performing, and no provision for probable credit losses has been taken thereon.

The following are summaries of balances and transactions with related parties:

	Related Parties						Total	
	Subsidiary Companies*	Major Shareholders	Board of Directors Members	Executives Management	Staff Provident Fund	Other Parties	June 30, 2018	December 31, 2017
Consolidated Condensed Interim Statement of Financial Position Items	JD	JD	JD	JD	JD	JD	JD	JD
Assets:								
Investments	45,415,294	-	-	-	-	-	45,415,294	45,415,294
Credit facilities	-	-	220,016	1,461,185	-	58,187,731	59,868,932	47,647,304
Deposits	1,346,392	-	-	-	-	-	1,346,392	4,208,460
Cash margins	3,982,000						3,982,000	3,982,000
Liabilities:								
Customer deposits	15,432,429	96,570,733	563,178	3,897,143	1,495,657	20,956,240	138,915,380	111,352,758
Bank deposits	10,177,607	-	-	-	-	-	10,177,607	7,973,957
Borrowed Money	3,478,537	-	-	-	-	-	3,478,537	3,523,235
Off-Consolidated Condensed Interim Statement of Financial Position Items:								
Letters of guarantee	1,078,120	1,576,824	300	-	-	2,083,290	4,738,534	4,365,843
							Total For the Six-Month Period Ended June 30,	
Consolidated Condensed Interim Statement of profit or loss Items:							2018	2017
							JD	JD
Credit interest and commission	11,517	28	11,275	23,744	-	1,221,801	1,268,365	969,210
Debit interest and commission	538,327	1,290,149	4,373	36,249	14,208	592,747	2,476,053	1,303,690

Interest rates:

Credit Interest income prices in JD ranged between (2.13%) (the minimum price represents the interest margin against 100% cash margins) to (12.77%)

Credit Interest price in foreign currency ranged between (4.99%) to (5.59%)

Debit Interest prices in JD ranged between (0.0025%) to (5.5%)

Debit Interest prices in foreign currency ranged between (0. 5%) to (2.25%)

*Balances and transactions with subsidiary companies are excluded from the consolidated condensed interim financial statements, but presented for clarification purposes only.

- Investment in subsidiary- Syria shown at cost, noting that the bank has accounted for this investment impairment in its records.

The foreclosed assets in repayment of debts include assets foreclosed in fulfillment of debt obligations as settled with a client, amounting to JD 3.1 million, which were registered based on an irrevocable power of attorney affirmed by the Land and Survey Department. Moreover, the Bank possesses declarations and documents confirming that the land ownership and its proceeds are in favor of the Bank and that is according to the settlement agreement between both parties, which gives the debtor the right to repossess these foreclosed assets within a specified period of time

Salaries and Remunerations of Executive Management summary is as follows:

	For the Six-Month Period Ended on June 30,	
	2018	**2017**
	JD	JD
Salaries and benefits	1,114,646	848,015
Transportation and board secretary	9,000	24,000
Total	**1,123,646**	**872,015**

34. LAWSUITS AGAINST THE BANK

The Bank is a defendant in lawsuits demanding cancellation of the Bank's claims against others, lifting of real estate mortgages, compensation for damages, and non-cashing of checks. These lawsuits amounted to JD 17,640,175 as of June 30, 2018 (JD 17,056,280 as of December 31, 2017). In the opinion of the Bank's management and legal counsel, no material financial liability is likely to be incurred as a result of these lawsuits in excess of the provision recorded which amounted to JD 717,234 as of June 30, 2018 (JD 676,564 as of December 31, 2017). However, amounts that will probably be paid by the Bank as a result of dismissal or amicable settlement of these lawsuits will be taken to the consolidated condensed interim statement of profit or loss or against the recorded provision when paid.

35. IFRS (9) IMPLEMENTATION RELATED DISCLOSURES

FIRST: QUALITATIVE DISCLOSURES

On July 24th 2014, the International Accounting Standards Board issued the final version of IFRS 9 related to Financial Instruments and Provisions, which will replace IAS 39 and will be mandatory effective from 1 January 2018, The standard includes the below:

- Classification and measurement of financial instruments.
- Determination of expected credit loss allowance.
- Hedge accounting.

The standard came in response to the lessons learned from the global financial crisis, since one of the reasons for the crisis was the delay in recognition of debt losses whereas Losses are recognized when realized. The new standard requires establishing provisions for credit facilities based on the expectations of borrower default or inability to meet financial commitments.

