البنك الأردني الكويتي
JORDAN KUWAIT BANK

الادارة العامـــة

الرقم: ف ٢٠٠/٤٦٨/٢٠١٨
التاريخ: ٢٠١٨/٠٨/٢٨

السادة هيئة الأوراق المالية المحترمين
السادة بورصة عمان المحترمين

الموضوع: التقرير النصف السنوي
كما هو في ٢٠١٨/٠٦/٣٠

مرفق التقرير النصف السنوي للبنك الأردني الكويتي كما هو بتاريخ ٢٠١٨/٠٦/٣٠.
علماً بأن البيانات المالية خاضعة لموافقة البنك المركزي الأردني.

وتفضلوا بقبول فائق الإحترام ،

عبد الكريم الكباريتي
رئيس مجلس الإدارة

Ref.: F200/468/2018
Date: 28/08/2018

To: Jordan Securities Commission
Amman Stock Exchange

Subject: Semi - Annual – Report as of 30/06/2018

Attached the Semi - Annual Report of Jordan Kuwait Bank, as of 30/06/2018.
Please note that the financial Statements are subject to the Central Bank of Jordan approval.

Best regards,

Abdel Karim Kabariti
Chairman

بورصة عمان
الدائـــرة الإدارية والمالية
الديـــوان
٣٠ آب ٢٠١٨
الرقم المتسلسل: ٤٤٢٨
رقم الملف: ٢٠١١
الجهة المختصة: الإدراج

صندوق بريد ٩٧٧٦ عمان ١١١٩١ الأردن
هاتف ٥٦٢٩٤٠٠ (٩٦٢٦)
فاكس ٥٦٩٥٦٠٤ (٩٦٢٦)
JKBAJOAM سويفت
E-mail:info@jkbank.com.jo
http: // www.jkb.com

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN – HASHEMITE KINGDOM OF JORDAN

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END 30 JUNE 2018
(UNAUDITED)

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AMMAN- HASHEMITE KINGDOM OF JORDAN
30 JUNE 2018

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REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE CHAIRMAN AND BOARD OF DIRECTORS OF JORDAN KUWAIT BANK
(PUBLIC SHAREHOLDING COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Jordan Kuwait Bank as of 30 June 2018 and the related interim condensed consolidated statements of income and comprehensive income, for the three months and six months then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34) "interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not properly prepared, in all material respects and in accordance with International Accounting Standard (34).

Other Matters

The bank financial year ends in 31 December of each year. The interim condensed consolidated financial statements have been prepared in accordance with the listing instructions of Amman Stock Exchange, Central Bank of Jordan, and for management purposes.

For and on behalf of PricewaterhouseCoopers "Jordan" L.L.C.

Pricewaterhouse Coopers

Amman, Jordan
28 August 2018

Certified Public Accountants PwC Amman - Jordan

PricewaterhouseCoopers "Jordan", Jabal Amman - 3rd Circle, 14 Hazza' Al Majali St., P.O. Box 5175, Amman 11183 - Jordan
T: +962 (6) 500 1300, F:+962 (6) 461 0880, www.pwc.com

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	June 30, 2018 (Reviewed and Unaudited)	December 31, 2017 (Audited)
		JD	JD
ASSETS			
Cash and balances at central banks	4	204,870,943	224,259,331
Balances at banks and financial institutions	5	291,617,738	317,656,834
Deposits at banks and financial institutions	6	17,704	6,246,210
Direct credit facilities-net	7	1,536,754,165	1,562,286,911
Financial assets at fair value through profit or loss	8	-	66,673,669
Financial assets at fair value through comprehensive income	9	115,391,650	29,240,711
Financial assets at amortized cost	10	337,039,040	395,100,921
Property and equipment - net	11	27,088,953	29,388,555
Intangible assets - net		3,782,416	5,095,610
Deferred tax assets		26,027,287	11,299,456
Other assets	12	187,188,048	180,796,785
Assets held for sales- net	35	105,613,480	4,162,033
TOTAL ASSETS		2,835,391,424	2,832,207,026
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Banks and financial institutions deposits		262,418,937	306,217,195
Customers deposits	13	1,777,982,394	1,808,308,934
Cash margins		135,579,810	96,179,696
Borrowed funds	16	83,577,644	80,137,973
Other provisions	14	11,434,299	10,921,129
Provision for income tax	15	5,826,622	12,210,713
Deferred tax liabilities		3,527,330	3,791,258
Other liabilities	17	66,057,705	45,367,012
Liabilities directly related to assets held for sale	35	66,263,129	661,794
TOTAL LIABILITIES		2,412,667,870	2,363,795,704
OWNERS' EQUITY			
Equity – Bank Shareholders			
Authorized and paid-in capital	32	100,000,000	100,000,000
Statutory reserve	33	85,765,246	86,034,401
Voluntary reserve	33	160,466,574	160,466,574
Pro-cyclicality reserve	33	-	227,597
General banking risks reserve		-	14,288,875
Financial assets valuation reserve - net of tax	18	5,475,635	8,135,930
Equity directly related to assets held for sale	٣٥	(17,829)	(17,829)
Retained earnings	19	52,547,041	99,275,774
Income for the period		18,486,887	-
TOTAL OWNERS' EQUITY		422,723,554	468,411,322
TOTAL LIABILITIES AND OWNERS' EQUITY		2,835,391,424	2,832,207,026

Chairman of Board of Directors **General Manager**

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read in conjunction with them and with the accompanying review report.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2018	2017 (Represented)	2018	2017 (Represented)
		JD (Reviewed unaudited)	JD (Reviewed unaudited)	JD (Reviewed unaudited)	JD (Reviewed unaudited)
Interest income	20	35,238,820	34,775,215	71,329,891	66,649,464
Less: Interest expense	21	13,239,994	10,649,835	26,423,362	19,141,911
Net interest income		21,998,826	24,125,380	44,906,529	47,507,553
Net commission income		2,587,476	1,984,153	5,234,600	4,440,222
Net Interest and Commission Income		24,584,302	26,109,533	50,141,129	51,947,775
Foreign currency income		1,078,140	871,182	2,527,594	1,905,145
Gain from financial assets at fair value through profit or loss	24	-	352,082	-	1,514,316
Cash dividends from financial assets at fair value through comprehensive income	9	260,270	272,116	1,300,475	853,256
Other income	22	3,729,319	2,816,208	7,357,490	5,363,148
Gross Income		29,652,031	30,421,101	61,326,688	61,583,640
Employees expenses		6,829,751	7,219,342	13,265,773	13,099,896
Depreciation and amortization		1,379,816	1,414,429	3,123,004	2,846,253
Provision for impairment on direct credit facilities	7	-	6,062,315	-	8,057,106
Provision for expected credit losses on direct credit facilities		1,185,955	-	1,274,553	-
(Reversal from) Provision for expected credit losses on non-direct credit facilities		(7,082,542)	-	(7,082,542)	-
(Reversal from) Provision for expected credit losses on investments		(53,764)	-	4,265	-
(Reversal from) Provision for expected credit losses on deposits at banks and financial institutions		(42,867)	-	(33,968)	-
Other provisions		892,512	258,593	1,564,663	869,714
Other expenses	23	14,897,985	7,117,991	22,433,454	13,850,887
Total Expenses		17,806,846	22,072,670	34,549,202	38,723,856
Income for the Period before income tax expense		11,845,185	8,348,431	26,777,486	22,859,784
Less: Income tax expense	15	(2,988,555)	(1,988,365)	(7,673,385)	(6,709,921)
Income for the Period from continuing operations		8,856,630	6,360,066	19,104,101	16,149,863
Net loss from discontinued operations	35	(579,454)	(478,282)	(617,214)	(1,613,280)
Income for the period		8,277,176	5,881,784	18,486,887	14,536,583
Pertains to:					
Earnings per share for the period Attributable to the bank's shareholders - basic and diluted	25	0.083	0.068	0.185	0.145
Earnings per share from continuous operations for the period Attributable to the bank's shareholders - basic and diluted	25	0.089	0.064	0.191	0.161
Earnings per share (loss) from non-continuous operations for the period Attributable- basic and diluted	25	(0.006)	(0.005)	(0.006)	(0.016)

Chairman of Board of Directors　　　　**General Manager**

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read with in conjunction them and with the accompanying review report.

Jordan Kuwait Bank
(A Public Limited Shareholding Company)
Interim Condensed Consolidated Statement Of Comprehensive Income
For the Period Ended 30 June 2018

	Note	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2018	2017 (Restated)	2018	2017 (Restated)
		JD (Reviewed unaudited)	JD (Reviewed unaudited)	JD (Reviewed unaudited)	JD (Reviewed unaudited)
Income for the Period		8,277,176	5,881,784	18,486,887	14,536,583
Other Comprehensive Income Items:					
Items not subsequently transferable to condensed interim consolidated statement of income:					
Net change in financial assets at fair value valuation reserve - net of tax		(2,622,477)	1,464,576	(2,467,818)	788,206
Total Comprehensive Income for the Period		5,654,699	7,346,360	16,019,069	15,324,789

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read in conjunction with them and with the accompanying review report

		Equity – Bank's Shareholders									
			Reserves								
	Note	Authorized and Paid-in Capital	Statutory	Voluntary	Pro-cyclicality	General Capital Banking Risks	Financial Assets – Valuation Reserve After Tax	Equity directly related to assets held for sale	Retained Earnings	Income for the Period	Total
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the six months ended June 30, 2018 (Unaudited)											
Balance - Beginning of the Period		100,000,000	86,034,401	160,466,574	227,597	14,288,875	8,135,930	(17,829)	99,275,774	-	468,411,322
Impact of adopting IFRS (9) – net after tax		-	-	-	-	-	-	-	(41,210,085)	-	(41,210,085)
Amended Balance- at the beginning of the period		100,000,000	86,034,401	160,466,574	227,597	14,288,875	8,135,930	(17,829)	58,065,689	-	427,201,237
Transfer from general bank risk reserve*		-	-	-	-	(14,288,875)	-	-	14,288,875	-	-
Income for the Period		-	-	-	-	-	-	-	-	18,486,887	18,486,887
Gains from sale of financial assets at fair value through other comprehensive income		-	-	-	-	-	(192,477)	-	192,477	-	-
Net change in financial assets at fair value through comprehensive income- net after tax		-	-	-	-	-	(2,467,818)	-	-	-	(2,467,818)
Total Comprehensive Income for the Period		-	-	-	-	(14,288,875)	(2,660,295)	-	14,481,352	18,486,887	16,019,069
Transferred from reserves related to non-continuous activities		-	(269,155)	-	(227,597)		-	-	-	-	(496,752)
Dividends	32	-	-	-	-	-	-	-	(20,000,000)	-	(20,000,000)
Balance - End of the Period		100,000,000	85,765,246	160,466,574	-	-	5,475,635	(17,829)	52,547,041	18,486,887	422,723,554

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read in conjunction with them and with the accompanying review report.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGED IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

		Equity – Bank's Shareholders									
			Reserves								
	Note	Authorized and Paid-up Capital	Statutory	Voluntary	Pro-cyclicality	General Capital Banking Risks	Financial Assets – Valuation Reserve After Tax	Equity directly related to assets held for sale	Retained Earnings	Income for the Period	Total
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the six months ended June 30, 2017 (Represented/ Unaudited)											
Balance - Beginning of the Period		100,000,000	81,803,089	152,003,949	227,597	13,525,686	6,133,272	-	105,999,129	-	459,692,722
Income for the Period		-	-	-	-	-	-	-	-	14,536,583	14,536,583
Net change in financial assets at fair value through comprehensive income- net after tax		-	-	-	-	-	788,206	-	-	-	788,206
Total Comprehensive Income for the Period		-	-	-	-	-	788,206	-	-	14,536,583	15,324,789
Transferred from reserves		-	-	-	-	(33,142)	-	-	33,142	-	-
Dividends	32	-	-	-	-	-	-	-	(20,000,000)	-	(20,000,000)
Balance - End of the Period		100,000,000	81,803,089	152,003,949	227,597	13,492,544	6,921,478	-	86,032,271	14,536,583	455,017,511

- Included in retained earnings, an amount of JD 26,027,287 as of June 30, 2018 (JD 11,299,456 as of December 31, 2017) restricted by the Central Bank of Jordan instructions, against deferred tax assets.
- Included in the retained earnings an amount of JD zero as of June 30, 2018, against JD 3,920,703 as of December 31, 2017, which represents the effect of the early adoption of IFRS (9). Such amount is restricted and cannot be utilized unless realized through actual sale as instructed by Jordan Securities Commission. Which represents the revaluation differences of financial assets at fair value through statement of income, net of those realized through sales.
- Use of fair value reserve- net is restricted and requires prior approval from the Central Bank of Jordan.
- Based on Central bank of Jordan regulation (13/2018) the general banking reserves balances which amounted to JD 14,288,875 as of 31 December 2017 was transferred to retained earnings to offset the effect of the implementation of IFRS (9), and is restricted for use.

