بنك الاتحاد
Bank al Etihad

Ref: 3300/117/2018

Date: 30/08/2018

Jordan Securities Commission
Amman Stock Exchange

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

Attached the company's Semi- Annual Report of Bank Al Etihad As of 30/06/2018, which is subject to the Central Bank of Jordan approval.

Best Regards,,,

Nadia Al Saeed
Chief Executive Officer

الرقم: 2018/117/3300

التاريخ: 2018/08/30

السادة هيئة الاوراق المالية
السادة بورصة عمان

الموضوع : التقرير نصف السنوي كما هو في 2018/06/30

مرفق طيه نسخة من التقرير نصف السنوي لبنك الاتحاد كما هو بتاريخ 2018/06/30 الخاضعة لموافقة البنك المركزي الاردني.

وتفضلوا بقبول فائق الاحترام،،،

ناديا السعيد
الرئيس التنفيذي

الإدارة العامة هاتف: ٥٦٠٧٠١١ ٦ ٩٦٢+ فاكس: ٥٦٦٦١٤٩ ٦ ٩٦٢+ ص.ب ٣٥١٠٤ عمان ١١١٨٠ الأردن
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BANK AL ETIHAD
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – HASHEMITE KINGDOM OF JORDAN

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

BANK AL ETIHAD
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - HASHEMITE KINGDOM OF JORDAN
June 30, 2018

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Review Report

AM/ 81688

To the Chairman and the Members of the Board of Directors
Bank Al Etihad
(A Public Shareholding Company)
Amman – Hashemite Kingdom of Jordan

Introduction
We have reviewed the accompanying condensed consolidated interim statement of financial position of Bank Al Etihad (a Public Shareholding Company) as of June 30, 2018 and the related condensed consolidated interim statements of income and comprehensive income, changes in owners' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for preparation and fair presentation of this condensed interim financial information in accordance with IAS (34). 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 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with amended International Accounting Standard (34) relating to interim financial reporting.

Deloitte.

Other Matters

1. The fiscal year of the Bank ends on December 31, of each year, the accompanying condensed interim financial statements are prepared only for the purposes of management, Jordan Securities Commission and the Central Bank of Jordan.

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

Amman – Hashemite Kingdom of Jordan
August 29, 2018

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

BANK AL ETIHAD

(PUBLIC SHAREHOLDING COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2018 (Reviewed Not Audited)	December 31, 2017
		JD	JD
Assets:			
Cash and balances at central bank	5	358,254,648	338,311,743
Balances at banks and financial institutions	6	208,304,041	326,075,874
Deposits at banks and financial institutions	7	7,982,633	8,325,098
Financial assets at fair value through profit or loss	8	15,527,766	7,509,280
Direct credit and financing facilities - net	9	2,148,330,114	2,084,327,989
Financial assets at fair value through other comprehensive income	10	27,813,699	30,877,736
Financial assets at amortized cost	11	689,334,142	617,696,128
Investment in an associate		376,618	377,262
Property and equipment - net		72,229,918	70,968,060
Deferred tax assets	14	10,025,877	4,559,081
Intangible assets - net		21,170,075	20,945,239
Other assets	12	73,891,993	62,301,763
TOTAL ASSETS		3,633,241,524	3,572,275,253
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits		89,521,657	58,873,920
Customers deposits	13	2,793,157,498	2,691,335,921
Cash margins		149,453,999	210,088,710
Borrowed funds	24	87,295,450	88,211,995
Sundry provisions		340,595	234,615
Provision for income tax	14	8,611,613	14,773,872
Other liabilities	15	59,023,198	50,245,187
TOTAL LIABILITIES		3,187,404,010	3,113,764,220
OWNERS' EQUITY:			
Paid-up capital	28	160,000,000	160,000,000
Share premium	28	80,213,173	80,213,173
Statutory reserve	29	42,668,849	42,668,849
Voluntary reserve	29	29,271,414	29,271,414
General banking risks reserve		-	14,034,670
Fair value reserve - net	17	97,525	1,191,589
Retained earnings	16	29,586,394	43,243,353
Income for the period		16,262,069	-
TOTAL EQUITY - BANK'S SHAREHOLDERS		358,099,424	370,623,048
Non-controlling interest		87,738,090	87,887,985
TOTAL OWNERS' EQUITY		445,837,514	458,511,033
TOTAL LIABILITIES AND OWNERS' EQUITY		3,633,241,524	3,572,275,253

THE ACCOMPANYING NOTES FROM (1) TO (33) CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BEREAD WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

Chairman of the Board of Directors

Chief Executive Officer

BANK AL ETIHAD

(PUBLIC SHAREHOLDING COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME

(REVIEWED NOT AUDITED)

	Note	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2018	2017	2018	2017
		JD	JD	JD	JD
Interest income and returns	18	53,388,046	45,159,242	102,417,913	88,767,219
Interest expense	19	21,968,310	17,864,209	42,426,527	33,639,921
Net interest income and returns		31,419,736	27,295,033	59,991,386	55,127,298
Net commission income		5,596,680	4,757,299	11,205,987	10,122,673
Net Interest and Commission Income and returns		37,016,416	32,052,332	71,197,373	65,249,971
Foreign currency income		1,134,204	1,513,316	2,618,282	2,382,710
Gain from financial assets at fair value through profit or loss	20	775,491	1,548,055	1,099,355	2,614,117
Cash dividends from financial assets at fair value through comprehensive income	21	515,316	911,859	1,023,540	938,771
Other income		446,912	333,237	738,369	496,451
Gross Income		39,888,339	36,358,799	76,676,919	71,682,020
Expenses:					
Employees expenses		10,694,425	10,194,446	21,120,358	19,383,811
Depreciation and amortization		2,571,466	2,420,469	5,213,298	4,790,013
Other expenses		7,088,425	6,597,856	14,017,690	13,038,572
Expected credit loss provision	9	3,754,576	6,421,716	7,711,353	10,909,298
Provision for impairment in financial assets at amortized costs		227,466	136,875	364,341	273,750
Provision for impairment in foreclosed assets		-	268,698	-	548,698
(Recovered from) sundry provisions		(592,760)	28,283	(560,280)	47,996
Total Expenses		23,743,598	26,068,343	47,866,760	48,992,138
Operating profit		16,144,741	10,290,456	28,810,159	22,689,882
Banks share from subsidiaries		8,356	16,900	8,356	16,900
Income for the Period before Income Tax Expense		16,153,097	10,307,356	28,818,515	22,706,782
Income tax expense	14	5,333,897	3,464,950	9,990,674	7,519,338
Income for the Period		10,819,200	6,842,406	18,827,841	15,187,444
Attributed to:					
Bank's Shareholders		9,313,342	6,019,194	16,262,069	13,750,093
Non Controlling interest		1,505,858	823,212	2,565,772	1,437,351
		10,819,200	6,842,406	18,827,841	15,187,444
Earnings per Share for the Period Attributable to the Bank's Shareholders For period	22	0.058	0.039	0.102	0.098

