

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

CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2020
TOGETHER WITH THE REVIEW REPORT

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

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

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Review Report

**To the Chairman and the Members of the Board of Directors
Bank of Jordan
(Public Shareholding 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, 2020 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 statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with IAS (34) "Interim Financial Reporting" as adopted by Central Bank of Jordan. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial 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 statements for **Bank of Jordan - Public Shareholding Company** as at and for the six-month period ended on June 30, 2020 are not prepared, in all material respects, in accordance with IAS (34) "Interim Financial Reporting" as adopted by Central Bank of Jordan.

**Kawasmy and Partners
KPMG**

Hatem Kawasmy
License no. (656)



Amman - Jordan
August 5, 2020

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

STATEMENT (A)

| | | JUNE 30, 2020 | DECEMBER 31, |
|---|-------------|----------------------|-----------------------|
| | Note | (REVIEWED NOT | 2019 (Audited) |
| | | AUDITED) | |
| | | JD | JD |
| <u>Assets</u> | | | |
| Cash and balances with central banks | 5 | 349,895,316 | 384,396,176 |
| Balances with banks and financial institutions | 6 | 220,104,553 | 188,323,327 |
| Deposits with banks and financial institutions | 7 | 88,917,248 | 208,123,765 |
| Financial derivatives | | 3,819 | 38,261 |
| Financial assets at fair value through profit or loss | 8 | 660,436 | 628,716 |
| Financial assets at fair value through comprehensive income | 9 | 80,068,339 | 80,865,636 |
| Direct credit facilities at amortized cost | 10 | 1,458,324,947 | 1,409,525,437 |
| Financial assets at amortized cost | 11 | 233,557,059 | 272,535,799 |
| Property and equipment – Net | 12 | 51,716,744 | 52,802,587 |
| Intangible assets | | 6,205,847 | 5,986,282 |
| Deferred tax assets | 17/b | 23,557,033 | 22,804,298 |
| Other assets | 13 | 81,184,210 | 82,071,242 |
| Total Assets | | 2,594,195,551 | 2,708,101,526 |
| <u>Liabilities and Owners' equity</u> | | | |
| Liabilities: | | | |
| Banks and financial institutions' deposits | 14 | 65,539,455 | 151,244,578 |
| Customers' deposits | 15 | 1,859,396,906 | 1,919,098,107 |
| Cash margins | | 130,288,749 | 120,593,921 |
| Other provisions | 16 | 5,273,297 | 5,011,211 |
| Income tax provision | 17/a | 10,232,867 | 23,803,895 |
| Deferred tax liabilities | 17/c | 3,321,176 | 3,081,065 |
| Borrowed funds | 18 | 48,145,450 | 23,667,921 |
| Other liabilities | 19 | 41,718,102 | 41,493,803 |
| Total Liabilities | | 2,163,916,002 | 2,287,994,501 |
| Owners' Equity: | | | |
| Equity attributable to the Bank's Shareholders | | | |
| Authorized and Paid-up capital | | 200,000,000 | 200,000,000 |
| Statutory reserve | | 93,978,016 | 94,065,645 |
| Voluntary reserve | | 46,536 | 134,165 |
| General banking risks reserve | | 2,170,726 | 2,196,491 |
| Special reserve | | 5,849,743 | 5,849,743 |
| Foreign currency translation differences | 22 | (12,855,520) | (12,268,120) |
| Fair value reserve | 20 | 24,645,026 | 24,954,157 |
| Retained earnings | 21 | 102,147,534 | 99,400,640 |
| Profit for the period after tax | | 6,718,064 | - |
| Total equity attributable to the Bank's shareholders | | 422,700,125 | 414,332,721 |
| Non-Controlling Interests | | 7,579,424 | 5,774,304 |
| Total Owners' Equity | | 430,279,549 | 420,107,025 |
| Total Liabilities and Owners' Equity | | 2,594,195,551 | 2,708,101,526 |

THE ACCOMPANYING NOTES FROM (1) TO (37) 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
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
(REVIEWED NOT AUDITED)

STATEMENT (B)

| | NOTE | For the Three-Month Period | | For the Six-Month Period | |
|---|------|----------------------------|-------------------|--------------------------|-------------------|
| | | Ended June 30, | | Ended June 30, | |
| | | 2020 | 2019 | 2020 | 2019 |
| | | JD | JD | JD | JD |
| Interest income | 24 | 33,857,651 | 39,710,567 | 71,058,817 | 79,421,881 |
| Less : Interest expense | 25 | 7,499,127 | 10,695,351 | 17,072,136 | 21,414,137 |
| Net Interest Income | | 26,358,524 | 29,015,216 | 53,986,681 | 58,007,744 |
| Commissions Income – Net | | 4,634,796 | 5,923,141 | 10,259,519 | 11,791,179 |
| Net Interest and Commissions Income | | 30,993,320 | 34,938,357 | 64,246,200 | 69,798,923 |
| Foreign currencies income | | 496,631 | 661,046 | 1,215,529 | 1,403,567 |
| Gain (Loss) from financial assets at fair value through profit or loss | 26 | (23,292) | 15,514 | 31,720 | (8,730) |
| Cash dividends from financial assets at fair value through comprehensive income | 9 | 439,578 | 546,285 | 439,578 | 546,285 |
| Other income | 27 | 645,595 | 1,333,074 | 1,482,081 | 2,134,056 |
| Total Income | | 32,551,832 | 37,494,276 | 67,415,108 | 73,874,101 |
| Employees expenses | | 8,062,409 | 7,931,255 | 15,812,666 | 17,870,731 |
| Depreciation and amortization | | 2,219,354 | 2,211,023 | 4,416,802 | 4,131,529 |
| Other expenses | | 7,759,767 | 6,096,094 | 14,447,952 | 12,289,362 |
| Provision financial assets expected credit loss provision | 28 | 14,235,863 | 5,357,821 | 20,544,871 | 6,334,699 |
| (Reversal from) provision of assets foreclosed by the Bank's provision | 13 | (34,755) | 312,298 | (35,545) | 425,546 |
| Other provisions | 16 | 261,286 | 123,757 | 525,915 | 330,128 |
| Total Expenses | | 32,503,924 | 22,032,248 | 55,712,661 | 41,381,995 |
| Profit for the period before income tax | | 47,908 | 15,462,028 | 11,702,447 | 32,492,106 |
| Less: Income tax | 17/a | 660,040 | 5,297,852 | 5,303,807 | 11,311,252 |
| Profit for the Period- Statement (C) and (D) | | (612,132) | 10,164,176 | 6,398,640 | 21,180,854 |
| Attributable to: | | | | | |
| Bank's Shareholders | | (456,209) | 10,274,190 | 6,718,064 | 21,350,865 |
| Non–Controlling Interest | | (155,923) | (110,014) | (319,424) | (170,011) |
| | | (612,132) | 10,164,176 | 6,398,640 | 21,180,854 |
| | | | | Fils/Dinar | Fils/Dinar |
| Earnings per share for the period attributable to the Banks' shareholders | 29 | | | 0.034 | 0.107 |

THE ACCOMPANYING NOTES FROM (1) TO (37) 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 (C)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

| | For the Three-Month Period | | For the Six-Month Period | |
|--|----------------------------|-------------------|--------------------------|--------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| | JD | JD | JD | JD |
| Profit for the period - Statement (B) | (612,132) | 10,164,176 | 6,398,640 | 21,180,854 |
| Other comprehensive income items that may be reclassified subsequently to the consolidated condensed interim statement of profit or loss: | | | | |
| Change in fair value of debt instruments classified as financial assets at fair value through comprehensive income | 2,671,654 | - | (1,156,075) | - |
| Foreign currencies translation differences | 1,729,595 | - | 4,166,532 | (13,777) |
| | <u>4,401,249</u> | <u>-</u> | <u>3,010,457</u> | <u>(13,777)</u> |
| Items that will not be reclassified subsequently to the consolidated condensed interim statement of profit or loss: | | | | |
| (Loss) from sales of financial assets at fair value through comprehensive income | (39,192) | - | (39,192) | - |
| Net Change in fair value for equity instrument included in the financial assets at fair value through comprehensive income- Net after tax | (845,401) | (10,683) | 802,619 | (2,303,084) |
| | <u>(884,593)</u> | <u>(10,683)</u> | <u>763,427</u> | <u>(2,303,084)</u> |
| Total Consolidated Condensed Interim Comprehensive Income - Statement (D) | <u>2,904,524</u> | <u>10,153,493</u> | <u>10,172,524</u> | <u>18,863,993</u> |
| Total Comprehensive Income Attributable to: | | | | |
| The Bank's Shareholders | 2,177,282 | 10,333,347 | 8,367,404 | 19,040,908 |
| Non-Controllers' Interest | 727,242 | (179,854) | 1,805,120 | (176,915) |
| | <u>2,904,524</u> | <u>10,153,493</u> | <u>10,172,524</u> | <u>18,863,993</u> |

THE ACCOMPANYING NOTES FROM (1) TO (37) ARE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH REVIEW REPORT.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
(REVIEWED NOT AUDITED)

| | Authorized and Paid-up Capital | | Reserves | | | | 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 | | Statutory | Voluntary | General Banking Risks | Special | JD | JD | | | JD | JD | | | | JD | JD |
| | | | | | | | | | | | | | | | | | |
| For the Six-Month Period Ended June 30, 2020 | | | | | | | | | | | | | | | | | |
| Balance - beginning of the period | 200,000,000 | 94,065,645 | 134,165 | 2,196,491 | 5,849,743 | (12,268,120) | 24,954,157 | 99,400,640 | - | 414,332,721 | 5,774,304 | 420,107,025 | | | | | |
| Foreign exchange differences | - | (87,629) | (87,629) | (16,828) | - | (587,400) | - | 2,821,474 | - | 2,041,988 | 2,124,544 | 4,166,532 | | | | | |
| Profit for the period- Statement (B) | - | - | - | - | - | - | - | - | - | 6,718,064 | (319,424) | 6,398,640 | | | | | |
| Realized gain from sale of equity instruments classified as financial assets at fair value through comprehensive income - net after tax | - | - | - | - | - | - | 44,325 | (83,517) | - | (39,192) | - | (39,192) | | | | | |
| Change in fair value reserve in debt instruments classified as financial assets at fair value through comprehensive income | - | - | - | - | - | - | (1,156,075) | - | - | (1,156,075) | - | (1,156,075) | | | | | |
| Change in fair value reserve in equity instruments classified as financial assets at fair value through comprehensive income - net after tax | - | - | - | - | - | - | - | - | - | - | - | - | | | | | |
| Total Comprehensive Income- Statement (c) | - | (87,629) | (87,629) | (16,828) | (8,937) | (587,400) | 802,619 | 2,737,957 | 6,718,064 | 802,619 | 1,805,120 | 10,172,524 | | | | | |
| Transfer to reserves | - | - | - | - | - | - | - | 8,937 | - | - | - | - | | | | | |
| Balance - End of the Period | 200,000,000 | 93,978,016 | 46,536 | 2,170,726 | 5,849,743 | (12,855,520) | 24,645,026 | 102,147,534 | 6,718,064 | 422,700,125 | 7,579,424 | 430,279,549 | | | | | |
| For the Six-Month Period Ended June 30, 2019 | | | | | | | | | | | | | | | | | |
| Balance - beginning of the period | 200,000,000 | 87,947,294 | 134,330 | 2,258,450 | 5,849,039 | (12,256,254) | 26,668,016 | 101,289,732 | - | 411,890,607 | 5,566,440 | 417,457,047 | | | | | |
| Foreign exchange differences | - | (166) | (166) | (32) | - | (11,866) | - | 5,357 | - | (6,873) | (6,904) | (13,777) | | | | | |
| Profit for the period- Statement (B) | - | - | - | - | - | - | - | - | - | 21,350,865 | (170,011) | 21,180,854 | | | | | |
| Net Change in fair value for financial assets at fair value through comprehensive income- Net after tax | - | - | - | - | - | - | (2,303,084) | - | - | 2,303,084 | - | (2,303,084) | | | | | |
| Total Consolidated Condensed Interim Comprehensive Income- Statement (C) | - | (166) | (166) | (32) | (32) | (11,866) | (2,303,084) | 5,357 | 21,350,865 | 19,040,908 | (176,915) | 18,863,993 | | | | | |
| Transfer to reserves | - | - | - | (61,928) | 704 | - | - | 61,224 | - | - | - | - | | | | | |
| Dividends paid | - | - | - | - | - | - | - | (36,000,000) | - | - | - | (36,000,000) | | | | | |
| Balance - End of the Period | 200,000,000 | 87,947,128 | 134,164 | 2,196,490 | 5,849,743 | (12,268,120) | 24,364,932 | 65,356,313 | 21,350,865 | 394,931,515 | 5,389,525 | 400,321,040 | | | | | |

*** 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 23,557,033 against deferred tax benefits as of June 30, 2020 (22,804,298 as of December 31, 2019) that according to Central Bank of Jordan instructions, this restricted amount cannot be utilized through capitalization or distribution unless actually realized.

- Retained earnings include an amount of JD 3,302,537 as of June 30, 2020 that 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 Central Bank of Jordan and Jordan Security Commission, the balance of retained earnings include an amount of JD 813,437 as of June 30, 2020 cannot be utilized through dividends distribution to the shareholders or use for any other purposes, without prior approval of central bank of Jordan resulting from application of central bank of Jordan circular No. 10/171559 on January 25, 2018, and Central Bank of Jordan circular No. 13/2018 dated June 6, 2018.