This standard introduced radical amendments to the methods used to calculate bank provisions as the current concept of assigning provisions is based on losses resulted from non-performing loans while the new standard works in proactive basis by assigning provisions against current performing credit facilities assuming the occurrence of future default for such credit facilities.

Bank of Jordan carried out IFRS 9 implementation works in cooperation with Moody's where the historical data of Bank of Jordan Group's were used to measure the expected credit losses weighted by the impact of economic scenarios.

The Central Bank of Jordan instructions as well as the Bank's business Model, risk departments (risk framework) and supervisory departments were all taken into consideration when forming Bank of Jordan IFRS 9 methodology.

The Group management ensured that the methodology emulate the Group business model and apply the best practices, quantitative methods and statistical models to produce the components of the expected credit loss formula.

Expected Credit Loss = Probability of Default x Exposure at Default x Loss Given Default

IFRS9 Scope of Implementation:

Bank of Jordan IFRS 9 methodology catered for applying the standard on group level (foreign branches) and its subsidiaries and in line with the host country laws and regulations.

The model of Expected Credit Loss calculation covers the following:

- Loans and credit facilities (direct and indirect).
- Debt instruments carried at amortized cost.
- Financial guarantees (as per the standards requirements).
- Credit claims on banks and financial institutions (excluding current accounts used to cover the bank operations such as remittances, Letters of guarantee and Letters of credit) which falls within a short period of time (days).

- Definition of Default:
  The occurrence of 90 days or more past due where such event indicates the obligor inability to meet the contractual obligations in full with the Bank.

- Definition of Probability of Default PD:
  Probability of Default represent the risk of the customer's inability to meet its obligations toward the bank.

- Determination of PD for Corporate and SME portfolios: through mapping the obligors ratings generated by the internal risk rating system with its' equivalent Probability of Default at this level of risk, Taking into account that each risk rate reflects a certain level of risk and weighted by the portfolios historical default events (covering the past 5 years).
- Determination of PD for retail portfolio: these PDs was established based on the historical product default data (collective level) for each product, where the Observed Default Rate is calculated by applying a statistical model (Autoregressive Model) for evaluating the default rate for each product.

- Definition of Exposure at Default EAD: represent the borrower outstanding indebtedness toward the bank when default takes place.

  The calculation of Exposure at Default were carried out in line with the historical utilization for the credit facilities and according to its nature (direct, indirect, revolving and\or amortizing) thus the basis for calculating the exposure at default were set based on the facility nature and age.

- Loss Given Default LGD: represent the bank loss resulted from non-performing credit loss impairment, in other terms (1- Recovery Ratio).

- The Bank determine LGDs for credit instruments under Corporate and SME portfolios through using Moody's RiskCalc LGD model, the model depends on the availability of several input such as obligor PD, business sector in addition to credit facility nature (revolving\amortizing) and takes into consideration the availability of tangible collaterals (secured or unsecured) and the collateral type and value.
  In addition to the above, the RiskCalc LGD model avails LGD results according to credit maturity and its stage (12 months LGDs and the lifetime LGDs) accompanied with recovery ratios for each credit instrument.
- The Bank determine the LGDs for credit instruments under retail portfolio on product level and by applying a conservative assumptions rely on the results of a sample for historical write-offs (covering 5 years)for each retail product, knowing that the said assumptions were recommended by the consultant expert team.
- Note: zero LGDs was assigned for 100% cash collateralized facilities (dominated in the same currency) and for facilities availed for the Government of Jordan and\or backed by the Government of Jordan (regardless of credit facilities currency).

- **Calculating the expected credit loss ECL for time deposits held with other banks:**

  The bank follows the below steps to calculate the ECL for time deposits held with other banks:
  - Calculation of PDs carried out by using the Banks RiskCalc model, which generates the Expected Default Frequency EDF (equivalent to probability of default).
  - Using the EDF\PD for the determination of LGDs by feeding the EDF\PD into the RiskCalc LGD model.
  - Exposure at default EAD defined by assuming the deposit amount in full as EAD at reporting date.
  - Once the ECL formula components defined, the Bank executes the calculations without adjusting the PDs to deposits maturities, (the bank did not exercise any adjustment to maturity on the Banks PDs).

