



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

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

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

FOR THE SIX-MONTH PERIOD ENDED JUNE 30,2018

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**Review Report**

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## **Review Report**

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

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

### **Scope of Review**

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

### **Conclusion**

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

### **Other Matter**

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

**Kawasmy and Partners  
KPMG**

Hatem Kawasmy  
License no. (656)

Amman - Jordan  
August 14, 2018

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

**STATEMENT (A)**

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

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

Board of Director's Chairman

Chief Executive Officer

BANK OF JORDAN  
(PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
(REVIEWED NOT AUDITED)

STATEMENT (B)

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

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

Board of Director's Chairman

Chief Executive Officer

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

**STATEMENT (C)**

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

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

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

|                                                                                                         | Reserves                       |                 |           |              |         |           |                                          |                    |                   |                       |                                  | Total Owner's Equity |                          |
|---------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|-----------|--------------|---------|-----------|------------------------------------------|--------------------|-------------------|-----------------------|----------------------------------|----------------------|--------------------------|
|                                                                                                         | Authorized and Paid-up Capital | General Banking |           |              |         |           | Foreign Currency Translation Differences | Fair Value Reserve | Retained Earnings | Profit for the Period | Total Banks' Shareholders Equity |                      | Non-Controlling Interest |
|                                                                                                         |                                | Statutory       | Voluntary | Risks        | Special | JD        |                                          |                    |                   |                       |                                  |                      |                          |
| For the Six-Month Period Ended June 30, 2018                                                            |                                |                 |           |              |         |           |                                          |                    |                   |                       |                                  |                      |                          |
| Balance - beginning of the period                                                                       | 200,000,000                    | 80,820,952      | 134,330   | 15,128,290   |         | 4,103,632 | (12,256,254)                             | 81,288,341         | 64,446,126        | -                     | 5,490,933                        | 439,156,390          |                          |
| Effect of IFRS (9) Implementation                                                                       | -                              | -               | -         | -            | -       | -         | -                                        | -                  | (7,342,151)       | -                     | (58,286)                         | (7,400,437)          |                          |
| Adjusted Balance - Beginning of the period                                                              | 200,000,000                    | 80,820,952      | 134,330   | 15,128,290   |         | 4,103,632 | (12,256,254)                             | 81,288,341         | 57,103,975        | -                     | 5,432,647                        | 431,755,913          |                          |
| Foreign currencies translation differences                                                              | -                              | (83)            | (83)      | (16)         |         | -         | (5,933)                                  | -                  | (21,148)          | -                     | (28,376)                         | (55,639)             |                          |
| Profit for the period- Statement (1)                                                                    | -                              | -               | -         | -            |         | -         | -                                        | -                  | -                 | 22,013,282            | 49,727                           | 22,063,009           |                          |
| (Loss) from sale of financial assets at fair value through comprehensive income                         | -                              | -               | -         | -            |         | -         | -                                        | 418,660            | (471,234)         | -                     | -                                | (52,574)             |                          |
| Net Change in fair value for financial assets at fair value through comprehensive income- Net after tax | -                              | -               | -         | -            |         | -         | -                                        | (9,992,254)        | -                 | -                     | -                                | (9,992,254)          |                          |
| Total Consolidated Condensed Interim Comprehensive Income- Statement ( C )                              | -                              | (83)            | (83)      | (16)         |         | -         | (5,933)                                  | (9,573,594)        | (492,382)         | 22,013,282            | 21,351                           | 11,962,542           |                          |
| Transfer to reserves **                                                                                 | -                              | -               | -         | (12,869,840) |         | -         | -                                        | -                  | 12,452,910        | -                     | 416,910                          | -                    |                          |
| Dividends paid *                                                                                        | -                              | -               | -         | -            |         | -         | -                                        | -                  | (36,000,000)      | -                     | -                                | (36,000,000)         |                          |
| Balance - End of the Period                                                                             | 200,000,000                    | 80,820,869      | 134,247   | 2,258,434    |         | 4,103,632 | (12,262,187)                             | 71,714,747         | 33,664,523        | 22,013,282            | 5,870,908                        | 407,718,455          |                          |
| For the Six-Month Period Ended June 30, 2017                                                            |                                |                 |           |              |         |           |                                          |                    |                   |                       |                                  |                      |                          |
| Balance - beginning of the period                                                                       | 200,000,000                    | 73,917,046      | 113,124   | 12,996,161   |         | 3,330,908 | (12,401,835)                             | 63,565,588         | 63,226,237        | -                     | 6,909,005                        | 412,436,234          |                          |
| Foreign currencies translation differences                                                              | -                              | 248             | 248       | 47           |         | -         | 20,817                                   | -                  | (14,085)          | -                     | 7,931                            | 15,206               |                          |
| Profit for the Period- Statement (1)                                                                    | -                              | -               | -         | -            |         | -         | -                                        | -                  | -                 | 27,342,384            | (806,415)                        | 26,535,969           |                          |
| Net Change in fair value for financial assets at fair value through comprehensive income- Net after tax | -                              | -               | -         | -            |         | -         | -                                        | -                  | -                 | -                     | -                                | -                    |                          |
| Total Consolidated Condensed Interim Comprehensive Income- Statement ( C )                              | -                              | 248             | 248       | 47           |         | -         | 20,817                                   | (344,139)          | -                 | -                     | -                                | (344,139)            |                          |
| Transfer to reserves                                                                                    | -                              | -               | -         | 1,248,127    |         | -         | -                                        | (344,139)          | (14,085)          | 27,342,384            | (798,484)                        | 26,207,036           |                          |
| Dividends paid *                                                                                        | -                              | -               | -         | -            |         | -         | -                                        | -                  | (36,000,000)      | -                     | -                                | (36,000,000)         |                          |
| Balance - End of the Period                                                                             | 200,000,000                    | 73,917,294      | 113,372   | 14,244,335   |         | 3,330,908 | (12,381,018)                             | 63,221,449         | 26,664,125        | 27,342,384            | 6,199,521                        | 407,643,270          |                          |

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

\*\* According to Central Bank of Jordan Circular No. 107/1359 dated January 25, 2018, General banking risks reserve accumulated balance as of January 1, 2018 related to the Jordan branches and its subsidiaries were transferred to the retained earnings.