THE ACCOMPANYING NOTES FROM (1) TO (33) CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BEREAD WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

Chairman of the Board of Directors

Chief Executive Officer

BANK AL ETIHAD

(PUBLIC SHAREHOLDING COMPANY)

AMMAN - 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
Income for the Period	10,819,200	6,842,406	18,827,841	15,187,444
Add Other comprehensive income items not subsequently transferable to condensed interim consolidated statement of income:				
Unrealized valuation losses for financial assets at fair value through other comprehensive income	(730,814)	(1,197,914)	(1,270,154)	(1,464,289)
Total Comprehensive Income for the Period	10,088,386	5,644,492	17,557,687	13,723,155
Total Comprehensive Income for the Period Attributed to:				
Bank's shareholders	8,583,996	4,821,280	14,994,281	12,285,804
Non-controlling interest	1,504,390	823,212	2,563,406	1,437,351
	10,088,386	5,644,492	17,557,687	13,723,155

THE ACCOMPANYING NOTES FROM (1) TO (33) CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BEREAD WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

BANK AL ETIHAD

(PUBLIC SHAREHOLDING COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

(REVIEWED NOT AUDITED)

	Equity- Bank's Shareholders												
			Reserves				Retained Earnings						
	Authorized and paid-up Capital	Share Premium	Statutory	Voluntary	General Capital Banking Risks*	Fair value Reserve - net	Realized	Unrealized	Total	Income for the Period	Total Shareholders Equity	Non-controlling Interests	Total Owners Equity
For the six months ended June 30, 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance - Beginning of the Period	160,000,000	80,213,173	42,668,849	29,271,414	14,034,670	1,191,589	38,145,782	5,097,571	43,243,353	-	370,623,048	87,587,985	458,511,033
Impact of IFRS 9 implementation and central bank of Jordan instructions **	-	-	-	-	(14,034,670)	-	(3,658,746)	6,168,660	2,509,914	-	(11,524,756)	(122,931)	(11,647,687)
Adjusted balance -Beginning of the Year	160,000,000	80,213,173	42,668,849	29,271,414	-	1,191,589	34,487,036	11,266,231	45,753,267	-	359,098,292	87,465,054	446,863,346
Total comprehensive income for the period	-	-	-	-	-	(1,267,788)	-	-	-	16,262,069	14,994,281	2,563,406	17,557,687
Transferred during period	-	-	-	-	-	-	521,977	(521,977)	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	(16,000,000)	-	(16,000,000)	-	(16,000,000)	(2,602,635)	(18,602,635)
Effect of disposal of a subsidiary	-	-	-	-	-	-	6,851	-	6,851	-	6,851	12,265	19,116
Realized loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	177,724	(177,724)	-	(177,724)	-	-	-	-
Balance - End of the Period	160,000,000	80,213,173	42,668,849	29,271,414	-	97,525	18,842,140	10,744,254	29,586,394	16,262,069	358,099,424	87,738,090	445,837,514
For the six months ended June 30, 2017													
Balance - Beginning of the Period	125,000,000	71,463,173	37,340,305	24,932,207	14,730,577	1,555,417	33,430,445	1,625,529	35,055,974	-	310,077,653	126,000	310,203,653
Impact of IFRS 9 implementation and central bank of Jordan instructions	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance -Beginning of the Period	125,000,000	71,463,173	37,340,305	24,932,207	14,730,577	1,555,417	33,430,445	1,625,529	35,055,974	-	310,077,653	126,000	310,203,653
Total comprehensive income for the period	-	-	-	-	-	(1,464,289)	-	-	-	13,750,093	12,285,804	1,437,351	13,723,155
Transferred to reserves	-	-	-	-	(17,192)	-	17,192	-	17,192	-	-	-	-
Transferred during the year	-	-	-	-	-	-	(2,354,472)	2,354,472	-	-	-	-	-
Increase in capital	35,000,000	8,750,000	-	-	-	-	-	-	-	-	43,750,000	-	43,750,000
Dividends distributed	-	-	-	-	-	-	(12,500,000)	-	(12,500,000)	-	(12,500,000)	-	(12,500,000)
Realized loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	500,209	(500,209)	-	(500,209)	-	-	-	-
Shares of non controlling interests resulted from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	84,795,545	84,795,545
Increase in capital fees	-	-	-	-	-	-	(240,758)	-	(240,758)	-	(240,758)	-	(240,758)
Balance - End of the Period	160,000,000	80,213,173	37,340,305	24,932,207	14,713,385	591,337	17,857,198	3,990,001	21,832,199	13,750,093	353,372,649	86,358,896	439,731,595

- Retained earning balance includes deferred tax assets amounted to JD 10,025,687 as of June 30, 2018 (JD 4,559,081 as of December 31, 2017), which is restricted from use according to the Central Bank of Jordan.

- Retained earnings balance includes an amount of JD 719,377 that represents unrealized gain from revaluation of financial assets at fair value through profit and loss.

It is forbidden to use the excess from the personal financial risk reserve balance and the amount of JD 103,797 transferred to retained earnings as of June 30, that belongs to Safwa Islamic Bank without an acceptance from the central bank

* On June 6, 2018 the central bank of Jordan issued a new regulation No.13/2018 , in which it requested the transfer of the general banking risk reserve balance to the retained earnings to offset the effect of IFRS9 on the opening balance of the retained earnings acc January 1, 2018. The regulation also instructs that the balance of the general banking risk reserve should be restricted and my no be distributed as dividends to the shareholders or used for any other purposes without prior approval from the central bank of Jordan.