- **Calculating the expected credit loss ECL for Bonds:**
  - The largest share of the bond portfolio is bonds guaranteed by the Government of Jordan and are not subject to the expected credit loss.
  - The PDs calculated by using Banks RiskCalc model to cater for banks bonds while PDs for corporate bonds generated by mapping the Internal Risk Rate for the subject companies with the equivalent PDs.

- LGDs determination by using the RiskCalc LGD model (same as other assets subject to ECL).
- Bond value at reporting date represent EAD.
- Once the ECL formula components defined, the Bank executes the calculations to define the ECL for bonds.

• Internal Credit Risk Rating:
  - Bank of Jordan applies Moody's Risk Rating System to assign the proper Risk Rating for each corporate and SME obligor.
  - The Internal Risk Rating scale from 1 to 10 in which each rating reflects a certain level of risk assigned to the rated obligors.
  - Ratings between 1 to 6 reflects relatively acceptable level of risks, (the lower the better) and such ratings are assigned for obligors under stage 1, while rating 7 reflects a significant change in credit quality or a higher level of risks hence obligors with such rating allocated under stage 2.
  - Ratings between 8 to 10 assigned to defaulted obligors (non-performing) and obligors with such rating allocated under stage 3.
  - The rating process covers analyzing the obligor quantitative data (Financial Analysis) to assess the business profitability, liquidity, in addition to debt service and capital structure. On the other hand, the rating process takes into account the qualitative data (Business Analysis) which focus on the business management, relationship with the bank and industry.

• Calculating obligors risk rating and the expected credit loss on collective basis:
  Retail portfolio:

  - Based on the historical product default data (collective level) for each product, where the Observed Default Rate calculated by applying a statistical model (Autoregressive Model) for evaluating the default rate for each product.
  - Retail products categorized in 4 groups (housing loans, personal loans, auto loans and revolving loans including credit cards) knowing that these products share the same characteristics in terms of (credit risk, collateral type, interest rate and maturity).

• IFRS9 Governance:
  - Bank of Jordan IFRS9 methodology covers the Governance procedures followed in applying the IFRS9 which summarize the roles and responsibilities for all parties involved in implementation works in addition to data checking mechanisms applied in checking the data used in IFRS 9 implementation.
  - Governance procedures covers audit role and the validation of expected credit loss adequacy allocated by the bank.
  - In addition to the above audit is also responsible for conducting periodic review to ensure data accuracy used in applying the IFRS9 in order to meet the regulator requirements.
  - Furthermore, Audit are in charge of monitoring involved units and evaluate the ifrs9 implementation by generating periodic reports to the board which in their turn approve the results and responsible for applying effective monitoring through defining the committees and the units roles in the bank to ensure work integration between these units and provide the proper infrastructure.

- Significant change in credit risk:
  - Bank of Jordan depends on the internal risk rating system to mark changes in obligor's credit risks.
  - If the obligor risk rating deteriorated by two notches then the obligor will be allocated to stage 2.
  - Occurrence of Past dues of 30+ up to 89 days, allocates the obligor under stage 2.

- Applying Macroeconomic scenarios on the Expected Credit Loss (ECL) results:

  - In order to meet the IFRS9 requirements, the ECL calculation must be exposed\ subject to the impact of macroeconomic scenarios; hence, the ECL result is a weighted average of 3 scenarios (40% of baseline scenario + 30% of downside scenario + 30% of upside scenario).
  - The macroeconomic factors applied on Corporate and SME portfolios (GDP vs. Equity Market).
  - The macroeconomic factors applied on retail portfolio (consumer price index vs. Equity Market).

Second:Quantative Disclousure

1- Exposure distribuation according to economic sectors:

A. Exposure distribuation according to financial instruments

Item	Finance	Manufacturing	Commerce	Real estste	Agriculture	Stocks	Individual	Government and public sector	Other	Total
Balances with central banks	175,131,031	-	-	-	-	-	-	-	-	175,131,031
Balances with banks and financial institutions	256,072,289	-	-	-	-	-	-	-	-	256,072,289
Deposits with banks and financial institutions	110,000,000	-	-	-	-	-	-	-	-	110,000,000
Credit facilities	8,232,533	273,251,789	574,256,406	304,143,381	14,708,748	11,154,879	442,073,766	208,582,762	111,279,545	1,947,683,809
Bonds and tresury bills:										
within financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
within financial assets at fair value through comprehnsive income	-	-	-	-	-	-	-	-	-	-
within financial assets at amortized cost	71,684,964	4,401,459	-	-	-	-	-	121,878,104	24,982,011	222,946,538
Financial derivatives	33,441	-	-	-	-	-	-	-	-	33,441
Other assets	31,626,363	-	-	-	-	28,449	-	-	-	31,654,812
Total/Current period	**652,780,621**	**277,653,248**	**574,256,406**	**304,143,381**	**14,708,748**	**11,183,328**	**442,073,766**	**330,460,866**	**136,261,556**	**2,743,521,920**
Financial guarantee	27,233,070	6,272,158	38,648,903	44,287,636	208,300	-	-	-	23,552,348	140,202,415
Letter of credit	6,166,254	26,857,950	55,284,333	16,414,066	15,000	-	-	-	7,867,661	112,605,264
Other liabilities	-	-	-	-	-	-	-	-	-	-
Total	**686,179,945**	**310,783,356**	**668,189,642**	**364,845,083**	**14,932,048**	**11,183,328**	**442,073,766**	**330,460,866**	**167,681,565**	**2,996,329,599**

B.Exposure distribuation according to stages classfication as per IFRS (9):

Item	First stage		Second stage		Third stage	Total
	Individual	Collective	Individual	Collective		
Financial	685,822,045	-	3,000	-	354,900	686,179,945
Industrial	292,102,785	-	5,806,145	-	12,874,426	310,783,356
Commerce	560,678,244	-	82,487,748	-	25,023,650	668,189,642
Real estate	147,462,768	185,531,304	6,545,211	6,573,273	18,732,527	364,845,083
Agricluture	12,232,559	-	52,466	-	2,647,023	14,932,048
Stocks	11,183,328	-	-	-	-	11,183,328
Individual	-	408,881,905	-	8,724,570	24,467,291	442,073,766
Government and public sector	330,460,866	-	-	-	-	330,460,866
Other	154,552,741	-	5,215,433	-	7,913,388	167,681,565
Total	**2,194,495,336**	**594,413,209**	**100,110,003**	**15,297,843**	**92,013,205**	**2,996,329,599**

2- Exposure distribution according to geographic sectors

A. Exposure distribuation according to geographic sectors

Item	Inside Kingdom	Other middle east countries	Europe	Asia	Africa	America	Other Countries	Total
Balances with central banks	117,083,751	58,047,280	-	-	-	-	-	175,131,031
Balances with banks and financial institutions	177,293,346	54,617,980	11,454,891	2,746,959	-	9,522,395	436,718	256,072,289
Deposits at banks and financial institutions	110,000,000	-	-	-	-	-	-	110,000,000
Credit facilities	1,658,243,763	289,440,046	-	-	-	-	-	1,947,683,809
Bonds and tresury bills:	150,147,749	50,598,281	22,200,508	-	-	-	-	222,946,538
within financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
within financial assets at fair value through comprehnsive income	-	-	-	-	-	-	-	-
within financial assets at amortized cost	150,147,749	50,598,281	22,200,508	-	-	-	-	222,946,538
Financial derivatives	33,441	-	-	-	-	-	-	33,441
Foreclosed financial asset(debt instrument)	-	-	-	-	-	-	-	-
Other Assets	20,218,728	11,436,084	-	-	-	-	-	31,654,812
Total/Current period	2,233,020,778	464,139,671	33,655,399	2,746,959	-	9,522,395	436,718	2,743,521,920
Financial guarantee	132,375,410	7,827,004	-	-	-	-	-	140,202,414
Letter of credit	102,772,173	9,833,092	-	-	-	-	-	112,605,265
Other liabilities	-	-	-	-	-	-	-	-
Total	2,468,168,361	481,799,767	33,655,399	2,746,959	-	9,522,395	436,718	2,996,329,599

B. Exposure distribuation according to stages classfication as per IFRS(9)

Item	First stage		Second stage		Third stage	Total
	Individual	Collective	Individual	Collective		
Inside Kingdom	1,754,730,227	534,631,575	93,608,648	12,974,980	72,222,931	2,468,168,361
Other middle east countries	393,403,643	59,781,635	6,501,355	2,322,864	19,790,270	481,799,767
Europe	33,655,399	-	-	-	-	33,655,399
Asia	2,746,959	-	-	-	-	2,746,959
Africa	-	-	-	-	-	-
America	9,522,395	-	-	-	-	9,522,395
Other Countries	436,718	-	-	-	-	436,718
Total	2,194,495,341	594,413,210	100,110,003	15,297,844	92,013,201	2,996,329,599