**\*\* According to the distinction of the regulatory bodies:**

- The general banking risks reserve and special reserve cannot be utilized without prior approval from the Central Bank of Jordan and the Palestine Monetary Authority.
- Retained earnings include a restricted amount of JD 15,878,538 against deferred tax benefits as of June 30, 2018. This restricted amount cannot be utilized through capitalization or distribution unless actually realized based on the Central Bank of Jordan's instructions.
- Retained earnings include an amount of JD 3,305,173 as of June 30, 2018 which are restricted amounts and represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized through actual sale.
- The fair value reserve cannot be utilized including the capitalization, distribution, write-off lease or any other commercial acts unless realized through actual sale as instructed by the Central Bank of Jordan and Jordan Securities Commission also retained earnings include 813,437 JD as of June 30, 2018 that cannot be utilized through distribution or any other purposes unless there are a former approval from the Central Bank of Jordan resulting from application of Central Bank of Jordan Circular no. 107/1359 dated January 25, 2018.

THE ACCOMPANYING NOTES FROM (1) TO (46) ARE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH REVIEW REPORT



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

**STATEMENT ( E )**

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

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

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**1. GENERAL**

- Bank of Jordan was established as a public shareholding limited company with headquarters in Amman – Jordan on March 3, 1960, and registered under number (1983) according to the Companies Law No. 33 for the year 1962 with an authorized capital of JD 350,000, represented by 70,000 shares at a par value of JD 5 per share. The capital of the Bank was increased in stages last of which took place in accordance to the resolution of the general assembly in their extraordinary meeting held on April 9, 2016, thus, the Bank's capital was increase from JD 155/1 million to JD 200 million by capitalization of JD 13,702,858 from the voluntary reserve and JD 31,197,142 from retained earnings, all of the legal procedures related to the capital increase were completed on April 19, 2016.
- The Bank provides all financial and banking services within its scope of activities through the headquarter and its (75) branches in Jordan, (14) branches in Palestine and its subsidiaries in Jordan and Syria (Excel for Financial Investments Company, Jordan Leasing Company and Bank of Jordan-Syria).
- The Bank has established a branch in Kingdom of Bahrain, which commenced it's operations during the first quarter of 2018 after obtaining all necessary approvals from Kingdom of Bahrain.
- The accompanying consolidated condensed interim financial statements were approved by the Board of Directors in their meeting Number (609) dated July 26, 2018.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

- The accompanying consolidated condensed interim financial statements for The Bank and its subsidiaries were prepared in accordance with the International Accounting Standard (IAS) 34 "interim financial reporting", and in accordance with the effective local regulations and the Central Bank of Jordan (CBJ) instructions.
- The accompanying consolidated condensed interim financial statements were prepared on the historical cost basis except for financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income and financial derivatives that measured at fair value at the date of preparation of the consolidated condensed interim financial statements. Moreover, hedged assets and liabilities that are stated at their fair value.
- The consolidated condensed interim financial statements are presented in Jordanian Dinar "JD", being the functional currency of the Bank.
- The accompanying consolidated condensed interim financial statements do not include all the information and disclosures to the financial statements required in the annual financial statements, which are prepared in accordance with International Financial Reporting Standards. Moreover, the results of The Bank's operations for the six-month period ended on June 30, 2018 do not necessarily represent indications of the expected results for the year ending December 31, 2018. Therefore, these consolidated condensed interim financial statements should be read with the Bank's annual report for the year ended December 31, 2017 and it does not contain the appropriation of profit for the six-month period ended June 30, 2018 which is performed at the end of the fiscal year.

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- The accounting policies adopted in the consolidated condensed interim financial statement are consistent with those adopted for the year ended December 31, 2017 except for the following new adopted and modified standards , which became effective starting from January 1<sup>st</sup>,2018 :
- International Financial Reporting Standard (9): Financial Derivatives
- International Financial Reporting Standard (15): Revenue from Contracts with Customers.
- International Financial Reporting Standard (2): Classification and Measurements of Share-Based Payments.
- IAS (40): Clarify Transfers of Investment in Property.
- Annual Improvements to IFRSs (2014 –2016) Cycle- Amendments on IFRS (1) and IAS (28).
- IFRIC (22): Foreign currency transactions and Advance Considiration.

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

**IFRS (9): Financial Instruments**

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

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

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

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

**A- Classification and measurement of financial assets and financial liabilities**

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

**Financial Assets:**

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

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

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

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

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

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

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

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

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

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

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

**- Financial liabilities:**

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

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

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

**B- Impairment on financial assets:**

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

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

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

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

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

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

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

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

The Bank considers financial assets to be impaired when:

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

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

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

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

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

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

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

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

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

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

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

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

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

**Transmission to IFRS (9):**

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

**IFRS (15) Revenue from Contracts with Customers**

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



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**Basis of Consolidation**

- The consolidated condensed interim financial statement include the financial statements of the Bank and the subsidiary companies controlled by the Bank. Control is achieved whereby the Bank has the power to govern the financial and operating policies of the subsidiaries to obtain benefits from their activities. All intra-group transactions, balances, income, and expenses are eliminated in full.
- The financial statements of the subsidiary companies are prepared for the same period of the Bank using the same accounting policies adopted by the Bank. If the accounting policies adopted by the subsidiary companies are different from those used by the Bank, the necessary adjustments to the financial statements of the subsidiary companies are made to comply with the accounting policies used by the Bank.