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE 2018	2017
		JD	JD
		(REVIEWED UNAUDITED)	(REVIEWED UNAUDITED)
Cash Flows From Operating Activities:			
Income For The Period Before Income Tax		26,160,272	21,246,503
Adjustments:			
Depreciation and amortization		3,123,004	2,846,253
Provision for impairment on direct credit facilities	7	-	8,057,106
Provision for expected credit losses on direct credit facilities		1,274,553	-
(Reversal from) Provision for expected credit losses on non-direct credit facilities		(7,082,542)	-
Provision for impairment on investments		4,265	-
(Reversal from) Provision for expected credit losses on deposits at banks and financial institutions		(33,968)	-
Net interest income		12,531,231	12,554,717
Provision for staff indemnity		1,384,663	741,239
Provision for lawsuits against the bank and contingent claims		180,000	180,000
Provision for seized assets		1,242,546	2,490,388
(Gain) from sale of financial assets at fair value through statement of income	24	-	(191,459)
(Gain) from valuation of financial assets at fair value through statement of income	24	-	(1,095,341)
effect of exchange rate fluctuations on cash and cash equivalents		6,526	(4,929)
Total		38,790,550	46,824,477
Changes In Assets And Liabilities:			
Decrease in deposits at banks and financial institutions		6,136,146	8,178,493
(Increase) in direct credit facilities		(22,195,540)	(40,011,942)
(Increase) in financial assets at fair value through statement of income		-	(1,834,125)
(Increase) in other assets		(29,279,194)	(29,442,532)
(Decrease) in banks and financial institutions deposits due after three months		(34,774,816)	28,428,613
(Decrease) in customers deposits		(30,326,540)	(50,827,455)
Increase in cash margins		39,400,114	2,024,699
(Decrease) in other provisions		(1,051,493)	(566,688)
Increase in other liabilities		24,288,765	11,447,265
Net Change In Assets And Liabilities		(47,802,558)	(72,603,672)
Net Cash Flows (Used In) / Generated From Operating Activities Before Income Tax		(9,012,008)	(25,779,195)
Income tax paid	15	(11,519,934)	(13,782,329)
Net Cash Flows (Used In) / Generated From Operating Activities		(20,531,942)	(39,561,524)
Cash Flows From Investing Activities:			
Decrease in financial assets at amortized cost		58,027,905	54,634,146
(Increase) in financial assets at fair value through comprehensive income		(22,299,098)	(393,477)
(Increase) in assets held for sale - net		(101,451,447)	-
Increase in liabilities directly related to assets held for sale		65,601,335	-
Decrease (Increase) in intangible assets		489,792	(2,840,222)
Net Cash Flows Generated From / (Used In) Investing Activities		368,487	51,400,447
Cash Flows From Financing Activities:			
Increase in non-controlling interest		-	42,933
Increase in borrowed funds		3,439,671	30,189,971
Dividends paid		(17,824,661)	(19,057,249)
Net Cash Flows Generated From / (Used In) Financing Activities		(14,384,990)	11,175,655
Effect of exchange rate fluctuations on cash and cash equivalents		(6,526)	4,929
(Decrease) / Net Increase In Cash And Cash Equivalents		(34,554,970)	23,019,507
Cash and cash equivalent - beginning of the year		272,915,714	145,447,357
Cash And Cash Equivalent - End Of The Period	27	238,360,744	168,466,864

The accompanying notes from 1 to 35 constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report

(1) GENERAL INFORMATION

Jordan Kuwait Bank was established as a Jordanian public limited shareholding company under number (108) on October 25, 1976 in accordance with the Jordanian Companies Law No. (13) for the year 1964. The Bank's Head Office address is as follows: Omaya Bin Abdshams Street, Abdali – Amman. Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.

The Bank is engaged in all banking and financial related operations through its branches totalling 65 branches inside Jordan, five foreign branches, and three subsidiaries for financial brokerage, leasing and financial consulting.

Jordan Kuwait Bank is listed as a public limited shareholding company on the Amman Stock Exchange.

Jordan Kuwait Bank is owned by 50.927 % of Al Rawabi International Real Estate Services Company and the consolidated financial statements of the Bank are added in the consolidated financial statements of Kuwait Projects Company Holding (KIPCO).

The consolidated interim financial statements have been approved by the Bank's Board of Directors on 30 July 2018, and is subject to the approval of the Central Bank of Jordan.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies used by the Bank in the preparation of these interim condensed consolidated financial statements.

2.1 Basis of preparation

The accompanying interim condensed consolidated financial statements of the Bank as at 30 June 2018 have been prepared in accordance with International Financial Reporting Standards Number 34 (Interim Financial Reporting Standards).

The interim condensed consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets stated at fair value through other comprehensive income and financial derivatives stated at fair value at the date of the consolidated financial statements. Moreover, hedged financial assets and financial liabilities are also stated at fair value.

The reporting currency of the interim condensed consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the consolidated financial statements of the Bank for the year ended 31 December 2017. Furthermore, the results of operations for the six months ended 30 June 2018 do not necessarily reflect the expected results for the year ending 31 December 2018, except for not appropriating the profit of the six months ended on 30 June 2018 which is usually performed at year end.

2.2 Basis of Financial Statements Consolidation

The consolidated financial statements include the financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the ability to control the financial and operating policies of the subsidiaries in order to obtain benefits from their activities. All transactions, balances, revenue and expenses between the Bank and its subsidiaries are eliminated.

The financial statements of the subsidiaries relating to the same fiscal year of the Bank are prepared using the same accounting policies adopted by the Bank. In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, necessary adjustments to the financial statements of the subsidiaries has to be made in order to match those applied by the Bank.

Non-controlling interests represent the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of 30 June 2018 and 31 December 2017:

Company's Name	Paid-up Capital	Ownership of the Bank	Nature of Operation	Location	Date of Acquisition
	JD	%			
Ejarah for Finance Leasing Company	20,000,000	100	Finance Leasing	Amman	2011
Specialized Managerial Company for Investment and Financial Consultation	530,000	100	Issuance of Securities and other Financial Services	Amman	2016

The results of operations of the subsidiaries are consolidated in the consolidated statement of income from the date of acquisition, which represents the date when control over the subsidiaries is passed on to the Bank. Moreover, the results of operations of the disposed of subsidiaries are consolidated in the consolidated statement of income until the disposal date, which represents the date when the Bank loses control over the subsidiaries.

2.3 Changes in accounting policies and disclosures

The accounting policies applied in preparing these interim condensed consolidated financial statements agree with those used in preparing the consolidated financial statements for the Bank for year ending 31 December 2017, except applying new standards and amendments on current standards as mentioned below.

(a) New standards and amendments to standards and interpretations effective for the annual periods beginning after 1 January 2018, applied by the bank in preparing these financial statements and do not have significant effect:

- Amendments to IAS 12 - 'Income tax' which explains measurement and accounting for deferred tax assets.

- Amendments to IAS 7, 'Statement of cash flows'. The amendment requires additional disclosures about changes in liabilities arising from financing activities. The standard is effective for annual periods beginning on or after 1 January 2017 and early adoption is permitted.

- Amendments to IAS 40, 'Transfers of Investment Property'.

- Annual Improvements to IFRSs – 2012-2014 Cycle.

- IFRS 15 "Revenue from Contracts with Customers"

  Nature of change: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits a modified retrospective approach for the adoption

  Impact: The management is not expecting any impact on the adoption of this standard over the Bank's financial statements, as most of the Bank's income is generated through sources not subject to this standard.

(b) New standards and interpretations that have been issued, and applied for the reporting period 1 January 2018 with a significant impact:

- **IFRS 9 "Financial Instruments":**

  Nature of change: IFRS 9 addresses the classification, measurement, derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and introduced a new impairment model.

  Impact of adopting IFRS 9:

  The Bank is required to adopt IFRS 9 starting 1 January 2018, accordingly, the bank had used the related draft instructions issued by the Central Bank of Jordan to assess the impact as of January 1, 2018 as per the requirements of the standard.

  The following are the most important aspects of application:

A- Classification and measurement of financial assets

- Classification depends on the business model of the bank through which the financial asset is managed as well as the contractual cash flow characteristics. The Standard eliminates the categories "held to maturity", "loans and receivables" and "available for sale" under IAS 39.

-The Bank has reclassified the financial instruments among the categories determined under IFRS 9 at amortized cost on fair value through statement of income at fair value through other comprehensive income and is allowed for one time at the beginning of 2018 with a view to achieving the proper application of the Standard's requirements. The reclassification is described in paragraph (f) of this note.

B- Classification and measurement of financial liabilities:

IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated statement of profit or loss, whereas IFRS (9) requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of profit or loss as a result of changes in credit risk in the consolidated statement of comprehensive income.

- The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

C- Hedge accounting

When initially applying IFRS (9), the Bank choose to continue applying the hedge accounting requirements of IAS (39) instead of the requirements IFRS (9).

D- Impairment of financial assets

IFRS (9) replaced the 'incurred loss' model in IAS (39) with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgements to estimate economic factors. The model will be applied to all financial assets – debt instruments which classified as amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Impairment losses have been calculated in accordance with the requirements of IFRS (9) in accordance with the following requirements:

- 12 months impairment loss: The expected impairment is calculated for the 12 months following the date of the consolidated financial statements.
- Impairment losses for the useful life of the instrument: The expected impairment on the life of the financial instrument is calculated until the maturity date of the consolidated financial statements

The expected credit loss mechanism depends on the probability of default (PD). Which is calculated according to the credit risk and future economic factors, the loss in default (LGD), which depends on the value of the existing collateral, the exposure at default (EAD).

E- Disclosures

IFRS (9) requires detailed disclosures, particularly with regard to hedge accounting, credit risk, and expected credit losses.

F- Implementation

The Bank had reflected the effect of the standard implementation over the opening balances of retained earnings on January 1, 2018, provisions and non-controlling interests rather than restating the figures of the consolidated financial statements for the year ended December 31, 2017 and earlier.

The table below includes the effect on the opening balance as at 1 January 2018:

Exposure to credit risk related to assets of the balance sheet	Balance as at 31 December 2017	Reclassification	Expected credit losses (ECL)/ impact	Effect of reclassification	Balance as at 1 January 2018
	JD	JD	JD	JD	JD
Assets					
Balances at banks and financial institutions	-	-	(123,474)	-	(123,474)
Direct credit facilities - net	1,562,286,911	-	(46,453,733)	-	1,515,833,178
Financial assets at fair value through statement of income	66,673,669	(66,673,669)	-	-	-
Transferred to FVOCI	66,673,669	(66,673,669)	-	-	-
From it: Debt instruments	60,546,359	(60,546,359)	-	-	-
From it: Equity Tools	6,127,310	(6,127,310)	-	-	-
Financial assets at fair value through other comprehensive income	29,240,711	97,510,641	(1,968,856)	-	124,782,496
Financial instruments at amortized costs	395,100,921	(30,836,972)	(33,976)	-	364,229,973
Transferred to FVOCI	30,836,972	(30,836,972)	-	-	-
From it: Debt instruments	30,836,972	(30,836,972)	-	-	-
Deferred tax asset (resulting from an increase in ECL)	11,299,456	-	-	17,282,560	28,582,016
Liabilities					
Other liabilities – Provision on non-direct credit facilities	45,367,012	-	9,912,605	-	55,279,617
Equity					
General Banking Reserves	14,288,875	-	-	(14,288,875)	-
Retained Earnings	99,275,774	-	-	(26,921,210)	72,354,564

The table below includes analysis of credit risk exposure for financial assets exposed to expected credit loss as at 1 January 2018:

Exposure to credit risk related to assets of the balance sheet	Stage 1	Stage 2	Stage 3	Total	Impact on Deferred tax assets	Net effect
	JD	JD	JD	JD	JD	JD
Deposits at banks and financial Institutions	123,474	-	-	123,474	35,544	87,930
Financial assets at fair value through comprehensive income and amortized cost	424,904	-	1,543,952	1,968,856	589,816	1,379,040
Direct credit facilities - net	10,944,899	9,573,498	25,935,336	46,453,733	13,571,749	32,881,984
Financial assets at amortized cost	33,976	-	-	33,976	11,892	22,084
Other liabilities	2,480,999	498,517	6,933,089	9,912,605	3,073,558	6,839,047
	14,008,252	10,072,015	34,412,377	58,492,644	17,282,559	41,210,085

The table below clarifies the expected credit losses for the subsequent period of 30 June 2018:

	Stage 1 Individuals	Stage 1 Totals	Stage 2 Individuals	Stage 2 Totals	Stage 3	Total
Balances at banks and financial institutions	6,151	-	-	-	-	6,151
Deposits at banks and financial institutions	56,801	-	-	-	-	56,801
Direct credit facilities – net	9,160,242	-	5,299,918	-	82,529,768	96,989,928
Debt instruments within a portfolio of financial assets at amortized cost	24,981	-	-	-	-	24,981
Debt instruments within a portfolio of financial assets at fair value through other comprehensive income	413,392	-	-	-	1,544,918	1,958,310
Financial collaterals	626,406		13,486	-	1,728,576	2,368,468
Unused limits	-	-	-	-	-	-
Letter of credit	351,694	-	59,829	-	24,202	435,725
Other assets	15,579	-	-	-	-	15,579
	10,655,246	-	5,373,233	-	85,827,464	101,855,943

The table below clarifies the opening balances for provisions after implementation of IFRS (9):

	Current provision balance	Difference due to re-measurement	Balance according to IFRS (9) stage three
	JD	JD	JD
Balances at banks and financial institutions	-	123,475	123,475
Direct credit facilities – net	49,321,311	46,453,733	95,775,064
Debt instruments within a portfolio of financial assets at amortized cost	-	33,976	33,976
Debt instruments within a portfolio of financial assets at fair value through other comprehensive income	-	1,968,856	1,968,856
Non-direct credit facilities– net	-	9,902,315	9,902,315

Distribution of exposures according to the economic sector depending on the stages of IFRS (9) classification:

	Stage 1 Individuals	Stage 1 Totals	Stage 2 Individuals	Stage 2 Totals	Stage 3	Total
Financial	276,787,132	-	17	-	125,084	276,912,233
Industrial	529,369,473	-	37,463,676	-	13,712,157	580,545,306
Trade	341,723,369	-	25,597,486	-	20,976,293	388,297,148
Real estates	137,985,105	-	13,850,190	-	47,446,866	199,282,161
Agriculture	19,735,256	-	17,978,484	-	888,686	38,602,426
Shares	23,014,286	-	50,000	-	-	23,064,286
Individuals	238,842,901	-	7,074,405	-	14,798,235	260,715,541
Governmental and public sector	71,672,892	-	-	-	-	71,672,892
Services	602,785,834	-	4,401,762	-	78,292,146	685,479,741
	2,241,916,248	-	106,416,020	-	176,239,467	2,524,571,735

Distribution of exposures according to the Geographical distribution depending on the stages of IFRS (9) classification:

	Stage 1 Individuals	Stage 1 Totals	Stage 2 Individuals	Stage 2 Totals	Stage 3	Total
Inside the Kingdom	1,838,401,390	-	106,416,020	-	160,508,331	2,105,325,741
Other Middle Eastern countries	178,142,980	-	-	-	-	178,142,980
Europe	208,917,412	-	-	-	15,589,336	224,506,748
Asia	16,454,466	-	-	-	141,800	16,596,266
Africa	-	-	-	-	-	-
USA	-	-	-	-	-	-
Other countries	-	-	-	-	-	-
	2,241,916,248	-	106,416,020	-	176,239,467	2,524,571,735

Total credit exposures that has been classified:

	Stage 2		Stage 3			
	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified	Total exposures that have been reclassified	Rate of exposures that have been reclassified
Balances at Central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-
Direct credit facilities – net	97,972,253	20,332,335	160,715,079	23,489,747	43,822,082	17%
Bonds and Treasury Bills	-	-	-	-	-	-
Within financial assets at fair value through statement of income	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	13,231,800	-	-	-
Within financial assets at amortized costs	-	-	-	-	-	-
Derivatives of financial instruments	-	-	-	-	-	-
Financial assets mortgaged (debt instruments)	-	-	-	-	-	-
Other assets	97,972,253	20,332,335	173,946,879	23,489,747	43,822,082	17%
Financial collaterals	5,642,282	5,000,073	2,248,858	177,908	5,177,981	66%
Letter of credit	2,801,485	175,000	43,730	-	175,000	6%
Other Liabilities	-	-	-	-	-	-
	106,416,020	25,507,408	176,239,467	23,667,655	49,175,063	17%

Credit losses expected for exposures that has been reclassified:

	The exposures that have been reclassified			Expected credit loss on exposures that have been reclassified				
	Total exposures that were reclassified from stage 2	Total exposures that were reclassified from stage 3	Total exposures that have been reclassified	Stage 1 Individuals	Stage 1 Totals	Stage 3 Individuals	Stage 3 Totals	Total
Balances at Central banks	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities – net	20,332,335	23,489,747	43,822,082	1,598,338	-	9,080,157	-	10,678,495
Bonds and Treasury Bills	-	-	-	-	-	-	-	-
Within financial assets at fair value through statement of income	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Within financial assets at amortized costs	-	-	-	-	-	-	-	-
Derivatives of financial instruments	-	-	-	-	-	-	-	-
Financial assets mortgaged (debt instruments)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
	20,332,335	23,489,747	43,822,082	1,598,338	-	9,080,157	-	10,678,495
Financial collaterals	5,000,073	177,908	5,177,981	11,114	-	115,998	-	127,112
Letter of credit	175,000	-	175,000	1,228	-	-	-	1,228
Other Liabilities	-	-	-	-	-	-	-	-
	25,507,408	23,667,655	49,175,063	1,610,680	-	9,196,155	-	10,806,835

Item	In Accordance to classification regulation (47/2009)				In Accordance to IFRS (9)								
					Stage 1			Stage 2			Stage 3		
	Gross	Interest in suspense	Principal	Provision	Gross	ECL	Interest in suspense	Gross	ECL	Interest in suspense	Gross	ECL	Interest in suspense
Performing loans	1,420,980,911	-	1,420,980,991	-	1,485,599,532	10,944,899	27,026	-	-	-	-	-	-
Watch-list	113,314,698	-	113,314,698	2,314,707	-	-	-	162,430,889	9,573,498	64,614	-	-	-
Non-performing loans:	89,714,831	12,401,539	77,313,292	47,007,361	-	-	-	-	-	-	150,484,950	75,256,668	12,309,900
Substandard	15,501,357	45,447	15,455,910	2,832,502	-	-	-	-	-	-	-	-	-
Doubtful	16,194 934	444 703	15,750,231	7 152 466	-	-	-	-	-	-	-	-	-
Loss	58,018,540	11,911,389	46,107,151	37,022,393	-	-	-	-	-	-	-	-	-
Total	1,624,009,781	12,401,539	1,611,608,242	49,322,068	1,485,599,532	10,944,899	27,026	162,430,889	9,573,498	64,614	150,484,950	75,256,668	12,309,900

Credit exposures In accordance with the provisions of Classification No. (2009/47) and in a manner consistent with IFRS 9 as of 1 January 2018:

Credit exposures in accordance with the provisions of Classification No. (47/2009) and in conformity with IFRS 9 as of 30 June 2018:

Item	In Accordance to classification regulation (47/2009)				In Accordance to IFRS (9)								
					Stage 1			Stage 2			Stage 3		
	Gross	Interest in suspense	Principal	Provision	Gross	ECL	Interest in suspense	Gross	ECL	Interest in suspense	Gross	ECL	Interest in suspense
Performing loans	1,409,778,163	-	1,409,778,163	-	1,551,994,793	9 160,242	7,808	-	-	-	-	-	-
Watch-list	64,843,783	-	64,843,783	1,275,828	-	-	-	97,998,750	5,299,918	26,497	-	-	-
Non-performing loans:	174 378 779	15,256,631	159,122,148	63,816,678	-	-	-	-	-	-	175,937,405	82,529,768	15,222,326
Substandard	82,823,633	1,241,128	81,582,505	7,977,667	-	-	-	-	-	-	-	-	-
Doubtful	17,395,427	281,634	17,113,793	8 919 158	-	-	-	-	-	-	-	-	-
Loss	74,159,719	13,733,869	60,425,850	46,920,053	-	-	-	-	-	-	-	-	-
Total	1,649,000,725	15,256,631	1 633,744 094	65 092,706	1,551,994,793	9,160,242	7,808	97,998 750	5,299,918	26,497	175,937,405	82,529,768	15,222,326

Risk Management:

The responsibilities of the Risk Management Department of the Bank include all the Bank's departments and branches operating inside and outside the Kingdom as well as its subsidiaries through identifying, determining, measuring and managing risks under international best practices and within the limits of the functions and responsibilities of Risk Management.

The responsibilities of the Risk Management Department in the Bank include the following areas:

- **Credit risk**

  This represents the potential loss resulting from the customer's inability or unwillingness to meet its obligations on time. These risks are one of the most significant risks to Banks.

- **Market risk**
  This represents the losses that the Bank may be exposed to as a result of any financial positions within or outside the balance sheet due to any changes occurring in the market prices.

- **Liquidity risk**
  This represents the losses that the Bank may be exposed to due to lack of funds needed to finance the increase of its investments or to repay its obligations when they become due on time with appropriate cost. (This is part of asset and liability management (ALM). Reports, in this regard, are prepared by Risk Management).

- **Interest rate risk**
  This represents the exposure to adverse movements in interest rates that affects the profitability of the Bank due to the change in net interest income and in the economic value of the cash flows of assets and liabilities.

- **Operational risk**
  This represents the loss resulting from the failure or inadequacy of internal procedures, human element, systems, or external events. This definition includes legal risk but not the strategic and reputation risk.

- **Information Security & Business Continuity Risk**
  This represents the loss resulting from the use of information by unauthorised persons, or the disclosure, distribution, modification, destruction of deletion of such information. This definition applies to any type of information whether written on paper or in a file on Internet. This also includes business continuity and disaster recovery.

Detailed responsibilities and functions of risk management sections

1- **Credit Risk:**

- The Risk Management Department reviews the credit policy periodically and in coordination with the representatives of corporate and individual facilities. The policy is the indicator and the basic guide for the different duty stations in clarifying the degree of credit risk acceptable to these stations.
- Opinions on credit applications are expressed by the Risk Management within the credit terms specified by the Board of directors without financial responsibility.
- The internal credit rating system is reviewed and evaluated independently of the credit marketing departments through the Risk Management. The Bank has a system documented and approved by the Board. Any element that may contribute to the expectation of a client's default is taken into consideration, which helps in measuring and classifying customer risks. This should facilitate the decision-making process, pricing facilities and determining customer and product profitability, credit management and the review and analysis of credit portfolio. In addition, it helps to retain the necessary data that facilitate the application of foundation internal ratings-based approach (FIRB) to credit risk within the Basel requirements. An automated credit rating system is implemented to support this. The Scoring Card System is used in the same framework.
- The Risk Department recommends, independently of the credit marketing departments, to set specific controls and limits, documented with clear policies and procedures to ensure compliance therewith. Such limits are reviewed periodically and adjusted, if necessary. There are specific limits set out and approved by the Board of Directors in dealing with banks, countries and various economic sectors. One of its tasks includes defining limits for any possible concentration of credit guarantees or products.
- The Risk Management Department prepares an analysis of the credit portfolio whereby the Board of Directors is clearly provided with an indication of the quality and different ratings thereof. The Board is also provided with any concentrations as well as historical benchmarking comparisons along with the banking sector where possible. Thereafter, appropriate recommendations to mitigate existing risks are made.

2- **Market Risk:**

The Bank has specific policies and procedures approved by the Board of Directos for identifying, measuring, monitoring and controlling the market risk. These are periodically reviewed, and the implementation thereof is monitored. Such policies include:

- Investment policy: the representatives of Treasury and Risk Departments develop and review this policy and amend it annually, if required. They also present it to the Investment Committee and the Assets and Liabilities Committee.

- The Bank has a written market risk policy approved by the Board of Directors that describes how to identify, measure, control and mitigate market risks. The Bank also has written policies approved by the Board of Directors, which define the fundamentals of portfolio management and investment funds, including operational bases, desired investment instruments and effective controls, in addition to a policy clarifying the basis for dealing between the Bank and its customers in convertible foreign currencies and major precious metals on a margin basis. The Risk Management Department develops such policies in cooperation with the concerned departments. Periodic (daily and monthly) reports are submitted by Middle Office under market risk / risk management for adherence with the above policies.

- The Risk Management Department prepares Value at Risk ('VAR') and measures sensitivity analysis, interest rate risk, limits and other reports included in the relevant policies approved.

3- **Liquidity risk:**

- The Risk Management Department, in cooperation with the Treasury Department, develops a written policy for liquidity risk management which is approved by the Board of Directors of the Bank.

- The Risk Management Department monitors the Bank's commitment to liquidity ratios set by the Central Bank of Jordan and the supervisory authorities under which the Bank's branches operate. The Bank's liquidity is monitored on a daily basis by the Treasury Department.

- Liquidity is also monitored by the Asset and Liability Management Committee chaired by the Director General and comprises the Head of Risk Management. It is governed by the ALCO Policy through periodic reports prepared by the Risk Management Departments and the Treasury Department. They are presented and considered by the Committee members who make appropriate recommendations in this regard.

- The Risk Management Department, in coordination with the Treasury Department, prepares a written policy for a Liquidity Contingency Plan to address any liquidity problems at the Bank, at various levels and scenarios which is approved by the Board of Directors of the Bank.

4- **Operational risk:**

- The Risk Management Department prepares and reviews documented policies and procedures for identifying, evaluating, mitigating and controlling operational risks. This is done to ensure compliance with the Basel requirements and to enhance the efficiency and effectiveness of the Bank's control environment. The Bank uses an automated operational risk system covering the Self-Assessment areas and Events Collection system, and identifies and analyses Key Risk Indicators (KRI) to the Bank's operation centres.

- Combination between different risk management is done by the Risk Management Department when setting controls and procedures to ensure that all risks are hedged to achieve the concept of Enterprise Risk Management.

- The Bank has documented Standard Operating Procedures (SOP's) that are reviewed and amended periodically by the relevant departments and under the supervision of the Operations Development Department. Any procedures that are modified or developed, including any new products, are presented to departments of internal audit, compliance and risks to study possible risks and adequacy of existing controls.

5- **Information Security & Business Continuity Management**

- The Risk Management Department develops a clear, documented, and approved Business Continuity Plan. The necessary tests are made regularly thereto, in accordance with the broad concept of Business Continuity Management supported by the DRS automated system for more efficient business continuity management, and in line with the instructions issued by the Central Bank of Jordan, and in accordance with international best practices in this regard.

- A team for Information Technology Security has been mobilised, reporting directly to Risk Management in order to support them. Such team is independent in its reporting from the Director of Information Systems Department. This is done in accordance with the international best practices including the ISO27001 and PCI requirements.

- Risk Management participates in the preparation of an appropriate risk assessment in the event of a new activity or product on the verge of being launched in a particular market.

6- **Interest rate risk**
The Risk Management Department prepares a documented interest rate risk policy that governs the identification, measurement and control of interest rate risk within the ALM's framework - ALCO, approved by the Board of Directors. The Risk Management Department prepares the necessary reports and submits to the ALCO Committee in the Bank.

Compliance with Basel decisions

The Department oversees the implementation of the requirements of the various Basel decisions, including the accounting of Basel III capital adequacy ratios including liquidity ratios, and effectively contributes to Capital Budgeting.

The Department prepares stress tests, evaluates internal capital and issues analytical reports on capital.