** The effect of IFRS implementation was amounted to JD 11,524,756 as of June 30, 2018.

THE ACCOMPANYING NOTES FROM (1) TO (33) CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

BANK AL ETIHAD
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - 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
Cash flow from operating activities			
Income for the period before income tax		28,818,515	22,706,782
Adjustments:			
Depreciation and amortization		5,213,298	4,790,013
Expected credit loss	9	7,711,353	10,909,298
Provision for financial assets at amortized cost	11	364,341	273,750
Unrealized Loss (gain) from financial assets valuation	20	192,349	(737,974)
Loss from sale of property and equipment		45,131	65,996
(Recovered from) sundry provisions		(560,280)	47,996
Provision for impairment in foreclosed assets	12	-	548,698
Loss (gain) from valuation of an associate		644	(6,900)
Effect of exchange rate fluctuations on cash and cash equivalents		(1,159,614)	(1,193,340)
Effect of disposal of subsidary company		19,116	-
(Gain) on sale of foreclosed assets		218,721	(2,140)
Profit before changes in assets and liabilities		40,863,574	37,402,179
CHANGES IN ASSETS AND LIABILITIES:			
Restricted cash balances		(641,631)	(550)
Direct credit and financing facilities		(86,477,348)	(48,953,853)
Financial assets at fair value through profit or loss		(8,210,835)	1,711,202
Deposits at banks and financial institutions		281,170	(7,630,109)
Banks and financial institutions' deposits not exceeding 3 months		10,000,000	-
Other assets		(11,808,951)	(7,200,603)
Customers' deposits		101,821,577	(49,119,930)
Cash margins		(60,634,711)	(7,992,240)
Other paid provisions		(1,500)	-
Other liabilities		7,006,927	440,077
Net Cash Flow (used in) Operating Activities before Income Tax		(7,801,728)	(81,343,827)
Income tax paid	14	(15,048,132)	(14,145,197)
Net Cash Flow (used in) Operating Activities		(22,849,860)	(95,489,024)
Net cash flow from Investing activities			
Net sale (purchase) of financial assets at fair value through other comprehensive income	10	1,390,946	(2,149,494)
Net (purchase) of financial assets at amortized cost	11	(72,266,314)	(62,677,999)
(Increase) of intangible assets		(1,803,373)	(419,521)
Purchase of property and equipment		(5,134,496)	(5,414,661)
Proceeds from sale of property and equipment		192,746	56,977
Net cash flows acquired from the acquisition of subsidiary		-	164,054,581
Net Cash Flow (used in) from Investing Activities		(77,620,491)	94,249,883
Cash Flow from Financing activities			
(Decrease) increase in loans and borrowings		(916,545)	13,105,312
Dividends paid		(18,472,431)	(12,149,749)
Capital increase		-	35,000,000
Share premium increase		-	8,750,000
Capital increase fees		-	(240,750)
Increase in non-controlling interests		-	105,221
Net Cash Flow (used in) from Financing Activities		(19,388,976)	44,570,026
Effect of exchange rate changes on cash and cash equivalents		(119,859,327)	43,330,885
Net increase in cash and cash equivalents		1,159,614	1,193,340
Cash and cash equivalents at the beginning of the year		600,016,203	409,009,567
Cash and Cash Equivalents at the End of the Period	23	481,316,490	453,533,792

THE ACCOMPANYING NOTES FROM (1) TO (33) CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BEREAD WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

1. GENERAL

- Bank Al Etihad is a public shareholding company incorporated in Jordan during 1978, in accordance with the Companies Law No (12) of (1964). Its main branch located in Amman, and it was transformed to a bank during the year 1991.

- The Bank provides its financial and banking services through its main branch located in Amman and through its (48) branches and its subsidiaries in Jordan.

- The Bank shares are listed and traded on the Amman Stock Exchange.

- The Interim condensed consolidated financial statements were approved by the audit committee on 28 August 2018 under the mandate from the Board of Directors.

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

- The accompanying condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (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 for the year ended December 31, 2017 and should be read with the Bank annual report for the year ended December 31, 2017. The results of the six months ended June 30, 2018 do not indicate the expected results for the year ending December 31, 2018, and do not contain the appropriation of profit of the six months ended June 30, 2018 which is usually performed at year end.

- **Changes in Accounting Policies:**

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 adoption of the new and revised standards which are applied on or after the first of January of 2018 as follow:

a. **New and revised IFRS in issue but not yet effective on the condensed consolidated interim Financial statements of the Bank**

Annual Improvements to IFRS Standards 2014 – 2016 The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 2 *Share Based Payment*
The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts
The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

IFRIC 22 *Foreign Currency Transactions and Advanced Consideration*
IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) or on de-recognition of a non-monetary asset or liability arising from advance considerations.

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to IAS 40 *Investment Property*
These amendments show when the entity shall transfer (reclass) a property including investments under process or development to, or from, investment property.

IFRS 15 *Revenue from Contracts with Customers*
In May 2014, IFRS 15 was issued which 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. The amendments are effective when IFRS (9) is first applied.

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. The Amendments are effective when IFRS 9 is first applied.

B. Amendments effective on the condensed consolidated interim financial statements of the Bank

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 requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments was replaced which relates to the credit loss model incurred in accordance with IAS 39 Financial Instruments: Recognition and Measurement, replacing a model for expected credit losses. The Standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

The standard was bieng adopted retrospectively in accordance with IFRS 9 financial instruments , the bank did not adjust the comparative figures. The effect of applying the standard was booked on the first of January , 2018 through retained earnings in the condensed consolidated interim statement of changes in owners' equity.

In case there is a low credit risk to the financial asset at the date of initial application of IFRS (9), the credit risk relating to the financial asset is considered to have not been changed substantially since its initial recognition.

In accordance with IFRS 9 Financial Instruments the expected credit losses are recognized at an early date in accordance with IAS 39.

The revised version of IFRS 9 (2014) (Financial Instruments) includes a classification mechanism for financial assets and liabilities. IFRS 9 requires all financial assets to be classified based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

There was no material diffrerence to classify the financial asstes and liabities resulted from applying the international financial reporting standard number (9) for the year 2014.

Adoption of International Financial Reporting Standard No. 9 for the year 2014
The impact of implementing the amendments of changes in the accounting policies on the Banks' condensed consolidated interim financial statements as of January 1, 2018 is as follows:

	IAS 39	IFRS 9	The Change
	JD	JD	JD
Cash at banks and financial institutions	326,075,874	325,685,392	(390,482)
Deposits at banks and financial institutions	8,325,098	8,199,333	(125,765)
Financial assets at amortized costs	617,696,128	617,460,936	(235,192)
Direct credit facilities at amortized costs	2,084,327,989	2,069,564,119	(14,763,870)
Deferred tax assets	4,559,081	10,727,741	6,168,660
Other liabilities	50,245,187	52,546,225	(2,301,038)
General banking risks reserves *	14,034,670	-	14,034,670
Retained Earnings	43,243,353	45,753,267	2,509,914
Non-Controlling Interests	87,887,985	87,765,054	(122,931)

* The central bank of Jordan has issued instructions number 31/2018 on June 6, 2018 where it demands to transfer the general banking risk reserve balance to the retained earning account to offset the effect of adoptaing IFRS 9 that was booked on the retained earnings beginning balance as of the first of January , 2018. Also the instructions stated that the general banking risk reserve is restricted to be used or distributed to the shareholders excpet by a pre approval from the central bank of Jordan.