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

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

- The results of the subsidiaries are incorporated into the consolidated condensed interim statement of profit or loss from the effective date of acquisition, which is the date on which actual control over the subsidiary is assumed by the Bank. Moreover, the operating results of the disposed subsidiaries are incorporated into the consolidated condensed interim statement of profit or loss up to the effective date of disposal which is the date on which the Bank losses control over the subsidiary companies.
- \* The results of Bank of Jordan – Syria has been incorporated in the consolidated condensed interim financial statements due to the Bank's power to govern the financial and operating policies of the subsidiary.
- Non - Controllers' interest represents the portion of equity not held by the Bank in the subsidiary.

**3. ACCOUNTING ESTIMATES**

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

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

- A provision for expected credit loss on financial assets is taken on the basis and assumption approved by Bank's management in conformity with the International Financial Reporting Standards (IFRS). The outcomes of these basis and assumptions are compared against the provisions calculated as per the instructions of the Central Banks where the Bank's branches and subsidiaries operate, the more conservative outcomes are used for the purpose of determining the provision and in compliance with IFRS.
- Impairment of assets foreclosed are recorded based on recent and approved evaluations of these assets performed by certified evaluators for the purpose of calculating the impairment. The impairment is reviewed periodically. Moreover, at the beginning of 2015 and in accordance with the dissemination of the Central Bank of Jordan No. 15/1/4076 dated on March 27, 2014 and No. 10/1/2510 dated on February 14, 2017 the bank has started to calculate gradual provision against the assets foreclosed against debts with a period exceeding 4 years, noting that the Central Bank of Jordan has issued circular No. 10/1/16607 dated December 17, 2017 to postpone the provision calculation until the beginning of the year 2019.
- Income tax expense is charged for the current period according to the accounting regulations, laws and standards. Deferred tax assets, liabilities and tax provision are calculated and recognized.
- A provision for lawsuits raised against the Bank is taken. This provision is based on a legal study prepared by the Bank's legal advisors. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- Management periodically review financial assets that presented at amortized cost to estimate if there are any indication of impairment in its fair value, impairment loss is recorded in the consolidated condensed interim statement of profit or loss.
- Fair value hierarchy: the Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in the IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When assessing the financial assets and liabilities' fair value, the Bank uses market information when available. In case level 1 inputs are not present, the Bank will deal with independent, qualified parties to prepare evaluation studies. Proper evaluation methods and inputs used in preparing the evaluation are reviewed by the management.

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**4. CASH AND BALANCES WITH CENTRAL BANKS**

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

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

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

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

- Statutory cash reserve amounted to JD 103,778,873 as of June 30, 2018 (JD 104,063,859 as of December 31, 2017).
- Except for the statutory cash reserve, restricted balances amounted to JD 2,441,599 as of June 30, 2018 (JD 2,443,099 as of December 31, 2017).
- Time and notice deposit include JD 9,358,800 maturing within a period exceeding three months as of June 30, 2018 (JD 9,358,000 As of December 31, 2017).

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**5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

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

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

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

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

- Non-interest bearing balances at banks and financial institutions amounted to JD 23,086,481 as of June 30, 2018 (JD 15,073,372 as of December 31, 2017).
- Restricted balances at banks and financial institutions amounted to JD 2,253,202 as of June 30, 2018 (JD 2,253,202 as of December 31, 2017).

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**6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS**

This item consists of the following

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

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

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

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

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

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

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This item consists of the following:

|                                         | June 30,<br>2018 | December 31,<br>2017 |
|-----------------------------------------|------------------|----------------------|
|                                         | JD               | JD                   |
| Shares listed in local active markets   | 84,900           | 112,200              |
| Shares unlisted in local active markets | 96,406           | 84,787               |
|                                         | <b>181,306</b>   | <b>196,987</b>       |

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME**

This item consists of the following:

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

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

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

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**9. DIRECT CREDIT FACILITIES - NET**

This item consists of the following:

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

- \* Net of interest and commission received in advance in the amount of JD 15,386,140 as of June 30, 2018 (JD 13,765,564 as of December 31, 2017).
- Non-performing credit facilities amounted to JD 86,146,694 representing 5.49% of direct credit facilities balance as of June 30, 2018 (JD 76,806,921 representing 4.98% as of December 31, 2017).
- Non-performing credit facilities after deducting the interest in suspense amounted to JD 77,830,982 representing 4.99 % of direct credit facilities after deducting the interest in suspense as of June 30, 2018 (JD 68,938,240 , representing 4.5% as of December 31, 2017).
- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 77,276,317 representing 4.93% of total direct credit facilities as of June 30, 2018 (JD 78,267,657 representing 5.08% as of December 31, 2017). Moreover, credit facilities granted to the public sector in Palestine amounted to JD 53,607,412 as of June 30, 2018 (JD 65,823,307 as of December 31, 2017).