The Department also issues various financial analyses of banks with the preparation of new analyses specialised in specific aspects by taking advantage of the disclosures issued by banks.

First: The descriptive disclosures:

1. Definition of the Bank's implementation of default and the mechanism of addressing it:
The Bank defines the default and the mechanism of addressing it in accordance with the instructions of the Central Bank regarding the application of IFRS 9 No. 13/2018 issued on 6/6/2018. The Central Bank's instructions No. (47/2009) dated 10/12/2009 (item II / D) include a number of indicators on a default event which must also be complied with.

The main content of the definition of default is the items that indicate or result in non-compliance with contractual conditions such as:

- The existence of dues equal to or greater than (90) days.
- Increase in risk ratings above -7.
- Credit exposure / debt instruments that have evidence that they have become defaulted (irregular) or are expected to be defaulted soon.
- The debtor party is experiencing significant financial difficulties (very weak financial statements).
- The existence of clear indications that the debtor is near bankruptcy.

The mechanism of addressing default:

The Bank will follow-up with the customer before their default, trying not to reach the stage of classification of the facilities granted to them. In case of classification, the specific provision will be made against the facilities in accordance with the instructions and standards. In addition, they will be followed-up by the Department of Follow-up & Collections before starting the legal procedures in case of failure to reach solutions or schedules according to the instructions of the Central Bank of Jordan and the supervisory authorities in the countries where the Bank operates.

2. A detailed explanation of the Bank's internal credit rating system and its working mechanism:

- **Internal credit rating system for corporate customers:**

The Bank has an automated internal credit rating system from Moody's supplier. The rating system includes all of the processes, controls, data collected, and the information system that support and asses the credit quality of the borrower. It is then translated to the degree of risk to customers and linked to the possibility that the customer will default. This contributes to calculating the expected credit loss.

Moody's system that contains following models to calculate customers credit rating:

✓ Large Enterprises Rating Model.

✓ SME Rating Model (with financial data).

✓ SME Rating Model (without financial data).

✓ Customer Rating Model for Project Financing.

✓ High net worth customers Rating Model.

- The grades in the system range from 1 (Exceptional: a very high quality and low risk company) to 10 (Poor: a non-working classified company) - 7 working grades and 3 non-working grades.
- There is a clear and specific Master scale. Each credit rating is calculated by Moody's, offset by the probability of default (PD).
- Financial and non-financial analysis of clients is made. Moody's Financial Analysis Structure consists of four main sections:

  1- Operations:

  2- Liquidity:

  3- Capital structure:

  4- Debt Service:

An override can be used to classify the customer through an approval of the Facility Management Committee for the proposed ratings.

- **Internal Credit Scoring System for individual customers:**

Retail customers (individuals) are rated and given a rating grade based on their risk before their loans are approved. Such ratings are utilised to estimate the probability of default. This is done for housing loan products, auto finance and consumer loans.

3. The mechanism adopted to calculate expected credit losses (ECL) on financial instruments for each item:

The "loss test" model is used using the ECL model, which requires the use of estimates and judgments to estimate the economic factors that have an effect on the impairment in accordance with the new model. This model has been applied and the impairment loss has been calculated in accordance with the following rules:

- 12-month impairment losses: The expected impairment of default is calculated within 12 months following the date of the financial statements.

- Impairment losses for the useful life of the instrument: The expected impairment on the life of the financial instrument is calculated until the maturity date of the consolidated financial statements.
  The mechanism for calculating expected losses depends on the probability of default, which is calculated according to the credit risk, future economic factors and loss given default (LGD), which depends on the value of the existing collateral and the amount of the exposure at default (EAD).
  ECL are calculated for all financial assets of the Bank individually using the risk components of each instrument according to the following equation:

  ECL = PD * LGD * EAD.

In accordance with the requirements of IFRS 9, ECL measurement model is applied within the following framework (except as measured at fair value through statement of income):

- Loans and credit facilities (direct and indirect).
- Debt instruments carried at amortised cost.
- Debt instruments classified at fair value through other comprehensive income.
- Financial guarantees provided in accordance with the requirements of IFRS 9.
- Trade receivables.
- Credit exposures to banks and financial institutions [excluding current balances used to cover bank transactions such as remittances, guarantees and credits within a very short period of time (days)].

In respect of renewable facilities, ECL are calculated based on the behavioural maturity of three years.

4. Definition and mechanism for calculating and monitoring the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

A- Probability of Default (PD):

This represents the risk arising from the borrower's inability or unwillingness to repay its debts in full or on time, which is normally anticipated by analysing the customer's ability to repay its debt in accordance with its financial statements. The probability of default of the customer generally relates to financial data such as insufficient cash flows to service debt, low operating income or margins, high leverage or low liquidity. Accounting is done as follows:

Corporate customers:

- PD is calculated by linking the credit ratings within the internal credit rating to the grade of default identified in the Master Scale and for each individual customer. The probability of default is converted from Through the Cycle (TTC) to Point in Time, after the credit rating has been calibrated and the probability of default to match the bank's default data.
- For defaulted loans (Stage 3), the probability of default is set at 100%.
- Accounts not rated internally are assumed to have a rating grade of 5 with the Bank and -5 with Ejara Company.
- The probability of default was calculated for the Jordanian government based on its external credit rating.

Retail customers:

Their PD is calculated based on Behavioural Scoring and based on logistic regression for each customer.

For debt instruments and money market, Moody's external credit rating was adopted. If the debt instrument of an unrated company is treated as unrated companies. As for the unrated banks, the credit rating of the country to which the bank belongs is adopted and adjusted to suit the financial solidity of the Bank.

B- The Proportion of Losses Given Default:

This represents the ratio of assets that are expected to be lost if the customer defaults. This ratio is defined at the level of the facility rather than at the customer level. It is affected by various factors such as the availability of collateral, type of guarantee, priority of payment, the duration and quality of the loan. The accounting is done as follows:

Corporate customers and debt instruments:

- An LGD accounting system is used based on a number of determinants, including the customer's credit rating, economic sector, type and value of collateral and coverage ratio. These are calculated based on historical information.
- Haircut rates have been made for guarantees greater than those specified by the instructions of the Central Bank of Jordan.
- Setting floor limits for LGD ranging from 0% to 10%.
- Defaulted facilities (Stage 3) - The proportion of LGD has been identified for the unsecured portion with guarantees of 100%.
- The ratio of LGD to the Jordanian government was set at 0%.

Retail customers:

A model was developed for the accounting (Logistic regression model) using the variables used in the accounting of the Probability of Default model.

C- Exposure at Default (EAD):

The amount at risk is defined as the amount of the indebtedness in which the Bank is exposed to the probability of default in the case of a customer default as following:

- The current balance of direct facilities and a CCF proportion of 100% for indirect facilities.

- In the case of limits, the value of the amount exposed to the default shall be divided into two parts: the utilised obligations and the unutilised obligations where the balance or ceiling is calculated, whichever is higher.

- For retail, credit is used to determine the value of the default amount using the facilities prepayment ratio of customers.

5. Determinants of the significant change in the credit risk on which the Bank relied in calculating expected credit losses.

Rating	Criteria
Stage 1:	This includes credit exposures / debt instruments that have not received a significant increase in their credit risk since the initial recognition of the exposure / instrument or have a low credit risk at the date of preparation of the financial statements. Credit risk is considered to be low if the following conditions are met: Low default risk. The debtor has a high ability in the short term to meet its obligations. The Bank does not expect adverse changes in the economy in the long-term working environment adversely affecting the debtor's ability to meet its obligations (macroeconomic indicators and stress tests).
Stage 2:	Accounts with dues more than 30 days and less than 90 days. Accounts that were previously scheduled. Accounts that were structured twice in a year. Accounts rated by internal credit -7. In case of reducing the actual or expected internal credit rating of the borrower or the credit exposure / debt instrument according to the internal rating system applied by the Bank. Actual or expected significant decrease in the external credit rating of the credit exposure / debt instrument. Substantial negative changes in the performance and behaviour of the borrower such as late payment of instalments or unwillingness to respond to the Bank.
Stage 3:	This includes credit exposure / debt instruments that have evidence(s) that they have defaulted (irregular) or are expected to default soon. The debtor is experiencing significant financial difficulties (very weak financial data). Non-compliance with contractual conditions such as the existence of maturities equal to or greater than (90) days, and credit rating higher than -7. The existence of clear indications that the debtor is near bankruptcy. In addition to the above, the Central Bank Instructions No. (47/2009) dated 10/12/2009 (item II / D) includes a number of indicators demonstrating an event of default which must also be complied with.

- There are clear and specific criteria for ratings in the three stages (a, 2 and 3) and the transfer among them. According to the instructions of the Central Bank of Jordan, which state that in the event of an improvement in the quality of credit and the availability of sufficient and documented reasons making it possible to transfer credit exposures from Stage 3 to Stage 2 to or from Stage 2 to Stage 1, the transfer should only take place after the improvement of the credit position of the exposure and the obligation to pay at least three monthly instalments, two quarterly instalments or semi-annual instalment on time, in addition to improving the credit rating of the customer to be higher than -7 in order to be transferred to Stage 1.

- The downgrade of credit rating / debt instrument by two grades on the ten-point rating system since the date of initial recognition is evidence of a significant credit risk decline.

6. **Key economic indicators used by the Bank in calculating expected credit loss.**
The Bank uses key economic indicators in calculating expected credit loss, as follows:

- Corporate: GDP growth indicators and the financial market index
- Retail: A larger number of variables has been used, the most important of which are consumer price index, GDP, interbank rate of interest, volume of consumption, expected inflation, unemployment rate, discount rate, deposit rate and other rates.

7. **Governance of applying the requirements of IFRS 9, including the responsibilities of the Board of Directors and Executive Management to ensure compliance with the requirements of IFRS 9.**

Bank's Board of Directors

- The Board of Directors is responsible for establishing the Bank's acceptable risk profile and effective management of risk management.
- The Board of Directors is responsible and authorised to approve the expected credit losses in the Bank's financial statements.
- The Board of Directors of the Bank shall provide appropriate governance structure and procedures to ensure the proper application of IFRS 9 by defining the roles of the committees, departments and working units of the Bank, ensuring the integrity of the work among them and providing the appropriate infrastructure.
- The Board of Directors shall ensure that the Bank's management develops the necessary systems to provide adequate and accurate information and data in order to provide the Bank with the accurate ability to calculate and with the participation of all relevant business units in the Bank and under the supervision of the Board of Directors and its related committees.
- The Board of Directors shall ensure that the Bank's management implements high quality and reliable quality systems in terms of inputs, operating processes and results.
- The Board of Directors shall ensure that the Bank's control units, specifically risk department, internal audit department work to verify the validity and integrity of the methodologies and systems used in the application of IFRS 9 and to provide the necessary support to these supervisory units.

Board of Directors' Audit Committee:

- The Committee monitors compliance with the expected credit loss accounting framework in accordance with IFRS 9 and ensures that all aspects of the internal audit are audited.
- The Committee recommends to the Board of Directors the adoption of expected credit loss figures as part of the quarterly financial statements.

Board Risk Committee:

- The Committee reviews and recommends the adoption of the credit risk assessment framework and assumptions.
- The Committee is responsible for the accounting of expected credit losses and is reviewed at the level of the Board of Directors with respect to the roles and models used for the accounting.

Management Committee for Allocations:

- It is responsible for any matter related to provisions, accounting processes and follow-up matters relating to accounting
- It is responsible for any exceptions to the results of the outputs of the systems, the specific procedures and the documented models of the accounting process.
- It reviews the process of staging rules and sets the necessary recommendations.
- It views the accounting of the expected credit losses and recommends the adoption.

Risk Management:

- The Risk Management Department undertakes the necessary work to verify the validity and integrity of the methodologies and systems used in the application of IFRS 9.
- It is responsible for the accounting of expected credit losses .
- It reviews the used models and assumptions used in the accounting and recommends any required modifications to the Independent model validation .
- It evaluate the credit rating systems, determinants and results.
- It analyses the various accounting results and reviews the accuracy and efficiency of the accounting process.
- It prepares detailed statements required by the Central Bank of Jordan
- It makes recommendations to the Appropriations Committee on any override operation .
- It develops indicators that are indicators of significant change in credit risk.
- It reviews the transition between different stages, compares them with staging rules and reviews these limits periodically.

Finance Department:

- It participates with the departments concerned with reviewing the business model, through which the objectives and bases of acquisition and classification of financial instruments are determined, in order to ensure integration with other business requirements.
- It prepares accounting restrictions and reverse the results of the accounting on the main banking system.
- It prepares necessary disclosures in cooperation with the concerned departments in the Bank.

Internal audit:

The Internal Audit Department undertakes the necessary work to verify the validity and integrity of the methodologies and systems used in the application of IFRS 9.

(c) New standards and interpretations applied for annual reporting period commencing 1 January 2018 and which are early adopted by the Bank:

- **IFRS 16 "Leases"**

Nature of change: IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact: The Standard will primarily affect the accounting of the Bank's operating leases. As at the reporting date, most of the Bank's operating leases are short-term and low-value leases. Therefore, the standard is not expected to have any financial impact on the Bank.

Mandatory application date: Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(3) ACCOUNTING ESTIMATES

Preparation of the accompanying consolidated financial statements and the application of accounting policies require from the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, and the financial assets valuation reserve. In particular, they require the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Management believes that the estimates used in the consolidated financial statements are reasonable. The details are as follows:

- A provision is set for lawsuits raised against the Bank and subsidiaries. This provision is subject to an adequate legal study prepared by the Bank and subsidiaries' legal advisors. Moreover, the study highlights potential risks that may be encountered in the future. Such legal assessments are reviewed frequently.