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, | |
|--|------|--|---------------------|
| | | 2020 | 2019 |
| Cash Flows From Operating Activities: | | | |
| Profit for the period before tax - Statement (B) | | 11,702,447 | 32,492,106 |
| Adjustments for non cash items: | | | |
| Depreciation and amortization | | 4,416,802 | 4,131,529 |
| Provision (Reversal from) expected credit loss provision | 28 | 20,544,871 | 6,334,699 |
| Loss from sale of property and equipment | 27 | 15,741 | 40,838 |
| (Gain) Loss from financial assets at fair value through profit or loss - | 26 | (31,720) | 15,691 |
| Effect of exchange rate fluctuations | | (1,157,526) | (1,367,270) |
| Other provisions | 16 | 525,915 | 330,128 |
| (Reversal from) Provision of assets foreclosed by the Bank provision | 13 | (35,545) | 425,546 |
| Other - Currency differences | | 1,291,629 | 3,010 |
| Profit before Changes in Assets and Liabilities | | 37,272,614 | 42,406,277 |
| Changes in Assets and Liabilities: | | | |
| Decrease (Increase) in restricted balances | | 151,065 | (315,650) |
| Decrease in deposits with banks and other financial institutions(maturing over 3 month) | | 119,249,314 | 4,254,000 |
| (Increase) Decrease in financial assets at fair value through profit or loss | | - | (481,230) |
| (Increase) in direct credit facilities at amortized cost | | (65,235,541) | (118,389,048) |
| (Increase) in other assets | | (1,177,985) | (1,967,924) |
| (Decrease) Increase in deposits with banks and other financial institutions (maturing in over three months) | | (78,582,000) | 3,545,000 |
| Increase in customers deposits | | (59,701,201) | 13,798,329 |
| Increase in cash margins | | 9,694,828 | 7,799,776 |
| Increase in borrowed funds | | 24,561,490 | 2,683,489 |
| (Decrease) Increase in other liabilities | | (2,419,517) | 2,576,510 |
| Net Change in Assets and Liabilities | | (53,459,547) | (86,496,748) |
| Net Cash Flows (used in) Operating Activities before Paid Taxes, End-of-Service Indemnity Provision | | | |
| Paid income tax | 17 | (16,186,933) | (44,090,471) |
| Paid from end-of-service indemnity and lawsuits provisions | 16 | (19,427,357) | (18,472,670) |
| Net Cash Flows (used in) Operating Activities | | (35,803,252) | (63,013,799) |
| Cash Flows From Investing Activities: | | | |
| (Purchase) of financial assets at amortized cost | | (18,078,822) | (36,571,062) |
| Maturity of financial assets at amortized cost | | 56,267,529 | 48,001,524 |
| Sale of financial assets at fair value through comprehensive income | | 4,683 | - |
| (Purchase) maturity of financial derivatives | | 34,442 | (1,474) |
| (Purchase) of property and equipment | 12 | (2,423,683) | (4,134,883) |
| Sale of property and equipment | | 87,589 | 55,756 |
| (Purchase) of intangible assets | | (810,290) | (509,822) |
| Net Cash Flows from Investing Activities | | 35,081,448 | 6,840,039 |
| Cash Flows From Financing Activities: | | | |
| Foreign exchange differences | | 4,166,532 | (13,777) |
| Dividends distributed to shareholders | | (14,374) | (35,421,051) |
| Net Cash Flows from Financing Activities | | 4,152,158 | (35,434,828) |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 1,157,526 | 1,367,270 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 4,587,880 | (90,241,318) |
| Cash and cash equivalents – beginning of the period | | 536,573,919 | 482,731,837 |
| Cash and Cash Equivalents – End of the Period | 30 | 541,161,799 | 392,490,519 |

THE ACCOMPANYING NOTES FROM (1) TO (37) ARE AN INTEGRAL PART
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AND SHOULD BE READ WITH THEM AND WITH REVIEW REPORT.

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM 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 (78) branches in Jordan and (16) branches in Palestine and one branch in Bahrain and subsidiaries affiliates in Syria and Jordan (Jordan-Syria Bank, Excel for Financial Investments Company and Jordan Leasing Company).
- The accompanying consolidated condensed interim financial statements were approved by the Board of Directors in their meeting Number 625 dated August 5, 2020.

2. 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”, as adopted by Central Bank of Jordan.
The main differences between International Financial Reporting Standards that should be applied and what was adopted by the Central Bank of Jordan are as follows:
 - Expected credit losses allowances are calculated in accordance with the Central Bank of Jordan (CBJ) instructions No. (13/2018) “International Financial Reporting Standard No. (9) Implementation” dated June 6, 2018 and in accordance with the Regulatory authorities instructions in the countries that the Bank operates whichever is more strict, the main significant differences are as follows:
 - Debt instruments issued or guaranteed by the Jordanian government are excluded, so that credit exposures issued or guaranteed by the Jordanian government are treated with no credit losses.
 - When calculating credit losses against credit exposures, the calculation results in accordance to International Financial Reporting Standards (9) are compared with the instructions of the Central Bank of Jordan No. (47/2009) dated December 10, 2009 for each stage separately and the greater results are recorded.
- In accordance with the instructions of the Central Bank of Jordan and the instructions of the supervisory authorities in the countries in which the bank operates, interest and commissions are suspended on non-performing credit facilities.
- Assets foreclosed by Bank are presented at the consolidated condensed interim statement of financial position within other assets at the value that has been acquired by the Bank or the fair value, whichever is lower, and are reassessed individually on each consolidated financial statements date, and any impairment in their value is recorded as a loss in the consolidated condensed interim statement of profit or loss but the increase is not recorded, to the extent that it does not exceed the value of the previously recorded impairment. Starting the year 2015, and in accordance with the Central Bank of Jordan Circular No. 10/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017, the Bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years. Central Bank of Jordan issued Circular No. 10/1/16239 dated November 21, 2019 approving the extension of Circular No. 10/1/2150 dated February 14, 2017, confirming to postpone the provision calculation until the end of year 2020 and amending the second clause of it.

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

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

- Additional provisions are calculated in the consolidated condensed interim financial statements against some of the Bank's foreign investments in some neighbouring countries.
- The net outcome of the differences between the Central Bank of Jordan instructions and the International Financial Reporting Standards represented by having the Bank to book additional allocations to comply with these 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 which are measured at fair value at the date of the consolidated condensed interim financial statements. The hedged assets and liabilities are stated at fair value. Moreover the financial assets and liabilities are measured at amortized cost.
- The accompanying 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, 2020 do not necessarily represent indications of the expected results for the year ending December 31, 2020. Therefore, these consolidated condensed interim financial statements should be read with the Bank's annual report for the year ended December 31, 2019 and it does not contain the appropriation of profit for the six-month period ended June 30, 2020 which is performed at the end of the fiscal year.

Basis of Consolidation of the condensed interim financial statements

- The consolidated condensed interim financial information 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 financial 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, 2020:

| <u>Name of Subsidiary</u> | <u>Paid-up Capital</u> | <u>Bank's Ownership Percentage</u> | <u>Subsidiary's Nature of Business</u> | <u>Place of Operation</u> | <u>Acquisition Date</u> |
|---|--|--|--|-------------------------------|-----------------------------|
| Excel for Financial Investments Company | JD 3,5 Million | % | 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 |

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- The results of the subsidiary companies are incorporated into the consolidated condensed interim statement of profit or loss from the effective date of acquisition, which The Bank assumes the date on which actual control over the subsidiary in. Moreover, the operating results of the disposed subsidiary 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 have 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-Controller’s 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 financial assets, financial liabilities, change in FairValue reserve and contingent liabilities disclosures. Moreover, these assessments and assumptions affect revenues, expenses, provisions and the changes in fair value reserves in the consolidated condensed interim financial statements and within owners equity. In particular, this requires the Bank's management to issue significant judgments and assumptions to assess the future cash flows amounts and their timing. Moreover, the beforementioned 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 arising from the conditions and circumstances of those assessments in the future.

We believe that the estimates and judgments adopted in the preparation of the consolidated condensed interim financial statements preparation are consistent with the estimates and judgments adopted in the preparation of the annual consolidated financial statement for the year ended December 31, 2019 except for the following:

The Corona Virus (COVID-19) pandemic has spread across different geographical regions of the world, disrupting business and economic activities and caused doubts globally. For which financial and monetary authorities, both domestic and international declared various support measures in all parts of the world to face the potential negative effects, as at the present time there is a significant increase of uncertainty in determining the economic impact that is manifested, for example, in the volume of liquidity and volatility in Assets prices, foreign currency exchange rates, a noticeable decrease in long-term interest rates, an assessment of the significant increase in credit risk and different macroeconomic factors. Accordingly, Bank of Jordan management has closely monitored the situation and has activated its business continuity plan and other risk management practices to manage any potential disruptions that the Corona Virus (COVID -19) outbreak may cause to the Bank's business, operations and financial performance.

Bank of Jordan management has also performed study over the potential impacts of the current economic fluctuations in determining the amounts recognized for the financial and non-financial assets of the Bank, which represents the management best estimates based on the information available, knowing that, given the current situation, as a result the markets remain volatile and the recorded amounts continue to be sensitive to fluctuations.

- Provision for expected credit losses:

The uncertainties caused by the outbreak of the Corona virus (Covid-19) require updating the inputs and assumptions used to determine "expected credit losses" as of June 30, 2020. The expected credit losses were estimated based on a set of expected economic conditions as at that date given the rapid development for the situation, the Bank took into account the effect of high volatility on future macroeconomic factors, when determining the severity and likelihood of economic scenarios to determine expected credit losses. This volatility was reflected by modifying the basic scenarios building methods and weights specific to these scenarios. Future factors used are determined from the statistical distribution of credit cycle index factors, which can be derived from a number of observable historical factors such as risk returns, credit growth, credit margins or assumptions as well as forward looking.

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The Bank has updated the macroeconomic factors used in calculating the probability of default to reflect the Corona Virus (COVID-19) pandemic impacts results in coordination with Moody's, which was identified from the statistical distributions of credit cycle index factors. The Bank performs continuous studies and reviews over these factors and scenarios.

In addition, Bank of Jordan management has paid particular attention to the impact of the Corona virus (COVID-19) on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing indicators of impairment of risk in potential sectors affected. This has resulted in a decrease in the classification of some credit exposures, recognition of expected credit losses and provisions for impairment as shown in the stated disclouser in consolidated condensed interim financial statements.

4- Change in Significant Accounting Policies

A. Adoption of the new and Amended International Standards

- The accounting policies adopted in the consolidated condensed interim financial statement are consistent with those adopted for the year ended December 31, 2019 except for the following new and revised standards, which became applicable in January 1st, 2020 as follow:
- Amendments to References to Conceptual Framework in International Financial Reporting Standard (effective January 1st, 2020).
- Amendments to International Accounting Standards (1) and International Accounting Standards (8) "Definition of Material" (effective January 1st, 2020).
- Amendments to International Financial Reporting Standard (3) "Definition of a Business" (effective January 1st, 2020).
- Amendments to International Financial Reporting Standard (9), International Accounting Standards (39) and International Financial Reporting Standard (7) "Interest Rate Benchmark Reform".

The adoption of the above standards has not affected the amounts or disclosures in the consolidated condensed interim financial statements.

B. New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations issued but not yet effective have not been applied in preparing these consolidated condensed interim financial statements:

New standards

International Financial Reporting Standard (17) Insurance Contracts (effective January 1st, 2021 with early adoption permitted only to companies that have adopted IFRS 9).

Amendments

- Amendments to International Financial Reporting Standard (10) and International accounting standards (28) Sale or Contribution of Assets between Investor and its Joint Venture (no date specified).
- Amendments to International Accounting Standards (1) Classification of Liabilities as Current or Noncurrent (effective January 1st, 2022)

Management does not expect that there will be a material impact from adopting the above standards upon application.

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5. CASH AND BALANCES WITH CENTRAL BANKS

- Balances at Central Banks amounted to JD 282,841,719 as of June 30, 2020 (JD 312,229,080 as of December 31, 2019), these balances are distributed to credit stages as follows:

| Item | As of June 30, 2020 | | | |
|---|---------------------|-----------|-------------|--------------------|
| | Stage One | Stage Two | Stage Three | Total |
| Balance at the beginning of the period | 312,229,080 | - | - | 312,229,080 |
| New balances during the period | 63,076,340 | - | - | 63,076,340 |
| Paid balances | (80,267,836) | - | - | (80,267,836) |
| | 295,037,584 | - | - | 295,037,584 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | (1,266,994) | - | - | (1,266,994) |
| Adjustment due to exchange rates fluctuations | (10,928,871) | - | - | (10,928,871) |
| Balance at the End of the Period | 282,841,719 | - | - | 282,841,719 |
| Balance as of December 31, 2019 | 312,229,080 | - | - | 312,229,080 |

- The following is a summary of the movement on the expected credit loss provision, according to the credit stages:

| Item | As of June 30, 2020 | | | |
|---|---------------------|-----------|-------------|----------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 256,615 | - | - | 256,615 |
| Credit loss during the period | - | - | - | - |
| Expected credit loss reversal- Paid balances | (55,466) | - | - | (55,466) |
| | 201,149 | - | - | 201,149 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | 156,439 | - | - | 156,439 |
| Adjustment due to exchange rates fluctuations | (133,589) | - | - | (133,589) |
| Balance at the End of the Period | 223,999 | - | - | 223,999 |
| Balance as of December 31, 2019 | 256,615 | - | - | 256,615 |

- Statutory cash reserve amounted to JD 85,031,427 as of June 30, 2020 (JD 102,130,953 as of December 31, 2019).
- Except for the statutory cash reserve, restricted balances amounted to JD 2,275,906 as of June 30, 2020 (JD 2,440,098 as of December 31, 2019).
- Time and notice deposit include JD 10,635,000 maturing within a period exceeding three months as of June 30, 2020 (JD 10,635,000 As of December 31, 2019).