3. Basis of Consolidation for Condensed Consolidated Interim Financial Statements

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

Company's Name	Paid-up Capital	Ownership of the Bank	Nature of Operation	Date of Acquisition	Location
	JD	%			
Al-Etihad for Financial Brokerage Company L.L.C.	5,000,000	100	Financial Brokerage	2006	Jordan
Al-Etihad for Financial Leasing Company L.L.C	5,000,000	100	Finance Leasing	2015	Jordan
Al-Etihad Islamic Investment Company L.L.C	65,562,636	58	Acquisition of bonds and shares in companies and borrowing its necessary funds from banks	2016	Jordan

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

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) are summarized below. 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 weight.

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

1. 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.

2. Credit risk grading
   The Bank uses internal credit risk grading 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.

3. Credit quality assessments
   Pursuant to the adoption of IFRS 9, the Bank has mapped its internal credit rating scale to an approved rating scale as of June 30, 2018.

Impact of IFRS (9) implementation on the opening balances for the year 2018

Item	Balance as of December 31, 2017	Reclassified amount	Expected credit loss	Balance as of January 1, 2018
	JD	JD	JD	JD
Balances and deposits at banks and financial institutions	334,400,972	-	(516,247)	333,884,725
Direct credit facilities	2,084,327,989	-	(14,763,870)	2,069,564,119
Loan instruments within financial assets at amortized cost	617,696,128	-	(235,192)	617,460,936
Financial guarantees	178,422,988	-	(2,547,271)	175,875,717
Unused limits	404,360,216	-	(1,472,030)	402,888,186
Letters of credit	377,970,169	-	(741,420)	377,228,749

Opening balances for provisions amount after IFRS (9) implementation

Item	Current provisions amount	Difference due to recalculation	Balance according to IFRS (9)
	JD	JD	JD
Balances and deposits at banks and financial institutions	-	516,247	516,247
Direct credit facilities	72,295,950	14,763,870	87,059,820
Loan instruments within financial assets at amortized cost	1,390,625	235,192	1,625,817
Financial guarantees	-	2,547,271	2,547,271
Unused limits	-	1,472,030	1,472,030
Letters of credit	-	741,420	741,420

Expected credit loss for the financial period ended June 30, 2018

Item	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balances and deposits at banks and financial institutions	479,878	-	-	-	-	479,878
Direct credit facilities	12,758,672	241,822	4,560,914	75,472	76,693,621	94,330,501
Loan instruments within financial assets at amortized cost	354,550	-	-	-	1,664,375	2,018,925
Financial guarantees	422,951	-	139,479	-	613,468	1,175,899
Unused limits	2,515,355	-	61,955	-	-	2,577,310
Letters of credit	514,658	-	4,308	-	-	518,966

Expected credit loss for the financial period ended January 1, 2018

Item	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balances and deposits at banks and financial institutions	516,247	-	-	-	-	516,247
Direct credit facilities	11,221,078	154,383	4,185,528	37,639	71,461,185	87,059,820
Loan instruments within financial assets at amortized cost	235,192	-	-	-	1,390,625	1,625,817
Financial guarantees	560,955	-	5,259	-	1,981,057	2,547,271
Unused limits	1,347,839	-	124,191	-	-	1,472,030
Letters of credit	737,683	-	3,737	-	-	741,420

5. Cash and Balances at Central Bank

Details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Cash at treasury	86,312,667	55,826,325
Accounts at central bank:		
Current accounts	49,540,719	55,759,508
Term and notice deposits	38,700,000	45,000,000
Cash reserves requirements	183,701,262	181,725,910
Total	358,254,648	338,311,743

Disclosure on the movements of the central bank balances

	June 30, 2018
	Stage (1)
	JD
Balance at beginning of period	282,485,418
New balances during period	38,700,000
Paid balances	(49,243,437)
Balance at end of period	271,941,981

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

- There are no deserved amounts during a period exceeding three months as of June 30, 2018 and December 31, 2017

6. Balances at Banks and Financial Institutions

The details of this item is 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
Current accounts	784,559	613,846	100,637,305	229,036,500	101,421,864	229,650,346
Deposits maturing within 3 months or less	26,928,680	-	80,372,080	96,425,528	107,300,760	96,425,528
Total	27,713,239	613,846	181,009,385	325,462,028	208,722,624	326,075,874
Impairment loss *	-	-	418,583	-	418,583	-
Balance of banks and financial institutions	27,713,239	613,846	180,590,802	325,462,028	208,304,041	326,075,874

- Non-interest bearing balances at banks and financial institutions amounted to JD 31,502,907 as of June 30, 2018 (JD 48,084,730 as of December 31, 2017).

- Restricted balances amounted to JD9,139,125 as of June 30, 2018 and (JD 8,497,494 as of December 31, 2017).

7. Deposits at Banks and Financial Institutions

Details of the following 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 maturing within 3 to 6 months	-	-	3,980,428	4,261,598	3,980,428	4,261,598
More than 6 to 9 months	-	-	1,063,500	-	1,063,500	-
More than a year	3,000,000	3,000,000	-	1,063,500	3,000,000	4,063,500
Total	3,000,000	3,000,000	5,043,928	5,325,098	8,043,928	8,325,098
Impairment loss *	57,861	-	3,434	-	61,295	-
Net deposits at banks and financial institutions	2,942,139	3,000,000	5,040,494	5,325,098	7,982,633	8,325,098

There is no restricted deposits as of June 30, 2018 and December 31, 2017.