3-Reclassfied Credit Exposures:

A. Total Reclassfied Credit Exposures:

Item	Second stage		Third stage			
	Total exposure amount	reclassified exposure	Total exposure amount	reclassified exposure	Total Reclassified exposure	Reclassified exposure percentage
Balances with central banks	-	-	-	-	-	0.0%
Balances with banks and financial institutions	-	-	-	-	-	0.0%
Deposits with banks and financial institutions	-	-	-	-	-	0.0%
Credit facilities	97,639,186	17,059,474	82,032,753	8,875,685	25,933,159	14,4%
Bonds and tresury bills:	-	-	-	-	-	0.0%
within financial assets at fair value through profit or loss	-	-	-	-	-	0.0%
within financial assets at fair value through comprehnsive income	-	-	-	-	-	0.0%
within financial assets at amortized cost	-	-	-	-	-	0.0%
Financial derivatives	-	-	-	-	-	0.0%
Foreclosed financial asset (debt instrument)	-	-	-	-	-	0.0%
Other Assets	-	-	-	-	-	0.0%
Total	97,639,186	17,059,474	82,032,753	8,875,685	25,933,159	14,4%
Letters of guarantees	4,444,291	1,710,188	9,910,936	533,087	2,243,275	%15,6
Letter of credit	13,324,368	9,307,005	69,515	62,274	9,369,279	70%
Other liabilities	-	-	-	-	-	0%
Total	115,407,845	28,076,667	92,013,204	9,471,046	37,545,713	18,1%

B.Expected credit loss for reclassfied exposures:

Item	Reclassfied exposure			Expected credit loss of the reclassified exposure				
				Second stage		Third stage		
	Total exposure reclassfied from second stage	Total exposure reclassfied from third stage	Total exposure reclassfied	Individual Basis	Collective Basis	Individual Basis	Collective Basis	Total
Balances with central banks	-	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-
Credit facilities	(199,139)	(3,338,339)	(3,537,478)	(133,534)	(65,605)	(3,338,339)	-	(3,537,478)
Bonds and tresury bills:	-	-	-	-	-	-	-	-
within financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
within financial assets at fair value through comprehnsive income	-	-	-	-	-	-	-	-
within financial assets at amortized cost	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-
Foreclosed financial asset (debt instrument)	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
Total	(199,139)	(3,338,339)	(3,537,478)	(133,534)	(65,605)	(3,338,339)	-	(3,537,478)
Letters of guarantees	16,694	(131,132)	(114,439)	16,693	-	(131,132)	-	(114,439)
Letter of credit	50,831	-	50,529	50,529	-	-	-	50,529
Other liabilities	-	-	-	-	-	-	-	-
Total	(131,614)	(3,469,471)	(3,601,388)	(66,312)	(65,605)	(3,469,471)	-	(3,601,388)

Total Credit Exposure according to classification instructions (47/2009) compared to IFRS(9):

As of June 30, 2018	According to classification instructions No. (47/2009)				According to IFRS (9)								
					First stage			Second stage			Third stage		
Item	Total	Interest in suspense	Outstanding balance	Provision	Total	ECL	Interest in suspense	Total	ECL	Interest in suspense	Total	ECL	Interest in suspense
Performing	1,443,952,690	29,386	1,443,923,304	-	1,443,952,690	4,802,797	29,386	-	-	-	-	-	-
Watch list	37,693,460	-	37,693,460	2,805,193	-	-	-	37,693,460	1,211,056	-	-	-	-
Non performing	86,146,694	8,315,712	77,830,982	67,564,562	-	-	-	-	-	-	86,146,694	67,564,588	8,315,712
Of which:													
Substandard	4,869,936	102,368	4,767,568	1,449,061	-	-	-	-	-	-	-	-	-
Doubtful	13,076,843	249,029	12,827,814	10,672,107	-	-	-	-	-	-	-	-	-
Loss	68,199,915	7,964,315	60,235,600	55,393,394	-	-	-	-	-	-	-	-	-
Total	1,567,792,844	8,345,098	1,559,447,746	70,369,755	1,443,952,690	4,802,797	29,386	37,693,460	1,211,056	-	86,146,694	67,564,588	8,315,712