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

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

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



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**Provision for impairment on direct credit facilities**

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

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

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

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Interest in Suspense:

The following is the movement on the interest in suspense

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

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

Credit distributed according to geographic and economic segment as follows:

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

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**10. FINANCIAL ASSETS AT AMORTIZED COST**

This item consists of the following:

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

Analysis of bonds and bills:

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

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

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

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

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

The maturities of these assets are as follows:

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

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

# 11. PROPERTY AND EQUIPMENT – NET

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

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**12. OTHER ASSETS**

This item consists of the following:

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

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

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

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

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

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

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

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**13. BANKS AND FINANCIAL INSTITUTION DEPOSIT**

This item consist of the following:

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

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**14. CUSTOMERS' DEPOSITS**

This item consists of the following:

| June 30, 2018               |                      |                    |                    |                              |                      |
|-----------------------------|----------------------|--------------------|--------------------|------------------------------|----------------------|
|                             | Individuals          | Large Corporates   | SMEs               | Public Sector and Government | Total                |
|                             | JD                   | JD                 | JD                 | JD                           | JD                   |
| Current and demand accounts | 350,674,092          | 53,665,563         | 80,136,312         | 9,490,553                    | 493,966,520          |
| Saving accounts             | 735,404,304          | 3,472,738          | 12,368,614         | 67,653                       | 751,313,309          |
| Time and notice deposits    | 256,921,271          | 112,715,310        | 43,924,220         | 60,113,175                   | 473,673,976          |
| Certificates of deposit     | 123,431,038          | 1,514,450          | 3,533,160          | -                            | 128,478,648          |
| <b>Total</b>                | <b>1,466,430,705</b> | <b>171,368,061</b> | <b>139,962,306</b> | <b>69,671,381</b>            | <b>1,847,432,453</b> |
| December 31, 2017           |                      |                    |                    |                              |                      |
|                             | Individuals          | Large Corporates   | SMEs               | Public Sector and Government | Total                |
|                             | JD                   | JD                 | JD                 | JD                           | JD                   |
| Current and demand accounts | 359,179,245          | 59,273,278         | 82,724,253         | 8,194,986                    | 509,371,762          |
| Saving accounts             | 728,405,946          | 4,136,458          | 14,585,865         | 104,141                      | 747,232,410          |
| Time and notice deposits    | 261,365,266          | 123,126,021        | 26,440,518         | 87,296,528                   | 498,228,333          |
| Certificates of deposit     | 85,987,776           | 1,157,675          | 3,822,800          | -                            | 90,968,251           |
| <b>Total</b>                | <b>1,434,938,233</b> | <b>187,693,432</b> | <b>127,573,436</b> | <b>95,595,655</b>            | <b>1,845,800,756</b> |

- Deposits of the Jordanian Government and the public sector inside Jordan amounted to JD 60,434,540 which represents (3.27%) of total customers' deposits as of June 30, 2018 (JD 90,414,825 which is represents 4.9 % as of December 31, 2017).
- Non-interest bearing deposits amounted to JD 670,894,951 which represents (36.31%) of total customers' deposits as of June 30, 2018 (JD 675,443,252 which represents 36.59% of total deposits as of December 31, 2017).
- Restricted deposits amounted to JD 13,261,410, which represents (0.72%) of total customers' deposits as of June 30, 2018 (JD 14,245,341 which represents 0.77% of total deposits as of December 31, 2017).
- Dormant deposits amounted to JD 93,203,411 as of June 30, 2018 (JD 82,220,824 as of December 31, 2017).



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**15. OTHER PROVISIONS**

This item consists of the following:

| <b>For the Six-Month<br/>Period Ended June 30, 2018</b> | <b>Beginning<br/>Balance for<br/>the<br/>Period/Year</b> | <b>Provided<br/>Created<br/>During the<br/>Period/Year</b> | <b>Provision<br/>used During<br/>the<br/>Period/Year</b> | <b>Foreign<br/>Currencies<br/>Differences</b> | <b>Ending<br/>Balance for<br/>the Period /<br/>Year</b> |
|---------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------|
|                                                         | <b>JD</b>                                                | <b>JD</b>                                                  | <b>JD</b>                                                | <b>JD</b>                                     | <b>JD</b>                                               |
| Provision for end-of-service indemnity                  | 4,073,409                                                | 325,678                                                    | (413,181)                                                | -                                             | 3,985,906                                               |
| Provision for lawsuits raised against the bank          | 676,564                                                  | 99,071                                                     | (58,401)                                                 | -                                             | 717,234                                                 |
| Other provisions                                        | 256,792                                                  | (4,753)                                                    | -                                                        | 542                                           | 252,581                                                 |
|                                                         | <b>5,006,765</b>                                         | <b>419,996</b>                                             | <b>(471,582)</b>                                         | <b>542</b>                                    | <b>4,955,721</b>                                        |

  

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

**16. INCOME TAX**

**a. Income tax provision**

The movement on the income tax provision is as follows:

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

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

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

- Legal income tax rate in Jordan amounts to 35%, whereas the legal income tax rate in Palestine at which the Bank had investments and branches amounts to 15%, in Syria (a subsidiary company) amounts to 25% and 24% for the subsidiary Companies in Jordan.
- A final settlement was reached with the Income and Sales Tax Department in Jordan up to the end of the year 2013 and 2015. Moreover, the Bank has submitted its tax returns for the years 2011, 2014, 2016 and 2017 and paid the required amounts according to Law, however, no final settlements have been reached with the Income and Sales Tax Department for these years yet, noting that the Income and Sales Tax Department claims the Bank with tax differences against the year 2011 amounting to JD 1,800,000. The Bank has objected this assessment and raised a lawsuit against the Income and Sales Tax Department in this regards at which a decision has been issued by the Court of Cassation during the first quarter of the year 2018 to pay an amount of JD 140,000 after the netting of the disputed amounts, the Bank recorded the required provisions in the condensed consolidated interim financial statements. Furthermore, the Income and Sales Tax Department also has claimed the Bank with tax differences against the year 2014 in the amount of JD 2,9 Million, the Bank has objected this assessment and raised a lawsuit against the Income and Sales Tax Department in this regards which is still at the initial stages. In the opinion of the management and it's tax consultant, that the Bank will not entail any obligations in excess of the provision booked in the consolidated condensed interim financial statements.
- A final settlement was reached with the income tax and VAT department on the Bank's operating results in Palestine until the end of 2016, The Bank also allocate JD 1,1 Million to meet the tax liabilities for the first half of 2018 (JD 460,000 for income tax and JD 600,000 for VAT), and in the opinion of the management and the tax consultant that they are sufficient to meet the tax obligations.
- A final settlement was reached with the Income and Sales Tax Department up to the year 2015 regarding Excel for Financial Investments Company (subsidiary company). Furthermore, the Company has submitted its tax returns for the years 2016 and 2017 and paid related taxes declared, however, it has not been reviewed by Income and sales Tax Department. In the opinion of the management and its tax consultant, the allocated provisions in the consolidated condensed interim financial statements are sufficient to meet the tax obligations.
- Jordan Leasing Company (subsidiary) has reached a final settlement with the Income and Sales Tax Department up to the year 2015. Moreover, the Company has submitted its tax returns for 2016 & 2017 and paid the declared taxes, however, it has not been reviewed by the Income and Sales Tax Department yet. In the opinion of the Company's management and its tax consultant, the allocated provisions in the consolidated condensed interim financial statement are sufficient to meet any tax obligations.
- The Bank calculated the accrued income tax for the six-month period ended June 30, 2018 for the Bank, its subsidiaries and foreign branches. In the opinion of the management and its tax consultant, the balance is sufficient to meet the tax obligations as June 30, 2018.

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**B. Deferred Tax Assets**

The details of this item are as follows:

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

The movement of Deferred tax assets and liabilities as follows

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

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

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

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

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

**17. BORROWED FUNDS**

This item consists of the following:

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

| <u>December 31, 2017</u> | Amount           | Instalments     |           | Maturity | Guarantees | Borrowing<br>Cost |
|--------------------------|------------------|-----------------|-----------|----------|------------|-------------------|
|                          |                  | Total<br>Number | Remaining |          |            |                   |
| Borrowing from CBJ       | 310,747          | 60              | 44        | Monthly  | Treasury   | %2.25             |
| Borrowing from CBJ       | 258,686          | 113             | 107       | Monthly  | Promissory | %1.75             |
| Borrowing from CBJ       | 917,461          | 60              | 55        | Monthly  | Promissory | %1.00             |
| Borrowing from CBJ       | 950,822          | 60              | 55        | Monthly  | Promissory | %1.00             |
| <b>Total</b>             | <b>2,437,716</b> |                 |           |          |            |                   |

- The above amounts has been re-granted to the Banks customers within the SME's segment at interest rate between 3% and 5.25%.
- This balance is borrowed at a fixed interest rate, and there is no borrowing at floating interest rates or with zero interest rate as of June 30, 2018 and December 31, 2017.

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**18. OTHER LIABILITIES**

The details of this item as follows:

|                                                                         | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-------------------------------------------------------------------------|--------------------------|------------------------------|
|                                                                         | <b>JD</b>                | <b>JD</b>                    |
| Accrued interest payable                                                | 5,450,056                | 5,079,792                    |
| Accepted cheques                                                        | 7,759,467                | 6,315,946                    |
| Temporary deposits                                                      | 4,694,311                | 17,814,290                   |
| Dividends payable                                                       | 3,112,797                | 2,361,085                    |
| Deposits on safe boxes                                                  | 175,067                  | 173,945                      |
| Margins against sold real estate                                        | 184,250                  | 289,250                      |
| Provision for expected credit loss against indirect credit facilities** | 5,468,633                | -                            |
| Other liabilities *                                                     | 9,979,416                | 6,662,165                    |
|                                                                         | <b>36,823,997</b>        | <b>38,696,473</b>            |

\* The details of other liabilities are as follows:

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

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

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

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

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

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**19. FAIR VALUE RESERVE**

The movement of the fair value reserve as follows:

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

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

**20. RETAINED EARNINGS**

The details of this item are as follows:

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

- Retained earnings include an amount of JD 15,878,538 restricted against deferred tax benefits as of June 30, 2018 (JD 14,683,719 as of December 31, 2017).
- Retained earnings include an amount of JD 3,305,173 as of June 30, 2018 which represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized as instructed by Jordan Securities Exchange Commission.
- Retained earnings include an amount of JD 813,437 as of June 30, 2018 that cannot be utilized through distribution or any other purposes unless there are a former approval from the Central Bank of Jordan resulting from application of Central Bank of Jordan Circular no. 10/1/1359 dated January 25, 2018.

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**21. FOREIGN CURRENCY TRANSLATION DIFFERENCES**

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

- The movement on this item is as follows:

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

**22. RESERVES**

**- STATUARY RESERVE**

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

**- VOLUNTARY RESERVE**

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

**- GENERAL BANKING RISKS RESERVES**

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

**- SPECIAL RESERVE**

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

The restricted reserves are as follows:

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



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**23. INTEREST INCOME**

The details of this item are as follows:

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

**24. INTEREST EXPENSE**

The details of this item are as follows:

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

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

The details of this item are as follows:

| For the Six-Month Period Ended<br>in June 30, 2018 | Realized Gains | Unrealized<br>(Losses) | Dividends    | Total          |
|----------------------------------------------------|----------------|------------------------|--------------|----------------|
|                                                    | JD             | JD                     | JD           | JD             |
| Shares                                             | 5,325          | (6,959)                | -            | (1,634)        |
|                                                    | <u>5,325</u>   | <u>(6,959)</u>         | <u>-</u>     | <u>(1,634)</u> |
|                                                    |                |                        |              |                |
| For the Six-Month Period Ended<br>in June 30, 2017 | Realized gains | Unrealized<br>(Losses) | Dividends    | Total          |
|                                                    | JD             | JD                     | JD           | JD             |
| Shares                                             | -              | (6,132)                | 4,000        | (2,132)        |
|                                                    | <u>-</u>       | <u>(6,132)</u>         | <u>4,000</u> | <u>(2,132)</u> |

**26. OTHER INCOME**

The details of this item are as follows:

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

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**27. FINANCIAL ASSETS EXPECTED CREDIT LOSSES PROVISION**

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

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

**28. EARNINGS PER SHARE FROM PROFIT FOR THE PERIOD**

The details of this item are as follows:

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

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**29. CASH AND CASH EQUIVALENTS**

This item represents the following:

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

**30. CAPITAL MANAGEMENT**

**Capital Components:**

- **Paid-up Capital:**

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

- **Regulatory Capital:**

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

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

- **Regulatory Authorities' Requirements:**

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

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

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

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

|                                                                                   | In Thousands     |                      |
|-----------------------------------------------------------------------------------|------------------|----------------------|
|                                                                                   | June 30,<br>2018 | December 31,<br>2017 |
| <b><u>Primary Capital Items for common shareholders (CET1)</u></b>                | <b>JD</b>        | <b>JD</b>            |
| Authorized and paid-up capital                                                    | 200,000          | 200,000              |
| Statutory reserve                                                                 | 80,821           | 80,821               |
| Voluntary reserve                                                                 | 134              | 134                  |
| Other reserves                                                                    | 4,104            | 4,104                |
| Fair value reserves                                                               | 71,715           | 81,288               |
| Interim profit after tax                                                          | 4,063            | -                    |
| Retained earnings                                                                 | 33,065           | 28,446               |
| Non- controlling interest in the capital of subsidiaries                          | 2,573            | 3,198                |
| <b>Less:</b> Intangible assets                                                    | (4,930)          | (4,839)              |
| Foreign Currency translation differences                                          | (12,262)         | (12,256)             |
| Deferred tax assets                                                               | (15,878)         | (14,684)             |
| <b>Total Primary Capital for common shareholders (CET1)</b>                       | <b>363,405</b>   | <b>366,212</b>       |
| <b><u>Additional Capital Items</u></b>                                            |                  |                      |
| Stage one provision balance not exceeding 1.25% of the total risk weighted assets | 5,273            | -                    |
| General banking risk reserve                                                      | 2,259            | 15,129               |
| <b>Total Additional Capital</b>                                                   | <b>7,532</b>     | <b>15,129</b>        |
| <b>Total Regulatory Capital</b>                                                   | <b>370,937</b>   | <b>381,341</b>       |
| <b>Total risk weighted assets</b>                                                 | <b>2,028,989</b> | <b>1,998,965</b>     |
| <b>Regulatory capital adequacy ratio (%)</b>                                      | <b>18.28%</b>    | <b>19.08%</b>        |
| <b>Capital adequacy ratio for common shareholders (%)</b>                         | <b>17.91%</b>    | <b>18.32%</b>        |
| <b>Common Equity Tier 1 (%)</b>                                                   | <b>17.91%</b>    | <b>18.32%</b>        |

**31. INFORMATION ON THE BANK'S BUSINESS SEGMENTS**

1. Information about the Bank's business segments:

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

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

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

|                                        | <b>Total</b>                                          |                    |                                 |                |                      |
|----------------------------------------|-------------------------------------------------------|--------------------|---------------------------------|----------------|----------------------|
|                                        | <b>For the Six-Month<br/>Period Ended on June 30,</b> |                    | <b>Period Ended on June 30,</b> |                |                      |
|                                        | <b>2018</b>                                           | <b>2017</b>        | <b>2018</b>                     | <b>2017</b>    | <b>2017</b>          |
|                                        | <b>JD</b>                                             | <b>JD</b>          | <b>JD</b>                       | <b>JD</b>      | <b>JD</b>            |
| Total income                           | 25,149,864                                            | 33,138,581         | 11,626,569                      | 382,027        | 69,593,196           |
| Direct facilities impairment provision | (3,351,320)                                           | 5,734,997          | 101,161                         | 1,632          | 2,486,470            |
| Segment result                         | 21,798,544                                            | 38,873,578         | 11,727,730                      | 383,659        | 72,079,666           |
| Undistributed expenses                 | (20,445,505)                                          | (11,294,719)       | (1,571,196)                     | (135,269)      | (36,842,262)         |
| Profit before tax                      | 1,353,039                                             | 27,578,859         | 10,156,534                      | 248,390        | 35,237,404           |
| Income tax                             | (483,059)                                             | (9,044,433)        | (2,925,603)                     | (59,519)       | (13,174,395)         |
| <b>Net Profit for the period</b>       | <b>869,980</b>                                        | <b>18,534,426</b>  | <b>7,230,931</b>                | <b>188,871</b> | <b>22,063,009</b>    |
| Other information:                     |                                                       |                    |                                 |                |                      |
| Capital expenditures                   | 901,325                                               | 97,671             | 45,690                          | -              | 3,432,632            |
| Depreciation and amortization          | 993,565                                               | 128,187            | 37,862                          | 1,889          | 2,447,020            |
| <b>Total Assets</b>                    | <b>553,346,417</b>                                    | <b>937,981,418</b> | <b>949,813,458</b>              | <b>309,286</b> | <b>2,551,118,017</b> |
| <b>Total Liabilities</b>               | <b>1,511,392,793</b>                                  | <b>463,277,951</b> | <b>112,620,645</b>              | <b>371,230</b> | <b>2,143,399,562</b> |