The disclosure on the movement of balances and deposits at banks and financial institutions:

	Stage (1) Individual	Total
June 30, 2018	JD	JD
Net balance at beginning of period	334,400,972	334,400,972
New balances and deposits during period	149,405,217	149,405,217
Paid balances and deposits	(267,039,637)	(267,039,637)
Net balance at end of period	216,766,552	216,766,552

* The disclosure on the movements on the impairment loss of balances and deposits at banks and financial institutions:

	Stage (1) Individual	Total
June 30, 2018	JD	JD
Balance as of January 1, 2018	-	-
Impact of IFRS (9) implementation	516,247	516,247
Adjusted balance as of January 1, 2018	516,247	516,247
Impairment loss on new balances and deposits during period	421,618	421,618
Recovered from impairment loss on paid balances and deposits	(459,007)	(459,007)
Changes due to adjustments	1,020	1,020
Net balance at end of period	479,878	479,878

8. Financial assets at fair value from income statement:

Details of the following item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Government bonds listed in financial markets	1,475,078	-
Corporate bonds listed in financial markets	821,728	-
Corporate shares listed in financial markets	7,423,599	3,658,948
Investment boxes	5,807,361	3,850,332
	15,527,766	7,509,280

9. Direct Credit and Financing Facilities - Net

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Individuals (retail):		
Overdraft accounts	8,863,755	11,727,365
Loans and promissory notes*	374,432,236	346,626,917
Credit cards	9,017,292	7,967,050
Real estate loans	**646,282,626**	**582,624,848**
Companies:		
Large:		
Overdraft accounts	124,812,042	121,778,528
Loans and promissory notes *	811,975,238	835,326,438
Small and Medium		
Overdraft accounts	37,477,311	37,256,005
Loans and promissory notes *	105,566,431	94,077,515
Government and public sector	**141,379,889**	**135,307,843**
Total	**2,259,806,820**	**2,172,692,509**
Less: Expected credit loss	(94,330,501)	(72,295,950)
Interest and returns in suspense	(17,146,205)	(16,068,570)
Net Direct Credit Facilities	**2,148,330,114**	**2,084,327,989**

The movement on the provision for direct credit facilities:

For the Six Months Period June 30, 2018	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Net Balance at beginning of period	1,540,221,023	330,789,659	190,580,755	3,620,065	107,481,007	2,172,692,509
New facilities during the period	461,984,736	39,714,469	17,006,366	467,804	3,536,924	522,710,299
Paid facilities	(376,664,399)	(15,945,467)	(34,458,224)	(2,306,331)	(6,167,302)	(435,541,723)
Transferred to stage (1) during the period	40,871,751	-	(40,663,013)	-	(208,738)	-
Transferred to stage (2) during the period	(103,517,398)	(3,880,780)	104,852,515	3,880,780	(1,335,117)	-
Transferred to stage (3) during the period	(2,460,581)	(65,679)	(5,611,599)	(342,114)	8,479,973	-
Debts written off	-	-	-	-	(54,265)	(54,265)
Net direct credit facilities losses as at the end of the period	1,560,435,132	350,612,202	231,706,800	5,320,204	111,732,482	2,259,806,820

* Net after deducting interest and commission received in advance amounted to JD 2,014,207 as of June 30, 2018 (JD 1,874,992 as of December 31, 2017

- Non performing credit and financing facilities included in stage (3) were amounted to JD 111,732,482 representing 4.94% of the total credit and financing facilities as of June 30, 2018 (JD 107,481,008 with a 4.95% of the total credit and financing facilities as of December 31, 2017).

- Non performing financing and credit facilities included in stage (3) after deducting interest and suspended commissions amounted to JD 94,586,277 representing 4.22% from the direct credit and financing facilities after deducting suspended interest and commissions as of June 30, 2018 (JD 91,412,438 representing 4.24% from the direct credit and financing facilities after deducting suspended interest and commissions as of December 31, 2017).

- The credit facilities granted to the governement of Jordan or granted by the government guarantee amounted to JD 113,211,129 representing 5.01% of the total direct credit and financing facilities as of June 30, 2018 (JD 107,331,399 representing 4.94% from the total direct credit and financing facilities as of December 31, 2017).

- Islamic financing amounted to JD 717,074,350 representing %31.73 from the balance of direct credit and financing facilities as of June 30, 2018 (JD 678,302,346 representing 31.22% as of December 31, 2017).

The disclosure on credit exposures according to the classification instructions number (2009/47) and IFRS (9):

	According to the classification number (2009/47) instructions				IFRS (9) implementation									Total		
					Stage (1)			Stage (2)			Stage (3)					
	Gross	Suspended Interests	Principle	Provision	Gross	Expected Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests
As of June 30, 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Performing debts	2,038,713,649	-	2,038,713,649	-	1,911,047,334	13,000,494	-	127,666,315	1,576,587	-	-	-	-	2,038,713,649	14,577,081	-
Watch list debts	109,360,689	-	109,360,689	1,892,613	-	-	-	109,360,689	3,059,799	-	-	-	-	109,360,689	3,059,799	-
Non performing debts including:	111,732,482	17,146,205	94,586,277	76,693,621	-	-	-	-	-	-	111,732,482	76,693,621	17,146,205	111,732,482	76,693,621	17,146,205
Substandard	3,711,518	18,259	3,693,259	538,518	-	-	-	-	-	-	3,711,518	538,518	18,259	3,711,518	538,518	18,259
Doubtful debts	6,420,987	232,920	6,188,067	3,520,279	-	-	-	-	-	-	6,420,987	3,520,279	232,920	6,420,987	3,520,279	232,920
Loss	101,599,977	16,895,026	84,704,951	72,634,824	-	-	-	-	-	-	101,599,977	72,634,824	16,895,026	101,599,977	72,634,824	16,895,026
Total	2,259,806,820	17,146,205	2,242,660,615	78,586,234	1,911,047,334	13,000,494	-	237,027,004	4,636,386	-	111,732,482	76,693,621	17,146,205	2,259,806,820	94,330,501	17,146,205

	According to the classification number (2009/47) instructions				IFRS (9) implementation									Total		
					Stage (1)			Stage (2)			Stage (3)					
	Gross	Suspended Interests	Principle	Provision	Gross	Expected Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests	Gross	Except Credit Loss	Suspended Interests
As of December 31, 2017	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Performing debts	1,965,672,013	-	1,965,672,013	-	1,871,010,483	11,375,447	-	93,825,568	1,349,969	-	835,962	835,962	-	1,965,672,013	13,561,378	-
Watch list debts	99,539,488	-	99,539,488	1,678,726	-	-	-	99,539,488	2,873,196	-	-	-	-	99,539,488	2,873,196	-
Non performing debts including:	107,481,008	16,068,570	91,412,438	70,625,224	-	-	-	-	-	-	107,481,008	70,625,224	16,068,570	107,481,008	70,625,224	16,068,570
Substandard	2,663,795	15,749	2,648,046	561,294	-	-	-	-	-	-	2,663,795	561,294	15,749	2,663,795	561,294	15,749
Doubtful debts	13,571,405	392,929	13,178,476	7,051,696	-	-	-	-	-	-	13,571,405	7,051,696	392,929	13,571,405	7,051,696	392,929
Loss	91,245,808	15,659,892	75,585,916	63,012,234	-	-	-	-	-	-	91,245,808	63,012,234	15,659,892	91,245,808	63,012,234	15,659,892
Total	2,172,692,509	16,068,570	2,156,623,939	72,303,950	1,871,010,483	11,375,447	-	193,365,056	4,223,165	-	108,316,970	71,461,186	16,068,570	2,172,692,509	87,059,798	16,068,570