- A provision for loans is taken according to bases and estimates approved by management in conformity with the Central Bank of Jordan instructions and IFRS 9.

- Impairment loss for the properties seized by the Bank is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors, and impairment loss is reviewed periodically.

- Management periodically reassesses the economic useful lives of tangible and intangible assets for calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.

- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the consolidated statement of income.

- Fair value hierarchy: The Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in International Financial Reporting Standards. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial asset or liability, the Bank uses market information (if available) and in the absence of the first level inputs, the Bank deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and inputs used to prepare the evaluation are reviewed by management.

(4) CASH AND BALANCES AT CENTRAL BANKS

Mandatory cash reserve amounted to JD 93,374,518 as of June 30, 2018 (JD 94,233,506 as of December 31, 2017).

Except for the statutory cash reserve, there are no restricted balances as of June 30, 2018 and December 31, 2017.

There are no Certificates of Deposits as of June 30, 2018 and December 31, 2017.

Central Bank's balances movement (Unaudited):

	Stage 1 Individually	Stage 2 Individually	Stage 3 Individually	Total
Total balance as at beginning of the period	34,211,749	-	-	34,211,749
New balances during the period	-	-	-	-
Paid balances (Repaid/ Derecognized)	(29,858,800)	-	-	(29,858,800)
Transferred to stage 1	(537,159)	-	-	(537,159)
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end	3,815,790	-	-	3,815,790

Provision for impairment loss movement:

	Stage 1 Individually	Stage 2 Individually	Stage 3	Total
Total balance as at beginning of the period	31,114	-	-	31,114
Loss on impairment over balances added during the period	-	-	-	-
Reversed from impairment loss over settled balances (Repaid/ Derecognized)	(20,937)	-	-	(20,937)
Transferred to stage 1	(4,026)	-	-	(4,026)
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Impact on provision – as at period end – due to reclassification between the 3 stages during the period	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end	6,151	-	-	6,151

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non-interest bearing balances at banks and financial institutions amounted to JD 78,153,705 as June 30, 2018 (JD 45,098,151 as of December 31, 2017).

Restricted balances amounted to JD 709,000 as of June 30, 2018 (JD 2,558,072 December 31, 2017).

The provision for impairment on balances with banks and financial institutions are in accordance with International Financial Reporting Standard No. (9) amounted to JD 56,801 as of June 30, 2018.

Balances at banks and financial institutions movement:

	Stage 1 Individually	Stage 2 Individually	Stage 3 Individually	Total
Total balance as at beginning of the period / year	163,020,594			163,020,594
New balances during the period	53,653,140	-	-	53,653,140
Paid balances (Repaid/ Derecognized)	(82,068,423)	-	-	(82,068,423)
Transferred to stage 1	21,126,596	-	-	21,126,596
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end / year	155,731,907	-	-	155,731,907

Provision for impairment loss movement:

	Stage 1 Individually	Stage 2 Individually	Stage 3 Individually	Total
Total balance as at period beginning	92,284	-	-	92,284
Loss on impairment over balances added during the period	31,548	-	-	31,548
Reversed from impairment loss over settled balances (Repaid/ Derecognized)	(73,028)	-	-	(73,028)
Transferred to stage 1	5,975	-	-	5,975
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Impact on provision – as at period end – due to reclassification between the 3 stages during the period	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end	56,779	-	-	56,779

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

There are no deposits mature after one year as of June 30, 2018 and December 31, 2017.

There are no deposits that mature after six months to one year as of June 30, 2018 and December 31, 2017.

There are no deposits mature within three to six months as of June 30, 2018 and (JD 6,246,210 December 31, 2017.)

The restricted deposits amounted to 17,725 JD as at 30 June 2018 and 31 December 2017.

- Provisions for impairment in respect of balances with banks and financial institutions in accordance with International Financial Reporting Standard (IFRS) 9, 21 JD as of June 30, 2018.

(7) DIRECT CREDIT FACILITIES - NET

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Individuals (retail):		
Overdraft accounts	928,803	12,451,875
Loans and promissory notes*	128,841,422	128,561,331
Credit cards	12,580,009	10,976,355
Real estate loans	252,975,158	222,533,778
Companies:		
Large		
Overdraft accounts	219,259,532	223,112,571
Loans and promissory notes*	818,948,319	806,059,454
Small and Medium		
Overdraft accounts	16,380,524	11,413,661
Loans and promissory notes*	94,099,862	94,088,879
Government and public sector	104,987,096	114,811,877
Total	1,649,000,725	1,624,009,781
Less: Provision of impairment loss in direct credit facilities	(96,989,928)	(49,321,331)
Interest in suspense	(15,256,632)	(12,401,539)
Net Direct Credit Facilities	1,536,754,165	1,562,286,911

*Net after deducting interest and commission received in advance of JD 186,601 as of June 30, 2018 (JD 227,653 as of December 31, 2017).

Credit facilities within stage 3 amounted to JD 175,937,405 which is equivalent to (10.7%) of total direct credit facilities as of June 30, 2018 (against non-performing facilities that amounted to JD 89,714,830 which is equivalent to (5.5%) of total direct credit facilities as of December 31, 2017).

Credit facilities within stage 3 net of interest and commissions in suspense amounted to JD 160,715,079 which is equivalent to (9.8%) of total direct credit facilities balance after deducting suspended interest as of June 30, 2018 (against JD 77,313,291 which is equivalent to (4.8%) of total direct credit facilities balance after deducting suspended interest as of December 31, 2017).

Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to JD 60,698,871 which is equivalent to (3.7%) of total direct credit facilities as of June 30, 2018 (against JD 67,116,547 which is equivalent to (4.1%) as of December 31, 2017).

Provision of Impairment Loss in Direct Credit Facilities

The following is the movement on the provision of impairment loss in direct credit facilities during the period / year:

	Individuals	Real Estate Loans	Companies		Government and Public sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
For the six months Ended June 30, 2018						
Balance – beginning of the period	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331
Effect of adopting IFRS (9)- Note (2)	4,497,126	10,294,979	27,807,871	3,844,280	9,477	46,453,733
Balance- at the beginning of the period	10,774,127	14,196,098	65,579,883	5,215,479	9,477	95,775,064
Add: deducted from income during the period	4,476,164	3,941,317	15,182,878	2,234,087	-	25,834,446
Less: Surplus in provision of credit facilities	4,419,751	3,433,668	15,063,850	1,692,836	9,477	24,619,582
Balance – End of the Period	10,830,540	14,703,747	65,698,911	5,756,730	-	96,989,928
Total provisions- stage 1	5,675,657	1,128,132	2,162,963	193,490	-	9,160,242
Total provisions- stage 2	928,357	997,871	3,268,153	105,537	-	5,299,918
Total provisions- stage 3	4,226,526	12,577,744	60,267,795	5,457,703	-	82,529,768
	10,830,540	14,703,747	65,698,911	5,756,730	-	96,989,926

	Individuals	Real Estate Loans	Companies		Government and Public sector	Total
			Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
For period Ended December 31, 2017						
Balance – beginning of the period	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373
Deducted from income during the period	1,739,660	827,082	26,175,921	355,617	-	29,098,280
Surplus in provision of credit facilities	(1,560,757)	(2,397,085)	(9,699,989)	(1,066,520)	-	(14,724,351)
Used from provision during the year (written-off) *	(344,441)	-	-	(51,675)	-	(396,116)
Non performing credit off-consolidated statement of financial positions	-	-	(37,776,855)	-	-	(37,776,855)
Balance – End of the Period	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331
Total of watch list provisions	268,063	19,006	2,001,010	26,629	-	2,314,708
Total non-performing provisions	6,008,938	3,882,113	35,771,002	1,344,571	-	47,006,624
	6,277,001	3,901,119	37,772,012	1,371,200	-	49,321,332

*According to the Board of Directors decision, direct credit facilities were written off during the year of 2017 amounted to JD 396,116.

-The disclosure above is related to provisions against debts calculated on the basis of the individual customer.

-The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 24,619,583 As of June 30, 2018 (against JD 14,724,351 as of December 31, 2017).

Movement on facilities - Consolidated at period end

	Stage 1		Stage 2		Stage 3	Total
	Individually	Total	Individually	Total		
Total balance as at period beginning	1,485,572,507	-	162,366,276	-	138,175,050	1,786,113,833
New facilities during the year	125,760,956	-	11,802,908	-	12,439,340	150,003,204
Paid balances (Repaid/ Derecognized)	(121,850,885)	-	(19,642,035)	-	(14,470,486)	(155,963,406)
Transferred to stage 1	31,223,016	-	(62,788,822)	-	(1,162,094)	(32,727,900)
Transferred to stage 2	(20,374,290)	-	(3,324,665)	-	(1,043,805)	(24,742,760)
Transferred to stage 3	(5,394,716)	-	(10,773,744)	-	3,287,328	(12,881,132)
Changes from amendments	57,050,396	-	20,332,335	-	23,489,747	100,872,478
Written off balances	-	-	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-	-	-
Total balance as at period end	1,551,986,984	-	97,972,253	-	160,715,080	1,810,674,317

The following is the movement on the provision of impairment loss - Consolidated as at period end:

	Individuals	Real Estate Loans	Corporate	Medium and small businesses	Government and Public sector	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the period	10,783,596	14,196,098	65,579,890	5,215,479	9,470	95,775,064
Impairment loss on the new facilities during the year	1,498,623	202,532	5,676,924	888,849	-	8,266,928
Reversed from impairment loss over settled balances (Repaid/ Derecognized)	(2,028,220)	(288,895)	(7,355,385)	(324,886)	(9,470)	(10,006,855)
Transferred to stage 1	(684,904)	(1,864,745)	(2,634,628)	(332,184)	-	(5,516,462)
Transferred to stage 2	(329,493)	(490,039)	(1,753,541)	(507,739)	-	(3,080,811)
Transferred to stage 3	(837,978)	(909,652)	2,507,391	(493,630)	-	266,130
Impact on provision – as at period end – due to reclassification between the 3 stages during the period	-	-	-	-	-	-
Changes from amendments	2,438,385	3,858,448	3,678,258	1,310,841	-	11,285,933
Written off balances	-	-	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-	-	-
Balance – End of the Period	10,830,540	14,703,747	65,698,910	5,756,730	-	96,989,928
Re-allocation:						
Provisions on an individual basis	10,830,540	14,703,747	65,698,910	5,756,730	-	96,989,928
Provisions on a collective basis	-	-	-	-	-	-
Total balance as at period end	10,830,540	14,703,747	65,698,910	5,756,730	-	96,989,928

Interest in Suspense

The movement on interest in suspense during the period / year is as follows:

	Individuals	Real Estate Loans	Companies – Large	Companies – Small and Medium	Government and Public sector	Total
	JD	JD	JD	JD	JD	JD
For the six months Ended June 30, 2018						
Balance – beginning of the period	590,986	1,846,443	9,583,631	380,479	-	12,401,539
Add: Interest suspended during the period	645,905	625,885	1,927,212	134,472	-	3,333,474
Less: Interest reversed to income	275,453	61,355	106,504	35,069	-	478,381
Interest in suspense written-off	-	-	-	-	-	-
Balance - End of the Period	961,438	2,410,973	11,404,339	479,882	-	15,256,632

	Individuals	Real Estate Loans	Companies – Large	Companies – Small and Medium	Government and Public sector	Total
	JD	JD	JD	JD	JD	JD
For the period Ended December 31, 2017						
Balance – beginning of the period	643,062	1,819,453	11,537,660	414,911	-	14,415,086
Add: Interest suspended during the period	142,177	195,301	2,570,648	347,776	-	3,255,902
Less: Interest reversed to income	80,622	168,311	668,788	382,208	-	1,299,929
Interest in suspense written-off	113,631	-	3,158	-	-	116,789
Non performing credit off-consolidated statement of financial positions	-	-	3,852,731	-		3,852,731
Balance - End of the Period	590,986	1,846,443	9,583,631	380,479	-	12,401,539

The bank adopts a policy for suspending interest off the consolidated statement of financial position for credit facilities that are outstanding before the court of law. Suspended interest on non-performing credit facilities off the consolidated statement of financial position, amounted to JD 10,147,842 for the six months ended June 30, 2018 (against JD 17,495,663 for the year ended December 31, 2017.

Direct credit facilities are distributed according to economic sector as follows (Unaudited):

			Sum	
	Inside the Kingdom	Outside the kingdom	June 30, 2018	December 31, 2017
			JD	JD
Financial	18,292,564	5,866,092	24,158,656	18,044,937
Industrial and mining	388,299,467	41,375,255	429,674,722	469,819,050
Trade	261,383,115	5,982,513	267,365,628	202,393,814
Real estates	234,429,980	1,430,458	235,860,438	216,786,216
Services	195,543,571	99,284,348	294,827,919	357,913,040
Agriculture	29,898,328	-	29,898,328	30,806,779
Shares	18,632,731	790,390	19,423,121	6,589,624
Individuals	130,558,256	-	130,558,256	145,121,574
Government and Public sectors	104,987,097	-	104,987,097	114,811,877
Total	1,382,025,109	154,729,056	1,536,754,165	1,562,286,911

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Quoted shares in active markets	-	6,127,310
Quoted bonds in active markets	-	54,488,359
Unquoted bonds in active markets	-	6,058,000
Total	-	66,673,669
Bonds Analysis:		
Fixed rate	-	57,021,450
Floating rate	-	3,524,909
Total	-	60,546,359

The bank has reclassified the financial assets at fair value through profit or loss due to the adoption of IFRS (9) in the amount of 66,673,669 as at January 2018 (Note 2-2).