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6. 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 | As of June 30, 2020 | | | |
|--|---------------------|----------------|--------------|--------------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 188,224,704 | 101,581 | - | 188,326,285 |
| New balances during the period | 85,066,990 | - | - | 85,066,990 |
| Paid balances | (90,129,186) | (1,958) | - | (90,131,144) |
| | 183,162,508 | 99,633 | - | 183,262,131 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | (645) | (431) | 1,076 | - |
| The impact as a result of changing the classification among the three phases during the year | - | - | 676 | 676 |
| Changes due to the adjustments | 39,254,442 | - | - | 39,254,442 |
| Written – off balances | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (2,343,093) | - | (703) | (2,343,796) |
| Balance at the End of the Period | 220,073,212 | 99,192 | 1,049 | 220,173,453 |
| Balance as of December 31, 2019 | 188,224,704 | 101,581 | - | 188,326,285 |

- The following is a summary of the movement on the provision for expected credit losses according to the credit stages:

| Item | As of June 30, 2020 | | | |
|---|---------------------|------------|--------------|---------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 2,527 | 431 | - | 2,958 |
| Credit loss during the period | 113 | - | - | 113 |
| Expected credit loss reversal- Paid balances | (261) | - | - | (261) |
| | 2,379 | 431 | - | 2,810 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | (645) | (431) | 1,076 | - |
| The effect on the provision as at the end of the period as a result of changing the classification between the three phases during the period | - | - | 676 | 676 |
| Changes due to the adjustments | 67,154 | - | - | 67,154 |
| Adjustment due to exchange rates fluctuations | (1,037) | - | (703) | (1,740) |
| Balance at the End of the Period | 67,851 | - | 1,049 | 68,900 |
| Balance as of December 31, 2019 | 2,527 | 431 | - | 2,958 |

- Non-interest-bearing balances at banks and financial institutions amounted to JD 45,199,510 as of June 30, 2020 (JD 20,497,643 as of December 31, 2019).
- Restricted balances at banks and financial institutions amounted to JD 3,036,475 as of June 30, 2020 (JD 3,023,348 as of December 31, 2019).

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7. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following

| | June 30, 2020 | December 31, 2019 |
|--|--------------------------|------------------------------|
| | JD | JD |
| Deposits maturing after 3 months and before 6 months | - | 36,007,225 |
| Deposits maturing after 6 months and before 9 months | - | - |
| Deposits maturing after 9 months and before one year | - | 2,051,089 |
| Deposits maturing after more than one year | 89,000,000 | 170,191,000 |
| | 89,000,000 | 208,249,314 |
| Less: expected credit loss provision | (82,752) | (125,549) |
| | 88,917,248 | 208,123,765 |

- Deposits with banks and financial institutions are distributed to credit stages according as follows:

| Item | As of June 30, 2020 | | | |
|---|----------------------------|------------------|--------------------|--------------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 208,249,314 | - | - | 208,249,314 |
| New balances during the period | - | - | - | - |
| Paid balances | (108,249,314) | - | - | (108,249,314) |
| | 100,000,000 | - | - | 100,000,000 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | (11,000,000) | - | - | (11,000,000) |
| Balance at the End of the Period | 89,000,000 | - | - | 89,000,000 |
| Balance as of December 31, 2019 | 208,249,314 | - | - | 208,249,314 |

- The following is a summary of the movement on the provision for expected credit losses according to the credit stages:

| Item | As of June 30, 2020 | | | |
|--|----------------------------|------------------|--------------------|----------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 125,549 | - | - | 125,549 |
| Credit loss during the period | - | - | - | - |
| Expected credit loss reversal- Paid balances | (106,994) | - | - | (106,994) |
| | 18,555 | - | - | 18,555 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | 64,197 | - | - | 64,197 |
| Balance at the End of the Period | 82,752 | - | - | 82,752 |
| Balance as of December 31, 2019 | 125,549 | - | - | 125,549 |

- There are no restricted deposits as of June 30, 2020 and December 31, 2019.
- Deposits with banks and financial institutions within the Hashemite Kingdom of Jordan amounted to JD 89,000,000 as of June 30, 2020 (JD 171,085,000 within the Hashemite Kingdom of Jordan and JD 37,164,314 deposits outside Jordan as of December 31, 2019).

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| | JD | JD |
| Shares listed in local active markets | 544,440 | 512,720 |
| Shares unlisted in local active markets | 115,996 | 115,996 |
| | <u>660,436</u> | <u>628,716</u> |

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

This item consists of the following:

| | June 30, 2020 | December 31, 2019 |
|---|-------------------|----------------------|
| | JD | JD |
| Shares listed in local active markets | 46,731,481 | 45,214,112 |
| Shares unlisted in local active markets** | 2,902,760 | 2,941,952 |
| Shares listed in foreign active markets | 5,167,966 | 5,580,083 |
| Shares unlisted in foreign active markets** | 1,061,669 | 1,219,501 |
| Total of equity instruments | <u>55,863,876</u> | <u>54,955,648</u> |
| Bonds | 24,204,463 | 25,909,988 |
| Total of debt instruments | <u>24,204,463</u> | <u>25,909,988</u> |
| | <u>80,068,339</u> | <u>80,865,636</u> |

The expected credit loss allowance movement summary against debt instruments included in the financial assets at fair value through comprehensive income was as follows:

| Item | As of June 30, 2020 | | | |
|--|------------------------|--------------|----------------|----------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 77,271 | - | - | 77,271 |
| New investment during the period | - | - | - | - |
| Matured investments | - | - | - | - |
| | <u>77,271</u> | - | - | <u>77,271</u> |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | 532,868 | - | - | 532,868 |
| Adjustments due to changes in currency exchange prices | - | - | - | - |
| Balance at the End of the period * | <u>610,139</u> | - | - | <u>610,139</u> |
| As of December 31, 2019 | <u>77,271</u> | - | - | <u>77,271</u> |

*Expected credit loss allowance above was not presented in the consolidated condensed interim statement of financial position due to fact that the book value of investments in bonds at fair value through comprehensive income represents their fair value.

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- Cash dividends from financial assets at fair value through comprehensive income amounted to JD 439,578 for the six-month period ended June 30, 2020 (JD 546,285 for the six-month period ended June 30, 2019).

** 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.

10. DIRECT CREDIT FACILITIES AT AMORTAIZED COST

This item consists of the following:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| | JD | JD |
| Individuals (Retail Customers): | 525,370,885 | 488,438,680 |
| Overdraft accounts | 12,875,255 | 12,835,949 |
| Loans and discounted bills* | 488,000,797 | 451,086,250 |
| Credit cards | 24,494,833 | 24,516,481 |
| Real estate loans | 245,887,338 | 238,577,717 |
| Corporate: | 684,346,940 | 681,832,288 |
| Large corporate | 421,253,890 | 438,140,685 |
| Overdraft accounts | 72,291,087 | 74,961,948 |
| Loans and discounted bills* | 348,962,803 | 363,178,737 |
| SMEs | 263,093,050 | 243,691,603 |
| Overdraft accounts | 52,752,980 | 55,061,893 |
| Loans and discounted bills* | 210,340,070 | 188,629,710 |
| Government and public sector | 138,533,023 | 122,691,256 |
| Total | 1,594,138,186 | 1,531,539,941 |
| <u>Less: Provision for expected credit loss</u> | <u>(125,699,341)</u> | <u>(112,104,787)</u> |
| <u>Less: Interest in suspense</u> | <u>(10,113,898)</u> | <u>(9,909,717)</u> |
| Net Direct Credit Facilities | 1,458,324,947 | 1,409,525,437 |

*Net of interest and commission received in advance in the amount of JD 16,768,560 as of June 30, 2020 (JD 17,143,660 as of December 31, 2019) .

- Stage three direct credit facilities amounted to JD 119,881,670 representing 7/5% of direct credit facilities balance as of June 30, 2020 (JD 114,630,680 representing 7/5% as of December 31, 2019).
- Stage three direct credit facilities after deducting the interest in suspense amounted to JD 109,767,772 representing 6/9% of direct credit facilities after deducting the interest in suspense as of June 30, 2020 (JD 104,723,259 representing 6/9% as of December 31, 2019).
- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 22,734,170 representing 1/43 % of total direct credit facilities as of June 30, 2020 (JD 32,598,476 representing 2/13% as of December 31, 2019), The facilities granted to the public sector in Palestine amounted to JD 40,403,071 as of June 30, 2020 (JD 46,734,985 as of December 31, 2019) In addition to facilities granted to foreign governments in the amount of JD 11,952,677 as of June 30,2020.

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Direct credit facilities was distributed to credit stages as follows:

| Items | As of June 30, 2020 | | | | | |
|--|---------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| | In Jordanian Dinar | | | Stage Two | | |
| | Stage One | Collective basis | Individual basis | Collective basis | Stage Three | Total |
| Balance at the beginning of the period | 663,999,644 | 619,153,135 | 100,655,921 | 33,100,561 | 114,630,680 | 1,531,539,941 |
| New credit facilities during the period | 91,511,204 | 54,523,972 | 1,836,954 | 557,559 | 2,970,871 | 151,400,560 |
| Credit facilities settlements | (44,561,438) | (17,284,397) | (5,300,469) | (855,183) | (1,595,168) | (69,596,655) |
| Transfer to Stage One | 710,949,410 | 656,392,710 | 97,192,406 | 32,802,937 | 116,006,383 | 1,613,343,846 |
| Transfer to Stage Two | 53,914,250 | 23,402,473 | (53,525,865) | (22,908,722) | (882,136) | - |
| Transfer to Stage Three | (62,187,363) | (7,022,850) | 62,187,363 | 7,748,979 | (726,129) | - |
| Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period | (26,546) | (1,456,891) | (3,748,459) | (3,610,026) | 8,841,922 | - |
| Changes due to the adjustments | (6,151,053) | (126,299) | 916,827 | 232,814 | 108,708 | (5,019,003) |
| Written off- facilities | (8,958,757) | 10,347,565 | 113,283 | 8,563 | 1,684,000 | 3,194,654 |
| Adjustment due to exchange rates fluctuations | (8,212,611) | (102,174) | (3,866,352) | (49,096) | (5,151,078) | (17,381,311) |
| Balance at the End of the Period | 679,327,330 | 681,434,534 | 99,269,203 | 14,225,449 | 119,881,670 | 1,594,138,186 |

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

| Items | As of June 30, 2020 | | | | | |
|--|---------------------|------------------|-------------------|------------------|-------------------|--------------------|
| | Stage One | | | Stage Two | | |
| | Individual basis | Collective basis | Individual basis | Collective basis | Stage Three | Total |
| Balance at the beginning of the period | 2,033,637 | 5,357,779 | 11,796,862 | 984,202 | 91,932,307 | 112,104,787 |
| Credit loss on new balances during the period | 1,981,105 | 649,784 | 623,357 | 103,430 | 4,633,246 | 7,990,922 |
| Expected credit loss reversal of matured facilities | (101,273) | (122,781) | (1,651,258) | (21,689) | (2,512,229) | (4,409,230) |
| Transfer to Stage One | 3,913,469 | 5,884,782 | 10,768,961 | 1,065,943 | 94,053,324 | 115,686,479 |
| Transfer to Stage Two | 531,092 | 488,346 | (451,988) | (190,944) | (376,506) | - |
| Transfer to Stage Three | (126,394) | (90,112) | 126,394 | 527,990 | (437,878) | - |
| Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period | (23,583) | (233,056) | 5,303,947 | (122,839) | 4,153,171 | 9,077,640 |
| Changes due to the adjustments | 1,333,766 | 2,354,177 | 375,431 | (560,105) | 273,430 | 3,776,699 |
| Written off- Balances | - | - | - | - | - | - |
| Debt settlement | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (1,834) | (5,160) | (38,723) | (20,710) | (40,880) | (40,880) |
| Balance at the End of the Period | 5,626,293 | 8,381,084 | 16,058,151 | 659,418 | 94,974,395 | 125,699,341 |

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Total direct credit facilities credit stages distribution was as follows:

| Item | As of December 31, 2019 | | | |
|---|-------------------------|------------------|------------------|------------------|
| | Stage One | | Stage Two | |
| | Individual Level | Collective Level | Individual Level | Collective Level |
| Balance at the beginning of the year | 820,264,824 | 591,291,301 | 43,835,749 | 27,975,928 |
| New facilities during the year | 68,770,402 | 116,221,082 | 3,055,428 | 2,970,455 |
| Facilities paid | (30,476,769) | (53,502,298) | (2,810,105) | (1,822,183) |
| Transferred to Stage One | 858,558,457 | 654,010,085 | 44,081,072 | 29,124,200 |
| Transferred to Stage Two | 23,345,623 | 10,772,363 | (23,345,623) | (9,724,840) |
| Transferred to Stage Three | (103,952,073) | (20,996,081) | 104,496,747 | 22,978,514 |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | (19,079,422) | (7,322,366) | (6,191,098) | (7,864,391) |
| Changes due to the adjustments | 10,372,676 | (1,000,688) | (17,211,679) | (936,607) |
| Written-off Balances | (105,236,383) | (16,309,974) | (1,165,024) | (473,819) |
| Adjustment due to exchange rates fluctuations | (9,234) | (204) | (8,474) | (2,496) |
| Balance at the End of the Year | 663,999,644 | 619,153,135 | 100,655,921 | 33,100,561 |
| | | | 114,630,680 | 1,531,539,941 |