Expected credit loss

Following is the movement for the expected credit loss during the period :

	Individuals	Real estate loans	Corporates	SMEs	Public Sector	Total
	JD	JD	JD	JD	JD	JD
For the Six Months Period Ended June 30, 2018						
Balance as of January 1, 2018	7,618,092	3,700,092	56,838,583	4,139,183	-	72,295,950
The Impact of IFRS (9) implementation *	1,897,441	1,683,793	10,332,629	766,929	83,078	14,763,870
Adjusted balance as of January 1, 2018	9,515,533	5,383,885	67,171,212	4,906,112	83,078	87,059,820
Expected credit loss during the period	990,223	1,805,737	6,652,510	503,970	255,210	10,207,650
Expected credit loss	(1,375,665)	(663,704)	(6,346,213)	(791,206)	(14,361)	(9,191,149)
Transferred to stage (1)	130,777	18,319	(490,230)	(89,123)	-	(429,257)
Transferred to stage (2)	56,397	116,565	569,696	94,308	-	836,966
Transferred to stage (3)	(187,174)	(134,884)	(79,466)	(6,185)	-	(407,709)
Changes resulted from adjustments	433,809	696,090	3,657,135	1,907,818	-	6,694,852
Written-off debts	(16,571)	-	-	(4,644)	-	(21,215)
Surplus from the subsidiaries provisions	-	-	(419,457)	-	-	(419,457)
Balance as at the end of the period	9,547,329	7,222,008	70,715,187	6,522,050	323,927	94,330,501
Redistribution:						
Provision on Individual level	8,015,104	7,221,796	70,715,187	6,424,470	323,927	92,700,484
Provision on Collective level	1,532,225	212	-	97,580	-	1,630,017
	9,547,329	7,222,008	70,715,187	6,522,050	323,927	94,330,501

	Individuals	Real estate loans	Corporates	SMEs	Public Sector	Total
	JD	JD	JD	JD	JD	JD
For the Year Ended December 31, 2017						
Balance at the beginning of the year	4,703,668	3,793,242	48,573,823	1,397,828	-	58,468,561
Resulted from the acquisition of Safwa Islamic Bank	1,108,733	-	7,957,745	-	-	9,066,478
Surplus from risk investment banking reserve	-	-	(843,358)	-	-	(843,358)
Deducted (recovered) during the year from revenues	1,807,673	(90,937)	10,719,216	2,793,333	-	15,229,285
Written-off debts	(1,982)	(2,213)	(9,568,843)	(51,978)	-	(9,625,016)
Balance as at the end of the year	7,618,092	3,700,092	56,838,583	4,139,183	-	72,295,950
Provision for watch lists credit facilities and financing as per client	203,594	10,307	1,420,194	36,630	-	1,670,725
Provision for non-performing credit facilities and financing as per client	7,414,498	3,689,785	55,418,389	4,102,553	-	70,625,225
Balance as at the End of the Year	7,618,092	3,700,092	56,838,583	4,139,183	-	72,295,950

During the six months period ended June 30, 2018, an amount of JD 54,265 of direct credit facilities were written off based on the board of directors decisions on that note compared to (JD 9,996,431 as of Decem

* The bank has implemented the central bank of Jordan instructions related to the IFRS (9) starting from 1 January 2018 retrospectively, and the cumulative credit loss due to the implementation is amounted to JD 14,762,870 before tax as an adjustment on the opening balance of the provision of direct credit facilities as of January 1, 2018.

Suspended Interests

The movement of the suspended interests are as follows:

	Individuals	Real estate loans	Companies		Banks and financial institutions	Total
			Corporates	SMEs		
	JD	JD	JD	JD	JD	JD
For the Six Months Period Ended June 30, 2018						
Balance beginning of the period	1,661,408	4,809,524	8,779,001	703,075	115,562	16,068,570
Add: Interest and returns suspended during period	378,076	283,330	481,254	244,556	-	1,387,216
Less: Interests and returns transferred to revenues	145,214	111,528	14,892	4,897	-	276,531
Written off suspended interests	2,273	9,308	7,306	14,163	-	33,050
Balance End of the Period	1,891,997	4,972,018	9,238,057	928,571	115,562	17,146,205
For the Year Ended December 31, 2017						
Balance beginning of the Year	1,190,119	4,440,522	8,983,839	459,877	115,562	15,189,919
Resulted from the acquisition of Safwa Islamic bank	150,326	-	489,084	-	-	639,410
Add: Interest and returns suspended during period	618,502	707,304	1,312,477	325,494	-	2,963,777
Less: Interests and returns transferred to revenues	244,417	301,456	1,756,265	50,983	-	2,353,121
Written off suspended interests	53,122	36,846	250,134	31,313	-	371,415
Balance End of the Year	1,661,408	4,809,524	8,779,001	703,075	115,562	16,068,570

10. 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 in active markets	23,339,844	26,751,131
Unquoted shares in active markets	4,473,855	4,126,605
Total	27,813,699	30,877,736

- Losses transferred to retained earnings as a result of sale of the financial assets at fair value through other comprehensive income amounted to JD 175,192 as of June 30, 2018 (JD 500,209 as of December 31, 2017).

- Cash dividends on the above financial assets amounted to JD 1,023,540 for the six months ended June 30, 2018 (JD 938,771 for the six months ended June 30, 2017).