(9) FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Quoted shares in active markets	13,876,716	8,295,860
Unquoted shares in active markets	20,621,242	20,944,851
Quoted bonds in active markets	65,767,002	-
Unquoted bonds in active markets	17,085,000	-
Total	117,349,960	29,240,711
Less: provision for impairment of financial assets at fair value through comprehensive income	1,958,310	-
Total	115,391,650	29,240,711

Analysis of bonds and treasury bills:		
Fixed returns:	63,440,130	-
Variable returns	19,411,872	-
Total	82,852,002	-

The cash dividends on the above investments were JD 1,300,475 for the six months ended 30 June 2018 (compared to JD 853,256 for the six months ended 30 June 2017).

Part of the financial assets at fair value through statement of income and financial assets at amortized cost were transferred to financial assets at fair value through statement of comprehensive income as a result of the application of the final version of IFRS 9 (note 2.2). The fair value of the transferred assets is JD 97,510,640 as at 1 January 2018

(10) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Quoted Financial Assets:		
Companies' bonds and debentures	-	15,847,190
Total Quoted Financial Assets	-	15,847,190
Unquoted Financial Assets:		
Bonds and treasury bills	335,646,022	361,845,731
Companies' bonds and debentures	1,418,000	17,408,000
Total Unquoted Financial Assets	337,064,022	379,253,731
Total	337,064,022	395,100,921
Less: provision for impairment of financial assets at fair value	24,981	-
Total	337,039,041	395,100,921
Bonds and Bills Analysis:		
Fixed rate	337,039,041	379,200,921
Floating rate	-	15,900,000
Total	337,039,041	395,100,921

A portion of financial assets were reclassified at amortized cost of 30,836,073 JD as at 1 January 2018 as a result of the application of the final version of IFRS 9 (note 2.2).

Movement on investment collectively as at period end (Unaudited):

Item:	Stage 1 Individually	Stage 2 Individually	Stage 3 Individually	Total
Fair value as at the beginning of the period / year	61,048,583	-	13,231,800	74,280,383
New Investments during the period	-	-	-	-
Accrued Investments (Repaid/ Derecognized)	(4,963,000)	-	-	(4,963,000)
Changes in fair value	-			-
Transferred to stage 1	(427,845)	-	-	(427,845)
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end	55,657,738	-	13,231,800	68,889,538

Provision for impairment loss collectively movement as at period end (Unaudited):

	Stage 1 Individually	Stage 2 Individually	Stage 3 Individually	Total
Total balance as at period beginning	458,880	-	1,543,952	2,002,832
Loss on impairment over balances added during the period	-	-	-	-
Reversed from impairment loss over settled balances (Repaid/ Derecognized)	(23,806)	-	-	(23,806)
Transferred to stage 1	3,299	-	-	3,299
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	966	966
Impact on provision – as at period end – due to reclassification between the 3 stages during the period	-	-	-	-
Changes from amendments	-	-	-	-
Written off balances	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-
Total balance as at period end	438,373	-	1,544,918	1,983,291

(11) PROPERTY, PLANT AND INTANGIBLE ASSETS

Net of disposals to property, plant and intangible assets for the six months ended June 30, 2018 amounted to JD 489,792 (against additions JD 4,157,404 for the six months ended 30 June 2017).

(12) OTHER ASSETS

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Accrued interest and revenue	23,970,882	14,976,084
Prepaid expenses	5,089,120	2,700,257
Assets seized by the Bank against due debts - net *	147,383,260	151,099,594
Debtors **	608,304	663,495
Clearing checks	2,369,012	389,498
Others **	7,767,470	10,967,857
Total	187,188,048	180,796,785

*The Central Bank of Jordan's instructions require that the Bank dispose of seized assets within a period not exceeding two years from the start date of seizure and to the central bank, in exceptional cases, extending this period for a maximum another sequential two years.

**Debtors and other assets include balances relating to the subsidiary companies of JD 233,213 as of June 30, 2018 (JD 147,959 as of December 31, 2017).

The movement on assets seized by the Bank against due debts was as follows (unaudited):

	For the Six Months Ended June 30, 2018			For the Six Months Ended December 31, 2017
	Seized Property	Other Seized Assets**	Total	Total
	JD	JD	JD	JD
Balance - beginning of the period / year - net	149,644,118	1,455,476	151,099,594	136,494,967
Additions	911,665	-	911,665	28,608,940
Disposals	(2,762,531)	(622,922)	(3,385,453)	(7,078,656)
Provision as per CBJ instructions *	(1,282,373)	-	(1,282,373)	(6,372,655)
Loss on impairment	39,827	-	39,827	(553,002)
Balance - End of the Period / Year	146,550,706	832,554	147,383,260	151,099,594

* This item represent provision of properties seized by the bank based on the instruction of the central bank of Jordan regarding the issue for which the bank started to calculate a gradual provision for the seized assets against debts which has been owned for a period of 4 years.

** Disposals represents selling part of shares owned through the first half of the current year with a profit of 246,146 JD.

(13) CUSTOMER DEPOSITS

The details of this item are as follows:

	June 30, 2018				
		Companies			
	Individuals	Large	Small and Medium	Government and Public Sector	Total
Current accounts and demand deposits	309,427,377	93,498,020	189,961,910	26,593,779	619,481,086
Saving deposits	161,408,728	733,483	5,926,685	718,825	168,787,721
Time deposits subject to notice	632,734,061	199,245,609	70,428,232	87,248,912	989,656,814
Deposits Certificates	56,773	-	-	-	56,773
	1,103,626,939	293,477,112	266,316,827	114,561,516	1,777,982,394

	December 31, 2017				
		Companies			
	Individuals	Large	Small and Medium	Government and Public Sector	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Current accounts and demand deposits	306,822,870	125,736,612	217,701,627	4,129,758	654,390,867
Saving deposits	170,792,970	3,253,071	5,163,170	583,086	179,792,297
Time deposits subject to notice	636,661,486	153,672,278	82,282,245	86,969,111	959,585,120
Deposits Certificates	2,940,701	11,599,949	-	-	14,540,650
	1,117,218,027	294,261,910	305,147,042	91,681,955	1,808,308,934

Government and Public sector deposits amounted to JD 114,561,516 which is equivalent to 6.6% of total deposits as of 30 June 2018 (against JD 91,681,955 which is equivalent to 5.1% of total deposits as of 31 December 2017.)

Non-interest bearing deposits amounted to JD 611,251,498 which is equivalent to 34,4% of total deposits as of 30 June 2018 (against JD 654,390,867 which is equivalent to 36.2% as of 31 December 2017)

Restricted deposits amounted to JD 24,549,811 which is equivalent to 1.4% of total deposits as of 30 June 2018 (against JD 21,690,132 which is equivalent to 1.2% as of 31 December 2017.

Dormant deposits amounted to JD 54,349,946 as of 30 June 2018 (against JD 43.362.849 as of 31 December 2017.)

(14) SUNDRY PROVISIONS

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Provision For Staff Indemnity	10,205,943	9,854,764
Provision For Lawsuits Against The Bank	1,228,356	1,066,365
	11,434,299	10,921,129

(15) INCOME TAX

A. PROVISION FOR INCOME TAX

The movement on provision for income tax was as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017
	Unaudited	Unaudited
	JD	JD
Beginning balance for the period / year	12,210,713	14,567,302
Income tax accrued for the period/ year	5,135,843	15,529,378
Income tax paid for the period / year	(11,519,934)	(17,779,527)
Income tax paid for the period / year	-	(106,440)
Ending balance for the period / year	5,826,622	12,210,713

B. INCOME TAX EXPENSE

Provision for income tax in the interim consolidated statement of income is comprised of the following:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Unaudited
	JD	JD
Accrued income tax for the period's profits	5,135,843	7,336,506
Effect of Deferred tax assets for the period	2,537,542	(626,585)
Effect of Deferred tax liabilities for the period	-	-
Total	7,673,385	6,709,921

RECONCILIATION BETWEEN ACCOUNTING INCOME AND TAXABLE INCOME

The summary of the reconciliation between accounting income and taxable income is as follows:

	For the Six Months Ended June 30	
	2018	2017
	JD	JD
Accounting profit	26,160,272	21,246,503
Expenses not deductible for tax purposes	13,348,683	7,427,742
Non-taxable profit	(7,232,342)	(5,527,632)
Taxable Income	32,276,613	23,146,613

Effective Income Tax Rates:

Jordan branches	35%	35%
Palestine branches	20%	20%
Cyprus branches	12.5%	12.5%
Subsidiary companies	24%	24%

C. RECONCILIATION BETWEEN ACCOUNTING INCOME AND TAXABLE INCOME

The tax status for the bank and its subsidiaries is as follows:

Branches / Companies	Income Tax Return up to End of the Year	Final Settlement up to End of the Year	Payment to Income and Sales Tax Department	Years Under Dispute
Jordan Branches	2016	2016	Accrued tax has been paid	None
Palestine Branches	2016	2016	Accrued tax has been paid	None
Cyprus Branch	2016	2016	Accrued tax has been paid	None
Ejarah for Finance Leasing	2016	2015	Accrued tax has been paid	None
United Financial Investments Company	2016	2014	Accrued tax has been paid	2013
Specialized Managerial Company for Investments and Financial Services	None	None	None	None

In the opinion of the Management and the Tax Consultant of the bank and subsidiaries, the provision for income tax is sufficient as at the condensed interim financial statements.

(16) BORROWED FUNDS

These funds were obtained by agreements with the Central Bank of Jordan and The Jordan Mortgage Refinance Company for a period less than 22 years, in the purpose of using it in financing small and medium size companies. It also includes advanced payments obtained from the Central Bank of Jordan for the period of 2 years for the purpose of using them to finance small and medium sized companies, in addition to loans obtained from local banks for the bank's subsidiaries and is as follows:

June 30, 2018 (Unaudited)	Celings	Amount	Number of installments and remaining installments	Frequency of installment	Loan interest rates	Collateral
	JD	JD				
Loan from Central Bank of Jordan	4,000,000	3,800,000	Paid over 10 years	Semi Annual	%4.02	-
Loan from Central Bank of Jordan	3,000,000	2,580,000	paid over 6 years	Semi Annual	%2.5	-
Loan from Central Bank of Jordan	4,663,500	4,663,500	paid over 13 years	Semi Annual	%4.07	-
Loan from Central Bank of Jordan	1,611,086	1,611,086	paid over 22 years	Semi Annual	%3.00	-
Advanced payments from Central Bank of Jordan	7,373,911	4,965,985	paid over 5 years	Monthly	%1.64	Upon demand Deposits
Advanced payments from Central Bank of Jordan	549,914	549,914	paid over 1 year	Monthly	%1.25	Upon demand Deposits
Advanced payments from Central Bank of Jordan	5,333,353	4,865,649	paid over 10 year	Monthly	%1.17	Upon demand Deposits
Advanced payments from Central Bank of Jordan	500,000	107,146	Paid over 1 year	Quarterly	%2.25	Upon demand Deposits
Loan from the Jordan Mortgage Refinance Co	20,000,000	20,000,000	Paid under one instalment during 2020		%5.55	-
Loan from the Jordan Mortgage Refinance Co	10,000,000	10,000,000	Paid under one instalment during 2020		%6.05	-
Local bank *	5,000,000	3,923,885	Paid over 36 instalments from date of utilization		%6.5	-
Local bank *	5,000,000	3,262,925	Paid over 36 instalments from date of utilization		%6.75	-
Local bank *	5,000,000	1,893,060	Paid over 36 instalments from date of utilization		%6.5	-
Local bank *	5,000,000	1,871,916	Paid under one instalment on August 5, 2018		%6.75	-
Local bank *	5,000,000	4,482,578	Not Applicable		%6.5	-
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on August 5, 2018		%4.35	-
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on May 18, 2019		%5.75	-
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on February 4, 2020		%6.20	-
Total	97,031,764	83,577,644				

The borrowings have been re-lent to support small to medium institutions and companies with an average price of 6% to continue its operations of short or long-term, as for products of financial leasing has been granted with the an average price of 10%

December 31, 2017

	Cielings	Amount	Number of installments and remaining installments	Frequency of installment	Loan Interest rates	Collateral
	JD	JD				
Loan from Central Bank of Jordan	4,000,000	4,000,000	Paid over 11 years	Semi Annual	%3.253	-
Loan from Central Bank of Jordan	3,000,000	2,790,000	Paid over 7 years	Semi Annual	%2.5	-
Loan from Central Bank of Jordan	4,663,500	4,663,500	Paid over 14 years	Semi Annual	%3.303	-
Loan from Central Bank of Jordan	1,611,086	1,611,085	Paid over 22 years	Semi Annual	%3	-
Advanced payments from Central Bank of Jordan	6,899,643	5,287,584	Paid over 5 years	Monthly	%1.732	Upon request
Advanced payments from Central Bank of Jordan	500,000	179,000	Paid over 1 year and 3 months	Quarterly	%2.25	Upon request
Advanced payments from Central Bank of Jordan	3,663,460	3,663,460	paid over 10 year	Monthly	%1.375	Upon request
Loan from the Jordan Mortgage Refinance Co	20,000,000	20,000,000	Paid under one instalment during 2020		%5.55	-
Loan from the Jordan Mortgage Refinance Co	10,000,000	10,000,000	Paid under one instalment during 2020		%6.05	-
Local Bank (short-term)*	5,000,000	3,270,927	Not Applicable	Not Applicable	%6	-
Local Bank (short-term)*	5,000,000	2,766,728	Not Applicable	Not Applicable	%6.25	-
Local Bank*	5,000,000	3,748,357	Paid over 36 instalments from date of utilization		%6	-
Local Bank*	5,000,000	3,157,332	Paid over 36 instalments from date of utilization		%6	-
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on May 15, 2019		%5.55	Real estate mortgage
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on August 5, 2018		%4.35	Real estate mortgage
Loan from the Jordan Mortgage Refinance Co*	5,000,000	5,000,000	Paid under one instalment on August 5, 2018		%5.75	Real estate mortgage
Total	89,337,689	80,137,973				

(17) OTHER LIABILITIES

The details of this item is as follows:

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Accrued interest payable	10,826,732	10,113,609
Inward transfers	2,437,067	1,712,868
Accounts payable *	1,881,062	1,472,545
Accrued expenses	1,812,058	1,466,268
Temporary deposits - customers	8,185,743	4,007,668
Temporary deposits **	3,924,412	3,649,262
Shareholders' deposits ***	6,416,577	4,549,436
Accepted and certified checks	6,124,242	7,041,805
Lock boxes deposits	496,143	499,999
Subscriptions deposits ***	131,864	131,879
Provision for impairment in indirect facilities	2,819,772	-
Other Liabilities *	21,002,033	10,721,673
Total	66,057,705	45,367,012

*Accounts payable and other liabilities include balances for subsidiaries in the amount of JD 2,061,839 as of June 30, 2018 (against JD 1,751,673 as of December 31, 2017).