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

As of December 31, 2019

| Item | Stage One | | Stage Two | | Stage Three | Total |
|---|--------------------------------------|------------------|------------------|------------------|--------------|--------------|
| | Individual Level | Collective Level | Individual Level | Collective Level | | |
| | Balance at the beginning of the year | 1,745,391 | 4,086,242 | 14,672,544 | | |
| Credit loss on new balances during the year | 314,666 | 1,023,407 | 169,370 | 814,799 | 12,096,632 | 14,418,874 |
| Expected credit loss reversal of matured facilities | (97,125) | (323,776) | (3,655,207) | (445,454) | (14,537,099) | (19,058,661) |
| Transferred to Stage One | 1,962,932 | 4,785,873 | 11,186,707 | 1,484,302 | 72,945,043 | 92,364,857 |
| Transferred to Stage Two | 108,131 | 1,072,667 | (108,131) | (267,918) | (804,749) | - |
| Transferred to Stage Three | (238,181) | (138,858) | 564,872 | 1,666,490 | (1,854,323) | - |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | (37,908) | (54,344) | (86,832) | (285,474) | 464,558 | - |
| Changes due to the adjustments | (56,276) | (987,629) | 207,575 | (1,461,077) | 23,890,590 | 21,593,183 |
| Written off- Balances | 294,991 | 680,074 | 32,894 | (152,121) | (1,634,305) | (778,467) |
| Adjustment due to exchange rates fluctuations | - | - | - | - | (1,555,947) | (1,555,947) |
| Balance at the End of the Year | 2,033,638 | 5,357,779 | 11,796,862 | 984,202 | 91,932,306 | 112,104,787 |

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Expected credit loss provision

The following is the movement on the expected credit loss provision against direct credit facilities :

| | June 30, 2020 | | | | | |
|--|-------------------------------|-------------------|-----------------|-------------|-----------------------|--------------|
| | Individual (Retail Customers) | Real Estate Loans | Large Corporate | SMEs | Government and Public | Total |
| <i>In Jordanian Dinar</i> | | | | | | |
| Balance – Beginning of the period | 36,194,481 | 7,134,274 | 42,395,693 | 26,037,867 | 342,472 | 112,104,787 |
| Impairment loss of new facilities during the period | 2,961,181 | 1,068,496 | 1,475,222 | 2,291,903 | 194,120 | 7,990,922 |
| Reversed from impairment loss of the settled balances | (959,369) | (162,988) | (2,069,432) | (1,206,545) | (10,896) | (4,409,230) |
| Transfer to Stage One | 38,196,293 | 8,039,782 | 41,801,483 | 27,123,225 | 525,696 | 115,686,479 |
| Transfer to Stage Two | - | - | - | - | - | - |
| Transfer to Stage Three | - | - | - | - | - | - |
| Effect on the provision at the end of the period– as a result of classification changes between the three stages during the period | 2,109,288 | 242,684 | 4,628,184 | 2,097,484 | - | 9,077,640 |
| Changes due to the adjustments: | 1,371,778 | 505,382 | 847,417 | 441,295 | 610,827 | 3,776,699 |
| Debt settlement | (40,880) | - | - | - | - | (40,880) |
| Adjustment due to exchange rates fluctuations | (156,421) | (83,297) | (2,184,765) | (376,114) | - | (2,800,597) |
| Balance – End of the period | 41,480,058 | 8,704,551 | 45,092,319 | 29,285,890 | 1,136,523 | 125,699,341 |
| | December 31, 2019 | | | | | |
| <i>In Jordanian Dinar</i> | | | | | | |
| Distributed as follows: | | | | | | |
| Provision on individual basis | 98,372 | 1,751,020 | 44,936,853 | 28,777,430 | 1,136,523 | 76,700,198 |
| Provision on collective basis | 41,381,686 | 6,953,531 | 155,466 | 508,460 | - | 48,999,143 |
| Balance – End of the Period | 41,480,058 | 8,704,551 | 45,092,319 | 29,285,890 | 1,136,523 | 125,699,341 |
| | December 31, 2019 | | | | | |
| Balance at the beginning of the Year | 29,508,935 | 6,150,599 | 39,872,490 | 21,268,030 | 204,590 | 97,004,644 |
| Impairment loss of new facilities during the Year | 9,626,128 | 1,125,767 | 2,539,558 | 1,116,262 | 11,159 | 14,418,874 |
| Reversed from impairment loss of the settled balances | (7,598,587) | (1,383,027) | (7,575,493) | (2,501,554) | - | (19,058,661) |
| Transfer to Stage One | 31,536,476 | 5,893,339 | 34,836,555 | 19,882,738 | 215,749 | 92,364,857 |
| Transfer to Stage Two | - | - | - | - | - | - |
| Transfer to Stage Three | - | - | - | - | - | - |
| Effect on the provision at the end of the year as a result of classification changes between the three stages during the year | 4,370,096 | 1,062,844 | 6,819,728 | 9,340,515 | - | 21,593,183 |
| Changes due to the adjustments | 241,454 | 178,180 | 611,314 | (1,936,138) | 126,723 | (778,467) |
| Written off- Balances | (87,682) | - | - | (1,468,265) | - | (1,555,947) |
| Adjustment due to exchange rates fluctuations | 134,137 | (89) | 128,096 | 219,017 | - | 481,161 |
| Balance at the End of the Year | 36,194,481 | 7,134,274 | 42,395,693 | 26,037,867 | 342,472 | 112,104,787 |
| Distributed as follow: | | | | | | |
| Provision on individual level | 168,410 | 1,456,259 | 42,249,329 | 25,544,883 | 342,472 | 69,761,353 |
| Provision on collective level | 36,026,071 | 5,678,015 | 146,364 | 497,984 | - | 42,343,434 |
| Balance at the End of the Year | 36,194,481 | 7,134,274 | 42,395,693 | 26,037,867 | 342,472 | 112,104,787 |

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Interest in Suspense:
The following is the movement on the interest in suspense

| | June 30, 2020 | | | | |
|---|-------------------------------|-------------------|---------------------------|------------------|-------------------|
| | Individual (Retail Customers) | | Corporate | | |
| | JD | Real Estate Loans | Large Corporate Customers | SMEs | Total |
| Balance – Beginning of the period | 1,977,386 | 1,251,133 | 2,700,185 | 3,981,013 | 9,909,717 |
| Add: Interest suspended during the period | 83,776 | 247,551 | (297,305) | 258,986 | 293,008 |
| Less: Interest in suspense reversed to profit or loss | (68,033) | - | (9,290) | (11,504) | (88,827) |
| Balance – End of the period | 1,993,129 | 1,498,684 | 2,393,590 | 4,228,495 | 10,113,898 |
| | December 31, 2019 | | | | |
| | Individual (Retail Customers) | | Corporate | | Total |
| | JD | Real Estate Loans | Large Corporate Customers | SMEs | JD |
| Balance – Beginning of the year | 1,955,428 | 966,577 | 2,286,197 | 3,666,265 | 8,874,467 |
| Add: Interest suspended during the year | 207,268 | 541,503 | 602,034 | 861,393 | 2,212,198 |
| Less: Interest in suspense reversed to profit or loss | (149,508) | (256,947) | (188,046) | (276,430) | (870,931) |
| Transferred | (35,802) | - | - | (270,215) | (306,017) |
| Balance – End of the Year | 1,977,386 | 1,251,133 | 2,700,185 | 3,981,013 | 9,909,717 |

Credit distributed according to geographic and economic segment as follows:

| | June 30, 2020 | | December 31, 2019 | |
|--|----------------------|---------------------|----------------------|----------------------|
| | Inside the Kingdom | Outside the Kingdom | Inside the Kingdom | Outside the Kingdom |
| Financial | 8,384,873 | - | 8,384,873 | 8,648,647 |
| Industrial | 95,496,780 | 62,260,941 | 157,757,721 | 171,263,974 |
| Trading | 285,225,663 | 61,463,585 | 346,689,248 | 331,362,025 |
| Real estate | 236,167,459 | 9,719,879 | 245,887,338 | 238,003,898 |
| Construction | 27,155,384 | 13,810,737 | 40,966,121 | 40,945,442 |
| Agriculture | 4,232,673 | 696,735 | 4,929,408 | 4,863,462 |
| Tourism, restaurants and public facilities | 66,219,972 | 39,780,143 | 106,000,115 | 102,410,297 |
| Stocks | 10,281,411 | - | 10,281,411 | 11,322,220 |
| Individual | 438,199,554 | 96,509,374 | 534,708,928 | 500,028,720 |
| Government and public sector | 86,177,275 | 52,355,748 | 138,533,023 | 122,691,256 |
| Total | 1,257,541,044 | 336,597,142 | 1,594,138,186 | 1,531,539,941 |

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11. FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

| | June 30, 2020 | December 31, 2019 |
|--|--------------------------|------------------------------|
| | JD | JD |
| Financial assets quoted in the market: | | |
| Governmental bonds and treasury bills guaranteed by the government | 163,236,252 | 206,307,665 |
| Corporate and banks bonds and debentures | 22,821,593 | 27,218,660 |
| Foreign Governmental bonds | 9,404,218 | 9,405,766 |
| Total financial assets quoted in the market | 195,462,063 | 242,932,091 |
| Financial assets unquoted in the market: | | |
| Corporate bonds and debentures | 38,192,320 | 28,192,320 |
| Foreign treasury bills | 891,341 | 1,610,020 |
| Total financial assets unquoted in the market | 39,083,661 | 29,802,340 |
| Total financial assets at amortized cost | 234,545,724 | 272,734,431 |
| Less: expected credit loss provision | (988,665) | (198,632) |
| Net financial assets at amortized cost | 233,557,059 | 272,535,799 |

Analysis of bonds and bills:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| | JD | JD |
| Financial assets with a fixed rate of return | 225,993,539 | 264,177,929 |
| Financial assets with floating rate of return | 8,552,185 | 8,556,502 |
| | 234,545,724 | 272,734,431 |

- Financial assets at amortized cost credit stages distribution was as follows:

| Item | As of June 30, 2020 | | | |
|---|----------------------------|------------------|--------------------|--------------------|
| | Stage One | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the period | 272,734,431 | - | - | 272,734,431 |
| New investment during the period | 18,000,000 | - | - | 18,000,000 |
| Matured investments | (56,119,752) | - | - | (56,119,752) |
| | 234,614,679 | - | - | 234,614,679 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | (68,955) | - | - | (68,955) |
| Balance at the End of the Period | 234,545,724 | - | - | 234,545,724 |
| Balance as of December 31, 2019 | 272,734,431 | - | - | 272,734,431 |

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

| Item | As of June 30, 2020 | | | Total |
|--|---------------------|-----------|-------------|----------------|
| | Stage One | Stage Two | Stage Three | |
| Balance at the beginning of the period | 198,632 | - | - | 198,632 |
| Credit loss during the period | 122,116 | - | - | 122,116 |
| Recoveries from impairment loss on matured investments | (6,709) | - | - | (6,709) |
| | 314,039 | - | - | 314,039 |
| Transferred to stage one | - | - | - | - |
| Transferred to stage two | - | - | - | - |
| Transferred to stage three | - | - | - | - |
| Changes due to the adjustments | 674,626 | - | - | 674,626 |
| Balance at the End of the Period | 988,665 | - | - | 988,665 |
| Balance as of December 31, 2019 | 198,632 | - | - | 198,632 |

The maturities of these financial assets at amortized cost are as follows:

| | Up to 1 month JD | More than 1 Month to 3 Months JD | More than 3 Months to 6 Months JD | More than 6 Months to Year JD | More than 1 Year to 3 Years JD | More than 3 Years JD | Total JD |
|--------------------------------|---------------------|-------------------------------------|--------------------------------------|----------------------------------|-----------------------------------|-------------------------|-------------|
| As of June 30, 2020 | - | 891,341 | 3,552,185 | 22,658,063 | 178,011,863 | 29,432,272 | 234,545,724 |
| As of December 31, 2019 | - | 8,750,010 | 47,369,743 | 860,009 | 156,383,614 | 59,371,055 | 272,734,431 |

12. PROPERTY AND EQUIPMENT – NET

The details of this item are as follows:

| <i>In Jordanian Dinar</i> | June 30, 2020 | December 31, 2019 |
|--------------------------------|-------------------|-------------------|
| Property and equipment (A) | 35,378,888 | 36,599,614 |
| Right of use assets (B) | 16,337,856 | 16,202,973 |
| Net as of June 30, 2020 | 51,716,744 | 52,802,587 |

- A. The additions during the period ended June 30, 2020 amounted to JD 2,423,683 (JD 4,134,883 for the period ended June 30, 2019), depreciation expense for the period amounted to JD 2,219,920 June 30, 2020 (JD 2,155,298 for the period ended June 30, 2019).
- B. The additions during the period ended June 30, 2020 amounted to JD 1,832,971 (JD 2,481,971 for the period ended June 30, 2019), depreciation expense for the period amounted to JD 1,641,867 June 30, 2020 (JD 1,486,690 for the period ended June 30, 2019).