11. Financial Assets at Amortized Cost

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Quoted Financial Assets:		
Governmental guaranteed bonds and bills	-	-
Foreign treasury bonds	39,552,028	33,352,441
Companies' bonds and debentures	47,428,389	46,058,847
Unquoted Financial Assets:		
Governmental guaranteed bonds and bills	560,535,150	496,187,965
Companies' bonds and debentures	43,837,500	43,487,500
	691,353,067	619,086,753
Less: Provision of impairment loss in the financial assets within stage (3)	(1,664,375)	(1,390,625)
Provision of impairment loss in the financial assets within stage (1)	(354,550)	-
	689,334,142	617,696,128
Bonds and Bills Analysis:		
Fixed rate	689,171,565	618,000,425
Floating rate	2,181,502	1,086,328
	691,353,067	619,086,753

The disclosure on the movement of financial assets at amortized cost:

June 30, 2018	Stage (1) Individual	Stage (3)	Total
	JD	JD	JD
Balance at the beginning of period	616,099,253	2,987,500	619,086,753
New Investments during period	133,310,939	-	133,310,939
Accrued Investments	(61,044,625)	-	(61,044,625)
Balance at End of Period	688,365,567	2,987,500	691,353,067

The disclosure on the movement of impairment loss:

	June 30, 2018		
	Stage (1) Individual	Stage (3)	Total
	JD	JD	JD
Balance as of January 1, 2018	-	1,390,625	1,390,625
Impact of IFRS (9) Implementation	235,192	-	235,192
Adjusted balance as of January 1, 2018	235,192	1,390,625	1,625,817
Expected credit loss on new investment during the period	69,191	-	69,191
Recoverd from impairment loss on accrued invesmnet	(34,297)	-	(34,297)
Changes resulted from adjustments	84,464	273,750	358,214
Balance as at the End of the Period	354,550	1,664,375	2,018,925

12. Other assets

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Interests and revenue under collection	14,433,617	10,592,220
Prepaid expenses	7,018,805	3,803,129
Foreclosed assets against debts *	32,450,155	31,992,554
Clearing checks	735,214	161,360
Transfers and checks under collection	247,348	18,434
Paid guaranteed insurance	5,245,195	5,174,311
Discounted commercial papers	8,209,837	6,793,343
Other	5,551,822	3,766,412
	73,891,993	62,301,763

* Central bank of Jordan instructions requires to dispose of shares and real estates that are foreclosed assets against debts during 2 years from date of acquisition.However in some special cases the central bank has the authority to extend the period to more 2 years at max.

Below is a summary of foreclosed assets against debts:

	June 30, 2018	December 31, 2017
	JD	JD
Balance beginning of period / year	31,992,554	27,414,157
Balance added from the acquisition of Safwa Islamic bank	-	3,969,355
Additions	1,143,905	4,110,783
Disposals	(621,273)	(1,748,273)
Impairment loss	(65,031)	(1,753,468)
Balance End of Period / year	32,450,155	31,992,554

Below is a summary of the movement on foreclosed assets provision:

Balance beginning of year	4,693,605	2,596,696
Resulted from the acquisition of Safwa Islamic bank	-	343,441
Added during the period/year	65,031	1,753,468
Balance End of Period / year	4,758,636	4,693,605

13. Costumers deposits:

The details for this item are as follows:

	Individuals	Companies: Corporates	Companies: SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
For the Six Months Ended June 30, 2018					
Current accounts	269,285,244	175,557,415	83,275,419	2,755,455	530,873,533
Saving deposits	527,793,993	25,841,566	7,057,278	18,498,012	579,190,849
Time deposits	837,924,729	372,357,309	86,745,969	186,396,764	1,483,424,771
Certificate of deposits	180,315,303	3,718,000	7,635,042	8,000,000	199,668,345
	1,815,319,269	577,474,290	184,713,708	215,650,231	2,793,157,498
For the Year Ended December 31, 2017					
Current accounts	254,620,894	231,955,524	71,692,522	3,873,495	562,142,435
Saving deposits	512,087,556	10,126,781	6,327,419	17,110,550	545,652,306
Time deposits	795,684,084	328,202,529	91,862,127	184,661,100	1,400,409,840
Certificate of deposits	153,655,116	15,379,000	6,097,224	8,000,000	183,131,340
	1,716,047,650	585,663,834	175,979,292	213,645,145	2,691,335,921

- The Jordanian government and public sector's deposits inside the kingdom reached JD 215,650,231 which equates to 7.72% of total deposits as of June 30, 2018 (JD 213,645,145 which is equivalent to 7.94% as of December 31, 2017).

- Deposits with no interest bearing reached JD 544,926,927 which equates to 19.51% of total deposits as of June 30, 2018 (JD 573,155,164 which is equivalent to 21.30% as of December 31, 2017).

- Restricted deposits reached JD 1,852,849 which equates to 0.07% of total deposits as of June 30, 2018 (JD 1,068,100 which equates to 0.04% of total deposits as of December 31, 2017).

- Dromant deposits reached JD 54,145,856 which is equivalent to 1.94% of total deposits as of June 30, 2018 (JD 65,946,533 which equates to 2.45% of total deposits as of December 31, 2017).

14. Provision for income tax

The movement on the provision for income tax 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	14,773,872	10,595,594
Additional balance resulted from the acquisition of Safwa Islamic Bank	-	2,438,733
Income tax paid	(15,048,132)	(17,920,819)
Income tax for the period / year	8,361,840	17,226,452
Prior years income tax provision	524,033	2,433,912
Balance End of the Period / Year	8,611,613	14,773,872

The income tax in the condensed consolidated interim income statements represent the following:

	For the Six Months Ended June 30	
	2018	2017
	JD	JD
Accrued income tax for the profits of the period	8,361,840	6,835,615
Prior years income tax	524,033	1,394,937
Amortization of deferred tax assets	1,104,801	(711,214)
	9,990,674	7,519,338

- A final settlement was reached with the Income and Sales Tax Department as a result of the Banks' activities in Jordan until the end of 2013 and the opening of the 2014 file was made by the employee who has not yet made a decision. The bank has submitted the tax returns for the years 2015 , 2016 and 2017 Moreover, there is a case under review in the court related to the year 2015 and no decision was issued yet. the Income Tax Department has not reviewed the Banks accounting records for the years 2017 and 2016 till the date of preparing the consolidated financial statements .

- A final clearance with Safwa Islamic Bank (subsidiary) has been reached up to the year 2013. As for the years 2014 and 2015 it was reviewed by Sale Tax Department and its in front of the court where Sales Tax Department did not accept legal fees for the mentioned years in addition to not deducting land disposal revenues taking into consideration that its part of capitalized gain. Moreover, the Bank has filed its income tax return for the years, 2016 and 2017 but has been not reviewed yet.

- A final settlement for Al Etihad for Financial Brokerage Service Co. has been reached up to the year 2014.

- A final settlement with the Income Tax Department for Al Etihad for Financial Leasing Co. has been reached up to the year 2015.

