نموذج رقم (4-1)

Form No. (1-4)

للافصاح

بنك الإسكان للتجارة والتمويل
The Housing Bank for Trade & Finance

* بورصة عمان
* المدير
المدير العام

Ref : 378/9/2018 Date : 02/09/2018	الرقم : 2018/9/378 التاريخ : 2018/09/02
To : Jordan Securities Commission Amman Stock Market Subject: Semi-Annual Report as of 30/06/2018	السادة : هيئة الاوراق المالية السادة : بورصة عمان الموضوع : التقرير نصف السنوي كما في 2018/06/30
Attached the copy of the Company's semi-annual Financial Statements of (The Housing Bank for Trade and Finance) as of 30/06/2018 after being reviewed the external auditor, These results are subject to approval of the Central Bank of Jordan .	مرفق طيه نسخة من البيانات المالية نصف السنوية لشركة (بنك الإسكان للتجارة والتمويل) كما هي في 2018/06/30 بعد مراجعتها من قبل مدققي الحسابات . علماً بان هذه النتائج خاضعة لموافقة البنك المركزي الأردني .
Kindly accept high appreciation and respect The Housing Bank for Trade and Finance Chief Financial Officer : Mr. Khaled Al-Thahabi Khaled	وتفضلوا بقبول فائق الاحترام ،، بنك الاسكان للتجارة والتمويل رئيس المجموعة المالية : خالد الذهبي

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٢ - أيلول ٢٠١٨
الرقم المتسلسل ....
الجهة المختصة ....

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

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

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
JUNE 30,2018

TABLE OF CONTENTS

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Review Report on the Condensed Consolidated Interim Financial Statements

AM/ 31298

To The H.E. Chairman and Board of Directors Members
The Housing Bank for Trade and Finance
(Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of The Housing Bank for Trade and Finance (Public Shareholding Limited Company) as of June 30, 2018 and the related condensed consolidated interim statements of income and comprehensive income and changes in owners' equity and cash flows for the six-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with the international accounting standard No.(34) " Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements No.2410, "Review of Interim Financial Information Performed by the Independent Auditor". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, 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 condensed consolidated interim financial statements are not prepared in all material respects in accordance with the International Accounting Standard No. (34)" interim financial reporting".

Other Matters

1- The financial year for the bank ends in December 31, of each year, the accompanying condensed consolidated interim financial statements have been prepared for the purposes of the Central Bank of Jordan, Jordan Securities Commission, Companies Control Department and the management.

2- The accompanying condensed consolidated interim financial statements are a translation of the statutory condensed consolidated interim financial statements in the Arabic language to which reference is to be made.

Amman – The Hashemite Kingdom of Jordan
July 31, 2018

Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010103

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2018 (Reviewed not Audited) JD	December 31, 2017 (Audited) JD
Assets:			
Cash and balances at central Banks	5	1,058,391,096	1,249,146,768
Balances at Banks and financial institutions	6	495,248,302	494,547,239
Deposits at Banks and financial institutions	7	36,543,179	38,122,776
Financial assets at fair value through profit or loss	8	4,388,505	21,399,878
Direct credit facilities-net	10	4,312,149,847	4,208,383,422
Financial assets at fair value through other comprehensive income - net	9	378,164,982	1,983,995
Financial assets at amortized cost - net	11	1,457,382,076	1,781,141,993
Property and equipment - net		185,070,662	179,559,351
Intangible assets - net		24,382,823	25,083,022
Deferred tax assets		60,653,040	38,384,838
Other assets	12	133,421,622	103,186,885
TOTAL ASSETS		**8,145,796,134**	**8,140,940,167**
LIABILITIES AND OWNERS' EQUITY:			
LIABILITIES:			
Banks and financial institutions deposits		538,695,785	541,721,932
Customers' deposits	13	5,848,342,253	5,828,132,571
Cash margins		310,930,934	266,606,789
Borrowed funds	14	128,483,954	114,136,785
Sundry provisions		52,170,577	55,284,690
Income tax provision	15	33,025,987	50,509,319
Deferred tax liabilities		3,893,734	2,185,858
Other liabilities	16	184,991,638	166,131,862
TOTAL LIABILITIES		**7,100,534,862**	**7,024,709,806**
OWNERS' EQUITY:			
BANK'S SHAREHOLDERS EQUITY:			
Paid-up capital	18	315,000,000	315,000,000
Share premium		328,147,537	328,147,537
Statutory reserve		206,742,985	206,742,971
General banking risks reserve		-	37,608,684
Special reserve		8,807,007	8,807,007
Foreign currencies translation		(111,168,378)	(106,641,415)
Fair value reserve – net	19	(1,423,847)	(109,459)
Retained earnings	20	193,398,056	273,604,841
Income for the Period		53,299,893	-
TOTAL BANK'S SHAREHOLDERS EQUITY		**992,803,253**	**1,063,160,166**
Non-controlling interest		52,458,019	53,070,195
TOTAL OWNERS' EQUITY		**1,045,261,272**	**1,116,230,361**
TOTAL LIABILITIES AND OWNERS' EQUITY		**8,145,796,134**	**8,140,940,167**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE REVIEW REPORT.

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	Note	2018	2017	2018	2017
		JD	JD	JD	JD
Interest income	21	106,098,854	90,973,926	205,750,384	182,557,580
Interest expense	22	(33,813,662)	(26,467,382)	(65,869,899)	(49,886,731)
Net Interest Income		**72,285,192**	**64,506,544**	**139,880,485**	**132,670,849**
Net commission income		6,512,653	5,410,684	12,957,547	11,418,195
Net Interest and commission income		**78,797,845**	**69,917,228**	**152,838,032**	**144,089,044**
Gain from foreign currencies		2,606,552	1,431,899	5,285,746	2,683,689
(Loss) from financial assets at fair value through profit or loss	23	(191,145)	(340,196)	(134,704)	(400,711)
Cash dividends from financial assets at fair value through other comprehensive income		62,965	-	157,965	-
Other income		8,833,196	11,364,349	17,707,526	18,761,788
Total Income		**90,109,413**	**82,373,280**	**175,854,565**	**165,133,810**
Expenses					
Employees' expenses		19,238,884	18,792,852	39,137,770	38,977,525
Depreciation and amortization		3,834,449	3,889,605	7,649,433	7,729,629
Other expenses		14,897,410	13,335,149	29,444,770	26,398,631
Allowance for expected credit loss - Net	17	11,405,373	1,062,037	15,670,924	54,057
Sundry provisions		1,196,463	3,653,826	2,175,317	4,576,248
Total expenses		**50,572,579**	**40,733,469**	**94,078,214**	**77,736,090**
Profit for the period before income tax expense		39,536,834	41,639,811	81,776,351	87,397,720
Income tax expense	15	(12,020,132)	(10,810,661)	(26,509,107)	(25,188,359)
Profit for the period		**27,516,702**	**30,829,150**	**55,267,244**	**62,209,361**
Attributable to:					
Bank's Shareholders		26,597,160	29,585,224	53,299,893	60,818,286
Non-Controlling Interest		919,542	1,243,926	1,967,351	1,391,075
		27,516,702	**30,829,150**	**55,267,244**	**62,209,361**
Basic and diluted earnings per share for the period attributable to the Bank's Shareholders	24	**0.084**	**0.094**	**0.169**	**0.193**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE REVIEW REPORT.

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

	For the Three Months Ended June 30,		For the six Months Ended June 30,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Profit for the period	**27,516,702**	**30,829,150**	**55,267,244**	**62,209,361**
Other comprehensive income items which may be reclassified to profit or loss in the subsequent period				
Foreign currencies translation	(10,052,613)	4,730,370	(5,475,559)	6,866,773
Other comprehensive income items that will not be reclassified to profit or loss in the subsequent period				
Realized gain from sale of financial assets at fair value through other comprehensive income	-	-	5,097	-
Net Change in valuation reserve of financial assets at fair value through comprehensive income after tax	(999,313)	232,752	(1,314,388)	232,752
Total other Comprehensive Income for the period after tax	**(11,051,926)**	**4,963,122**	**(6,784,850)**	**7,099,525**
Total Comprehensive Income for the period	**16,464,778**	**35,792,272**	**48,482,394**	**69,308,886**
Attributable to:				
Bank's shareholders	17,547,563	33,561,219	47,463,653	66,457,853
Non-controlling interest	(1,082,787)	2,231,053	1,018,741	2,851,033
	16,464,776	**35,792,272**	**48,482,394**	**69,308,886**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE REVIEW REPORT.

THE HOUSING BANK FOR TRADE AND FINANCE
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
(REVIEWED NOT AUDITED)

	Bank's Shareholders Equity												
			Reserves										
	Paid-up Capital	Share premium	Statutory	Voluntary	General Banking Risks	Special Reserve	Foreign Currency Translation	Fair value reserve - net	Retained Earnings	profit for the Period	Total Shareholder's Equity	Non-controlling Interest	Total Owners' Equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the Six Months Ended June 30, 2018													
Beginning balance for the period	315,000,000	328,147,537	206,742,971	-	37,608,684	8,807,007	(106,641,415)	(109,459)	273,604,841	-	1,063,160,166	53,070,195	**1,116,230,361**
Effect of implementation of International Financial Reporting Standard No, (9) - note (2/B)	-	-	-	-	-	-	-	-	(54,820,566)	-	(54,820,566)	(69,975)	**(54,890,541)**
Adjusted beginning balance	315,000,000	328,147,537	206,742,971	-	37,608,684	8,807,007	(106,641,415)	(109,459)	218,784,275	-	1,008,339,600	53,000,220	**1,061,339,820**
Profit for the Period	-	-	-	-	-	-	-	-	-	53,299,893	53,299,893	1,967,351	**55,267,244**
Net change in valuation reserve of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,314,388)	-	-	(1,314,388)	-	**(1,314,388)**
Foreign currency translation	-	-	14	-	-	-	(4,526,963)	-	-	-	(4,526,949)	(948,610)	**(5,475,559)**
Realized gain from sold financial assets at fair value through other comprehensive income after tax	-	-	-	-	-	-	-	-	5,097	-	5,097	-	**5,097**
Total Comprehensive Income	-	-	-	-	-	-	**(4,526,963)**	**(1,314,388)**	**5,097**	**53,299,893**	**47,463,653**	**1,018,741**	**48,482,394**
Transferred to/from reserves	-	-	-	-	(37,608,684)	-	-	-	37,608,684	-	-	-	-
Dividends paid note (18)	-	-	-	-	-	-	-	-	(63,000,000)	-	(63,000,000)	(1,560,942)	**(64,560,942)**
Ending Balance for the Period	**315,000,000**	**328,147,537**	**206,742,985**	-	-	**8,807,007**	**(111,168,378)**	**(1,423,847)**	**193,398,056**	**53,299,893**	**992,803,253**	**52,458,019**	**1,045,261,272**
For the Six Months Ended June 30, 2017													
Beginning Balance for the Period	**252,000,000**	**357,925,469**	**189,054,310**	**33,222,068**	**36,101,000**	**7,752,032**	**(110,715,554)**	**(344,677)**	**247,953,497**	-	**1,012,948,145**	**47,102,397**	**1,060,050,542**
Profit for the Period	-	-	-	-	-	-	-	-	-	60,818,286	60,818,286	1,391,075	**62,209,361**
Net change in valuation reserve of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	232,752	-	-	232,752	-	232,752
Foreign currencies translation	-	-	-	-	-	-	5,406,815	-	-	-	5,406,815	1,459,958	**6,866,773**
Total comprehensive income for the period	-	-	-	-	-	-	**5,406,815**	**232,752**	-	**60,818,286**	**66,457,853**	**2,851,033**	**69,308,886**
Increase in paid up capital note (17)	63,000,000	(29,777,932)	-	(33,222,068)	-	-		-		-			-
Expenses on increasing paid up capital									(365,425)	-	(365,425)	-	**(365,425)**
Transfers to/from reserves	-	-	-	-	1,200,000	-	-	-	(1,200,000)	-	-	-	-
Dividends paid note (18)	-	-	-	-	-	-	-	-	(75,600,000)	-	(75,600,000)	(680,843)	**(76,280,843)**
Ending Balance for the Period	**315,000,000**	**328,147,537**	**189,054,310**	-	**37,301,000**	**7,752,032**	**(105,308,739)**	**(111,925)**	**170,788,072**	**60,818,286**	**1,003,440,573**	**49,272,587**	**1,052,713,160**

- Retained earnings includes a restricted amount of JD 6,628,060, which represents the differences in financial assets revaluation in accordance to Central Bank of Jordan and the Jordanian Securities Commission instructions.
- Retained earnings includes an amount of JD 371,371 which represents the effect of early implementation of the International Financial Reporting Standard No (9). This amount cannot be used except for the amounts actually realized from sale.
- Retained earnings includes a restricted amount of JD 60,653,040, which represents deferred tax assets and an amount of JD 1,423,847 which represents the negative change in financial assets at fair value through other Comprehensive income, including capitalization or distribution only to the extent if actually recognized in accordance to the instructions of Central bank of Jordan and the Jordanian Securities Commission.
- Retained earnings includes a restricted amount of JD 11,173,559, which represents the gain from the valuation of foreign currencies at the International Bank for Trade and Finance /Syria for the current period and the prior periods.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