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13. OTHER ASSETS

This item consists of the following:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| | JD | JD |
| Accrued interest income | 8,339,993 | 13,059,915 |
| Prepaid expenses | 6,346,519 | 3,408,442 |
| Assets foreclosed by the Bank in repayment of debts * | 52,824,472 | 53,844,537 |
| Clearance cheques | 4,290,240 | 3,697,797 |
| Advance payments on acquisition of lands and real estates | 1,583,483 | 1,049,107 |
| Prepaid tax expenses | 3,549,788 | 1,619,294 |
| Accounts receivables and other debit balances | 4,249,715 | 5,392,150 |
| | 81,184,210 | 82,071,242 |

* 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, 2020 | For the Year Ended on December 31, 2019 |
| | JD | JD |
| Balance - beginning of the period/year | 64,202,177 | 59,991,327 |
| Additions | 347,030 | 4,993,591 |
| Disposals | (1,401,578) | (782,741) |
| Currency differences | (1,062) | - |
| Balance - End of the Period/Year | 63,146,567 | 64,202,177 |
| Provision for assets foreclosed by the bank | (10,322,095) | (10,357,640) |
| Balance - End of the Period/Year | 52,824,472 | 53,844,537 |

- According to the Jordanian Banks' Law, buildings and plots of lands foreclosed by the Bank in repayment of debts from clients 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. In accordance with the Central Bank of Jordan Circular No. 10/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017 the bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years. Central Bank of Jordan issued Circular No. 10/1/16239 dated November 21, 2019 approving the extension of Circular No. 10/1/2150 dated February 14, 2017, in which it confirmed postponing the provision calculation until the end of year 2020 and amending the second clause of it

- The movement on Provision for assets foreclosed by The Bank was as follow:

| | For the Six-Month Period Ended on June 30, 2020 | For the Year Ended on December 31, 2019 |
|---|--|--|
| | JD | JD |
| Balance –beginning of the period /year | 10,357,640 | 9,927,792 |
| (Reversal) Additions during the period / year | (35,545) | 429,848 |
| Balance - End of the Period/Year | 10,322,095 | 10,357,640 |

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14. BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

This item consist of the following:

| | June 30, 2020 | | | December 31, 2019 | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Domestic | | Total | Domestic | | Total |
| | JD | Foreign | JD | JD | Foreign | JD |
| Current account and demand deposit | - | 8,331,653 | 8,331,653 | - | 5,766,667 | 5,766,667 |
| Time deposit maturing in 3 months | 3,808,535 | 1,043,400 | 4,851,935 | - | 14,540,044 | 14,540,044 |
| Time deposit maturing in 3-6 months | - | 1,418,000 | 1,418,000 | - | 10,000,000 | 10,000,000 |
| Time deposit maturing in 6-9 months | - | - | - | - | - | - |
| Time deposit maturing in 9-12 months | - | - | - | - | - | - |
| Time deposit maturing after more than one year | - | 50,937,867 | 50,937,867 | 70,000,000 | 50,937,867 | 120,937,867 |
| | 3,808,535 | 61,730,920 | 65,539,455 | 70,000,000 | 81,244,578 | 151,244,578 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
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15 - CUSTOMER DEPOSITS

Details of this item are as follows:

| Description | June 30, 2020 | | | | |
|--------------------------|----------------------|--------------------|--------------------|------------------------------|----------------------|
| | Individuals | Corporations | SME's | Government and Public sector | Total |
| | JD | JD | JD | JD | JD |
| Current accounts | 322,785,753 | 133,756,307 | 83,178,683 | 12,446,174 | 552,166,917 |
| Saving deposits | 786,734,910 | 1,394,185 | 7,759,712 | 33,569 | 795,922,376 |
| Term deposits | 338,937,178 | 51,064,189 | 40,878,738 | 23,475,234 | 454,355,339 |
| Certificates of deposits | 45,211,274 | 10,269,000 | 1,472,000 | - | 56,952,274 |
| Total | 1,493,669,115 | 196,483,681 | 133,289,133 | 35,954,977 | 1,859,396,906 |

| Description | December 31, 2019 | | | | |
|--------------------------|----------------------|--------------------|--------------------|------------------------------|----------------------|
| | Individuals | Corporations | SME's | Government and Public sector | Total |
| | JD | JD | JD | JD | JD |
| Current accounts | 316,215,766 | 64,341,378 | 73,812,652 | 13,011,528 | 467,381,324 |
| Saving deposits | 778,203,103 | 3,862,479 | 8,564,196 | 35,637 | 790,665,415 |
| Term deposits | 332,015,600 | 162,669,545 | 39,039,074 | 21,141,600 | 554,865,819 |
| Certificates of deposits | 93,066,189 | 11,359,000 | 1,760,360 | - | 106,185,549 |
| Total | 1,519,500,658 | 242,232,402 | 123,176,282 | 34,188,765 | 1,919,098,107 |

* Government and Public Sector deposits in Jordan amounted to JD 29,481,587 equivalent to 1/6% of total deposits as of June 30,2020 (JD 26,131,415 equivalent to 1/40% of total deposits for as of December 31,2019).

* Non-interest bearing deposits amounted to JD 725,316,837 equivalent to 39/01% of total deposits as of June 30,2020 (JD 641,780,616 equivalent to 33/44% of total deposits s of December 31,2019).

* Restricted deposits amounted to JD 10,935,567 equivalent to 0/59% of total deposits as of June 30, 2020 (JD 15,885,523 equivalent to 0/83% of total deposits as of December 31, 2019).

* Dormant deposits amounted to JD 68,362,978 as of June 30, 2020 (JD 68,696,918 as of December 31, 2019).

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16. OTHER PROVISIONS

This item consists of the following:

| <u>For the Six-Month Period Ended June 30, 2020</u> | <u>Beginning Balance for the Period/Year</u> | <u>Provision Created During the Period/Year</u> | <u>Provision used During the Period/Year</u> | <u>Foreign Currencies Differences</u> | <u>Ending Balance for the Period / Year</u> |
|---|--|---|--|---|---|
| | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| Provision for end-of-service indemnity | 4,032,642 | 285,621 | (121,496) | - | 4,196,767 |
| Provision for lawsuits raised against the bank | 863,478 | 16,671 | (67,466) | - | 812,683 |
| Other provisions | 115,091 | 223,623 | - | (74,867) | 263,837 |
| | <u>5,011,211</u> | <u>525,915</u> | <u>(188,962)</u> | <u>(74,867)</u> | <u>5,273,297</u> |
| <u>For the Year Ended December 31, 2019</u> | | | | | |
| Provision for end-of-service indemnity | 3,904,765 | 424,311 | (296,434) | - | 4,032,642 |
| Provision for lawsuits raised against the bank | 1,032,570 | 74,742 | (243,834) | - | 863,478 |
| Other provisions | 256,905 | (989) | (140,733) | (92) | 115,091 |
| | <u>5,194,240</u> | <u>498,064</u> | <u>(681,001)</u> | <u>(92)</u> | <u>5,011,211</u> |

17. INCOME TAX

a. Income tax provision

The movement on the income tax provision is as follows:

| | <u>For the Six-Month Period Ended June 30, 2020</u> | <u>For the Year Ended December 31, 2019</u> |
|---|---|---|
| | <u>JD</u> | <u>JD</u> |
| Balance- Beginning of the Period/ Year | 23,803,895 | 21,978,685 |
| Income tax paid | (19,427,357) | (23,151,663) |
| Accrued income tax | 5,856,329 | 24,976,873 |
| Balance- End of the Period/ Year | <u>10,232,867</u> | <u>23,803,895</u> |

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

| | <u>For the Six-Month Period Ended June 30,</u> | |
|---|--|-------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>JD</u> | <u>JD</u> |
| Income tax on current period profit | 5,856,329 | 11,170,957 |
| Prior years income tax | 200,213 | - |
| Deferred tax assets for the period – addition | (3,847,139) | (1,575,255) |
| Amortization of deferred tax assets | 3,094,404 | 1,715,550 |
| | <u>5,303,807</u> | <u>11,311,252</u> |

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B. Deferred Tax Assets

The details of this item are as follows:

| Accounts Included | For the Six Month ended June 30, 2020 | | Balance at the end of the period | | For the year ended December 31, 2019 | |
|--|--|------------------|----------------------------------|-------------------|--------------------------------------|-------------------|
| | Balance at the beginning of the period | Amounts released | Amounts added | of the period | Deferred tax | Deferred tax |
| | JD | JD | JD | JD | JD | JD |
| Deferred Tax Assets | | | | | | |
| Provisions for non-performing debits | 10,995,348 | 1,600,000 | - | 9,395,348 | 3,570,232 | 4,178,232 |
| Provision for non-performing debits – Prior years | 14,727,506 | 6,347,392 | - | 8,380,114 | 2,932,188 | 5,344,197 |
| Provision for staff end-of-service indemnity | 4,000,512 | 121,496 | 275,780 | 4,154,796 | 1,204,964 | 1,159,834 |
| Interest in suspense | 730,661 | - | - | 730,661 | 177,353 | 177,353 |
| Provision for lawsuits raised against the Bank | 863,478 | 67,466 | 16,671 | 812,683 | 290,406 | 309,708 |
| Impairment in assets foreclosed by the Bank | 10,357,640 | 35,545 | - | 10,322,095 | 3,679,648 | 3,693,155 |
| Impairment in assets available for sale | 62,831 | - | - | 62,831 | 23,876 | 23,876 |
| Valuation of financial assets foreclosed by the Bank | 1,815,262 | - | - | 1,815,262 | 689,800 | 689,800 |
| Expected credit loss provisions | 19,619,395 | - | 10,479,692 | 30,099,087 | 10,988,566 | 7,228,143 |
| | 63,172,633 | 8,171,899 | 10,772,143 | 65,772,877 | 23,557,033 | 22,804,298 |
| | | | | | | |
| | 32,416,772 | 34,988 | 2,566,840 | 34,948,624 | 3,321,176 | 3,081,065 |

C. Deferred Tax Liabilities:

Fair value reserve

The movement of Deferred tax assets and liabilities as follows :

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | For the Six Month ended June 30, 2020 | For the year ended December 31, 2019 | For the Six Month ended June 30, 2020 | For the year ended December 31, 2019 |
| | JD | JD | JD | JD |
| Balance- beginning of the year / period | 22,804,298 | 18,580,246 | 3,081,065 | 3,296,665 |
| Addition during the year / period | 3,847,139 | 6,573,042 | 243,888 | 6,595 |
| Amortized during the year / period | (3,094,404) | (2,348,285) | (3,777) | (222,195) |
| Foreign currency difference | - | (705) | - | - |
| Balance- Ending of the Period / Year | 23,557,033 | 22,804,298 | 3,321,176 | 3,081,065 |

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

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- A final settlement was reached with the Income and Sales Tax Department in Jordan up to the end of the year 2017. Moreover, the Bank submitted its tax returns for the years 2014, 2018 and 2019 and has paid the required amounts according to the law. However, no final settlement has been reached with the Income and Sales Tax Department for these years yet. The Income and Sales Tax Department also requested for the Bank with tax differences against the year 2014 in amount of JD 2.9 Million. The Bank will object this assessment and raised a lawsuit against the Income and Sales Tax Department, in which the decision of the first instance Tax Court to oblige the Bank to pay an amount of JOD 1.3 Million the Bank will appeal the decision at the first instance Tax Court. In the opinion of the management and its legal and tax consultants, the Bank will not entail any obligations in excess of the provision booked in the consolidated condensed interim financial statements.
- A final settlement has been reached with the income tax and VAT departments on the Bank's results in Palestine until the end of the year 2018. In the opinion of the management and the tax advisor, it is sufficient to pay the tax liabilities.
- A final settlement was reached with the Income and Sales Tax Department up to the end of the year 2018 regarding Excel for Financial Investments Company (subsidiary company) except for the year 2016. Furthermore, the Company has submitted its tax returns for the year, 2016, 2019 and paid related taxes declared in which still not reviewed by the Income and Sales Tax department. In the opinion of the Company's management and its tax consultant, the allocated provisions in the financial statements are sufficient to meet any tax obligations.
- Jordan Leasing Company (subsidiary) has reached a final settlement with the Income and Sales Tax Department up to the year 2017. Moreover, the Company has submitted its tax returns for the years 2018, 2019 and 2018 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 statements are sufficient to meet any tax obligations.
- The Bank calculated the accrued income tax in the consolidated condensed interim financial statements for the for the six-Months period ended June 30, 2020 for the Bank and its subsidiary Companies and external branches. In the opinion of the management and its tax consultant, the balance is sufficient to meet the tax commitments as of that date.

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

| | For the Six-Month Period Ended June 30, | |
|------------------------|--|-------------------|
| | 2020 | 2019 |
| | JD | JD |
| Accounting profit | 11,702,447 | 32,492,106 |
| Non-taxable income | (10,250,233) | (6,179,400) |
| Non-taxable Expenses | 12,541,158 | 5,869,687 |
| Taxable income | 13,993,372 | 32,182,393 |
| Actual income tax rate | %41.9 | 34.7% |

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18. BORROWED FUNDS

The details of this item are as follows:

| <u>June 30, 2020</u> | <u>Amount</u> | <u>Number of Installments</u> | | <u>Periodic Installments Maturity</u> | <u>Collaterals</u> | <u>Price of Borrowing Interest</u> |
|--|--------------------------|-------------------------------|----------------------|---------------------------------------|--------------------------|------------------------------------|
| | | <u>In Total</u> | <u>The Remaining</u> | | | |
| Borrowing from the Central Bank of Jordan* | 26,395,031 | 24 -113 | 2 - 77 | Monthly | Treasury Bonds and bills | 0-1% |
| Rent lease liability ** | 14,660,419 | 748 | 488 | Quarterly-semi-annually and annually | None | 5.75% Average |
| Borrowing from foreign banks*** | 7,090,000 | 1 | 1 | One payment | None | LIBOR+ three Months |
| Total | <u>48,145,450</u> | | | | | |

| <u>December 31, 2019</u> | <u>Amount</u> | <u>Number of Installments</u> | | <u>Periodic Installments Maturity</u> | <u>Collaterals</u> | <u>Price of Borrowing Interest</u> |
|--|--------------------------|-------------------------------|----------------------|---------------------------------------|--------------------------|------------------------------------|
| | | <u>In Total</u> | <u>The Remaining</u> | | | |
| Borrowing from the Central Bank of Jordan* | 8,923,541 | 24 -113 | 4-83 | Monthly | Treasury Bonds and bills | 1-1.75% |
| Rent lease liability ** | 14,744,380 | 685 | 530 | Quarterly-semi-annually and annually | None | 5.75% Average |
| Total | <u>23,667,921</u> | | | | | |

* The above amounts were repaid to the bank's customers within the SME and large companies at interest rates ranging from 2% to 4.25%,

- The borrowings are of fixed interest and there is no variable interest borrowings or interest-free borrowings as of June 30, 2020 and December 31, 2019.