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**2. Information about Geographical Distribution:**

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

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

|                      | Inside the Kingdom        |               | Outside the Kingdom        |              | Total         |               |
|----------------------|---------------------------|---------------|----------------------------|--------------|---------------|---------------|
|                      | June 30,                  |               | June 30,                   |              | June 30,      |               |
|                      | 2018                      | 2017          | 2018                       | 2017         | 2018          | 2017          |
|                      | JD                        | JD            | JD                         | JD           | JD            | JD            |
| Total Revenues       | 73,060,096                | 84,590,070    | 14,379,712                 | 10,617,486   | 87,439,808    | 95,207,556    |
| Capital Expenditures | 3,055,169                 | 2,751,076     | 377,463                    | 318,487      | 3,432,632     | 3,069,563     |
|                      | <b>Inside the Kingdom</b> |               | <b>Outside the Kingdom</b> |              | <b>Total</b>  |               |
|                      | June 30,                  | December 31,  | June 30,                   | December 31, | June 30,      | December 31,  |
|                      | 2018                      | 2017          | 2018                       | 2017         | 2018          | 2017          |
|                      | JD                        | JD            | JD                         | JD           | JD            | JD            |
| Total Assets         | 1,865,479,484             | 1,977,069,000 | 685,638,533                | 588,062,939  | 2,551,118,017 | 2,565,131,939 |

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**32. COMMITMENTS AND CONTINGENT LIABILITIES**

**a. Credit Commitments and Contingent Liabilities:**

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

**b. Contractual Obligations:**

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

**33. RELATED PARTIES TRANSACTIONS**

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



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

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

\*Balances and transactions with subsidiary companies are excluded from the consolidated condensed interim financial statements, but presented for clarification purposes only.  
- Investment in subsidiary- Syria shown at cost, noting that the bank has accounted for this investment impairment in its records.

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

Salaries and Remunerations of Executive Management summary is as follows:

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

**34. LAWSUITS AGAINST THE BANK**

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

**35. IFRS (9) IMPLEMENTATION RELATED DISCLOSURES**

**FIRST: QUALITATIVE DISCLOSURES**

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

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

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

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

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

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

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

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

IFRS9 Scope of Implementation:

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

The model of Expected Credit Loss calculation covers the following:

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

- Definition of Default:

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

- Definition of Probability of Default PD:

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

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

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

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

- Loss Given Default LGD: represent the bank loss resulted from non-performing credit loss impairment, in other terms (1- Recovery Ratio).
- The Bank determine LGDs for credit instruments under Corporate and SME portfolios through using Moody's RiskCalc LGD model, the model depends on the availability of several input such as obligor PD, business sector in addition to credit facility nature (revolving/amortizing) and takes into consideration the availability of tangible collaterals (secured or unsecured) and the collateral type and value.  
In addition to the above, the RiskCalc LGD model avails LGD results according to credit maturity and its stage (12 months LGDs and the lifetime LGDs) accompanied with recovery ratios for each credit instrument.
- The Bank determine the LGDs for credit instruments under retail portfolio on product level and by applying a conservative assumptions rely on the results of a sample for historical write-offs (covering 5 years) for each retail product, knowing that the said assumptions were recommended by the consultant expert team.
- Note: zero LGDs was assigned for 100% cash collateralized facilities (dominated in the same currency) and for facilities availed for the Government of Jordan and/or backed by the Government of Jordan (regardless of credit facilities currency).

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

The bank follows the below steps to calculate the ECL for time deposits held with other banks:

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

- **Calculating the expected credit loss ECL for Bonds:**

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

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- LGDs determination by using the RiskCalc LGD model (same as other assets subject to ECL).
- Bond value at reporting date represent EAD.
- Once the ECL formula components defined, the Bank executes the calculations to define the ECL for bonds.
- Internal Credit Risk Rating:
  - Bank of Jordan applies Moody's Risk Rating System to assign the proper Risk Rating for each corporate and SME obligor.
  - The Internal Risk Rating scale from 1 to 10 in which each rating reflects a certain level of risk assigned to the rated obligors.
  - Ratings between 1 to 6 reflects relatively acceptable level of risks, (the lower the better) and such ratings are assigned for obligors under stage 1, while rating 7 reflects a significant change in credit quality or a higher level of risks hence obligors with such rating allocated under stage 2.
  - Ratings between 8 to 10 assigned to defaulted obligors (non-performing) and obligors with such rating allocated under stage 3.
  - The rating process covers analyzing the obligor quantitative data (Financial Analysis) to assess the business profitability, liquidity, in addition to debt service and capital structure. On the other hand, the rating process takes into account the qualitative data (Business Analysis) which focus on the business management, relationship with the bank and industry.
- Calculating obligors risk rating and the expected credit loss on collective basis:

Retail portfolio:

  - Based on the historical product default data (collective level) for each product, where the Observed Default Rate calculated by applying a statistical model (Autoregressive Model) for evaluating the default rate for each product.
  - Retail products categorized in 4 groups (housing loans, personal loans, auto loans and revolving loans including credit cards) knowing that these products share the same characteristics in terms of (credit risk, collateral type, interest rate and maturity).
- IFRS9 Governance:
  - Bank of Jordan IFRS9 methodology covers the Governance procedures followed in applying the IFRS9 which summarize the roles and responsibilities for all parties involved in implementation works in addition to data checking mechanisms applied in checking the data used in IFRS 9 implementation.
  - Governance procedures covers audit role and the validation of expected credit loss adequacy allocated by the bank.
  - In addition to the above audit is also responsible for conducting periodic review to ensure data accuracy used in applying the IFRS9 in order to meet the regulator requirements.
  - Furthermore, Audit are in charge of monitoring involved units and evaluate the ifrs9 implementation by generating periodic reports to the board which in their turn approve the results and responsible for applying effective monitoring through defining the committees and the units roles in the bank to ensure work integration between these units and provide the proper infrastructure.