THE HOUSING BANK FOR TRADE AND FINANCE

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(REVIEWED NOT AUDITED)

	Note	For the Six Months Ended June 30, 2018	2017
		JD	JD
OPERATING ACTIVITIES			
Profit before income tax		81,776,351	87,397,720
Adjustments for non-cash items:			
Depreciation and amortization		7,649,433	7,729,629
Provision for expected credit loss	17	15,670,924	54,057
Net unrealized loss from the valuation of financial assets at fair value through profit or loss		348,541	613,822
Net accrued interest and commission income		415,255	3,767,397
Effect of the change in exchange rates on cash and cash equivalents		(1,666,583)	(1,871,729)
Provision for end of service indemnity expense		1,777,463	2,363,665
Premiums and discounts amortization		395,469	355,017
Sundry provisions		4,624,273	5,883,554
Others		(2,104,449)	(1,199,546)
Cash flows from operating activities before changes in assets and liabilities		**108,886,677**	**105,093,586**
Decrease (Increase) in assets			
Deposits at Banks and financial institutions (maturing within more than 3 months)		1,324,421	2,489,199
Direct credit facilities		(187,954,222)	(45,338,561)
Financial assets at fair value through profit or loss		(969,835)	(35,136)
Other assets		(29,129,827)	1,628,886
Increase (Decrease) in Liabilities			
Banks and financial institutions' deposits (maturing within more than 3 months)		(28,812,840)	(2,641,203)
Customers' deposits		20,209,682	27,908,734
Cash margins		44,324,145	(133,930,255)
Other liabilities		8,307,322	(21,199,623)
Sundry provisions		(7,053,268)	(4,757,367)
Net Cash Flows (used in) Operating Activities before income tax		**(70,867,745)**	**(70,781,740)**
Income tax paid		(43,132,521)	(47,663,552)
Net Cash Flows (used in) Operating Activities		**(114,000,266)**	**(118,445,292)**
INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through comprehensive income		(60,184,719)	(1,014,208)
Sale of financial assets at fair value through comprehensive income		51,867,710	-
(Purchase) of financial assets at amortized cost		(149,624,614)	(321,199,527)
Matured financial assets at amortized cost		121,997,534	276,628,099
(Purchase) of property and equipment		(10,584,434)	(8,563,512)
Proceeds from sale of property and equipment		110,726	50,887
(Purchase) of Intagible assets		(1,876,111)	(2,591,001)
Net Cash Flows (used in) Investing Activities		**(48,293,908)**	**(56,689,262)**
FINANCING ACTIVITIES			
Borrowed Funds		14,347,169	59,340,875
Dividends paid to shareholders		(62,872,022)	(71,979,091)
Non-controlling interest		(1,560,942)	(680,843)
Net Cash Flows (used in) Financing Activities		**(50,085,795)**	**(13,319,059)**
Net (decrease) in cash and cash equivalent		**(212,379,969)**	**(188,453,613)**
Effect of the change in exchange rates on cash and cash equivalents		(3,461,333)	8,958,440
Cash and cash equivalents - Beginning of the period		**1,271,205,423**	**1,172,957,113**
Cash and cash equivalents - Ending of the period	25	**1,055,364,121**	**993,461,940**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

1. GENERAL

- The Housing Bank for Trade and Finance ("the Bank") was established in 1973 and registered as a public shareholding limited company in accordance with the Jordanian Companies Law No. 12 of 1964. The headquarters are located in Amman – The Hashemite Kingdom of Jordan.

- The Bank provides its banking and financing business activities through its headquarters located in Amman – Jordan and through its branches in Jordan (128 branches) and abroad in Palestine and Bahrain (16 branches) and through its subsidiaries in Jordan, Syria, Algeria and the United Kingdom.

- The Bank's shares are traded on Amman Stock Exchange.

- The condensed consolidated interim financial statements were approved by the Bank's Board of Directors in their meeting dated July 26, 2018.

2. Basis of Preparation of the Condensed Consolidated Interim Financial Statements

- The accompanying condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting".

- The condensed consolidated interim financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value at the date of the condensed consolidated interim financial statements.

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

- The condensed consolidated interim financial statements does not include all notes and information presented in the annual financial statements which is prepared in accordance with the international accounting standards and should be read with the Bank's annual report for the year ended December 31, 2017. The results of the six months ended June 30, 2018 do not indicate the expcted results for the year ending December 31, 2018. The appropriation of the profit of the six months ended June 30, 2018 which is usually performed at year end.

- The accounting policies adopted in preparing the condensed consolidated interim financial statements is consistent with those applied in the year ended December 31, 2017 except for the effect of the application of the new and revised standards which are applied on or after the first of January of 2018 as follow:

a. **<u>New and revised IFRS that didn't have an effect on the condensed consolidated interim financial statements of the Bank:</u>**

Annual Improvements to IFRS Standards 2014 – 2016

The improvements include amendments on IFRS 1 and IAS 2.

IFRIC 22 - Foreign Currency Transactions and Advanced Considerations

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 2 - *Share Based Payment*

The amendments are related to the classification and measurement of share based payment transactions.

Amendments to IFRS 4 - *Insurance Contracts*

The amendments relates to the different effective dates of IFRS 9 and the forthcoming new insurance contracts.

Amendments to IAS 40 - *Investment Property*

Paragraph 57 has been amended to state that an entity shall transfer a property to or from investment in property when, and only when, there is evidence of a change in use.

A change of use occurs if property meets, or doesnt meet, the definition of investment in property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

IFRS 15 - *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which has established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *"Revenue"*, IAS 11 *"Construction Contracts"* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 - ***Revenue from Contracts with Customers***
The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Amendments to IFRS 7 - ***Financial Instruments: Disclosures***
The amendments are related to disclosures about the initial application of IFRS 9.

IFRS 7 Financial Instruments: Disclosures
The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

b. **Amendments effective on the condensed consolidated interim financial statements of the Company:**

IFRS 9 - ***Financial Instruments***
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets.

IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. And a new version of the new standard includes the following requirements:

- **Classification and measurement**:
  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics, the 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments, Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**:
  The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- **Hedge accounting**:
  The 2014 version of IFRS 9 Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Bank has adopted IFRS (9) (Stage 1) issued in the year 2009, which is related to the classification and measurement of financial assets since the beginning of 2010. The bank has adopted the final version of IFRS 9 effective January 1, 2018 retrospectively and in line with the standard requirements. The Bank did not adjust the comparative figures, and has recognized the cumulative effect of the adoption which amounts to JD 54,820,566 net after tax as an adjustment on the opening balance of retained earnings and an amount of JD 69,975 as an adjustment on the opening balance of Non-controlling interest as of January 1, 2018 as the following:

	Balance as of December 31, 2017	Reclassified amounts	Excpected credit loss*	Balance as of January 1, 2018 after implementation
	JD	JD	JD	JD
Balances and deposits at banks and financial institutions	532,670,015	-	(380,512)	532,289,503
Financial assets at fair value through profit or loss	21,399,878	(17,632,667)	-	3,767,211
Transferred to financial assets at fair value through other comprehensive Income	-	-	-	-
Debt Instruments	-	-	-	-
Equity Instuments	-	(17,632,667)	-	-
Financial assets at fair value through other comprehensive income	1,983,995	370,004,507	(311,901)	371,676,601
Transferred from financial assets at fair value through profit or loss	-	17,632,667	-	-
Transferred from financial assets at amortized cost	-	352,371,840	-	-
Direct credit facilities:	4,208,383,422	-	(68,324,049)	4,140,059,373
Debt instruments in financial assets at amortized cost portfolio	1,781,141,993	(351,229,811)	(176,625)	1,429,735,557
Transferred to financial assets at fair value through other comprehensive income portfolio	-	(351,229,811)	-	-
Deferred tax assets	38,384,838	-	21,401,337	59,786,175
Contingent Liabilities and other liabilities **	664,699,334	-	(7,098,791)	657,600,543
Retained earnings	273,604,841	-	(54,820,566)	218,784,275
Non-controlling interest	53,070,195	-	(69,975)	53,000,220

* Expected credit loss is calculated for items after the classification.

** The balance of provision for expected credit loss related to off-balance sheet contingent liabilities has been classified in other liabilities.

The following represents the effect of the implementation of IFRS (9) on provisions opening balances:

	Balance as of December 31, 2017	Expected Credit Loss	Effect of the reclassification of Financial Assets	Balance as of January 1, 2018
	JD	JD	JD	JD
Balances and deposits at banks and financial institutions	-	380,512	-	380,512
Direct credit facilities	188,508,307	68,324,049	-	256,832,356
Debt instruments within financial assets at amortized cost portfolio	6,234,632	176,625	(1,957,132)	4,454,125
Debt insturments within financial assets at fair value through other comprehensive income portfolio	-	311,901	-	311,901
Indirect credit facilities	-	7,098,791	-	7,098,791

- The following represents the provision for expected credit loss for the period as of June 30, 2018:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	548,381	-	-	-	-	548,381
Direct credit facilities	11,381,125	17,642,109	10,738,741	53,854,050	168,463,619	262,079,644
Debt instruments within financial assets at fair value at amortized cost	267,324	-	-	-	3,000,000	3,267,324
Debt instruments within financial assets at fair value through other comprehensive income	360,368	-	-	-	-	360,368
Letter of guarantees	1,325,226	540,435	297,427	76,039	1,633,572	3,872,699
Letter of credits	2,124,265	1,999,525	60,372	77,216	138,669	4,400,047
Acceptances	1,758,736	385,566	11,125	-	-	2,155,427

The following represents the credit exposures in accordance to the Central Bank of Jordan Instructions No. (47/2009) compared to IFRS 9:

As of June 30, 2018:

	Instruction No. 47/2009				As per IFRS (9) instructions - Stage (1)			Stage (2)			Stage (3)		
	Gross	Interest in suspense	Origin	Provision	Gross	Provision of Expected credit loss	Interest in suspense	Gross	Expected credit loss	Interest in suspense	Gross	Provision of Expected credit loss	Interest in suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Performing loans	4,151,539,394	554,509	4,150,984,885	7,197,568	3,996,412,648	29,023,243	536,412	-	-	-	-	-	-
Watch list loan	258,630,865	550,262	258,080,603	64,626,175	-	-	-	402,291,064	64,592,791	86,437	11,466,547	4,721,066	481,921
Non-performing loans	255,151,341	89,987,338	165,164,003	114,206,124	-	-	-	-	-	-	255,151,341	70,978,188	89,987,339
of which:													
Substandard	8,631,871	120,759	8,511,112	1,699,408	-	-	-	-	-	-	-	-	-
Doubtful	17,900,314	792,842	17,107,472	6,487,883	-	-	-		-	-	-	-	-
Bad debt	228,619,156	89,073,737	139,545,419	106,018,833	-	-	-	-	-	-	-	-	-
Total	4,665,321,600	91,092,109	4,574,229,491	186,029,867	3,996,412,648	29,023,243	536,412	402,291,064	64,592,791	86,437	266,617,888	75,699,254	90,469,260

As of December 31, 2017:

	Instruction No. 47/2009				As per IFRS (9) instructions - Stage (1)			Stage (2)			Stage (3)		
	Gross	Interest in suspense	Origin	Provision	Gross	Provision of Expected credit loss	Interest in suspense	Gross	Expected credit loss	Interest in suspense	Gross	Provision of Expected credit loss	Interest in suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Performing loans	4,065,317,194	698,305	4,064,618,889	16,675,473	3,898,266,242	31,522,491	698,305	-	-	-	-	-	-
Watch list loan	155,850,739	1,576	155,849,163	60,595,883	-	-	-	309,417,680	81,900,456	1,576	8,976,762	976,859	-
Non-performing loans	268,232,854	91,809,177	176,423,677	111,236,951	-	-	-	-	-	-	272,740,103	66,492,209	91,809,177
of which:													
Substandard	29,969,206	62,257	29,906,949	330,125	-	-	-	-	-	-	-	-	-
Doubtful	26,021,901	1,112,648	24,909,253	12,894,444	-	-	-	-	-	-	-	-	-
Bad debt	212,241,747	90,634,272	121,607,475	98,012,382	-	-	-	-	-	-	-	-	-
Total	4,489,400,787	92,509,058	4,396,891,729	188,508,307	3,898,266,242	31,522,491	698,305	309,417,680	81,900,456	1,576	281,716,865	67,469,068	91,809,177

3. Basis of condensed consolidated interim Financial Statements Consolidation

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

- The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries were the Bank exercise control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

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

- Non-controlling interest represents the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of June 30, 2018:

A. Foreign subsidiary companies

- International Bank for Trade and Finance / Syria with a paid-in capital of SYP 5.25 billion, in which the Bank owns 49.063%. The Bank has the power to control the significant operating activities of the International Bank for Trade and Finance since the Bank can exercise this control through the executive committee which is authorized to manage all the bank activities. Therefore, its financial statements have been consolidated with the financial statements of the Bank. The main objective of this bank is to conduct commercial banking activities and the ownership for this company is back to the year 2003. In addition, the International Bank for Trade and Finance has a subsidiary company – The International Financial Center/ Syria with an ownership percentage of 85% of the company's capital amounted to SYP 100 Million, whereas the Housing Bank for Trade and Finance owns a percentage of 5% of the company's capital.