** Lease liability – Against right of use of assets – leased :

In Jordanian Dinar

| | <u>June 30, 2020</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Maturities analysis - contractual undiscounted cash flows | | |
| Less than one year | 3,142,499 | 3,282,125 |
| Year to five years | 9,605,482 | 9,617,803 |
| More than five years | 6,887,747 | 6,220,674 |
| Total undiscounted lease liabilities | <u>19,635,728</u> | <u>19,120,602</u> |
| Lease commitments included in the consolidated condensed interim statement of financial position | 14,660,419 | 14,744,380 |
| Within one year | 2,349,952 | 2,535,281 |
| More than one year | 12,310,467 | 12,209,099 |

*** This amount represent a borrowing from a foreign bank that will be settled on one payment on January 18, 2021 and the interest is calculated at (LIBOR+ 3 months).

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19. OTHER LIABILITIES

The details of this item as follows:

| | June 30, 2020 | December 31, 2019 |
|--|----------------------|--------------------------|
| | JD | JD |
| Accrued interest payable | 6,125,537 | 10,391,002 |
| Accepted cheques | 6,898,140 | 7,250,887 |
| Temporary deposits | 4,883,097 | 4,198,390 |
| Dividends payable | 2,168,900 | 2,183,274 |
| Deposits on safe boxes | 174,243 | 175,355 |
| Sold real estate margins | 149,515 | 37,000 |
| Provision for expected credit loss against indirect credit facilities ** | 12,865,038 | 10,206,853 |
| Other liabilities* | 8,453,632 | 7,051,042 |
| | 41,718,102 | 41,493,803 |

* The details of other liabilities are as follows:

| | June 30, 2020 | December 31, 2019 |
|----------------------------------|----------------------|--------------------------|
| | JD | JD |
| Social security deposits | 289,843 | 287,036 |
| Income tax deposits | 346,584 | 307,919 |
| Accrued expenses | 6,737,026 | 5,486,915 |
| Inward transfers | 545,714 | 272,766 |
| Board of Directors' remuneration | 27,500 | 55,000 |
| Other credit balances | 506,965 | 641,406 |
| | 8,453,632 | 7,051,042 |

** This balance represents the expected credit loss provision against indirect credit facilities, Indirect credit facilities balances distribution at collective level was as follows:

| Items | As of June 30, 2020 | | | | | |
|---|---------------------|-------------------|-------------------|------------------|-------------------|--------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual | Collective | Individual | Collective | | |
| Balance at the beginning of the period | 546,467,533 | 48,633,570 | 53,033,126 | 637,617 | 12,604,062 | 661,375,908 |
| New exposures during the period | 80,063,909 | 2665,409 | 5,113,761 | 186,775 | - | 88,029,854 |
| Facilities paid | (131,231,804) | (145,620) | (26,078,680) | (850) | (1,231,442) | (158,670,396) |
| | 495,299,637 | 51,153,359 | 32,068,207 | 823,542 | 11,390,620 | 590,735,366 |
| Transferred to stage one | 14,349,244 | 383,869 | (14,349,244) | (383,869) | - | - |
| Transferred to stage two | (27,735,877) | (605,659) | 27,735,877 | 605,569 | - | - |
| Transferred to stage three | (3,000) | (52,055) | (57,112) | (62,437) | 174,604 | - |
| Effect as a result of classification changes between the three stages during the period | (4,170,215) | 227,600 | (5,601,959) | 3,828,725 | (124,604) | (5,840,453) |
| Changes due to the adjustments | (7,971,479) | 8,463,176 | 776,802 | 31,209 | - | 1,299,708 |
| Written – off facilities | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (2,271,644) | - | (1,406,733) | - | (1,198) | (3,679,575) |
| Balance at the End of the Period | 467,496,667 | 59,570,290 | 39,165,838 | 4,842,829 | 11,439,422 | 582,515,046 |

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Expected credit loss provision distribution against indirect credit facilities as of June 30, 2020 was as follows:

| Items | As of June 30, 2020 | | | | | |
|---|---------------------|----------------|------------------|----------------|------------------|-------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual | Collective | Individual | Collective | | |
| Balance at the beginning of the period | 1,259,777 | 635,663 | 465,532 | 7,912 | 7,837,969 | 10,206,853 |
| Credit loss on new exposures during the period | 1,512,985 | 42,311 | 245,685 | 6,588 | 346,703 | 2,154,272 |
| Impairment loss over accrued exposures | (130,489) | (6,649) | (202,471) | (37) | (957,201) | (1,296,847) |
| Transferred to stage one | 153,294 | 4,711 | (153,294) | (4,711) | - | - |
| Transferred to stage two | (79,593) | (49,033) | 79,593 | 49,033 | - | - |
| Transferred to stage three | (64) | (1,402) | (1,461) | (769) | 3,696 | - |
| Effect as a result of classification changes between the three stages during the period | 100,014 | 5,632 | 880,329 | 107,400 | 30,693 | 1,124,068 |
| Changes due to the adjustments | 303,870 | 318,623 | 50,668 | 5,529 | (102) | 678,588 |
| Written – off facilities | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (827) | - | (847) | - | (222) | (1,896) |
| Balance at the End of the Period | 3,118,967 | 949,856 | 1,363,734 | 170,945 | 7,261,536 | 12,865,038 |

Indirect credit facilities balances distribution at collective level as of December 31, 2019 was as follows:

| Item | As of December 31, 2019 | | | | | |
|---|-------------------------|-------------------|-------------------|----------------|-------------------|--------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual | Collective | Individual | Collective | | |
| Balance at the Beginning of the Year | 532,580,827 | 47,291,301 | 34,362,854 | 336,561 | 10,281,213 | 624,852,756 |
| New exposures during the year | 107,937,964 | 13,285,761 | 14,855,234 | 130,293 | 1 | 136,209,253 |
| Facilities paid | (104,605,202) | (213,343) | (760,813) | (3,213) | (319,886) | (105,902,457) |
| | 535,913,589 | 60,363,719 | 48,457,275 | 463,641 | 9,961,328 | 655,159,552 |
| Transferred to stage one | 31,131,081 | 289,567 | (31,127,573) | (289,567) | (3,508) | - |
| Transferred to stage two | (39,174,613) | (591,048) | 39,210,397 | 591,048 | (35,784) | - |
| Transferred to stage three | (8,222,396) | (192,937) | (473,946) | (22,488) | 8,911,767 | - |
| Effect as a result of classification changes between the three stages during the year | (7,342,536) | 272,724 | (2,412,563) | (158,189) | (6,229,739) | (15,870,303) |
| Changes due to the adjustments | 34,168,314 | (11,508,455) | (620,288) | 53,172 | 6 | 22,092,749 |
| Written – off facilities | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (5,906) | - | (176) | - | (8) | (6,090) |
| Balance at the End of the Year | 546,467,533 | 48,633,570 | 53,033,126 | 637,617 | 12,604,062 | 661,375,908 |

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Total expected credit loss provision distribution against indirect credit facilities as of December 31,2019 was as follows:

| Item | Aa of December 31, 2019 | | | | | |
|---|-------------------------|----------------|----------------|--------------|------------------|-------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual | Collective | Individual | Collective | | |
| Balance at the Beginning of the Year | 1,010,512 | 400,636 | 541,438 | 2,958 | 5,642,941 | 7,598,485 |
| Credit loss on new exposures during the period | 188,608 | 153,730 | 203,007 | 1,711 | 616,864 | 1,163,920 |
| Impairment loss over facilities paid | (130,574) | (3,232) | (4,493) | (36) | (104,490) | (242,825) |
| | 1,068,546 | 551,134 | 739,952 | 4,633 | 6,155,315 | 8,519,580 |
| Transferred to stage one | 518,256 | 2,693 | (518,080) | (2,693) | (176) | - |
| Transferred to stage two | (101,033) | (5,175) | 121,361 | 5,175 | (20,328) | - |
| Transferred to stage three | (21,056) | (1,727) | (2,684) | (200) | 25,667 | - |
| Effect as a result of classification changes between the three stages during the year | (469,070) | 5,693 | 122,164 | 314 | 1,678,271 | 1,337,372 |
| Changes due to the adjustments | 264,206 | 83,045 | 2,770 | 683 | (776) | 349,928 |
| Written -off facilities | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (23) | - | - | - | (4) | (27) |
| Balance at the End of the Year | 1,259,826 | 635,663 | 465,483 | 7,912 | 7,837,969 | 10,206,853 |

20. FAIR VALUE RESERVE

The movement of the fair value reserve was as follows:

| | June 30, 2020 | December 31, 2019 |
|--|-------------------|----------------------|
| | JD | JD |
| Balance - Beginning of the period/Year | 24,954,157 | 26,668,016 |
| Unrealized gains – equity instruments | 1,042,730 | (2,945,694) |
| Unrealized (losses)gains – debt instruments | (1,688,943) | 938,964 |
| Expected Credit Loss Provision - for debt instruments | 532,868 | 77,271 |
| Equity instruments at fair value through comprehensive income – transferred to retained earnings due to sale | 44,325 | - |
| Deferred tax liabilities | (240,111) | 215,600 |
| Balance – End of the period/ Year* | 24,645,026 | 24,954,157 |

* The fair value reserve is presented net of deferred tax amounted to JD 3,321,176 as of June 30, 2020.

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21. RETAINED EARNINGS

The details of this item are as follows:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| | JD | JD |
| Balance - beginning for the period/year | 99,400,640 | 101,289,732 |
| Dividends distributed to shareholders | - | (36,000,000) |
| Profit for the year | - | 40,163,256 |
| Transferred from reserves | 8,937 | (6,057,292) |
| Transferred as a result for sale of financial assets through comprehensive income | (83,517) | - |
| Foreign exchange differences | 2,821,474 | 4,994 |
| Balance – End of the Period/Year | 102,147,534 | 99,400,640 |

- Retained earnings include an amount of JD 23,557,033 restricted against deferred tax assets as of June 30, 2020 (JD 22,804,298 as of December 31, 2019).
- Retained earnings include an amount of JD 3,302,537 as of June 30, 2020 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, 2020 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.

22. 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, 2020 | December 31, 2019 |
|--|--------------------------|------------------------------|
| | JD | JD |
| Balance – beginning of the period/year | (12,268,120) | (12,256,254) |
| Change in the translation of the net investment in the subsidiary during the period/year | (587,400) | (11,866) |
| Balance – End of the Period/Year | (12,855,520) | (12,268,120) |

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23. 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, the appropriation to this reserve is to be performed 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 a general bank risk reserve in accordance with the instructions of the Central Bank of Jordan. The balance of the general bank risk reserve has been transferred to retained earnings as of January 1, 2018. According to Central Bank of Jordan Circular No, 1359/1/10 of January 25, 2018 and the instructions of the Central Bank of Jordan No, 13/2018 of June 6, 2018 and other regulatory authorities.

- 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 | 93,978,016 | Companies and Banks Laws |
| General banking risks reserve | 2,170,726 | Regulatory bodies requirements |
| Special reserve | 5,849,743 | Regulatory bodies requirements |

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24. INTEREST INCOME

The details of this item are as follows:

| | For the Six-Month Period Ended June 30, | |
|---|--|-------------------|
| | 2020 | 2019 |
| | JD | JD |
| Direct credit facilities: | | |
| Individual (retail customers): | 22,993,805 | 23,950,707 |
| Overdraft accounts | 663,308 | 721,542 |
| Loans and discounted bills | 20,110,358 | 21,140,761 |
| Credit cards | 2,220,139 | 2,088,404 |
| Real estate loans | 8,597,888 | 9,685,269 |
| Corporate: | 23,547,137 | 27,813,740 |
| Large corporate customers: | | |
| Overdraft accounts | 15,104,549 | 18,032,586 |
| Loans and discounted bills | 2,591,321 | 2,572,681 |
| SMEs: | 12,513,228 | 15,459,905 |
| Overdraft accounts | 8,442,588 | 9,781,154 |
| Loans and discounted bills | 1,934,675 | 2,074,089 |
| Government and public sector | 6,507,913 | 7,707,065 |
| Balances with central banks | 3,549,417 | 4,403,205 |
| Balances and deposits with banks and financial institutions | 1,284,188 | 1,992,074 |
| Financial assets at amortized cost | 4,368,978 | 7,056,272 |
| Financial assets at fair value through comprehensive income | 6,272,845 | 4,520,614 |
| | 444,559 | - |
| | 71,058,817 | 79,421,881 |

25 INTEREST EXPENSE

The details of this item are as follows:

| | For the Six-Month Period Ended on June 30, | |
|--|---|-------------------|
| | 2020 | 2019 |
| | JD | JD |
| Banks and financial institution deposits | 1,963,922 | 3,120,113 |
| Customers' deposits: | | |
| Current and demand accounts | 4,667 | 4,592 |
| Saving accounts | 911,733 | 2,057,050 |
| Time and notice deposits | 9,442,892 | 9,724,077 |
| Certificates of deposit | 2,024,369 | 3,795,593 |
| Cash margins | 125,728 | 827,718 |
| Deposits insurance fees | 845,182 | 1,476,174 |
| Borrowed funds | 1,341,478 | 44,822 |
| Lease obligations interest | 412,165 | 363,998 |
| | 17,072,136 | 21,414,137 |

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26. GAIN (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, 2020 | Realized Gains | Unrealized Gain | Dividends | Total |
|--|-----------------------|--------------------------------|------------------|----------------|
| | JD | JD | JD | JD |
| Shares | - | 31,720 | - | 31,720 |
| | <u>-</u> | <u>31,720</u> | <u>-</u> | <u>31,720</u> |
| For the Six-Month Period Ended in June 30, 2019 | Realized gains | Unrealized (Losses) | Dividends | Total |
| | JD | JD | JD | JD |
| Shares | 518 | (15,691) | 6,443 | (8,730) |
| | <u>518</u> | <u>(15,691)</u> | <u>6,443</u> | <u>(8,730)</u> |