**This item represents temporary payments to public listed companies and others.

***This amount represents the proceeds of subscriptions to public shareholding companies under incorporation.

(18) FINANCIAL ASSETS REVALUATION RESERVE – NET AFTER TAX

The movement on this item through the period / year is as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017
	Unaudited	Audited
	JD	JD
Balance at the beginning of the period / year	8,135,930	6,133,272
Unrealized Gains- net	(2,731,746)	2,634,144
Unrealised (Losses)	(192,477)	222,022
Deferred tax liabilities	263,928	(853,508)
Balance at the end of the period / year	5,475,635	8,135,930

(19) RETAINED EARNINGS

The movement on this item through the period / year is as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017
	Unaudited	Audited
	JD	JD
Balance at the beginning of the period / year	99,275,774	105,999,129
The impact of adopting IFRS (9)	(41,210,085)	-
Balance- at the beginning of the period	58,065,689	105,999,129
Profit for the year	-	26,955,793
Gains (losses) from financial assets through comprehensive income	192,477	(222,022)
Transferred from (to) reserves*	14,288,875	(13,457,126)
Dividends Paid - (Note 32)	(20,000,000)	(20,000,000)
Balance at the end of the period / year	52,547,041	99,275,774

Included in retained earnings is an amount of JD 26,027,287 as of 30 June 2018 restricted according to the Central Bank of Jordan's instructions against deferred tax assets against JD 11,299,456 as of 31 December 2017.

Retained earnings include an amount of JD 0 as of 30 June 2018 against JD 3,920,703 as of 31 December 2017, which represents the effect of early adoption of IFRs (9). These amounts are restricted amounts and cannot be utilized unless realized through sale as instructed by the Jordan securities commission.

Use of the negative evaluation of the financial assets reserve is restricted according to the regulations of the Jordan's securities commission and the Central Bank of Jordan.

*According to the regulations of Central Bank of Jordan (13/2018) the balance of general banking reserve amounting 14,288,875 as at 31 December 2017 have been transferred to retained earnings to clear the effect of IFRS (9) implementation, and the amounts is restricted for use after clearing.

(20) INTEREST INCOME

The details of this item is as follows:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Direct Credit Facilities:		
Individual (Retail):		
Overdrafts	164,197	1,548
Loans and discounted bills	3,803,793	2,932,521
Credit cards	978,471	835,899
Real Estate loans	9,590,763	7,300,318
Companies:		
Corporate		
Overdrafts	5,531,879	6,656,507
Loans and discounted bills	27,736,544	26,054,482
Medium and Small Companies		
Overdrafts	1,037,670	1,014,142
Loans and discounted bills	3,066,919	2,876,548
Government and public sector	4,519,330	5,029,749
Balances at Central Bank	888,643	41,324
Balances and deposits at banks and financial institutions	4,032,995	2,580,140
Financial assets at amortized cost	7,950,711	9,272,596
Financial assets at fair value through income & loss	-	2,053,690
Financial assets at fair value through comprehensive income	2,027,976	-
Total	71,329,891	66,649,464

(21) INTEREST EXPENSE

The details of this item is as follows:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Deposits at banks and financial institutions	3,968,647	3,731,146
Customers deposits;		
Current and demand deposits	373,351	130,892
Saving deposits	460,642	427,037
Time and notice accounts	17,791,605	11,426,029
Certificates of deposits	49,905	16,591
Cash margins	1,070,916	779,774
Borrowed funds	1,152,203	1,115,907
Deposits guarantee fees	1,556,093	1,514,535
Total	26,423,362	19,141,911

(22) OTHER INCOME

The details of this item is as follows:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Rental of lock box	86,513	83,620
Stamps income	31,708	28,218
Credit cards income	3,305,841	2,659,507
Recovery of debts previously written-off	558,890	157,941
Telecommunication income	181,600	188,394
Transfers income	773,550	680,987
Shares trading revenue- subsidiary company	362,391	100,047
Gain on sale of seized assets	87,505	129,981
Dividends on gain of seized stocks	246,146	-
Others	1,723,346	1,334,453
Total	7,357,490	5,363,148

(23) OTHER EXPENSES

The details of this item is as follows:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Rent	1,468,985	1,421,531
Stationary	409,180	336,518
Advertisement	663,608	618,239
Subscriptions	240,889	272,711
Telecommunication fees	641,058	719,970
Maintenance	1,729,986	1,220,323
Insurance expenses	503,684	452,310
Legal expenses	36,005	48,580
Water, heating and electricity expenses	754,233	751,540
Tax and stamp fees	532,361	525,632
Professional Fees	76,542	134,967
Card services expenses	1,976,038	1,678,315
Transportation expenses	80,732	90,277
Correspondents services fees	143,180	129,358
Security fees	138,085	113,691
Donations and social fees	606,734	476,596
Hospitality	40,036	60,996
Provision on assets seized by the bank against due debts	1,242,546	2,490,388
Loss on sale of seized assets	656,807	355,623
Management fees	452,342	246,732
Others	10,040,423	1,706,590
Total	22,433,454	13,850,887

(24) GAINS (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

The details of this item is as follows:

For the Six Month Ended June 30, 2018	Realized (losses)	Unrealized (losses)	Dividends Income	Total
	JD	JD	JD	JD
Companies shares	-	-	-	-
Corporate bonds and debentures	-	-	-	-
Total	-	-	-	-

For the Six Month Ended June 30, 2017	Realized (losses)	Unrealized (losses)	Dividends Income	Total
	JD	JD	JD	JD
Companies shares	-	183,979	227,516	411,495
Corporate bonds and debentures	191,459	911,362	-	1,102,821
Total	191,459	1,095,341	227,516	1,514,316

(25) EARNINGS PER SHARE FOR THE PERIOD ATTRIBUTABLE TO BANK'S SHAREHOLDERS

The details of this item is as follows:

	For the Six Months Ended June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Income for the period attributed to the Bank's shareholders	18,486,887	14,536,583
Income for the period from continues operation	19,104,101	16,149,863
Income for the period from discontinued operations	(617,214)	(1,613,218)
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
	JD/ Share	JD/ Share
Earnings per share pertains to the Bank's Shareholders (basic and diluted)	0.185	0.145
Earnings per share from continuing profits (basic and diluted)	0.191	0.161
Earnings per share from discontinued losses	(0.006)	(0.016)

(26) CAPITAL MANAGEMENT

a. Description of Capital

Capital is classified into several types: paid capital, economic capital, and regulatory capital. According to the Companies Law, regulatory capital is defined as the total items determined by the Central Bank of Jordan for regulatory purposes relating to capital adequacy as per the Central Bank of Jordan's instructions.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank require that paid-up capital be not less than JD 100 million and shareholders' equity-to-assets ratio be not less than 6%. Moreover, the Central Bank's instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12%, which is considered by the Bank.

The Bank complies with Article (62) of the Banks Law, which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law, which requires adherence to the limits set by the Central Bank of Jordan relating to the following:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.

2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.

3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

C. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 14%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to in adherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital, and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specific studies.

Capital Adequacy

On November 31, 2016, the Central Bank of Jordan issued instructions relating to capital adequacy according to Basel III. Basel II has been cancelled according to the Central Bank's orders.

The Bank manages capital to ensure continuity of its operations and achieve the highest possible return on owners' equity, consisting of capital, as defined by Basel III Convention, as shown in the following table:

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	JD	JD
Primary capital for ordinary shareholders (CET 1)	412,724	434,122
Regulatory adjustments (dedication from the primary capital for ordinary shareholders)	(38,048)	(21,491)
Secondary Capital	10,655	14,289
Regulatory adjustments (deductions from secondary capital)	(5,401)	(4,248)
Regulatory capital	379,930	421,672
Assets Weighted by Risks	2,318,000	2,304,735
Primary capital Adequacy Ratio (CET 1)	0.1616	0.1786
Ratio of first tranche of the capital	0.1616	0.1786
Regulatory capital adequacy ratio	0.1639	0.1829

*Primary capital has been calculated net of investments in banks and the financial subsidiary company.

(27) CASH AND CASH EQUIVALENT

The details of this item is as follows:

	June 30	
	2018	2017
	Unaudited	Audited
	JD	JD
Balances at central banks due within three months	204,870,943	266,146,552
Add: Balances at banks and financial institutions due within three months	291,617,738	225,739,571
Less: Banks and financial institutions deposits due within three months	257,418,937	320,861,187
Restricted balances- (Note 5)	709,000	2,558,072
Total	238,360,744	168,466,864

(28) INFORMATION ON THE BANK'S ACTIVITIES

1- BANK ACTIVITIES INFORMATION

The Bank is organized, for managerial purposes, into four major sectors. These sectors are measured according to reports used by the Chief Executive Officer and key decision makers at the Bank. Moreover, the Bank owns three subsidiaries: the financial brokerage, finance leasing and consultation services sectors as of the consolidated financial statements date:

- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit facilities, credit cards, and other services.
- Corporate accounts: This item includes following up on deposits, credit facilities, and other banking services related to corporate customers.
- Treasury: This item includes providing dealing services and managing the Bank's funds.
- Others: This industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
- Financial brokerage services: This item includes practicing most of the brokerage and financial consultation services.
- Finance leasing services: This item includes leasing services and real estate development projects.
- Consulting and Issuance Services: This item includes providing financial consultation and issuance management services.

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The following table represents information on the Bank's sectors according to activities:

	Individuals	Corporations	Treasury	Brokerage	Financial Consulting	Leasing	Others	Total For the Six Months Ended June 30, 2018	Total For the Six Months Ended June 30, 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Gross income for the period- (b)	15,330,339	30,669,008	12,051,451	-	367,398	2,481,591	426,901	61,326,688	61,583,640
Provision of impairment loss in direct credit facilities	(232,137)	(660,278)	-	-	(231,937)	(150,201)	-	(1,274,553)	(8,057,106)
Results of Business Sector	15,098,202	30,008,730	12,051,451	-	135,461	2,331,390	426,901	60,052,135	53,526,534
Less: Expenditures not distributed over sectors	-	-	-	-	244,375	443,289	32,586,985	33,274,649	30,666,750
Income before Income Tax- (b)	15,098,202	30,008,730	12,051,451	-	(108,914)	1,888,101	(32,160,084)	26,777,486	22,859,784
Less: Income tax expense for the period	-	-	-	-	-	459,539	7,213,846	7,673,385	6,709,921
Net (loss) from non-continues operations	-	-	-	(38,530)	-	-	(578,684)	(617,214)	(1,613,280)
Income for the Period - (b)	15,092,202	30,008,730	12,051,451	(38,530)	(108,914)	1,428,562	(39,952,614)	18,486,887	14,536,583
Information Other									
Capital Expenditures							489,792	489,792	4,157,404
Depreciation and Amortization							3,123,004	3,123,004	2,846,253

Information Other

	Individuals	Corporations	Treasury	Brokerage	Financial Consulting	Leasing	Others	Total June 30, 2018	Total December 31, 2017
								JD	JD
Total Sector's Assets	381,418,694	1,175,335,473	951,154,058	5,928,198	482,821	66,557,418	254,514,762	2,835,391,424	2,832,207,020
Total Sector's Liabilities	1,123,526,938	819,935,266	349,599,699	1,593,627	70,719	34,434,758	83,506,866	2,412,667,871	2,363,795,704

2- INFORMATION ON GEOGRAPHICAL ALLOCATION

The following table represents information on the Bank's sectors according to activities:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations, which represent local operations, mainly in the Hashemite Kingdom of Jordan. Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

The following are the Bank's revenue, assets, and capital expenditures according to geographic allocation:

	Inside Kingdom		Outside Kingdom		Total	
	For the Period Ended June 30,		For the Period Ended June 30,		For the Period Ended June 30,	
	2018	2017	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	JD	JD	JD	JD	JD	JD
Gross income for the period – (b)	54,281,944	51,283,790	7,044,744	8,810,144	61,326,688	61,583,640
Capital Expenditures	489,792	2,651,947	-	188,275	489,792	2,840,253

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	JD	JD	JD	JD	JD	JD
Total assets	2,254,400,256	2,352,876,560	580,991,168	479,330,466	2,835,391,424	2,832,207,026