- The Housing Bank for Trade and Finance – Algeria with a paid-in capital of DZD 10 billion in which the Bank owns 85%. The main objective of this bank is to conduct commercial banking activities and the ownership for this company is back to the year 2002.

- Jordan International Bank/ London with a paid-in capital of GBP 65 million in which the bank owns 75%. The main objective of this bank is to conduct commercial banking activities.

B. Local subsidiary companies

- International Financial Center Company- Jordan with a paid-in capital of JD 5 million in which the Bank owns 77.5%. The Company's main activity is financial brokerage in local and foreign markets, and purchase and sales transactions of financial instruments for customers and for the company itself, the ownership for this company is back to the year 1998.

- Specialized Leasing Finance Company - Jordan which is fully owned by the bank with a paid- in capital of JD 30 million (30 million shares). The Company's main activity is finance leases of various equipment and machinery in addition to real estate, land, vehicles and other items that are purchased by the company for finance lease purposes, the ownership for this company is back to the year 2005.

- Jordan Real Estate Investments Company – Jordan which is fully owned by the bank with a paid- in capital of JD 40,000. The company's main activity is to manage non - banking services personnel, the ownership for this company is back to the year 1997.

4. Accounting Estimates

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

Management believes that the estimates used in the condensed consolidated interim financial statements are reasonable and consistent with the estimates used by the Bank's in preparing the consolidated financial statements for the year 2017 except for the following:

Changes in Accounting Policies and Significant Estimates and Judgements

The key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 (Financial Instruments). The comparative financial information has not been restated as per its requirements.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Key changes in the Bank's accounting policy for impairment of financial assets are listed below that requires significant judgment and estimates:

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI, Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. For these assets, 12-month ECL are recognised and interest is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance), 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset, Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weigh.

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with regulatory requirements. For these assets, lifetime ECL is recognised and treated with the interests calculated on them, according to regulatory instructions. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

Key changes to the Significant Estimates and Judgements

Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:

1. Specific rating downgrade "One notch downgrade or Two notch downgrade".
2. Facilities restructured during previous twelve months.
3. Facilities overdue by specific number of days as at the reporting date.

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Bank employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

Changes to Banks financial risk management objectives and policies

i. Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

ii. Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

iii. Credit quality assessments

Pursuant to the adoption of IFRS 9, the Bank has mapped its internal credit rating scale to an approve rating scale as of June 30, 2018.

5. Cash and Balances at Central Banks

- The cash reserve amounted to JD 345,499,099 as of June 30, 2018 (JD 325,145,537 as of December 31, 2017).

- There are no restrictions except for the cash reserve as of June 30, 2018 and December 31, 2017.

- The following represents the movement on cash and balances at Central Banks:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – Beginning of the period	1,088,004,244	-	-	1,088,004,244
New balances during the year	11,683,100	-	-	11,683,100
Paid balances	(163,386,490)	-	-	(163,386,490)
Balance – End of the Period	**936,300,854**	-	-	**936,300,854**

- There is no transfers between stages (1,2 and 3) or written off balances during the six months period ended June 30, 2018.

6. Balances at Banks and Financial Institutions

The balances at banks and financial institutions, which bears no interest, amounted to JD 37,431,036 as of June 30, 2018 (JD 29,313,836 as of December 31, 2017).

There are no restricted balances as of June 30, 2018 and December 31, 2017.

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Deposits mature during the period:						
From 3 months to 6 months	-	5,000,000	12,396,617	2,059,246	12,396,617	7,059,246
From 6 months to 9 months	5,000,000	15,000,000	11,427,128	7,128,087	16,427,128	22,128,087
From 9 months to 12 months	5,000,000	-	3,247,403	8,935,443	8,247,403	8,935,443
Provision for expected credit losses	-	-	(527,969)	-	(527,969)	-
Total	**10,000,000**	**20,000,000**	**26,543,179**	**18,122,776**	**36,543,179**	**38,122,776**

- There are no restrictions on deposits as of June 30, 2018 and December 31, 2017.

- The following represents the movement on deposits and balances at bank and financial institutions:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – Beginning of the period	532,670,015	-	-	532,670,015
New deposits and balances during the year	362,978,653	-	-	362,978,653
Paid deposits and balances	(363,857,187)	-	-	(363,857,187)
Balance – End of the period	**531,791,481**	-	-	**531,791,481**

- There is no transfers between stages (1,2 and 3) or written off balances during the six months period ended June 30, 2018.

- The following represents the movement on the provision for expected credit lossess for deposits balances at banks and financial institutions during the six months period ended June 30, 2018:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – Beginning of the period	-	-	-	-
Effect of implementing IFRS (9) – net after tax – Note (2)	380,512	-	-	380,512
Adjusted balance after implementing IFRS (9)	380,512	-	-	380,512
Impairment on new balances and deposits during the year	146,726	-	-	146,726
Reversed from impairment on new balances and recovered deposits during the year	-	-	-	-
Transferred from general provision	21,143	-	-	21,143
Balance – End of the Period	**548,381**	-	-	**548,381**

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Quoted Financial Assets:		
Quoted shares in active markets	3,614,129	5,393,714
Total	**3,614,129**	**5,393,714**
Unquoted Financial Assets:		
Government bonds and guarantees	141,569	240,688
Unquoted shares in active markets *	632,807	15,765,476
Total	**774,376**	**16,006,164**
	4,388,505	**21,399,878**
Government bonds and guarantees:		
With fixed return	141,569	240,688
Total	**141,569**	**240,688**

* The Bank's management has amended the business model at the end of the year 2017, where corporate shares have been reclassified from the portfolio of financial assets at fair value through profit or loss with the amount of JD 17,632,667 as of January 1, 2018 to financial assets at fair value through other comprehensive income which is in line with the Central Bank of Jordan circular No. 10/1/1359 issued on January 25, 2018.

9. Financial Assets at Fair Value through other Comprehensive Income

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Quoted shares	2,500,000	-
Unquoted shares *	16,974,373	1,983,995
Total Shares	**19,474,373**	**1,983,995**
Jordanian Treasury Bonds	134,937,600	-
Foreign governments bills and bonds	91,945,355	-
Corporate bonds	132,168,022	-
Total Bonds *	**359,050,977**	-
Less: Provision of expected credit loss	(360,368)	-
Total Bonds - Net	**358,690,609**	-
Total	**378,164,982**	**1,983,995**

- The movement on financial assets at fair value through other comprehensive income during the period were as follow:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Fair value - Beginning of the period	1,983,995	-	-	**1,983,995**
Transfers from financial assets at fair value through profit or loss	17,632,667	-	-	**17,632,667**
Transfers from financial assets at amortized cost	352,371,840	-	-	**352,371,840**
Adjusted beginning balance for the period	371,988,502	-	-	**371,988,502**
New investments during the year	59,716,557	-	-	**59,716,557**
Matured investments	(51,867,610)	-	-	**(51,867,610)**
Change in fair value	(1,314,388)	-	-	**(1,314,388)**
Transferred to stage (2)	(4,216,979)	4,216,979	-	-
Adjustments due to change in exchange rates	2,289	-	-	**2,289**
Balance - End of the Period	**374,308,371**	**4,216,979**	-	**378,525,350**

- The movement on expected credit losses during the period were as follow:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – Beginning of the period	-	-	-	-
Effect of implementing IFRS (9) – net after tax	311,901	-	-	**311,901**
Adjusted beginning balance for the period	**311,901**	-	-	**311,901**
Transferred from credit facilities provision	168,487	-	-	**168,487**
Expected credit losses for new investment during the period	1,654	-	-	**1,654**
Expected credit losses for matured investment during the period	(211)	-	-	**(211)**
Transferred to stage (2)	(30,174)	30,174	-	-
Effect on provision due to change between stages	(121,463)	-	-	**(121,463)**
Effect of the reclassification	(150,194)	30,174	-	**(120,020)**
Balance at the Ending of the Period	**330,194**	**30,174**	-	**360,368**

* The Bank's management has amended the business model at the end of the year 2017, where corporate shares have been reclassified from the portfolio of financial assets at fair value through profit or loss with the amount of JD 17,632,667 as of January 1, 2018 and reclassified bonds with an amount of JD 352,371,840 as of January 1, 2018 from the portfolio of financial assets at amortized cost to financial assets at fair value through other comprehensive income wich is in line with the Central Bank of Jordan circular No. 10/1/1359 issued on January 25, 2018.

10. Direct Credit Facilities - Net

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Individuals (retail):		
Overdraft accounts	13,012,513	11,758,289
Loans and discounted bills *	734,581,182	730,149,153
Credit cards	13,915,665	13,503,865
Real estate loans	**1,208,977,426**	**1,205,968,385**
Includes Housing loans	799,098,145	801,919,874
Companies:		
Large		
Overdraft accounts	417,050,367	346,372,366
Loans and discounted bills *	1,055,816,046	979,023,122
Small and Medium		
Overdraft accounts	78,699,384	64,278,611
Loans and discounted bills *	227,282,656	294,662,054
Government and public sector	**915,986,361**	**843,684,942**
Total	**4,665,321,600**	**4,489,400,787**
Less: Provision of expected credit losses	(262,079,644)	(188,508,307)
Interest in suspense	(91,092,109)	(92,509,058)
Net Direct Credit Facilities	**4,312,149,847**	**4,208,383,422**

* Net after deducting interest and commission received in advance amounted to JD 31,153,192 as of June 30, 2018 (JD 32,255,014 as of December 31, 2017).

- Non-performing credit facilities amounted to JD 255,151,340 which is equivalent to 5.47% of total direct credit facilities as of June 30, 2018 (JD 268,232,853 which is equivalent to 5.97% of total direct credit facilities as of December 31, 2017).

- Non- performing credit facilities after deducting interest and commissions in suspense amounted to JD 165,164,002 which is equivalent to 3.61% of total direct credit facilities balance after deducting interest and commission in suspense as of June 30, 2018 (JD 177,000,360 which is equivalent to 4.02% of total credit facilities balance after deducting interest and commission in suspense as of December 31, 2017).

- Non-performing credit facilities transferred to off-financial position condensed consolidated interim items amounted to JD 318.7 million as of June 30, 2018 (JD 296 million as of December 31, 2017). Moreover, these credit facilities are fully covered by the suspended interests and provisions.

- Direct credit facilities granted to and guaranteed by the Government of The Hashemite Kingdom of Jordan amounted to JD 727,644,928 which is equivalent to 15.60% of total direct credit facilities as of June 30, 2018 (JD 665,694,006 which is equivalent to 14.83% as of December 31, 2017).