27. OTHER INCOME

| | For the Six-Month Period Ended on June 30, | |
|---|---|------------------|
| | 2020 | 2019 |
| | JD | JD |
| Revenues returned from written-off debts | 491,588 | 257,682 |
| Gain from the sale of assets foreclosed by the Bank | 241,384 | 537,605 |
| Income from Telephone, post and swift | 260,091 | 282,557 |
| Rents received from the Bank's real estate | 124,004 | 194,097 |
| (Loss) from the sale and disposal of property and equipment | (15,741) | (40,838) |
| Interest in suspense reversed to income | 88,827 | 403,064 |
| Financial assets foreclosed by the Bank revaluation loss | - | (326,702) |
| Other Income | 291,928 | 826,591 |
| | <u>1,482,081</u> | <u>2,134,056</u> |

28. FINANCIAL ASSETS EXPECTED CREDIT LOSS PROVISION

The details of this item are as follows:

| <i>In Jordanian Dinar</i> | For the Six-Month Period Ended June 30, | |
|---|--|------------------|
| | 2020 | 2019 |
| Balances with Central Banks | 100,973 | (70,953) |
| Balances with Banks and financial institutions | 67,682 | (3,422) |
| Deposits at Banks and financial institutions | (42,797) | 2,038 |
| Financial assets through comprehensive income – debt securities | 532,868 | - |
| Direct credit facilities at amortized cost | 16,436,031 | 6,154,021 |
| Financial assets at amortized cost | 790,033 | (46,283) |
| Indirect credit facilities | 2,660,081 | 299,298 |
| | <u>20,544,871</u> | <u>6,334,699</u> |

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29. EARNINGS PER SHARE FROM PROFIT FOR THE PERIOD

The details of this item are as follows:

| <i>In Jordanian Dinar</i> | For the Six-Month Period Ended June 30, | |
|--|--|--------------------|
| | 2020 | 2019 |
| Profit for the year (Bank's shareholders) | 6,718,064 | 21,350,865 |
| Weighted average number of shares | 200,000,000 | 200,000,000 |
| Net income for the period/share (Bank's shareholders): | | |
| Basic | 0.034 | 0.107 |
| Diluted | 0.034 | 0.107 |

30. CASH AND CASH EQUIVALENTS

This item represents the following:

| | As of June 30, | |
|---|--------------------|--------------------|
| | 2020 | 2019 |
| | JD | JD |
| Cash and balances with central Banks maturing within 3 months | 339,484,315 | 238,114,926 |
| <u>Add:</u> Balances with banks and other financial Institutions maturing within 3 months | 220,173,453 | 175,460,580 |
| <u>Less:</u> Banks and financial institutions' deposits maturing within 3 months | (13,183,588) | (15,982,249) |
| Restricted balances | (5,312,381) | (5,102,738) |
| | 541,161,799 | 392,490,519 |

31. CAPITAL MANAGEMENT

Capital Components:

- **Paid-up Capital:**

The paid-up capital of Bank of Jordan consists of 200 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.

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- 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 14,5% according to the Central Bank of Jordan instructions, The ratio of owner's equity to total assets must not be less than 6%.

- 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.

The organizational capital and capital adequacy according to Basel III was as follows:

| | In Thousands of JD | |
|--|---------------------------|--------------------------|
| | June 30, 2020 | December 31, 2019 |
| <u>Regulatory capital for ordinary shares holders (CET1):</u> | | |
| Subscribed and paid-up capital | 200,000 | 200,000 |
| Statutory reserve | 93,978 | 94,066 |
| Voluntary reserve | 47 | 134 |
| Other reserves | 5,850 | 5,850 |
| Fair value reserve | 24,645 | 24,954 |
| Retained earnings | 80,032 | 68,285 |
| Profit for the period | 6,399 | - |
| Minority interest in the capital of subsidiaries | 2,495 | 3,432 |
| Less: adjustment on capital | (42,620) | (46,041) |
| Total Primary Capital for ordinary shareholders (CET1) | 370,826 | 350,680 |
| <u>Additional Capital Items</u> | | |
| Provision balance against debt instruments included in (Stage 1) not exceeding 1,25% of total risk weighted assets | 19,439 | 9,870 |
| General banking risk reserve | 2,171 | 2,196 |
| Total additional capital | 21,610 | 12,066 |
| Total regulatory capital | 392,436 | 362,746 |
| Total risk weighted assets | 2,039,885 | 2,125,200 |
| Capital adequacy ratio (%) | 19.24% | 17.07% |
| Regulatory capital for ordinary shareholders (CET1) (%) | 18.18% | 16.50% |

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32. 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.

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1- Information about Bank business segments distributed in accordance with the activities is as follows:

| | | | | | | Total | |
|---|-------------------------------|--------------|-------------|---------------------|-------------|-----------------------------------|---------------|
| | | | | | | For the Six Months ended June 30, | |
| | Individual (Retail Customers) | Corporation | Treasury | Financial Brokerage | Other | 2020 | 2019 |
| In Jordanian Dinar | | | | | | | |
| Total Revenues | 32,282,966 | 30,844,469 | 3,139,176 | 147,051 | 1,001,446 | 67,415,108 | 73,874,101 |
| Financial Assets Expected Credit Loss Provision | (7,593,915) | (11,385,923) | (1,559,258) | (5,775) | - | (20,544,871) | (6,334,699) |
| Segments operations results | 24,689,051 | 19,458,546 | 1,579,918 | 141,276 | 1,001,446 | 46,870,237 | 67,539,402 |
| Other expenses | (20,964,096) | (10,341,904) | (2,828,616) | (98,352) | (934,822) | (35,167,790) | (35,047,296) |
| Profit before tax | 3,724,955 | 9,116,642 | (1,248,698) | 42,924 | 66,624 | 11,702,447 | 32,492,106 |
| Income tax | 1,095,251 | (4,266,188) | (1,461,621) | (4,227) | (667,022) | (5,303,807) | (11,311,252) |
| Net profit for the Year | 4,820,206 | 4,850,454 | (2,710,319) | 38,697 | (600,398) | 6,398,640 | 21,180,854 |
| Other Information | | | | | | | |
| Capital Expenditures | 1,213,783 | 22,546 | 144 | 60,712 | 1,126,498 | 2,423,683 | 4,134,883 |
| Depreciation and amortization | 2,790,075 | 108,635 | 4,365 | 10,563 | 1,503,164 | 4,416,802 | 4,131,529 |
| <i>In Jordanian Dinar</i> | | | | | | | |
| Total Assets | 680,608,772 | 803,526,376 | 971,063,306 | 1,188,252 | 137,808,845 | 2,594,195,551 | 2,708,101,526 |
| Total Liabilities | 1,559,900,586 | 436,471,335 | 100,720,691 | 140,378 | 66,683,012 | 2,163,916,002 | 2,287,994,501 |

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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, 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Total Revenues | JD 68,702,125 | JD 80,536,051 | JD 16,077,763 | JD 14,980,203 | JD 84,779,888 | JD 95,516,254 |
| Capital Expenditures | 2,190,018 | 3,291,590 | 233,665 | 843,293 | 2,423,683 | 4,134,883 |
| | Inside the Kingdom | | Outside the Kingdom | | Total | |
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Total Assets | JD 1,888,249,315 | JD 1,963,880,915 | JD 705,946,236 | JD 744,220,611 | JD 2,594,195,511 | JD 2,708,101,526 |

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33- Credit risk exposure

I- Exposure distribution according to economic sectors:

A. Exposure distribution according to financial instruments

| Item | As of June 30, 2020 | | | | | | | | | | Total |
|---|---------------------|--------------------|--------------------|--------------------|------------------|--|-------------------|--------------------|------------------------------|----------|----------------------|
| | Finance | Manufacturing | Commerce | Real estate | Agriculture | Tourism, Restaurants and public facilities | Stocks | Individual | Government and public sector | Other | |
| Balances with central banks | 282,617,720 | - | - | - | - | - | - | - | - | - | 282,617,720 |
| Balances with banks and financial institutions | 220,104,553 | - | - | - | - | - | - | - | - | - | 220,104,553 |
| Deposits with banks and financial institutions | 88,917,248 | - | - | - | - | - | - | - | - | - | 88,917,248 |
| Financial assets at fair value through comprehensive income - debt securities | 7,070,148 | - | - | - | - | - | - | - | 17,134,315 | - | 24,204,463 |
| Direct credit facilities | 8,104,119 | 147,218,914 | 302,799,738 | 264,449,804 | 4,373,460 | 93,500,568 | 10,271,570 | 490,210,274 | 137,396,500 | - | 1,458,324,947 |
| Bonds and treasury bills: | | | | | | | | | | | |
| within financial assets at amortized cost | 401,344,561 | 15,470,287 | 4,578,053 | - | - | - | - | - | 173,164,158 | - | 233,557,059 |
| Total/Current period | 647,158,349 | 162,689,201 | 307,377,791 | 264,449,804 | 4,373,460 | 93,500,568 | 10,271,570 | 490,210,274 | 327,694,973 | - | 2,307,725,990 |
| Financial guarantees | 27,060,893 | 6,518,813 | 34,386,081 | 21,592,901 | 168,856 | 13,687,242 | 812,251 | 2,942,960 | - | - | 107,169,997 |
| Letter of credit and acceptances | 5,833,916 | 17,185,229 | 35,209,515 | 2,184,824 | 2,088,308 | 1,088,042 | - | - | - | - | 63,589,834 |
| Un-utilized balances | 27,971,182 | 67,328,753 | 146,294,843 | 35,170,730 | 1,951,671 | 38,906,329 | 324,302 | 65,793,358 | 15,149,009 | - | 398,890,177 |
| Total as of June 30 | 708,024,340 | 253,721,996 | 523,268,230 | 323,398,259 | 8,522,295 | 147,182,181 | 11,408,123 | 558,946,592 | 342,843,982 | - | 2,877,375,998 |
| As of December 31, 2019 | 816,976,795 | 343,494,814 | 547,149,793 | 321,621,900 | 8,578,987 | 141,460,581 | 11,882,806 | 516,627,313 | 359,766,847 | - | 3,067,559,836 |

B. Exposure distribution according to stages classification as per IFRS (9):

| Item | Stage One | | | Stage Two | | Stage Three | | Total |
|--|----------------------|--------------------|--------------------|-------------------|-------------------|-------------|------------|----------------------|
| | Individual | Collective | Collective | Individual | Collective | Individual | Collective | |
| Financial | 706,724,572 | - | 1,242,756 | - | - | 57,012 | - | 708,024,340 |
| Industrial | 231,403,589 | - | 21,424,750 | - | - | 893,657 | - | 253,721,996 |
| Commerce | 450,267,446 | - | 66,519,154 | - | - | 6,481,630 | - | 523,268,230 |
| Real estate | 84,746,542 | 198,462,880 | 28,107,395 | 4,918,868 | 7,162,574 | - | - | 323,398,259 |
| Agriculture | 8,532,896 | - | 35,611 | - | 13,788 | - | - | 8,582,295 |
| Tourism, Restaurants and public facilities | 141,541,032 | - | 3,495,588 | - | 2,145,561 | 147,182,181 | - | 147,182,181 |
| Stocks | 11,408,123 | - | - | - | - | - | - | 11,408,123 |
| Individual | 9,912,422 | 533,211,004 | 287,093 | 13,319,047 | 2,217,026 | - | - | 558,946,592 |
| Government and public sector | 342,843,982 | - | - | - | - | - | - | 342,843,982 |
| Other | - | - | - | - | - | - | - | - |
| Total as of June 30 | 1,987,380,604 | 731,673,884 | 121,112,347 | 18,237,915 | 18,971,248 | - | - | 2,877,375,998 |
| As of December 31, 2019 | 2,213,937,907 | 661,793,263 | 141,527,852 | 33,746,064 | 17,564,750 | - | - | 3,067,559,836 |

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2- Exposure distribution according to geographic sectors
A. Exposure distribution according to geographic sectors:

| Item | As of June 30, 2020 | | | | | | | Total |
|---|----------------------|-----------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| | Inside Kingdom | Other middle east countries | Europe | Asia | Africa | America | Other Countries | |
| Balances with central banks | 222,865,895 | 59,751,825 | - | - | - | - | - | 282,617,720 |
| Balances with banks and financial institutions | 11,230 | 9,285,816 | 117,828,539 | 2,377,035 | - | 76,235,938 | 14,365,995 | 220,104,553 |
| Deposits at banks and financial institutions | 88,917,248 | - | - | - | - | - | - | 88,917,248 |
| financial assets at fair value through profit or loss | - | 24,204,463 | - | - | - | - | - | 24,204,463 |
| Direct credit facilities | 1,143,146,830 | 315,178,117 | - | - | - | - | - | 1,458,324,947 |
| Bonds and treasury bills: | | | | | | | | |
| within financial assets at amortized cost | 181,114,135 | 45,490,578 | - | - | 6,952,346 | - | - | 233,557,059 |
| Total/Current period | 1,636,055,338 | 453,910,799 | 117,828,539 | 2,377,035 | 6,952,346 | 76,235,938 | 14,365,995 | 2,307,725,990 |
| Financial guarantee | 74,176,400 | 9,604,551 | 17,195,470 | 5,998,721 | 73,517 | 106,344 | 14,994 | 107,169,997 |
| Letter of credit and acceptances | 49,170,604 | 14,419,230 | - | - | - | - | - | 63,589,834 |
| Un-utilized balances | 317,227,119 | 60,664,981 | 20,717,268 | - | 280,809 | - | - | 398,890,177 |
| Total as of June 30 | 2,076,629,461 | 538,599,561 | 155,741,277 | 8,375,756 | 7,306,672 | 76,342,282 | 14,380,989 | 2,877,375,998 |
| As of December 31, 2019 | 2,404,827,810 | 494,533,856 | 24,880,709 | 19,471,979 | 15,990,503 | 99,087,144 | 8,767,835 | 3,067,559,836 |