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- Significant change in credit risk:
  - Bank of Jordan depends on the internal risk rating system to mark changes in obligor's credit risks.
  - If the obligor risk rating deteriorated by two notches then the obligor will be allocated to stage 2.
  - Occurrence of Past dues of 30+ up to 89 days, allocates the obligor under stage 2.
- Applying Macroeconomic scenarios on the Expected Credit Loss (ECL) results:
  - In order to meet the IFRS9 requirements, the ECL calculation must be exposed\ subject to the impact of macroeconomic scenarios; hence, the ECL result is a weighted average of 3 scenarios (40% of baseline scenario + 30% of downside scenario + 30% of upside scenario).
  - The macroeconomic factors applied on Corporate and SME portfolios (GDP vs. Equity Market).
  - The macroeconomic factors applied on retail portfolio (consumer price index vs. Equity Market).

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**Second: Quantitative Disclosure**

**1- Exposure distribution according to economic sectors:**

**A. Exposure distribution according to financial instruments**

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

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

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

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

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

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

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



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3-Reclassified Credit Exposures:

A. Total Reclassified Credit Exposures:

| Item                                                               | Second stage                |                          | Third stage                 |                          | Total<br>Reclassified<br>exposure | Reclassified<br>exposure<br>percentage |
|--------------------------------------------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------------|----------------------------------------|
|                                                                    | Total<br>exposure<br>amount | reclassified<br>exposure | Total<br>exposure<br>amount | reclassified<br>exposure |                                   |                                        |
| Balances with central banks                                        | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Balances with banks and financial institutions                     | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Deposits with banks and financial institutions                     | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Credit facilities                                                  | 97,639,186                  | 17,059,474               | 82,032,753                  | 8,875,685                | 25,933,159                        | 14.4%                                  |
| Bonds and treasury bills:                                          | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| within financial assets at fair value through profit or loss       | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| within financial assets at fair value through comprehensive income | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| within financial assets at amortized cost                          | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Financial derivatives                                              | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Foreclosed financial asset (debt instrument)                       | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| Other Assets                                                       | -                           | -                        | -                           | -                        | -                                 | 0.0%                                   |
| <b>Total</b>                                                       | <b>97,639,186</b>           | <b>17,059,474</b>        | <b>82,032,753</b>           | <b>8,875,685</b>         | <b>25,933,159</b>                 | <b>14.4%</b>                           |
| Letters of guarantees                                              | 4,444,291                   | 1,710,188                | 9,910,936                   | 533,087                  | 2,243,275                         | %15.6                                  |
| Letter of credit                                                   | 13,324,368                  | 9,307,005                | 69,515                      | 62,274                   | 9,369,279                         | 70%                                    |
| Other liabilities                                                  | -                           | -                        | -                           | -                        | -                                 | 0%                                     |
| <b>Total</b>                                                       | <b>115,407,845</b>          | <b>28,076,667</b>        | <b>92,013,204</b>           | <b>9,471,046</b>         | <b>37,545,713</b>                 | <b>18.1%</b>                           |

B.Expected credit loss for reclassified exposures:

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

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

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

| As of January 1, 2018 | According to classification instructions No. (47/2009) |           |                      |                     |            | According to IFRS (9) |           |                      |              |           |             |           |
|-----------------------|--------------------------------------------------------|-----------|----------------------|---------------------|------------|-----------------------|-----------|----------------------|--------------|-----------|-------------|-----------|
|                       | Item                                                   | Total     | Interest in suspense | Outstanding balance | Provision  | First stage           |           | Interest in suspense | Second stage |           | Third stage |           |
|                       |                                                        |           |                      |                     |            | Total                 | ECL       |                      | Total        | ECL       | Total       | ECL       |
| Performing            | 1,418,342,163                                          | 24,619    | -                    | 1,418,317,540       | -          | 1,418,342,163         | 5,603,849 | 24,621               | -            | -         | -           | -         |
| Watch list            | 46,432,882                                             | -         | -                    | 46,432,882          | 2,736,750  | -                     | -         | -                    | 46,432,882   | 1,407,957 | -           | -         |
| Non performing        | 76,806,921                                             | 7,844,058 | -                    | 68,962,863          | 61,215,419 | -                     | -         | -                    | -            | -         | 61,215,418  | 7,844,060 |
| Of which:             |                                                        |           |                      |                     |            |                       |           |                      |              |           |             |           |
| Substandard           | 5,721,305                                              | 22,257    | -                    | 5,699,048           | 4,319,210  | -                     | -         | -                    | -            | -         | -           | -         |
| Doubtful              | 6,302,795                                              | 128,085   | -                    | 6,074,710           | 3,871,352  | -                     | -         | -                    | -            | -         | -           | -         |
| Loss                  | 64,882,821                                             | 7,693,716 | -                    | 57,189,105          | 53,024,857 | -                     | -         | -                    | -            | -         | -           | -         |
|                       | 1,541,581,966                                          | 7,868,681 | -                    | 1,533,713,285       | 63,952,169 | 1,418,342,163         | 5,603,849 | 24,621               | 46,432,882   | 1,407,957 | 61,215,418  | 7,844,060 |

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**36. Fair Value Hierarchy**

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

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

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

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

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

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

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

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