Provision for expected credit loss:

The movement on Direct credit facilities during the period were as follow:

	Stage (1)		Stage (2)		Stage (3)		
	Collective	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the period	1,835,093,235	2,064,196,726	52,448,981	259,001,962	116,964,104	161,695,779	4,489,400,787
New credit facilities during the year	207,113,120	256,039,379	10,848,499	16,715,490	4,978,634	1,535,452	497,230,574
Paid credit facilities	(114,331,397)	(89,373,400)	(2,341,820)	(5,570,459)	(12,705,291)	(7,564,766)	(231,887,133)
Transferred to stage (1)	21,467,038	27,827,169	(16,514,826)	(26,394,662)	(4,952,212)	(1,432,507)	-
Transferred to stage (2)	(67,466,234)	(55,771,574)	70,422,613	56,238,753	(2,956,379)	(467,179)	-
Transferred to stage (3)	(10,716,811)	(1,388,592)	(10,234,922)	(3,673,470)	20,951,733	5,062,062	-
Effect of adjustment	(54,533,399)	(18,867,642)	(3,511,471)	4,856,396	257,064	(1,179,289)	(72,978,341)
Written off credit facilities	-	-	-	-	-	(13,534,084)	(13,534,084)
Adjustments due to change in exchange rates	(2,874,971)	-	-	-	(35,232)	-	(2,910,203)
Balance - End of the Period	**1,813,750,581**	**2,182,662,066**	**101,117,054**	**301,174,010**	**122,502,421**	**144,115,468**	**4,665,321,600**

The movement on the provision of expected credit loss during the period were as follows:

	Corporate	SME's	Retail	Real Estate	Governmental and Public	Total
For the Six Months Ended June 30, 2018	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	124,139,952	28,368,876	20,471,246	15,528,233	-	188,508,307
Reclassification impact	(1,228,091)	6,213,093	-	(4,985,002)	-	-
Impact of Implementing IFRS (9)	36,191,646	4,155,123	15,519,807	11,808,312	649,161	68,324,049
Adjusted beginning balance of the period	159,103,507	38,737,092	35,991,053	22,351,543	649,161	256,832,356
Transferred to indirect credit facility provision	(2,060,810)	(968,675)	-	-	-	(3,029,485)
Impairment on new Credit facilities during the year	1,920,347	6,299,855	1,187,989	407,186	3,368	9,818,745
Recovered from Impairment on paid credit facilities	1,118,301	672,594	(1,149,206)	(246,499)	-	395,190
Transferred to stage (1)	357,984	742,233	3,009,874	315,826	-	4,425,917
Transferred to stage (2)	1,013,003	641,696	702,778	88,814	57,464	2,503,755
Transferred to stage (3)	517,287	256,175	1,199,606	267,328	-	2,240,396
Effect on provision at the end of the period due to reclassification between stages	7,676,939	(10,928,617)	(517,279)	506,924	369,923	(2,892,110)
Effect due to adjustments	12,603,861	(2,316,064)	4,433,762	1,339,579	430,755	16,491,894
Written off credit facilities	(7,103,183)	(336,096)	(238,694)	(306,237)	-	(7,984,211)
Adjustments due to change in exchange rates	(75,463)	(124,282)	(3,782)	(27,383)	-	(230,910)
Balance at the Ending of the Period/Year	**162,467,912**	**34,991,975**	**40,182,339**	**23,357,502**	**1,079,916**	**262,079,644**
Redistribution:						
Provision on an Individual basis	139,451,155	19,097,543	3,150,667	13,134,993	1,079,916	175,914,274
Provision on a collective basis	23,016,757	15,894,432	37,031,672	10,222,509	-	86,165,370
For the Year Ended December 31, 2017						
Balance at the beginning of the period						
Balance - Beginning of the period	130,725,526	25,947,381	17,878,402	12,847,334	-	187,398,643
Deducted (reversal) during the year from revenues	(7,845,862)	2,693,776	2,773,927	2,686,415	-	308,256
Used from provision during the year (written off provision)	(50,668)	(541,857)	(222,763)	(18,081)	-	(833,369)
Foreign currencies translation	1,310,956	269,576	41,680	12,565	-	1,634,777
Balance – End of the Period	**124,139,952**	**28,368,876**	**20,471,246**	**15,528,233**	-	**188,508,307**
Redistribution:						
Provision on non-performing credit facilities	121,457,036	28,206,866	19,167,239	14,582,348	-	183,413,489
Provision on performing credit facilities	2,682,916	162,010	1,304,007	945,885	-	5,094,818

Interest in Suspense

The following is the movement on interest in suspense:

	Corporate entities				
	Corporate	SME's	Retail	Real Estate loans	Total
For the Six Months Ended June 30, 2018	JD	JD	JD	JD	JD
Balance – beginning of the period	**44,737,782**	**20,081,617**	**13,667,876**	**14,021,783**	**92,509,058**
Add: Interest suspended during the period	5,597,971	2,559,744	2,127,930	1,553,124	11,838,769
Less: Interest transfered to income	(1,226,322)	(631,060)	(638,873)	(921,645)	(3,417,900)
written-off Interest in suspense	(7,783,951)	(971,932)	(682,581)	(320,967)	(9,759,431)
Foreign currency translation	(7,361)	(52,836)	(3,298)	(14,892)	(78,387)
Balance – End of the Period	**41,318,119**	**20,985,533**	**14,471,054**	**14,317,403**	**91,092,109**
For the Year Ended December 31, 2017					
Balance – beginning of the year	43,611,087	14,781,627	12,827,327	12,250,070	83,470,111
Add: Interest suspended during the year	4,679,709	9,478,279	2,830,141	4,123,218	21,111,347
Less: Interest Transffered to revenue	(2,848,452)	(3,434,214)	(1,659,420)	(2,294,415)	(10,236,501)
written-off Interest in suspense	(2,120,792)	(822,561)	(329,830)	(68,627)	(3,341,810)
Foreign currency translation	1,416,230	78,486	(342)	11,537	1,505,911
Balance – End of the Year	**44,737,782**	**20,081,617**	**13,667,876**	**14,021,783**	**92,509,058**

The following are the total credit facilities classified by economic sector and geografic distribution:

	June 30, 2018			
Economic Sector	Inside Jordan	Outside Jordan	Total	December 31, 2017
	JD	JD	JD	JD
Financial	112,811,886	21,125,958	133,937,844	134,547,029
Industrial	318,768,037	228,566,891	547,334,928	492,803,325
Trading	282,317,975	313,574,732	595,892,707	594,240,196
Real Estate	1,071,977,854	212,605,318	1,284,583,172	1,256,770,432
Agriculture	11,937,901	3,048,552	14,986,453	13,681,199
Equities	10,655,892	-	10,655,892	6,766,465
Individuals	730,137,462	58,251,571	788,389,033	772,275,657
Government and public sector	869,752,177	46,234,184	915,986,361	843,684,943
Other	328,166,569	45,388,641	373,555,210	374,631,541
	3,736,525,753	**928,795,847**	**4,665,321,600**	**4,489,400,787**

11. Finanical Assets at Amortized Cost - net

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Quoted Financial Assets:		
Jordanian treasury bonds *	1,021,285,206	1,106,490,756
Governmental guranteed bonds *	339,068,453	351,452,429
Foreign goverments bonds *	1,509,051	106,332,962
Corporate bonds and debentures *	95,786,689	216,450,477
Total Quoted Financial Assets	**1,457,649,399**	**1,780,726,624**
Unquoted Financial Assets:		
Corporate bonds and debentures	3,000,001	6,650,001
Total Unquoted Financial Assets	**3,000,001**	**6,650,001**
Total	**1,460,649,400**	**1,787,376,625**
Less: Provision for excepted credit loss	(3,267,324)	(6,234,632)
Total	**1,457,382,076**	**1,781,141,993**
Bonds and Bills Analysis:		
With Fixed rate	1,448,811,076	1,741,961,867
With Floating rate	8,571,000	39,180,126
Total	**1,457,382,076**	**1,781,141,993**

Following is a summary on the movement of impairment loss of financial assets at amortized cost during the period:

	Stage (1) individual	Stage (2) individual	Stage (3)	Total
	JD	JD	JD	JD
Fair value - beginning of the period	1,776,121,505	-	9,297,988	**1,785,419,493**
Transfer to financial assets at air value through other comprehensive income	(351,229,811)	-	-	**(351,229,811)**
Adjusted - beginning balance of the period	1,424,891,694	-	9,297,988	**1,434,189,682**
New investment during the period	148,484,399	-	-	**148,484,399**
Accrued investment	(115,699,546)	-	(6,297,987)	**(121,997,533)**
Change in fair value	19,198	-	-	**19,198**
Effect of the reclassification	32,804,051	-	(6,297,987)	**26,506,064**
Adjustments due to foreign currency changes	(46,346)	-	-	**(46,346)**
Balance - End of the Period	**1,457,649,399**	-	**3,000,001**	**1,460,649,400**

Below is the movement on provision for expected credit losses during the period:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - Beginning of the period	-	-	6,234,632	**6,234,632**
Reclassification	-	-	(1,957,132)	**(1,957,132)**
Effect of implementing IFRS (9) – Note (2)	176,625	-	-	**176,625**
Adjusted beginning balance for the period	176,625	-	4,277,500	**4,454,125**
Expected credit losses on new investments during the period	100,704	-	-	**100,704**
Expected credit losses on matured investments during the year	(6,526)	-	(1,277,500)	**(1,284,026)**
Effect of the reclassification	94,178	-	(1,277,500)	**(1,183,322)**
Written off investments	(3,479)	-	-	**(3,479)**
Balance - End of the Period	**267,324**	**-**	**3,000,000**	**3,267,324**

* The Bank's management has amended the business model at the end of the year 2017, where bonds with a fair value of JD 351,299,811 as of January 1, 2018 has been reclassified from the portfolio of financial assets at amortized cost to financial assets at fair value through other comprehensive income which is in line with the Central Bank of Jordan circular No. 10/1/1359 issued on January 25, 2018.

12. Other Assets

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Accrued revenues and interest	21,986,732	20,265,648
Prepaid expenses	13,825,827	5,248,986
Assets seized by the Bank	56,809,995	43,310,629
Assets seized by the Bank with customer right to recover	4,167,851	1,316,893
Cheques under collection	20,742,794	19,217,404
Other	15,888,423	13,827,325
Total	**133,421,622**	**103,186,885**

- The regulations of Central Bank of Jordan require disposing of the assets seized by the Bank during a maximum period of two years from the date of the acquisition.

13. CUSTOMERS' DEPOSITS

The details of this item are as follows:

	Retail	Corporate	SME's	Governmental and Public	Total
June 30, 2018	**JD**	**JD**	**JD**	**JD**	**JD**
Current accounts and demand deposits	714,287,621	155,936,335	282,960,914	44,176,301	1,197,361,171
Saving deposits	2,112,955,873	309,524	15,688,597	474,572	2,129,428,566
Time and notice deposits	1,430,359,456	483,296,718	42,629,805	333,206,944	2,289,492,923
Certificates of deposit	198,390,495	32,413,642	826,959	-	231,631,096
Others	428,497	-	-	-	428,497
Total	**4,456,421,942**	**671,956,219**	**342,106,275**	**377,857,817**	**5,848,342,253**
December 31, 2017					
Current accounts and demand deposits	709,275,428	153,966,986	316,924,242	58,114,838	1,238,281,494
Saving deposits	2,129,974,849	487,888	11,122,794	638,333	2,142,223,864
Time and notice deposits	1,346,997,504	380,732,674	73,987,939	432,801,907	2,234,520,024
Certificates of deposit	211,845,295	-	830,925	-	212,676,220
Others	430,969	-	-	-	430,969
Total	**4,398,524,045**	**535,187,548**	**402,865,900**	**491,555,078**	**5,828,132,571**

- Deposits of the Jordanian government and public sector inside the kingdom amounted to approximately JD 371.2 million representing 6.35% of total deposits as of June 30, 2018 (approximately JD 486 million, representing 8.3% of total deposits as of December 31, 2017).

- Non-interest bearing deposits amounted to JD 1.69 billion, representing 29.1% of total deposits as of June 30, 2018 (against around JD 1.69 billion, representing 29% of total deposits as of December 31, 2017).

- Restricted deposits amounted to JD 138.4 million, representing 2.4% of total deposits as of June 30, 2018 (against JD 102 million, representing 1.75% of total deposits as of December 31, 2017).

- Dormant accounts amounted to JD 263.1 million, representing 4.5% of total deposits as of June 30, 2018 (against JD 265.7 million, representing 4.6% of total deposits as of December 31, 2017).

14. Loans and Borrowing:

This item consists of the following:

	Amount JD	Periodic Repayment	Repayment Date	Guarantee	Borrowing Interest rate	Re- Lending Interest Rate
June 30, 2018						
Audi Bank loan	4,958,337	Monthly	31/05/2019	Financial solvency	5%	10.50%
Audi Bank loan	1,000,000	Monthly	31/05/2019	Financial solvency	6.75%	10.50%
Society General Bank loan	4,984,295	Monthly	31/08/2018	Financial solvency	5%	10.50%
Amman Cairo Bank	15,000,000	Monthly	30/07/2018	Financial solvency	4.25%	10.50%
Amman Cairo Bank	10,000,000	Monthly	30/07/2018	Financial solvency	4.5%	10.50%
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	05/04/2020	Financial solvency	5.75%	10.50%
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	09/08/2018	Financial solvency	5%	10.50%
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	24/09/2019	Financial solvency	5.5%	10.50%
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	01/07/2020	Financial solvency	5.75%	10.50%
Central Bank of Jordan	6,650,000	Semi annual	14/07/2028	Financial solvency	4.1%	Guaranteed %7.6 without gurantee %8.1
Central Bank of Jordan	3,974,875	Semi annual	07/02/2031	Financial solvency	4.15%	Guaranteed %7.15 without gurantee %8.15
Central Bank of Jordan	3,010,000	Semi annual	29/11/2024	Financial solvency	2.50%	Guaranteed %6 without gurantee %6.5
Central Bank of Jordan	7,493,989	According to instalment maturity date	5 years with the exception of renewable energy projects 10 years	Promissory note on demand	Inside the capital 1.75% outside the capital 1%	Inside the capital minimum 4.5% outside the capital minimum3.75%
Real Estate Mortgage Re-fund Co.	50,000,000	Semi annual	29/05/2019	Mortgage	5.05%	6.75% - 10 .75%
Central Bank of Jordan	1,412,458	Semi annual	21/12/2039	Mortgage	3%	Guaranteed %6.50 without gurantee %7.50
	128,483,954					

* Funds have been reborrowed for the purposes of housing loans at an interest rate ranging from 6.75%-10.75% reborwed fund amounted to JD 50,000,000.