B. Exposure distribution according to stages classification as per IFRS (9):

| Item | As of June 30, 2020 | | | | | Total |
|--------------------------------|----------------------|--------------------|--------------------|-------------------|-------------------|----------------------|
| | Stage One | Stage two | Stage Three | Stage Four | Stage Five | |
| Inside Kingdom | 1,317,675,733 | 627,259,392 | 102,048,905 | 11,709,360 | 17,936,071 | 2,076,629,461 |
| Other middle east countries | 407,557,895 | 104,414,492 | 19,063,442 | 6,528,555 | 1,035,177 | 538,599,561 |
| Europe | 155,741,277 | - | - | - | - | 155,741,277 |
| Asia | 8,375,756 | - | - | - | - | 8,375,756 |
| Africa | 7,306,672 | - | - | - | - | 7,306,672 |
| America | 76,342,282 | - | - | - | - | 76,342,282 |
| Other Countries | 14,380,989 | - | - | - | - | 14,380,989 |
| Total as of June 30 | 1,987,380,604 | 731,673,884 | 121,112,347 | 18,237,915 | 18,971,248 | 2,877,375,998 |
| As of December 31, 2019 | 2,213,937,907 | 661,793,263 | 141,527,852 | 32,744,064 | 17,554,750 | 3,067,557,836 |

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3-Reclassified Credit Exposures:

A. Total Reclassified Credit Exposures:

| Item | Stage Two | | Stage Three | | Total Reclassified exposure | Reclassified exposure percentage |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|----------------------------------|
| | Total exposure amount | reclassified exposure | Total exposure amount | reclassified exposure | | |
| Balances with central banks | 0 | - | - | - | - | 0% |
| Balances with banks and financial institutions | 99,192 | (431) | 1,049 | 1,076 | 645 | 0.6% |
| Deposits with banks and financial institutions | - | - | - | - | - | 0% |
| Credit facilities | 113,494,652 | (12,707,089) | 119,881,670 | 7,342,365 | (5,364,724) | -2.3% |
| Bonds and treasury bills: within financial assets at amortized cost | - | - | - | - | - | 0% |
| Total | 113,593,844 | (12,707,520) | 119,882,719 | 7,343,441 | (5,364,079) | -2.3% |
| Letters of guarantees | 12,537,066 | 5,668,681 | 11,439,422 | 50,000 | 5,718,681 | 23.9% |
| Letter of credit and acceptances | 626,753 | 368,750 | - | - | 368,750 | 58.8% |
| acceptances | 1,075,087 | (2,669,711) | - | - | (2,669,711) | -248.3% |
| Un-utilized balances | 29,769,761 | 8,347,920 | - | - | 8,347,920 | 28% |
| Total as of June 30 | 157,602,511 | (991,880) | 131,322,141 | 7,393,441 | 6,401,561 | 2.2% |
| As of December 31, 2019 | 187,427,225 | 67,518,142 | 127,234,742 | 34,636,575 | 102,154,717 | 32.5% |

B. Expected credit loss for reclassified exposures:

| Item | Reclassified exposure | | | Expected credit loss of the reclassified exposure | | | | Total |
|--|--|--|-----------------------------|---|------------------|--------------------|------------------|--------------------|
| | Total exposure reclassified from stage two | Total exposure reclassified from stage 3 | Total exposure reclassified | Stage Two | | Stage Three | | |
| | | | | Individual Basis | Collective Basis | Individual Basis | Collective Basis | |
| Balances with central banks | - | - | - | - | - | - | - | - |
| Balances with banks and financial institutions | (431) | 1,076 | 645 | 99,192 | - | 1,049 | - | 100,241 |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - |
| Credit facilities | 5,126,772 | 3,422,691 | 8,549,463 | 16,058,151 | 659,418 | 94,974,410 | - | 111,691,979 |
| Bonds and treasury bills: within financial assets at amortized cost | - | - | - | - | - | - | - | - |
| Total | 5,126,341 | 3,423,767 | 8,550,108 | 16,157,343 | 659,418 | 94,975,459 | - | 111,792,220 |
| Letters of guarantees | 587,460 | 34,389 | 621,849 | 807,986 | - | 7,261,536 | - | 8,069,522 |
| Letter of credit | (3,670) | - | (3,670) | 10,344 | - | - | - | 10,344 |
| acceptances | (24,517) | - | (24,517) | 72,997 | - | - | - | 72,997 |
| Un-utilized balances | 396,847 | - | 396,847 | 472,408 | 170,945 | - | - | 643,353 |
| Total as of June 30 | 6,082,461 | 3,458,156 | 9,540,617 | 17,521,078 | 830,363 | 102,236,995 | - | 120,588,436 |
| As of December 31, 2019 | (45,138) | 23,379,510 | 23,334,372 | 12,262,345 | 992,114 | 99,770,275 | - | 113,024,734 |

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34- 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.

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

| <i>In Jordanian Dinar</i> | Related party | | | | | Total | |
|--|---------------|----------------------------|-----------------------|----------------------|---------------|--|--------------|
| | Subsidiaries* | Board of Directors Members | Executives Management | Staff Provident Fund | Other Parties | June 30, | December 31, |
| | | | | | | 2020 | 2019 |
| Consolidated Statement of Financial Position Items: | | | | | | | |
| Assets: | | | | | | | |
| Investments | 45,415,294 | - | - | - | - | 45,415,294 | 45,415,294 |
| Credit Facilities | - | 1,473,232 | 708,731 | - | 1,876,858 | 4,058,821 | 45,864,185 |
| Deposits | 718,118 | - | - | - | - | 718,118 | 799,195 |
| Cash Margins | 3,982,000 | - | - | - | - | 3,982,000 | 3,982,000 |
| Liabilities: | | | | | | | |
| Customer Deposits | 12,825,936 | 1,348,697 | 3,596,066 | 1,466,331 | 78,712,591 | 97,949,621 | 143,604,775 |
| Bank Deposits | 8,745,463 | - | - | - | - | 8,745,463 | 8,799,342 |
| Borrowed funds | 3,621,497 | - | - | - | - | 3,621,497 | 3,679,102 |
| Off-Statement of financial position Items | | | | | | | |
| Letters of guarantee | 881,280 | 300 | - | - | 5,926,506 | 6,808,086 | 8,542,344 |
| Letter of credit | - | - | - | - | 1,052,459 | 1,052,459 | 3,391,097 |
| | | | | | | Total | |
| | | | | | | For the Six Month period ended June 30, | |
| | | | | | | 2020 | 2019 |
| Consolidated Statement of Profit or Loss Items: | | | | | | | |
| Credit interest and commission | 6,383 | 57,044 | 20,613 | 199 | 119,921 | JD | JD |
| Debit interest and commission | 433,224 | 10,679 | 37,958 | 7,900 | 2,091,648 | 2,581,409 | 1,944,562 |
| | | | | | | 2,581,409 | 3,271,712 |

Interest rates:

- Credit interest rates against facilities in JOD range from 1.5% (represent the minimum price for interest margin against 100% cash margin) to 10.25%.
- No Credit interests in foreign currency.
- Debit interest rates for JOD range from 0.0025% to 5.75%.
- Debit interest rates for foreign currency range from 0.1% to 0.76% .

* Balances and transactions with subsidiary companies are excluded from the consolidated financial statements, but presented for clarification purposes only.
- The number of related parties granted credit facilities was 39 as of 30 June 2020.

Bank's Executive Management Salaries and Remunerations Summary is as follows

| <i>In Jordanian Dinar</i> | For the six month period ended June 30, | |
|--|---|------------------|
| | 2020 | 2019 |
| Salaries and benefits | 1,901,474 | 1,798,273 |
| Transportation and board secretary | 9,000 | 9,000 |
| Board of directors membership , transportation and bonuses | 389,688 | 309,686 |
| Total | 2,300,162 | 2,116,959 |

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35. 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 | | The Level of Fair Value | Evaluation Method and Inputs Used | Important Intangible Inputs | Relation Between the Fair Value and the Important Intangible Inputs |
|--|-------------------|-------------------|----------------------------|--|--------------------------------|--|
| | June 30, 2020 | December 31, 2019 | | | | |
| | JD | JD | | | | |
| Financial Assets at Fair Value | | | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | | | |
| Shares that have an available market price | 544,440 | 512,720 | Level One | Stated Rates in financial markets Financial Statements issued by companies | Doesn't Apply | Doesn't Apply |
| Shares that doesn't have an available market price | 115,996 | 115,996 | Level Two | | | |
| Total | 660,436 | 628,716 | | | | |
| Financial Assets at Fair Value through Comprehensive Income | | | | | | |
| Shares that have available market price | 51,899,447 | 50,794,195 | Level One | Stated Rates in financial markets Financial Statements issued by companies | Doesn't Apply | Doesn't Apply |
| Shares that do not have available market price | 3,964,429 | 4,161,453 | Level Two | | | |
| Total | 55,863,876 | 54,955,648 | | | | |
| Bonds that have available market price | 24,204,463 | 25,909,988 | Level One | Stated Rates in financial markets | Doesn't Apply | Doesn't Apply |
| | 24,204,463 | 25,909,988 | | | | |
| Forward Contracts (Foreign Currency) | 3,819 | 38,261 | Level One | Stated Rates in financial markets | Doesn't Apply | Doesn't Apply |
| Total Financial Assets | 80,732,594 | 81,532,613 | | | | |

There were no transfers between level 1 and level 2 during the first half of the year 2020.

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 consolidated condensed interim financial statements of the Bank approximate their fair value, because the Bank's management believes that the carrying value of the items is equivalent to the fair value, and this is due to either short-term maturity interest rates that have been repricing during the period.

| In Jordanian Dinar | June 30, 2020 | | December 31, 2019 | | The Level of Fair Value |
|--|----------------------|----------------------|----------------------|----------------------|----------------------------|
| | Book Value | Fair Value | Book Value | Fair Value | |
| Financial Assets of non-specified Fair Value | | | | | |
| Balances at central banks | 282,841,719 | 282,857,883 | 312,229,080 | 312,241,852 | Level Two |
| Balances at banks and financial institutions | 220,173,453 | 220,174,839 | 188,326,285 | 188,476,380 | Level Two |
| Deposits at banks and financial institutions | 89,000,000 | 90,048,714 | 208,249,314 | 213,803,299 | Level Two |
| Loans, bills and other | 1,431,724,031 | 1,434,974,492 | 1,364,163,670 | 1,367,341,050 | Level Two |
| Financial assets at amortized cost | 234,545,724 | 237,909,525 | 272,734,431 | 276,726,076 | Level Two |
| Total Financial Assets of non-specified Fair Value | 2,258,284,927 | 2,265,965,453 | 2,345,702,780 | 2,358,588,657 | |
| Financial Liabilities of non-specified Fair Value | | | | | |
| Deposits at banks and financial institutions | 65,539,455 | 65,797,000 | 151,244,578 | 152,150,581 | Level Two |
| Customers' deposits | 1,859,396,906 | 1,865,264,143 | 1,919,098,107 | 1,928,585,706 | Level Two |
| Cash insurance | 130,288,749 | 130,304,828 | 120,593,921 | 120,598,195 | Level Two |
| Total Financial Liabilities of Non-specified Fair Value | 2,055,225,110 | 2,061,365,971 | 2,190,936,606 | 2,201,334,482 | |

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

(C) Non-Financial Assets and Liabilities not Measured at Fair Value but its fair Value disclosed in the Consolidated Condensed Interim Financial Statements:

| | June 30, 2020 | | December 31, 2019 | | The Level of Fair Value |
|--------------|-------------------|--------------------|-------------------|--------------------|----------------------------|
| | Book Value | Fair Value | Book Value | Fair Value | |
| | JD | JD | JD | JD | JD |
| Other assets | 63,146,567 | 108,965,796 | 64,202,177 | 110,857,621 | Level Two |
| | 63,146,567 | 108,965,796 | 64,202,177 | 110,857,621 | |

The above items set out the fair value of non-financial assets that are determined on the basis of prices of similar instruments in an inactive market.

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

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

36. COMMITMENTS AND CONTINGENT LIABILITIES

A. Credit Commitments and Contingent Liabilities:

| | <u>June 30, 2020</u> | <u>December 31, 2019</u> |
|--|---------------------------|------------------------------|
| | <u>JD</u> | <u>JD</u> |
| Letters of credit | 39,981,731 | 69,214,211 |
| Acceptances | 24,317,378 | 19,349,139 |
| Letters of guarantee: | | |
| Payment | 34,738,999 | 36,787,251 |
| Performance | 57,325,352 | 51,317,006 |
| Other | 24,457,128 | 26,308,755 |
| Un-utilized direct and indirect credit facilities limits | 401,694,458 | 458,399,546 |
| Total | <u>582,515,046</u> | <u>661,375,908</u> |

- The provision for expected credit losses on off-balance sheet items (unfunded) amounted to JD 12,865,038 as of June 30, 2020 (JD 10,206,853 as of December 31, 2019).

B. Contractual Obligations:

| | <u>June 30, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|------------------------------|
| | <u>JD</u> | <u>JD</u> |
| Contracts for purchasing of property and equipment | 3,388,682 | 3,417,296 |
| Contracts for operating and financing lease | 14,660,419 | 14,744,380 |
| Total | <u>18,049,101</u> | <u>18,161,676</u> |

37. 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 cheques, These lawsuits amounted to JD 7,723,751 as of June 30, 2020 (JD 19,113,597 as of December 31, 2019), In the opinion of the management and legal counsel, no material financial liability is likely to be incurred as a result of these lawsuits in excess of provision recorded which amounted to JD 812,683 as of June 30, 2020 (JD 863,478 as of December 31, 2019), 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.