Distribution of exposures according to the Geographical distribution

	Inside the kingdom	Other Middle Eastern countries	Europe	Asia	Africa	USA	Other countries	Total
Balances at Central banks	-	-	3,815,790	-	-	-	-	3,815,790
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	400,000	148,968,140	6,363,767	17,725	-	-	-	155,749,632
Direct credit facilities – net	1,632,077,817	-	178,596,500	-	-	-	-	1,810,674,317
Bonds and treasury bills	-	-	-	-	-	-	-	-
Within financial assets at fair value through statement of income	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	21,718,157	29,174,840	16 578,541	-	-	-	-	67,471,538
Within financial assets at amortized costs	1,418,000	-	-	-	-	-	-	1,418,000
Derivatives of financial instruments	-	-	-	-	-	-	-	-
Financial assets mortgaged (debt instruments)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	1,655,613,974	178,142,980	205,354,598	17,725	-	-	-	2,039,129,277
Financial collaterals	272,977,899	-	19,911,203	-	-	-	-	292,889,102
Letter of credit	173,473,581	-	15,819,488	-	-	-	-	189,293,069
Other Liabilities	3,260,286	-	-	-	-	-	-	3,260,286
	2,105,325,740	178,142 980	241,085,289	17,725	-	-	-	2,524,571,734

3- DISTRIBUTION OF EXPOSURES ACCORDING TO ECONOMICS SECTORS

	Financial	Industrial	Trading	Real estate	Agriculture	Shares	Services	Individuals	Governmental and public sector	Other	Total
Balances at Central banks	-	-	-	-	-	-	-	-	3,815,790	-	3,815,790
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	155,749,632	-	-	-	-	-	-	-	-	-	155,749,632
Direct credit facilities – net	60,290,590	454,285,221	261,603,821	196,950,361	33,852,371	21,389,805	468,007,321	253,592,436	60,702,392	-	1,810,674,317
Bonds and treasury Bills	-	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through statement of income	-	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	32,079,288	3,538,157	-	2,331,800	-	-	22,367,583	-	7,145,710	-	67,471,538
Within financial assets at amortized costs	1,418,000	-	-	-	-	-	-	-	-	-	1,418,000
Derivatives of financial instruments	-	-	-	-	-	-	-	-	-	-	-
Financial assets mortgaged (debt instruments)	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total	249,537,510	457,823,378	261,603,821	199,282,161	33,852,371	21,389,805	490,374,904	253,592,436	71,672,892	-	2,039,129,277
Financial collaterals	20,362,526	43,694,824	59,075,854	-	2,500,055	1,653,594	160,979,144	4,623,105	-	-	292,889,102
Letter of credit	7,012,198	76,794,399	66,589,892	-	2,250,000	20,886	34,125,694	2,500,000	-	-	189,293,069
Other Liabilities	-	2,232,705	1,027,581	-	-	-	-	-	-	-	3,260,286
	276,912,234	580,545,308	388,297,148	199,282,161	38,602,426	23,064,286	685,479,741	260,715,541	71,672,892	-	2,524,571,734

(29) TRANSACTIONS WITH RELATED PARTIES

The Bank entered into transactions with subsidiary companies, sister companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities, and no impairment provisions has been taken as at 30 June 2018

A. The following is a summary of the transactions with related parties during the period / year:

	Sister Companies	Subsidiaries	Board of Directors Members	Executive Managers	Others**	Total	
						June 30, 2018	December 31, 2017
						Unaudited	Audited
	JD	JD	JD	JD		JD	JD
Condensed Consolidated Interim Statement of Financial Position Items:							
Direct credit facilities *	-	1,941,125	29,368	2,199,849	171,279	4,341,621	2,995,708
Banks and financial institutions deposits	122,064,182	-	-	-	-	122,064,182	257,630,282
Deposits	-	3,471,205	52,652,297	2,931,103	584,993	59,639,598	52,361,918
Banks and financial institutions deposits	2,115,240	-	-	-	-	2,115,240	51,413,086
Cash margins	-	4,000	2,500	-	5,600	12,100	-
Financial assets at fair value through income statement	-	-	-	-	-	-	2,398,124
Financial assets at fair value through comprehensive income	31,299,501	-	-	-	3,230,000	34,529,501	20,180,613
Financial assets at amortized cost	-	-	-	-	-	-	14,846,972
Assets held for sale	-	105,613,480	-	-	-	105,613,480	4,162,033
Liabilities directly related to assets held for sale	-	66,263,129	-	-	-	66,263,129	661,794
Off- Consolidated Statement of Financial Position Items:							
Letters of guarantee	5,000	902,525	29,300	-	56,000	992.825	93,000
Letters of credit	84,087	26,042	-	-	4,254,000	4,364,129	4,636,870

	Affiliates	Subsidiaries	Board of Directors Members	Executive Managers	Others**	Total For the Period Ended June 30, 2018	2017
	JD	JD	JD	JD		JD	JD
Consolidated Statement of Income items:							
Interest and commission income ***	387,661	8,998	240	8,179	789	405,867	430,596
Interest and commission expense ****	876,960	4,492	1,019,488	3,469	161	1,904,570	1,096,110
Management fees	452,342	-	-	-	-	452,342	246,732
Financial assets dividends	926,106	-	-	-	-	926,106	542,385

* Included in the direct credit facilities granted to the Board of Directors members of JD 30,865, representing credit facilities granted to United Financial Investments Company (subsidiary company) Board of Directors as of June 30, 2018 (JD 28,171 as of December 31, 2017).

* Included in the direct credit facilities granted to the executive management and Board of Directors of JD 0, representing credit facilities granted to the Board of Directors of Ejarah Finance Leasing Company (subsidiary company) as of June 30, 2018 (JD 28,696 as of December 31, 2017).

*** Interest rate ranges from 4.0% to 9.5%.
**** Interest rate ranges from 1.25% to 3.25%.

The Bank has two members on the Board of Directors of the United Financial Investments Company, three members in Ejarah for Finance Leasing Company and two members in the board of directors of the Specialized Managerial Company for Investment and Financial Consultation

B. Salaries and Bonuses of the Executive Management

The Salaries of Executive management for the Bank and the subsidiary companies amounted to JD 1,687,625 for the six months ended June 30, 2018.

(30) COMMITMENTS AND CONTINGENT LIABILITIES

Credit commitments and contingencies:

	June 30 2018	December 31 2017
	JD	JD
Letters of credit	76,825,736	65,101,415
Letters of acceptances	48,123,085	24,319,531
Letters of guarantee:		
Payments	114,481,763	122,557,181
Performance bonds	87,014,702	99,395,848
Other	32,285,486	29,883,311
Unutilized credit facilities ceilings	202,769,454	159,542,008
Total	561,500,226	500,799,294

Movement on indirect credit facilities in total as at period end (unaudited):

	Stage 1		Stage 2			
	Total	Individual	Total	Individual	Stage 3	Total
Total balance as at beginning of the period	425,239,149	-	18,092,758	-	13,599,888	456,931,795
New balances during the period	80,250,841	-	2,688,761	-	9,848	82,949,450
Matured balances (Matured/ Derecognized)	(74,111,114)	-	(5,103,354)	-	(1,521,100)	(80,735,568)
Transferred to stage 1	35,663,949	-	(11,629,855)	-	(990)	24,033,104
Transferred to stage 2	(5,297,726)	-	(662,006)	-	(8,000)	(5,967,732)
Transferred to stage 3	(55,418)	-	(117,610)	-	(9,964,966)	(10,137,994)
Changes from amendments	13,016,421	-	5,175,073	-	177,908	18,369,402
Written off balances	-	-	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-	-	-
Total balance as at period end	474,706,102	-	8,443,767	-	2,292,588	485,442,457

Provision for impairment loss movement on indirect credit facilities in total as at period end (unaudited):

	Stage 1		Stage 2			
	Individually	Total	Individually	Total	Stage 3	Total
Total balance as at beginning of the period	2,480,999	-	498,517	-	6,933,089	9,912,605
Loss on impairment over balances added during the period	125,357	-	59,486	-	6,776	191,619
Loss on impairment over accrued balances	(357,162)	-	(171,499)	-	(672,402)	(1,201,063)
Transferred to stage 1	(1,281,279)	-	(274,988)	-	(868)	(1,557,135)
Transferred to stage 2	(21,091)	-	(49,717)	-	(8,000)	(78,807)
Transferred to stage 3	(40)	-	(826)	-	(4,621,816)	(4,622,682)
Impact on provision – as at period end – due to reclassification between the 3 stages during the period	-	-	-	-	-	-
Changes from amendments	46,895	-	12,342	-	115,998	175,235
Written off balances	-	-	-	-	-	-
Changes due to changes in exchange rates	-	-	-	-	-	-
Total balance as at period end	993,679	-	73,315	-	1,752,778	2,819,772

(31) LAWSUITS AGAINST THE BANK

The Bank is a defendant in lawsuits amounting to JD 8,315,554 as of June 30, 2018 (Against JD 7,680,583 December 31, 2017), and in the opinion of the Bank's management and its legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of JD 1,228,356 as of June 30, 2018 (JD 1,066,365 as of December 31, 2017).

As of June 30, 2018 and December 31, 2017, there were no lawsuits against the subsidiary companies.

(32) AUTHORIZED AND PAID UP CAPITAL AND PROPOSED DIVIDENDS

The General Assembly of the Bank approved in its ordinary meeting held on 23 May 2018 the recommendation of the Board of Directors to distribute cash dividends for the year 2017 at a rate of 20% of the paid up capital of JD 100 million, equivalent to JD 20 million, and the same amount in the previous year.

(33) STATUTORY AND VOLUNTARY RESERVE

The bank did not deduct the statutory and voluntary reserves according to the Jordanian Companies Law as these are interim financial statements.

(34) FAIR VALUE HEIRARCHY

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 financial assets and liabilities (evaluation methods and inputs used).

	Fair Value					
	June 30, 2018 Unaudited	December 31, 2017 Audited	The level of fair value	Evaluation method and input used	Important intangible inputs	Relation between fair value and the important intangible inputs
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Companies shares	-	6,246,210	Level 1	Stated rates in financial markets	N/A	N/A
Companies bonds	-	60,546,359	Level 1 and 2	Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Total	-	66,792,569				
Foreign currency derivatives contracts			Level 1	Stated rates in financial markets	N/A	N/A
Financial Assets at Fair Value through Comprehensive Income						
Shares with available market price	13,876,716	8,295,860	Level 1	Stated rates in financial markets	N/A	N/A
Shares with no available market price	20,621,242	20,944,851	Level 2	Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Bonds listed in active markets	65,767,002	-	Level 1	Stated rates in financial markets	N/A	N/A
Bonds unlisted in active markets	17,085,000	-	Level 2	Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Total	117,349,960	29,240,711				
Total Financial Assets at Fair Value	117,349,960	95,914,380				

There were no transfers between level 1 and level 2 during the period ended June 30, 2018.

B. THE FAIR VALUE OF THE FINANCIAL ASSETS AND FINANCIAL LIABILITIES OF THE BANK (NON-SPECIFIC FAIR VALUE ON AN ONGOING BASIS):

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the condensed consolidated interim approximates their fair value because the Bank's management believes that the carrying value of the items is equivalent to their fair value. This is due to short-term accrual or interest rates re-measurement during the period

	June 30, 2018		December 31, 2017		The level of Fair Value
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Cash at Central Banks	204,877,094	204,886,925	172,531,777	172,546,455	Level 2
Balances at Banks and Financial Institutions	291,629,291	291,733,092	317,656,834	317,797,478	Level 2
Deposits at Banks and Financial Institutions	-	15,525	6,246,210	6,276,210	Level 2
Loans and discounted bills and other	1,537,754,165	1,549,083,717	1,562,286,911	1,570,998,242	Level 2
Financial Assets at Amortized Cost	337,039,040	341,620,431	395,100,921	400,779,415	Level 1 and 2
Total Financial Assets of Non-specified Fair Value	2,370,299,590	2,387,339,805	2,453,822,653	2,468,397,800	
Financial Liabilities of Non-specified Fair Value					
Banks and Financial Institutions Deposits	262,418,937	262,418,937	306,217,195	307,780,894	Level 2
Customers' Deposits	1,777,982,394	1,782,690,124	1,808,308,934	1,815,456,440	Level 2
Cash Margin	135,579,810	135,940,715	96,179,696	96,691,439	Level 2
Borrowed Funds	83,577,644	83,875,210	80,137,973	81,024,528	Level 2
Total Financial Liabilities of Non-specified Fair Value	2,259,558,785	2,264,924,986	2,290,843,798	2,300,953,301	

The fair value of the financial assets and liabilities for level 2 and level 3 was determined in accordance with agreed pricing models, which reflect the credit risk of the parties dealt with.

(35) ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A. Investments in United Financial Investments Company

According to the investments meeting committee dated 27 December 2017, management approved a plan to sell the majority of shares owned by the bank in the subsidiary United Financial Investments Company. The board of director approved the plan on 7 January 2018 in which the sale is expected to occur in the coming months. Based on the above facts IFRS 5 applies and control over the investee is lost.

	June 30	
	2018	2017
	Unaudited	Unaudited
	JD	JD
Income (Loss) for the period from discontinued operations		
Total income	338,011	(2,427,590)
Total Expenses	(411,994)	(376,266)
(Loss) for the period before tax	(73,983)	(2,803,856)
Deferred Tax / income tax expense	(2,746)	623,603
Net (loss) income for the period	(76,729)	(2,180,253)
Parent share of (Loss) from subsidiaries	(38,530)	(1,094,836)