- Re-borrowed funds with a fixed interest rate amounted to JD 117,859,079. And borrowed funds with variable interest rate amounted to JD 10,624,875 as of June 30, 2017.
- Re-borrowed funds from Central Bank of Jordan maturity date is ranging from May 1, 2014 to December 21, 2039.

- Borrowed funds do not include any repurchase agreements.

December 31, 2017	Amount	Instalment Maturity Period	Repayment Date	Guarantees	Borrowing Interest Rate	Re- Borrowed Interest Rate
	JD					
Audi Bank loan	4,908,976	Monthly	31/05/2018	Financial solvency	4.50%	% 10.30
Audi Bank loan	4,000,000	Monthly	31/05/2018	Financial solvency	6.24%	% 10.30
Society General Bank loan	4,994,838	Monthly	31/05/2018	Financial solvency	4.48%	% 10.30
Amman Cairo Bank	14,992,112	Monthly	31/05/2018	Financial solvency	4.25%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	05/05/2018	Financial solvency	4.75%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	09/08/2018	Financial solvency	5.00%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	24/09/2018	Financial solvency	5.50%	% 10.30
Central Bank of Jordan	7,000,000	Semi annual	24/09/2019	Financial solvency	3.26%	Guaranteed %6.76 without gurantee %7.26
Central Bank of Jordan	3,974,875	Semi annual	14/7/2028	Financial solvency	3.31%	Guaranteed %6.31 without gurantee %7.31
Central Bank of Jordan	3,255,000	Semi annual	07/02/2031	Financial solvency	2.50%	Guaranteed %6 without gurantee %6.5
Central Bank of Jordan	4,598,526	According to instalment maturity date	5 years except of renewable energy 10 years	Promissory note on demand	Inside the capital 1.75% outside the capital 1%	Inside the capital 4.5% outside the capital 3.75%
Real Estate Mortgage Re-fund Co.	50,000,000	Semi annual	29/05/2019	Mortgage	5.05%	7%-9.5%
Central Bank of Jordan	1,412,458	Semi annual	21/12/2039	Financial solvency	3%	Guaranteed %6.50 without gurantee %7.50
	114,136,785					

15. Income Tax

a. Income tax provision

The movement on the income tax provision is as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance – beginning of the period / year	**50,509,319**	**57,000,430**
Income tax paid	(43,131,521)	(58,901,137)
Accrued income tax	25,720,261	52,370,207
Currency translation	(72,072)	39,819
Balance – Ending of the Period / Year	**33,025,987**	**50,509,319**

- Income Tax for Banks in Jordan is 35%, the average Income Tax percentage in the countries in which the bank has investments is in between (0- 35%).

- The Bank has reached a final settlement with the Income and Sales Tax Department up to the year 2014, and has paid the declared taxes for the years 2015, 2016, and 2017.

- The Bank has reached a final settlement in Palestine with the Income Tax Department up to the year 2017, and has reached to a final settlement with the Income and Sales Tax Department for all year except for the year 2017.

- Income tax for International Bank for Trade and Finance /Syria was paid up to the year 2017.

- Income tax for the Housing Bank for Trade and Finance /Algeria was paid up to the year 2017.

- Income tax for Jordan International Bank/ London was paid up to the year 2017.

- Income tax for International Financial Centre Company was paid up to the year 2017, and reached a final settlement for all years except for the year 2016, and 2017.

- Income tax for Specialized Leasing Company was paid up to the year 2017, and reached a final settlement with the Income and Sales Tax Department up to the year 2016 and, 2017.

b. Income tax expense appearing in the condensed consolidated interim income statement represents the following:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Provision for income tax for the period	25,720,261	24,044,503
Deferred tax assets for the period	(3,214,794)	(1,779,016)
Deferred tax liabilities for the period	1,442,735	-
Amortization of deferred tax assets	2,560,905	2,982,170
Amortization of deferred tax liabilities	-	(59,298)
Total	**26,509,107**	**25,188,359**

16. Other Liabilities

The details for this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Accrued interest	19,811,035	17,665,502
Interests and commissions received in advance	943,116	560,978
Accrued expenses	17,174,027	18,328,048
Certified cheques	33,228,867	27,506,819
Transfers deposits	21,701,456	27,096,367
Payment trusts	4,154,172	3,151,106
Prizes trusts	1,653,552	1,544,723
Correspondent banks trusts	121,568	157,852
General management trusts	2,508,587	2,380,945
Shareholders deposits	580,031	452,053
Accounts payable	4,718,028	2,167,966
Other deposits	55,820,309	54,278,229
Provision for indirect facilities' expected credit loss	10,428,173	-
Other	12,148,717	10,841,274
Total	184,991,638	166,131,862

Below is the movement on indirect facilities during the period / year:

	Stage (1)		Stage (2)		Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Collective	Total
	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	483,592,577	165,429,105	9,942,789	150,757	4,873,073	711,033	664,699,334
New exposure during the period	260,823,342	113,970,134	6,332,826	385,915	309,974	130,207	381,952,398
Matured exposure	(173,173,129)	(111,939,701)	(1,951,301)	(2,657)	(877,028)	(508,219)	(288,452,035)
Transferred to stage (1)	3,074,934	114,100	(3,074,934)	(112,100)	-	(2,000)	-
Transferred to stage (2)	(7,293,334)	(1,467,503)	7,718,961	1,542,503	(425,627)	(75,000)	-
Transferred to stage (3)	(336,245)	(500)	(15,800)	(500)	352,045	1,000	-
Effect of the reclassification	(31,483,983)	(20,536,324)	(1,727,093)	(379,115)	(124,287)	2,618	(54,248,184)
Adjustments due to foreign currency changes	-	(77,552)	-	-	-	-	(77,552)
Balance at the Ending of the Period	535,204,162	145,491,759	17,225,448	1,584,803	4,108,150	259,639	703,873,961

Below is the movement on the expected credit loss for indirect facilities during the period / year:

	Stage (1)		Stage (2)		Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Collective	Total
	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	4,965,839	3,253,444	217,829	20,919	1,635,769	-	10,093,800
Impairment loss on new exposure during the period	2,736,020	2,408,801	106,940	59,310	128,970	43,397	5,483,438
Impairment loss on matured exposure	(644,330)	(2,438,742)	(98,620)	(3,314)	(1,508)	-	(3,186,514)
Transferred to stage (1)	27,637	13,882	(27,637)	(13,882)	-	-	-
Transferred to stage (2)	(247,632)	(57,705)	402,162	57,705	(154,530)	-	-
Transferred to stage (3)	(2,888)	(7)	(309)	(31)	3,197	38	-
Effect on provision due to reclassification	(1,626,418)	(252,877)	(231,442)	32,548	76,753	40,155	(1,961,281)
Effect of the reclassification	242,389	326,648	151,094	132,336	52,882	83,590	335,643
Adjustments due to foreign currency changes	-	(1,270)	-	-	-	-	(1,270)
Balance at the Ending of the Period	5,208,228	2,925,526	368,923	153,255	1,688,651	83,590	10,428,173

17. Expected Credit Loss expense – net

The details of this item is as follows:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Balances and deposits at banks and financial institutions	146,726	-
Financial assets at fair value through other comprhensive income	(120,020)	-
Finanical assets at amortized cost	(1,183,322)	(224,674)
Direct credit facilities	16,491,894	278,731
Commitments and contingent liabilities	335,646	-
	15,670,924	**54,057**

18. Paid-up Capital

The authorized capital is JD 315 million divided into 315 million shares of nominal value of one Jordanian dinar as of June 30, 2018 and December 31, 2017.

19. Fair value reserve:

The fair value reserve appears net after deferred taxes with a negative amount JD 1,423,847 as of June 30, 2018, (negative JD 109,459 as of December 31, 2017).

The movement on the net fair value reserve is as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance – beginning of the period/year	**(109,459)**	**(344,677)**
Unrealized (losses) - Debt instuments	(1,438,989)	-
Unrealized gain (losses) - Shares	(392,001)	235,218
Deffered tax assets	781,744	-
Deffered tax liabilities	(265,142)	-
Net change in valuation reserve of financial assets at fair value through comprehensive income after tax	(1,314,388)	235,218
Balance at the End of the Period *	**(1,423,847)**	**(109,459)**

20. Retained Earnings

The movement on retained earnings is as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance – beginning of the period / year	**273,604,841**	**247,953,497**
Effect of the application of IFRS (9) on expected credit loss	**(76,221,903)**	-
Effect of the application of IFRS9 (9) on deffered tax assets	**21,401,337**	-
Effect of the application of IFRS (9)– net after tax note 2	(54,820,566)	-
Adjusted– beginning balance of the period / year	**218,784,275**	**247,953,497**
Income for the year	-	121,868,089
Dividends distribution	(63,000,000)	(75,600,000)
Transferred from/to reserves	37,608,684	(20,251,320)
Capital increase expenses	-	(365,425)
Gains from sale of financial assets at fair value through other comprehensive Income	5,097	-
Balance – End of the Period / Year	**193,398,056**	**273,604,841**

- Retained earnings includes a restricted amount of JD 6,628,060, which represents the differences in financial assets revaluation in accordance to the Jordanian Securities Commission instructions.

- Retained earnings includes an amount of JD 371,371 which represents the effect of early implementation of the International Financial Reporting Standard No (9). This amount cannot be used except for the amounts actually realized from sale.

- Retained earnings includes a restricted amount of JD 60,653,040 which represents deferred tax assets and an amount of JD 1,423,847 which represents the negative change in financial assets at fair value through Comprehensive income, including capitalization or distribution only to the extent of what is actually recognized in accordance to the instructions of the Central bank of Jordan and the Jordanian Securities Commission.

- Retained earnings includes a restricted amount of JD 11,173,559 which represents the gain from the valuation of foreign currencies at the International Bank for Trade and Finance /Syria for the current period and the prior periods.

- The shareholder's general assembly approved in its ordinary meeting held on April 30, 2018 to distribute cash dividends of 20% from share capital as of December 31, 2017 to the shareholders, which is equivalent to JD 63 million as an income for the year 2017.

21. Interest Income

The details of this item are as follows:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Direct Credit Facilities		
Individual retail customer:		
Overdraft	400,204	135,792
Loans and discounted bills	32,931,475	31,245,691
Credit cards	1,083,745	859,990
Other	123,427	85,063
Real estate mortgages	39,320,973	33,539,284
Large corporates		
Overdraft	12,240,274	6,551,589
Loans and discounted bills	30,408,054	28,523,896
SME's		
Overdraft	3,552,551	6,479,610
Loans and discounted bills	7,192,950	8,053,022
Government and Public Sector	25,292,917	21,040,282
Balances at central banks	6,410,297	4,108,985
Balances and deposits at banks and financial institutions	6,484,449	3,345,190
Financial assets at amortized cost	35,683,915	38,584,181
Financial assets at fair value through profit or loss	2,217	5,005
Financial assets at fair value through other comprehensive income	4,622,936	-
	205,750,384	**182,557,580**

22. Interest Expense

The details of this item are as follows:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Banks and financial institutions deposits	6,288,603	3,296,432
Customers deposits:		
Current accounts and demand deposits	369,673	646,866
Saving deposits	4,391,008	4,909,489
Time and notice deposits	40,134,154	29,539,577
Certificates of deposit	4,095,432	2,583,656
Cash Margin	2,105,121	2,449,435
Borrowed funds	2,752,416	960,942
Deposits insurance fees	5,733,492	5,500,334
	65,869,899	**49,886,731**

23. (Loss) from Financial Assets at Fair Value Through profit or Loss

The details of this item are as follows:

	Realized		Unrealized		Dividends	
	Gain	(Loss)	Gain	(Loss)	Received	Total
	JD	JD	JD	JD	JD	JD
June 30, 2018						
Bonds	-	-	-	(5,650)	-	(5,650)
Coprorate shares	-	(53,531)	20,224	(363,115)	200,671	(195,751)
Investment funds	57,676	-	-	-	9,021	66,697
Total	**57,676**	**(53,531)**	**20,224**	**(368,765)**	**209,692**	**(134,704)**
June 30, 2017						
Bonds	-	-	-	(8,595)	-	(8,595)
Coprorate shares	9,622	-	187,935	(793,162)	203,489	(392,116)
Investment funds	-	-	-	-	-	-
Total	**9,622**	**-**	**187,935**	**(801,757)**	**203,489**	**(400,711)**

24. Earnings Per Share Attributable to the Shareholders of the Bank basic/ dilluted

The details of this item are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Profit for the period attibutable to shareholders'	26,597,160	29,585,224	53,299,893	60,818,286
Weighted average number of shares	315,000,000	315,000,000	315,000,000	315,000,000
Basic and diluted earnings per share attributable to shareholders of the Bank	**0.084 JD**	**0.094 JD**	**0.169 JD**	**0.193 JD**

25. Cash and Cash Equivalents

This item consists of the following:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Cash and balances with central banks maturing within 3 months	1,058,391,096	878,612,178
Add: Balances with banks and financial institutions maturing within 3 months	495,248,302	559,827,555
Less: Banks and financial institutions deposits maturing within 3 months	(498,275,277)	(444,977,793)
	1,055,364,121	**993,461,940**

26. Capital Adequacy

The schedule below shows the capital components according to the instructions of the Central Bank, based on the instructions of Basel III Committee, the following is the capital adquacy ratio.