As of January 1 ,2018	According to classification instructions No. (47/2009)				According to IFRS (9)								
					First stage			Second stage			Third stage		
Item	Total	Interest in suspense	Outstanding balance	Provision	Total	ECL	Interest in suspense	Total	ECL	Interest in suspense	Total	ECL	Interest in suspense
Performing	1,418,342,163	24,619	1,418,317,540	-	1,418,342,163	5,603,849	24,621	-	-	-	-	-	-
Watch list	46,432,882	-	46,432,882	2,736,750	-	-	-	46,432,882	1,407,957	-	-	-	-
Non performing	76,806,921	7,844,058	68,962,863	61,215,419	-	-	-	-	-	-	76,806,921	61,215,418	7,844,060
Of which:													
Substandard	5,721,305	22,257	5,699,048	4,319,210	-	-	-	-	-	-	-	-	-
Doubtful	6,202,795	128,085	6,074,710	3,871,352		-	-	-	-	-	-	-	-
Loss	64,882,821	7,693,716	57,189,105	53,024,857	-	-	-	-	-	-	-	-	-
	1,541,581,966	7,868,681	1,533,713,285	63,952,169	1,418,342,163	5,603,849	24,621	46,432,882	1,407,957	-	76,806,921	61,215,418	7,844,060

36. Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of The Bank specified at fair value on an ongoing basis:

Some financial assets and Liabilities of the bank are evaluated at fair value at the end of each fiscal period, the following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used)

Financial Assets/Financial Liabilities	Fair Value June 30, 2018	Fair Value December 31, 2017	The Level of Fair Value	Evaluation Method and Inputs Used	Important Intangible Inputs	Relation Between the Fair Value and the Important Intangible Inputs
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Shares that have an available market price	84,900	112,200	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Shares that doesn't have an available market price	96,406	84,787	Level Two	Financial Statements issued by companies		
Total	181,306	196,987				
Financial Assets at Fair Value through Comprehensive Income						
Shares that have available market price	100,550,321	110,237,146	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Shares that do not have available market price	5,129,920	4,554,716	Level Two	Financial Statements issued by companies	Doesn't Apply	Doesn't Apply
Total	105,680,241	114,791,862				
Financial Liabilities at Fair Value						
Forward Contracts (Foreign Currency)	33,441	178,833	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Financial assets foreclosed by the Bank	7,792,562	-	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Total Financial Assets at Fair Value	113,687,550	115,167,682				
Financial Liabilities at Fair Value						
Forward Contracts (Foreign Currency)	-	178,833	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Total Financial Liabilities at Fair Value	-	178,833				

There were no transfers between level 1 and level 2 during the first half of the year 2018.

B. The fair value of financial assets and financial liabilities of The Bank (non-specific fair value on an ongoing basis):

Except as detailed in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of The Bank approximate their fair value, because The Bank management believes that the carrying value of the items is equilivant to the fair value, and this is due to either maturity or short-term interest rates that have been repriced during the year.

	June 30, 2018 Book value	June 30, 2018 Fair Value	December 31, 2017 Book value	December 31, 2017 Fair Value	The Level of Fair Value
	JD	JD	JD	JD	JD
Financial Assets of non-specified Fair Value					
Balances with central banks	175,293,104	175,293,104	196,829,576	196,842,990	Level Two
Balances with banks and financial institutions	256,072,289	262,985,180	265,682,212	266,402,186	Level Two
Deposits with banks and financial institutions	110,000,000	124,150,376	125,000,000	127,536,945	Level Two
Laons, bills and other	1,399,475,169	1,403,489,297	1,382,864,854	1,385,372,118	Level Two
Financial assets at amortized cost	222,946,538	221,490,690	219,576,390	221,758,509	Level Two
Other assets	48,687,910	106,169,834	45,050,608	102,837,646	Level Two
Total Financial Assets of Non-specified Fair Value	2,212,475,010	2,293,578,481	2,235,003,640	2,300,750,394	
Financial Liabilities of Non-specified Fair Value					
Deposits at banks and financial institutions	106,387,068	106,797,906	64,896,195	64,986,870	Level Two
Customer's deposits	1,847,432,453	1,873,346,694	1,845,800,756	1,850,775,176	Level Two
Cash insurance	125,799,237	130,191,641	149,356,693	149,367,014	Level Two
Total Financial Liabilities of Non-specified Fair Value	2,079,618,758	2,110,336,241	2,060,053,644	2,065,129,060	

The fair value for the financial assets and liabilities for the level 2 and level 3 were determined in accordance to an agreed pricing models, which reflects the credit risk of the parties that are dealing with it.