	June 30, 2018	December 31, 2017
	JD	JD
1. Common Equity Tier 1 Capital		
Paid-in capital	315,000,000	315,000,000
Retained earnings	186,689,440	204,068,344
Other comprehensive income items	(112,592,225)	(106,750,874)
Net fair value reserve	(1,423,847)	(109,459)
Foreign currency translation Reserve	(111,168,378)	(106,641,415)
Share premium	328,147,537	328,147,537
Statutory reserve	206,727,328	206,727,314
Other reserve	8,807,007	8,807,007
Non-controlling Interest	24,373,144	22,783,052
Period net income after tax and expected dividends	21,796,161	-
Total capital of common stock	**978,948,392**	**978,782,380**
Regulatory amendments (Propositions of the capital)	(87,763,972)	(65,114,795)
Goodwill and other intangible assets	(24,382,823)	(25,083,022)
Deffered tax assets	(60,653,040)	(38,384,838)
Investments in capital of non consolidated subsidiaries	(32,545)	(28,477)
Mutual fund investments in the capital of Banking, Financial and Insurance Entities (within CET1)	(2,695,564)	(1,618,458)
Total primary capital	**891,184,420**	**913,667,585**
2. Additional Tier 1		
Non-controlling Interest	4,301,144	4,020,539
Total additional capital	4,301,144	4,020,539
Regulatory amendments (Propositions of the capital)	-	-
Net additional capital	**4,301,144**	**4,020,539**
Net additional capital Tier 1.	**895,485,564**	**917,688,124**
3. Tier 2		
General banking risk reserve	-	37,608,684
Provision of credit loss for stage (1) not exceeding 1.25% of assets exposed to credit loss	38,288,238	-
Non-controlling Interest	5,734,858	5,360,718
Other	-	-
Total capital cushions	**44,023,096**	**42,969,402**
Regulatory amendments (Propostions of the capital)	(8,136)	(12,204)
Investments in capital of non consolidated subsidiaries	(8,136)	(12,204)
Net additional capital Tier 2	**44,014,096**	**42,957,198**
Regulatory capital	939,500,524	960,645,322
Total weighted assets risk average.	**5,770,323,964**	**5,615,792,970**
Capital Adequacy Ratio %	**16.28%**	**17.11%**

27. Related Party Transactions

A. The Bank entered into transactions with major shareholders, Board of Directors, and executive management in the course of its ordinary activities at commercial rates of interest and commissions. All facilities granted to related parties are performing and no provisions have been taken.

B. Summary of related party transactions during the period/year:

	Related Party				Total	
	Major Shareholders	Subsidiaries	Board of Directors	Executive Management	June 30, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Financial position items						
Total deposits with related parties	42,751,697	81,370,943	-	-	124,122,640	146,500,426
Total deposits from related parties	354,168,750	48,651,148	3,063,579	3,227,284	409,110,761	509,830,763
Loans and advances granted to related parties	-	3,816,500	1,100	1,273,714	5,091,314	3,020,693
Items off-statement of Financial position						
Letters of guarantees and credits	-	4,406,900	-	-	4,406,900	4,628,600

C. Summary of related party transactions during the period:

	Related Party				Total For the Six Months Ended June 30,	
	Major Shareholders	Subsidiaries	Board of Directors	Executive Management	2018	2017
	JD	JD	JD	JD	JD	JD
Income statement items						
Interest and commissions income	497,832	228,116	896	17,499	744,343	835,069
Interest and commissions expense	7,505,334	1,396,631	20,359	35,681	8,958,005	6,600,525

D. The Bank's executive management remuneration were as follows:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Salaries, bonuses, and other benefits	1,930,926	1,765,629
Salaries, bonuses, and other benefits/ Subsidiaries	1,342,000	1,340,397

28. Segment Analysis

Information on the Bank Activities:

For management purposes, the Bank is divided into four major business segments according to reports sent to the chief operating officer:

Retail Banking: Principally handling individual customers' and small businesses' deposits and providing loans, overdrafts, credit cards and other services.

Corporate Banking: Principally handling deposits, credit facilities, and other financial services for corporate and institutional customers.

Corporate Finance: Principally arranging structured finance and providing services relating to privatizations, IPO's, mergers and acquisitions.

Treasury: Principally providing trading and treasury services and the management of the Bank's funds in money and capital markets.

Information of the Bank's business segment, distributed according to operations is as follows:

	Retail	Corporate	Corporate Finance	Treasury	Others	Elimination	Total For the Six Months Period Ended June 30, 2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD
Gross Income	**121,604,457**	**99,527,210**	**4,605,783**	**70,067,812**	**7,131,434**	**(61,212,232)**	**241,724,464**	**215,020,541**
Impairment of credit facilities to customers	(4,306,446)	(12,242,949)	(278,145)	-	-	-	(16,827,540)	(278,731)
Recovery from impairment provision of financial assets	-	-	-	1,156,616	-	-	1,156,616	224,674
Segment results	47,840,097	26,467,558	1,721,640	8,565,722	4,799,536	-	89,394,553	95,958,231
Unallocated expenses	-	-	-	-	-	-	(7,618,202)	(8,560,511)
Income before tax	-	-	-	-	-	-	**81,776,351**	**87,397,720**
Income Tax	-	-	-	-	-	-	**(26,509,107)**	**(25,188,359)**
Profit for the year	-	-	-	-	-	-	**55,267,244**	**62,209,361**
							June 30, 2018	**December 31, 2017**
							JD	JD
Segment Assets	4,720,545,400	2,801,322,038	121,446,241	3,348,442,769	1,303,044,009	-	**12,294,800,457**	**11,943,180,837**
Elimination of assets between segments	(2,989,914,806)	-	-	(490,950,621)	(728,791,936)	-	(4,209,657,363)	(3,840,625,508)
Unallocated assets on segments	-	-	-	-	-	-	60,653,040	38,384,838
Total Assets	-	-	-	-	-	-	**8,145,796,134**	**8,140,940,167**
Segment Liabilities	**4,672,228,639**	**2,924,033,938**	**119,576,140**	**3,216,786,489**	**311,941,709**	-	**11,244,566,915**	**10,822,883,060**
Elimination of liabilities between segments	-	(1,423,579,987)	(48,669,888)	(2,675,675,912)	-	-	(4,147,925,787)	(3,800,359,112)
Unallocated liabilities	-	-	-	-	-	-	3,893,734	2,185,858
Total Liabilities	-	-	-	-	-	-	**7,100,534,862**	**7,024,709,806**
Capital expenditures							12,460,545	27,776,219
Depreciation and amortization							7,649,433	15,439,485

29. Risk management:

Default and default tackling mechanism:

Default is the existence of payment dues on customer facilities of more than 90 days and a marked increase in risk ratings (8,9,10), in addition to any indications of the existence of customer's probability of default (PD) requiring the inclusion of some customers within the concept of "Credit Deterioration Factors", including, but not limited to:

- Significant financial difficulties faced by the debtor such as a severe weakness in the financial statements.
- Amortization of part of the obligations incurred by the debtor as a result of financial difficulties.
- Non-payment of obligations on time.
- The debtor's bankruptcy.
- The debtor's need to organize (structure) or reschedule its obligations.

Default tackling mechanism:
According to the CBJ regulations, and once the debt is classified as Non-Performing, the bank shall allocate adequate provisions, along with the procedures required to collect the rights of the bank in accordance with the applicable laws, and shall take all the procedures for collection which lead to settlements with customers in accordance with the regulations to ensure the debts are paid in full or rescheduled in accordance with the standards and principles stipulated by the CBJ and the regulatory authorities of the host countries.

The Bank internal Rating systems:

- **Risk Analyst/ Moody's System**

- A system designed to assess and measure the risks of corporate customers in a comprehensive manner by extracting the customer's risk rating associated with the customer's probability of default (PD) based on the financial and objective data. It is also involved in the extraction of the expected losses (EL) of the customer's facilities through "facility rating" and the loss given default (LGD) associated with collaterals.

- The Risk Analyst / Moody's system has various models and Scorecards to cover most customer segments. Each model has several sections. Each section is associated with risk weights and according to model used. The risk score is calculated through these models / cards by collecting the results of financial and objective extracts in a digital form called VOTES and then calculations are made to extract the so-called average assessment, which is shown in the form of a digital counter (from 0-100), noting that the digital meter is divided into seven sections (excellent / very good / good / average / less than average / bad / unacceptable).

- The bank uses the Risk Analyst/Moody's system to measure the risk rating of customers within (7) grades for the performing accounts and three grades for non-performing accounts. The probability of default (PD) increases as risk rating increases. Three segments are adopted at each grades - with the exception of grade (1). A clear definition has been given to each grade.

The principles in the evaluation process within the internal rating system for corporate customers:
Availability of recent, audited / unaudited financial statements, in line with CBJ regulations, so as they reflect the actual financial situation of the credit applicant.

The Business line has a clear perception on the objective aspects related to the customer's situation (e.g. management, customer sector, competitive situation, etc.), because of the significant impact of the objective aspect on the customer risk assessment results.

Availability of sufficient data on the collaterals provided by the customer to enable the assessment of the facility risk.

Updating PD on an annual basis based on the latest studies conducted by Moody's.

Selecting the appropriate analysis model that fits with the nature of the customer.

Using the archiving option to preserve the customer's historical risk levels approved within the credit analysis.

The override option can be used with the Risk Analyst system by adopting the override methodology approved by the bank, related to the existence of approval of the owners of authority "which represent the credit granting powers themselves", in order to raise or lower the level of risk, according to the credit analysis memorandum prepared by the credit and Credit Review.

Credit scoring system for retail and small business customers:
A system that evaluates retail and small business customers and gives them risk scoring based on their risk before being granted loans. Based on this evaluation, the creditworthiness of the customer and the probability of default are assessed.

The internal scoring of retail customers is made for all products granted (personal loans, housing, credit cards, car loans), while for the customers of small business the scoring is made for the products granted, including (business loan, mortgage loan, amortized loans).

Definition of expected credit losses (ECL):
The expected credit losses represent the total amounts that are allocated to cover the losses resulting from the customers' failure to fulfill their obligations, which is exposure at default (probability of default) losses given default.

The mechanism for calculating expected credit losses (ECL)
1- Credit Portfolio (Corporate Portfolio)
EAD:
Represents the balance as in the reporting period plus the interest. It includes the facilities within corporate portfolio and is divided into funded facilities, unfunded facilities, and unutilized ceilings, as follows:

- **Funded Facilities**:

  Two types of cash payments from customers have been approved as follows: Annuity Repayment (monthly, quarterly, and semi-annual) and Bullet Repayment.

  It has been relied on cash flow to customers in accordance with the repayment schedules and their periodicity (Projected Cash Flows).

  Amortization has been made to the payments remaining from the facility after taking into account the Contractual Interest Rate as an alternative to the Effective Interest Rate (EIR) and the actual maturity of the facility as stated in the Contractual Maturity.

  A study has been conducted on the utilization percentage of the ceilings of overdraft and the revolving loans. It has been found that the utilization percentage of these ceilings has reached 72% through the use of historical data for the previous three years.

  To reach the balance subject to the calculation of ECL, the ceiling is multiplied by the utilization percentage (72%) and is compared to the utilized balance so that the higher value is taken.

  Adopting the average maturity of overdraft of 2.5 years, according to Basel regulations.

  A risk rating of (-5) has been applied for all unrated facilities, based on the opinion of the consulting company.

- **Unfunded Facilities:**
  The performance guarantees, the bid bond guarantees and the maintenance guarantees have been excluded, as they are not considered part of the financial guarantees stipulated in the new accounting standard.

  Credit conversion factor (CCF) is not used, where the calculation has been made based on the ceilings. A study will be carried out on the utilization percentage from the ceilings of unfunded facilities (LGs, LCs, etc.), which will then be applied to the unfunded facilities ceilings.

- **Unutilized ceiling:**
  Adopting the proposed methodology (the balance or the ceiling by 72%, whichever is higher) in the calculation of ECL.

Loss Given Default (LGD):
Adopting the regulatory haircut approach taking into consideration credit mitigations, which include both covered and uncovered portions.

2- Credit portfolio (Retail Portfolio)
EAD:
Represents the balance of each sub-portfolio as in the reporting period plus interest.
Facilities were divided within each sub-portfolio into unfunded facilities, unutilized ceiling, and loans of more than JD 250,000.

- **Funded Facilities:**
  Adopting the Annuity Repayment (monthly, quarterly, semi-annual), which includes the Projected Cash Flow for each sub-portfolio based on the Interest Weighted Average and Maturity Weighted Average to determine the maturity of each sub-portfolio and then amortize the remaining payments of each sub-portfolio.

- **Unutilized ceiling:**
  The calculation of expected credit losses on the balances of customers in the calculation period, except for the loans treated as ceilings.
  Adoption of the face value of housing loans (balance plus the unutilized portion of the loans not fully disbursed, while for the loans from which payments have been made, the balance is adopted for calculating the expected losses).

- **Loans of more than 250 thousand dinars:**
  The loans of more than 250 thousand dinars have been excluded from the retail portfolio.

  The expected credit loss (ECL) is calculated in a manner similar to that applied to the corporate portfolio based on the Projected Cash Flow for each customer.
  A risk rate of (-5) has been applied and the expected credit loss has been calculated for 12 months or for life time of loan based on the customer classification (Stage I / Stage II), taking into account that these loans will be assessed on internal rating systems for retail and corporate in the future (in accordance with the approved work plan).

Loss Given Default (LGD):
Adopting a simple approach for the calculation of LGD for the facilities within each sub-portfolio (Simple LGD approach).A haircut has been applied on collaterals within each sub-portfolio according to the ratios implemented in the corporate portfolio, in line with the regulations of CBJ and Basel III.

The following equation was applied to reach the LGD at the level of each facility:
(Exposure after Mitigation / Exposure before Mitigation * 45%)

To reach the LGD ratio at the level of each sub-portfolio, the LGD Weighted Average is calculate.

Probability of Default (PD):
Historical data have been used for five years from 2012 to 2016 for the purpose of calculating the ODR at the level of each sub-portfolio.

3- Investment Portfolio
Probability of Default (PD):

- The probability of default for 12 months (12-month PD) is extracted from Bloomberg system for the issuer and the country of risk, using the following functions:

  - DRSK for public companies: The Accuracy Ratio is 92.43% for non-financial companies and 91.78% for financial companies.

  - SRSK for countries: The Accuracy Ratio of countries is 89%.

- The 12-month PDs extracted from DRSK and SRSK functions are based on structural models which take into account several variables:

  - The nature of the sector, the assets growth rates and market fluctuations when calculating PD for corporates.

  - The prevailing political situation and the financial and economic performance of countries, GDP growth, and non-performing loans in the banking sector, foreign currency reserves, etc. According to IMF and World Bank forecasts when determining a sovereign PD.

Therefore, the PD represents the current situation (Point-in-Time PD) and reflects only the corporates PD without taking into account the country of risk factor (Standalone PD).

As a result, the PD for each issue has been adjusted by using the ceiling of its country of risk probability of default as a PD floor for calculating PD, so that the PD of any issue will not be lower than its country of risk PD.

In order to apply PD floor to the exposures on various banks the following approach is adopted:

If the exposure is on a foreign bank and the exposure is in any currency other than the local currency of the foreign bank's country then shall be depended on the PD of the foreign bank's country or the PD of the foreign bank, whichever is higher, otherwise, if the exposure is on a foreign bank is in the local currency of the bank's country, then shall be depended on the PD of the bank itself (i.e., the ceiling of its country of risk hfp

If the PD results extracted from Bloomberg system do not represent the actual reality of market expectations (i.e., the implied PD of the market which derived from the Credit Default Swap "CDS' and / or the Market Asset Swap "ASW") for the issuer, the market PD obtained from a high liquidity issue / security for the same issuer shall be adopted as a representative proxy taken into consideration the procedures in evaluating the risk factor.

If the PD for the country of risk is not available, the Shadow Rating methodology prepared by the consulting company shall be adopted. On the other hand, if the PD of the issuer is not available, the PD of the country of risk shall be adopted as the issuer PD.

The Jordan PD as a country of risk is considered as the PD of the issuer in the case of placements in money market (Term Deposits) with HBTF's branches as well as subsidiaries that its owns 50% or more of its capital.

After that, the 12-month PD is adjusted to take into consideration the remaining life of exposure for any issue with a remaining maturity less than one year, according to the following equation:

PDn= 1-((1-PD12-month)) ^ (n/12))

Where (n) represents the remaining life in months (n <12)

Calculating PD for Jordanian corporate in the JOD (if PD for the issuer is not available)

Risk rating is calculated based on Moody's Credit rating and then mapped to the relevant assigned PD.

The assigned PD represents "Through-the-Cycle (TTC)", and thus calibrated according to the methodology developed by the consulting company in order to obtain (Point-in-Time "PIT" 12-month PD).

The 12-month PD is then adjusted to take into account the remaining life of exposure for any issue with a remaining maturity less than one year, according to the above equation.

Loss Given Default (LGD):
The Recovery Rate (RR) is extracted from Bloomberg system for each issue using CDSW function, which is based on the ISDA Standard Model, where the LGD is calculated according to equation (LGD = 1-RR), as in the following table:

Markets	Senior Unsecured	Subordinated
Developed markets	RR= 40%, LGD= 60%	RR= 20%, LGD= 80%
Emerging markets	RR= 25%, LGD= 75%	RR=25%, LGD= 75%

For secured securities, the Haircut-Based Approach is considered along with the limits per the IRB in order to determine the LGD (as per procedures approved for credit portfolio).

Exposure at default (EAD):
EAD = accrued interest to date + Present value PV (Face value + expected 1 year interest)

Accrued interest to date is calculated or extracted from Bloomberg system.

The expected interest for the remaining life of exposure is calculated up to a maximum of one year using the coupon for fixed rate bonds. As for floating rate bonds that pay LIBOR plus a fixed spread, The Libor is projected over a 1-year period and added to the fixed spread for the calculation of expected interest.

The Discount Rate used to calculate the Present Value represents the Effective Interest Rate (EIR).

Expected credit loss (ECL):

The expected credit loss (ECL) is calculated according to the following equation:
ECL = PD*LGD*EAD

- Calculation of ECL for (FX Derivatives - Off Balance Sheet):

  - The Peak Exposure and the Time to Peak Exposure are extracted from Bloomberg system using SWPM function, which are calculated based on the Monte Carlo Simulation.

  - Present Value is calculated for the peak exposure based on the following:

    The Discount Period represents the time to peak extracted from Bloomberg system.
    The Discount Rate represents the Risk-Free Rate of the currency of exposure at the time - to - peak maximum to one-year limit.

The expected credit loss (ECL) is calculated according to the following equation:
ECL = PD*LGD*Peak Exposure (EAD).

- **Key Macroeconomic factors used by the bank in calculating expected credit losses (ECL)**

- **Corporate portfolio**

Portfolio	Macroeconomic Factor
Large Corporate	- Industrial Production – Rate of change Lag 4. - Volume of imports of goods and services (Percentage Change) – 3 quarter moving avg Lag 4. - Total investment – Rate of Growth (Percentage of GDP) Lag 2.
Medium Enterprises	- Volume of imports of goods and services (Percentage Change). - Volume of exports of goods (Percentage Change) 6 quarter moving avg Lag 4.

- **retail portfolio**

Pool Name	Stage (1)	Stage (2)
Auto Loan	- Volume of exports of goods (Percentage Change) 6 quarter moving avg Lag 3.	- Volume of exports of goods (Percentage Change) 6 quarter moving avg Lag 3.
Mortgage Loan	- Volume of exports of goods (Percentage Change) 6 quarter moving avg Lag 1. - Industrial Production Index Lag 3	- GDP Annual Growth Lag 1. - Volume of exports of goods (Percentage Change) 6 quarter moving avg Lag 3. - Government Revenue Lag 1.
Personal Loan	- Ease of Doing Business – 6 quarter moving avg. - Industrial Production Index – 3 quarter moving avg Lag 3	- GDP Annual Growth Lag 1
Small Business	- Volume of exports of goods (Percentage Change) 3 quarter moving avg Lag 2.	- GDP Annual Growth – 3 quarter moving avg Lag 1

- **Determinants of the significant change in the credit risk adopted by the bank in the calculation of ECL**

- **Credit portfolio**

Classification	Standards
Stage (1):	**Accounts for which there has been no significant increase in their credit risk or default indicators, as follows:** - Performing accounts for which there are no dues or have dues less than 45 days (gradually reduced to 30 days over three years).
Stage (2):	**Accounts whose credit risk has significantly increased and have signs of default, as follows:** - Accounts with dues more than 45 days or more and less than 90 days. - Accounts with two restrictions with 365 days. - Accounts classified as watch list. - Any accounts that require classification at this stage according to the direction of the Management and the regulatory bodies.
Stage (3):	**Accounts that have become in default, as follows:** - All non-performing loans and facilities according to the definition of non-performing loans mentioned in the CBJ regulations No. 47/2009 dated 10/12/2009, which are 90 days or more past due. - Accounts whose risk rating is (8, 9, 10) according to the bank's credit rating. - Accounts with a scheduling flag.

The standard also states that if the quality of credit has improved, and sufficient and documented reasons are available to make it possible to transfer credit claims from stage III to stage II or from stage II to stage I, the transfer process must take place after verifying the improvement of the credit status of the claim and the commitment to repay three monthly installments, two quarterly installments or a semi-annual installment on time, so that the early payment of installments for the purpose of transferring debt to a better stage is not considered. For example, if an account is classified within stage (3) and the account is scheduled, the account must remain within stage (3) for three monthly installments, two quarterly installments or one annual installment according to the repayment cycle of this facility before being transferred to stage (2).

- **Investment portfolio**

Financial instrument	Standards
Investment Grade Instruments	- The credit rating of the instrument at the reporting date is downgraded by two notches below the investment grade since origination (BB); or - (The Implied Rating / 1-year Default Risk Rating) at the reporting date is downgraded to more than two notches below the investment grade since the date of the previous report (less than HY2 according to Bloomberg system).
High Yield Instruments	- The credit rating of the instrument at the reporting date is downgraded by two notches below its credit rating at the date of purchase; or - (The Implied Rating / 1-year Default Risk Rating) is downgrade by two notches below its implied rating since the date of the previous report.
Unrated Instruments	- According to Moody's Credit rating, the financial instrument is considered to be in stage II if its rating declined by more than 2 notches since origination.

Governance of the application of IFRS requirements

BOARD OF DIRECTORS

- Providing appropriate governance structure and procedures to ensure the proper application of the standard by defining the roles of the committees, departments at the bank, ensuring the integrity of the work among them and providing appropriate infrastructure in accordance CBJ regulations and the standards related to the accounting standard.
- Approving any amendments to the results and outputs of the systems regarding the calculation and measurement of ECL and the variables to be calculated.
- Implementing business models through specify objectives and rules of classification of financial instruments, in order to ensure integration with other business requirements.
- Ensuring that the bank's control units, specifically risk management and internal audit, perform all the work required to verify the validity and integrity of the methodologies and systems used in the application of IFRS 9 and providing the required support to these control units.
- Approval of the final results of ECL calculation.

RISK MANAGEMENT COMMITTEE / BOARD OF DIRECTORS

- Reviewing the bank's risk management framework for the calculation of ECL.
- Reviewing the bank's risk management strategy before being approved by the Board.
- Supervising the efficiency and effectiveness of the calculation of ECL.

IFRS9 STEERING COMMITTEE:

- Supervising the proper functioning of the project and ensuring compliance with the plan.
- Ensuring that key risks are identified and taking all necessary action to address them.
- Approving the recommendations of the project technical committee.
- Meeting, if necessary, with the board of directors and / or its committees to inform them about the situation.

THE TECHNICAL COMMITTEE FOR THE APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS9) :

- Reviewing the methodology for assessing credit losses and the mechanism for calculating key components of credit losses (EAD, PD, LGD) and recommending their approval by the board of directors.
- Adopting the results of the annual review of the outputs of internal credit rating systems.
- Assessing the appropriateness of the economic variables used in the calculations and their impact on the item relating to the estimation of PD and the results of the calculation of ECL.
- Reviewing the internal and external audit notes related to the methodology for assessing the credit losses, the data used and the calculation results and supervising the development of the necessary corrective plans.
- Adopting an action plan for the implementation of the project in its various stages, identifying tasks, duties and responsibilities required from all departments and supervising the completion of the project stages in accordance with the plan.
- Resolving all the problems and obstacles facing the bank in the application of the standard, which are related to resources, policies, systems, data ... etc.
- Addressing any new developments or requirements issued by the Central Bank of Jordan on the application of the standard and ensuring that all the requirements of the Central Bank are met.
- Discussing and approving the approaches and methodologies relating to the ECL calculation models.
- Adopting the results of the analysis and evaluation of the companies' offers to provide services to the bank, build the accounting models and purchase any systems for the purposes of the requirements of compliance with the standard and submitting the recommendation to the project steering committee.

AUDIT COMMITTEE:

- Verifying the adequacy of ECL / general bank risk reserve / provision for impairment of credit facilities provided by the bank and ensuring their adequacy in all financial statements.

RISK DEPARTMENT:

- Developing a clear framework for the calculation of ECL.
- Reviewing the internal credit rating systems and the framework on an annual basis to keep up on any changes to the bases used in the calculation to ensure the accuracy of results.
- Calculating the ECL, classifying the customers according to the three stages on a quarterly basis in accordance with the accounting standard requirements and CBJ regulations and informing the executive management risk committee of the calculation results.
- Making the necessary recommendations to the executive management risk committee regarding the customers whose classification has been changed as a result of override.
- Developing the indicators that contribute to monitoring the signs of credit default for customers, so as to enhance the principle of Forward Looking in the assessment of credit risks and losses.
- Preparing the statements required by the Central Bank in cooperation with the concerned departments.
- Reviewing and approving the risk parameters in accordance with the approved policy and methodology.

FINANCIAL MANAGEMENT:

- Participating with the departments in the development and structure of business models to ensure that the bank's financial assets are classified according to IFRS 9 principles.
- Participating in the calculation process with the concerned departments and reviewing the calculation results.
- Making the necessary accounting adjustments and restrictions after the results are approved and verifying that all products have been calculated.
- Preparing the necessary disclosures in cooperation with the concerned departments in the bank in accordance with the requirements of the Standard and CBJ regulations.

INTERNAL AUDIT DEPARTMENT:

- Evaluating the ECL process to ensure the integrity of calculations and accuracy of results.
- Verifying the integrity of the models used in the calculation, both quantitatively and qualitatively, and informing the bank's management, including the project's technical committee, of any reservations in this regard.
- Reviewing the general framework in relation to classification, measurement and hedge accounting to ensure compliance with the key principles of the standard.
- Overall compliance on an annual basis with the methodologies and policies developed in the application of the standard.

1. Credit risk according to economic sectors:
a. Distributions according to financial instuments exposure:

	Financial	Industrial	Trading	Real Estate	Agriculture	Equities	Individuals	Government and Public	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash at central Banks	936,300,854	-	-	-	-	-	-	-	-	936,300,854
Balances at banks and financial institutions	495,268,714	-	-	-	-	-	-	-	-	495,268,714
Deposits at banks and financial institutions	37,071,148	-	-	-	-	-	-	-	-	37,071,148
Credit facilities	133,937,845	547,334,930	595,892,707	1,284,583,169	14,986,454	10,655,892	788,389,024	915,986,361	373,555,218	4,665,321,600
Bonds and bills:										
Within: Financial Assets Through profit and loss	-	-	-	-	-	-	-	-	141,569	141,569
Within: Financial assets at fair value through other comprehensive income	275,642,189	-	-	-	-	-	-	-	83,408,788	359,050,977
Within: Financial assets at amortized cost	98,744,064	-	-	-	-	-	-	1,330,911,890	30,993,446	1,460,649,400
Derivatives	-	-	-	-	-	-	-	-	-	-
Mortgaged financial assets (liabilities)	-	-	-	-	-	-	-	-	-	-
Other Assets	72,443,776	-	-	60,977,846	-	-	-	-	-	133,421,622
Total for the period	**2,049,408,590**	**547,334,930**	**595,892,707**	**1,345,561,015**	**14,986,454**	**10,655,892**	**788,389,024**	**2,246,898,251**	**488,099,021**	**8,087,225,884**
Letter of guarantees	-	-	189,389,362	-	-	-	-	-	-	198,389,362
Letter of credit	-	-	400,057,156	-	-	-	-	-	-	400,057,156
Other Liabilities	-	-	113,525,807	-	-	-	-	-	-	113,525,807
Total	**2,049,408,590**	**547,334,930**	**1,298,865,032**	**1,345,561,015**	**14,986,454**	**10,655,892**	**788,389,024**	**2,246,898,251**	**488,099,021**	**8,790,198,209**

b. Distribution of exposure according to staging (IFRS 9)

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Financial	1,875,449,919	166,953,991	3,934,430	-	3,070,250	2,049,408,590
Industrial	230,654,679	193,299,890	46,666,300	13,663,776	63,050,285	547,334,930
Trading	693,489,658	420,229,997	36,182,636	62,908,289	86,054,452	1,298,865,032
Real Estates	223,523,400	897,118,879	124,967,851	44,573,602	55,377,283	1,345,561,015
Agriculture	9,408,918	639,758	1,885,729	36,876	3,015,173	14,986,454
Equity	1,154,378	4,836,919	1,667,040	-	2,997,555	10,655,892
Individual	53,222,729	653,635,364	4,669,560	29,375,361	47,486,010	788,389,024
Government and public sector	2,227,944,088	909,198	14,622,448	3,256,298	166,219	2,246,898,251
Other	325,542,256	112,880,216	30,741,806	6,166,292	12,768,451	488,099,021
Total	**5,640,390,025**	**2,450,504,212**	**265,337,800**	**159,980,494**	**273,985,678**	**8,790,198,209**

2. Exposure distribution according to geographical distribution

a. Total exposure distribution according to geographic region:

	Inside Jordan	Other Middle East Countries	Europe	Asia	Africa	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	564,174,300	143,297,618	-	-	228,828,936	-	-	936,300,854
Balances at banks and financial institutions	63,894,706	101,133,084	259,919,848	5,926,544	1,373,476	57,509,581	5,511,475	495,268,714
Deposits at banks and financial institutions	10,225,999	(23,311,394)	50,156,543	-	-	-	-	37,071,148
Credit facilities	4,315,441,549	148,484,732	201,395,319	-	-	-	-	4,665,321,600
Bonds and Bills:								
Financial Assets Through profit and loss	-	-	141,569	-	-	-	-	141,569
Financial assets at fair value through other comprehensive income	135,224,956	42,732,194	53,163,056	16,321,984	14,946,857	87,287,747	9,374,183	359,050,977
Financial assets at amortized cost	1,428,545,295	26,078,026	1,770,634	2,136,161	-	-	2,119,284	1,460,649,400
Derivatives	-	-	-	-	-	-	-	-
Mortgaged financial assets (liabilities)	-	-	-	-	-	-	-	-
Other Assets	121,282,717	12,138,905	-	-	-	-	-	133,421,622
Total for the period	**6,638,789,522**	**450,553,165**	**566,546,969**	**24,384,689**	**245,149,269**	**144,797,328**	**17,004,942**	**8,087,225,884**
Letter of guarantee	149,365,842	25,579,557	14,248,800	195,163	-	-	-	189,389,362
Letter of credit	390,652,686	4,401,342	4,002,565	826,076	25,894	135,703	12,890	400,057,156
Other Liabilities	76,860,942	12,729,041	22,080,864	655,048	-	1,199,912	-	113,525,807
Total	**7,255,668,992**	**493,263,105**	**606,879,198**	**26,060,976**	**245,175,163**	**146,132,943**	**17,017,832**	**8,790,198,209**

b. Exposure distribution according to staging (IFRS 9):

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Inside jordan	4,890,519,192	1,890,476,838	256,251,417	100,103,157	263,918,652	7,401,269,256
Other Middle east countries	316,648,081	202,886,116	9,086,383	4,481,025	7,933,727	541,035,332
Eurpoe	309,277,430	273,926,116	-	55,396,312	2,133,299	640,733,157
Asia	12,419,923	11,964,766	-	-	-	24,384,689
Africa	11,437,969	9,527,686	-	-	-	20,965,655
America	99,381,624	45,415,704	-	-	-	144,797,328
Other countries	705,806	16,306,986	-	-	-	17,012,792
Total	**5,640,390,025**	**2,450,504,212**	**265,337,800**	**159,980,494**	**273,985,678**	**8,790,198,209**

3. Credit exposure that have been reclassified:

a. Total credit exposure that have been reclassified

Items	Stage (2)		Stage (3)			
	Total Exposure amount	Exposure that have been reclassified	Total Exposure amount	Exposure that have been reclassified	Total Exposure that have been reclassified	Percentage of exposure that have been reclassified
	JD	JD	JD	JD	JD	
Cash and balances at central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Deposits at banks and financial institutions						
Credit facilities	402,291,064	150,108,869	266,617,889	30,946,568	181,055,437	27,07%
Bills and bonds	4,216,979	4,216,979	-	-	4,216,979	100%
Within Financial Assets Through profit and loss	-	-	-	-	-	-
Within Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Within Financial assets at amortized cost	-	-	-	-	-	-
Financial Assets derivatives	-	-	-	-	-	-
Mortgaged financial assets (debt instruments)	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total for the period	**406,508,043**	**154,325,848**	**266,617,889**	**30,946,568**	**185,272,416**	**127%**
Letter of guarantees	12,571,679	7,923,277	4,295,871	634,600	8,557,877	50,74%
Letter of credit	3,660,971	3,580,540	71,918	64,286	3,644,826	97,64%
Other Liabilities	2,577,601	2,526,112	-	-	2,526,112	98,00%
Total	**18,810,251**	**14,029,929**	**4,367,789**	**698,886**	**14,728,815**	**63,55%**
Net Total	**425,318,294**	**168,355,777**	**270,985,678**	**31,645,454**	**200,001,231**	**191%**

b. Expected credit loss for exposure that have been reclassified.

	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
				Stage (2)		Stage (3)		
	Exposure reclassified from stage (2)	Exposure reclassified from stage (3)	Total Exposures have been Reclassified	Individual	Collective	Individual	Collective	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Credit facilities	150,108,869	30,946,568	181,055,437	3,385,795	8,280,766	2,404,624	8,043,966	22,115,151
Bills and bonds	4,216,979	-	4,216,979	30,174	-	-	-	30,174
Within Financial Assets Through profit and loss	-	-	-	-	-	-	-	-
Within Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Within Financial assets at amortized cost	-	-	-	-	-	-	-	-
Financial Assets derivatives	-	-	-	-	-	-	-	-
Mortgaged financial assets (debt instruments)	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
Total for the period	154,325,848	30,946,568	185,272,416	3,415,969	8,280,766	2,404,624	8,043,966	22,145,325
Letter of guarantees	7,923,277	634,600	8,557,877	164,435	72,213	2,404,624	8,043,966	27,800,992
Letter of credit	3,580,540	64,286	3,644,826	58,850	77,216	210,512	43,699	7,679,929
Other Liabilities	2,526,112	-	2,526,112	10,926	-	135,234	-	5,198,384
Total	**14,029,929**	**698,886**	**14,728,815**	**234,211**	**149,429**	**2,750,370**	**8,087,665**	**40,679,305**
Net Total	**168,355,777**	**31,645,454**	**200,001,231**	**3,650,180**	**8,430,195**	**5,154,994**	**16,131,631**	**62,824,630**

30. Commitments and Contingent Liabilities:

This item consists of the following:

	June 30, 2018	December 31, 2017
	JD	JD
Letters of credit	680,292,351	620,567,402
Acceptances	77,779,848	60,801,969
Guarantees:		
- Payment guarantees	120,677,509	121,941,953
- Performance bonds	137,785,261	134,023,651
- Other	313,894,033	330,225,879
Un-utilized direct credit facilities ceilings	426,580,912	394,402,480
Total	**1,757,009,914**	**1,661,963,334**

31. Levels of the Fair Value

The following table analyzes the financial instruments recorded at fair value based on valuation method, which are defined at different levels as follows:

- Level 1: List prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Information other than the stated price included in level 1, which is monitored for the asset or liability, either directly (such as prices) or indirectly (i.e., derived from the prices).
- Level 3: Information on the asset or liability is not based on those observed in the market (unobservable information).

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
June 30, 2018				
Financial assets:				
Financial assets at fair value through other comprehensive income	358,690,609	2,500,000	16,974,373	**378,164,982**
Financial assets at fair value through Profit or loss	3,614,129	774,376	-	**4,388,505**
Total	**362,304,738**	**3,274,376**	**16,974,373**	**382,553,487**
December 31, 2017				
Financial assets				
Financial assets at fair value through other comprehensive income	-	-	1,983,995	**1,983,995**
Financial assets at fair value through Profit or loss	5,393,714	16,006,164	-	**21,399,878**
Total Financial Assets	**5,393,714**	**16,006,164**	**1,983,995**	**23,383,873**

32. Lawsuits Raised Against the Bank and Lawsuits Raised by the Bank Agianst Others

There are lawsuits raised against the Bank that amounted to approximately JD 34.06 million as of June 30, 2018 (JD 36.1 million as of December 31, 2017).

In the opinion of Bank's management and the legal advisor, no material liabilities will arise that exceeds the related provision amounting to JD 593,98 thousand as of June 30, 2018.

The value of cases raised by the Bank against others amounted to approximately JD 329.87 million as of June 30, 2018 compared to approximately JD 296 million as of December 31, 2017.

33. Reserves

The Bank did not deduct the legal reserves for the period as these are condensed consolidated interim financial statements are concise, as it is done at the end of the year.