The expected deferred tax rates is 35% and 10% and in management opinion these deferred taxes will be realized in the future.

b. Deferred tax assets and liabilities:

Details of the following item are as follows:

	2018						2017
	Beginning balance of the year	IFRS (9) implementation	Released	Added	Ending balance of the year	Deferred tax	Deferred tax
Deferred tax assets	JD	JD	JD	JD	JD		
Financial assets at fair value from through comprehensive income	460,785	-	1,581,480	84,982	(1,035,713)	1,133,947	731,010
Financial assets at fair value from through profit or loss	432,207	-	1,041,254	442,140	(166,907)	96,867	(31,644)
Provision on watch list credit facilities	1,375,256	-	1,375,256	-	-	-	481,340
Provision on foreclosed assets	3,690,239	-	-	-	3,690,239	1,291,584	1,291,583
Bonus provisions	2,549,468	-	789,320	-	1,760,148	616,051	892,314
2012 Capital maintenance expenses	231,248	-	-	-	231,248	80,937	80,937
2013 Capital maintenance expenses	129,515	-	-	-	129,515	45,330	45,330
Provision on lawsuits against the bank	210,797	-	32,480	138,460	316,777	110,872	73,779
Provision on credit facilities	1,182,598	-	1,182,598	-	-	-	413,909
General provision	349,106	-	-	191,305	540,411	189,144	122,187
Provision on expected credit loss	-	17,624,744	473,862	-	17,150,882	6,002,809	-
End of service indemnity	23,818	-	-	-	23,818	8,336	8,336
Legal expenses	1,500,000	-	-	-	1,500,000	450,000	450,000
Total	17,135,037	17,624,744	6,476,750	856,887	24,140,418	10,075,877	4,559,081

The movement on deferred assets and liabilities is as follows

	June 30, 2018	December 31, 2017
	JD	JD
Balance beginning of the year	4,559,081	1,602,674
Resulted from the acquisition of Safwa Islamic Bank	-	599,815
Impact of IFRS (9) implementation	6,168,660	-
Adjusted balance as of January 1, 2018	10,727,741	2,202,489
Addition	591,788	2,894,248
Disposed	(1,293,652)	(537,656)
Balance End of the Year	10,025,877	4,559,081

15. Other Liabilities

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Accrued interest expense	25,741,022	21,748,139
Revenue received in advance	1,114,383	1,205,293
Accounts payable	758,040	194,978
Accrued and not paid expenses	6,607,830	6,633,949
Incoming transfers	33,260	9,367
Manager checks	4,938,054	4,172,457
Investment risk fund balance	1,720,585	5,344,209
Provision on off balance sheet expected credit losses for off	4,272,174	-
Others	13,837,850	10,936,795
Total	59,023,198	50,245,187

The movement on the indirect facilities	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance beginning of period	948,746,086	9,857,049	2,150,238	960,753,373
New exposures during the period	324,230,674	2,891,881	-	327,122,555
Accrued exposures	(374,457,922)	(4,241,273)	(1,260,032)	(379,959,227)
Transferred to stage (1)	365,864	(365,864)	-	-
Transferred to stage (2)	(19,363,627)	19,363,627	-	-
Transferred to stage (3)	(33,250)	-	33,250	-
Balance End of the Period	879,487,825	27,505,420	923,456	907,916,701

The movement on the provision for indirect facilities

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS 9 implementation	2,646,482	133,182	1,981,057	4,760,721
Adjusted balance as of January 1, 2018	2,646,482	133,182	1,981,057	4,760,721
Impairment loss of new exposures during the period	2,194,343	52,334	-	2,246,677
Recovered from impairment loss on accrued exposures	(944,764)	(82,768)	(1,031,533)	(2,059,065)
Transferred to stage (1)	10,365	(10,365)	-	-
Transferred to stage (2)	(131,249)	131,249	-	-
Transferred to stage (3)	(126)	-	126	-
Changes due to adjustments	(322,087)	(17,890)	(336,182)	(676,159)
Balance End of the Period	3,452,964	205,742	613,468	4,272,174

16. Retained Earnings

The details of this item are as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Balance beginning of the year	43,243,353	35,055,974
General Banking reserve	14,034,670	-
Expected credit loss for assets resulted from applying IFRS (9)	(17,693,416)	-
Impact of IFRS (9) Implementation of differed tax assets	6,168,660	-
Adjusted balance at the beginning of the year/ period	45,753,267	35,055,974
Profit for the year	-	31,364,269
Relaized losses from other comprehensive income statement	(173,724)	(1,117,743)
Transferred to reserves	-	(8,971,844)
Effect of disposal of subsidiary	6,851	-
Dividends distributed	(16,000,000)	(12,500,000)
Capital increase fee	-	(587,303)
Balance at the End of the Year	29,586,394	43,243,353

- Retained earning balance includes amount of JD 718,377 which represent valuation gain differences on financial assets at fair value through P&L.

17. Fair value reserve

The details of this item are as follows:

	2018	2017
	JD	JD
Balance at beginning of period / year	1,191,589	1,555,417
Unrealized losses	(1,670,725)	(1,523,260)
Deferred tax assets	402,937	41,689
Loss from sale of financial assets at fair value through other comprehensive income	173,724	1,117,743
Balance at end of Period / Year	97,525	1,191,589

18. Credit Interests and returns:

The details of this item are as follows:

	2018	2017
	JD	JD
Direct credit facilitates:		
Individuals:		
Overdrafts account	378,998	401,186
Loans and commercial papers	17,353,215	13,223,498
Credit cards	561,745	647,562
Real estate loans	25,292,368	20,137,342
Firms:		
Corporates:		
Overdrafts account	4,727,420	4,729,355
Loans and commercial papers	27,416,019	27,138,227
SME's		
Overdrafts account	1,619,946	1,358,795
Loans and commercial papers	4,113,232	3,621,829
Government and public sector	4,393,398	3,415,312
Balances at central bank	713,453	497,846
Balances and deposits at banks and financial institutions	1,333,083	777,393
Financial assets at fair value through profit or loss	31,845	267,515
Financial assets at amortized costs	14,318,059	12,442,813
Others	165,132	108,546
	102,417,913	88,767,219

19. Debit Interests and expense:

The details of this item are as follows:

	2018	2017
	JD	JD
Banks and financial institutions deposits	790,868	765,588
Clients' deposits:		
Current and demand account	439,169	603,332
Saving deposits	4,045,613	3,182,638
Time deposits	28,004,781	22,879,395
Certificates of deposits	4,415,359	2,253,634
Cash margins	1,489,152	1,279,110
Borrowed funds	1,625,882	1,137,353
Deposits insurance fees	1,615,703	1,538,871
Total	42,426,527	33,639,921

20.Gain (losses) of financial assets through profit or loss:

Details of this item are as follows:

	Realized gains	Unrealized gains (losses)	Dividends	Total
	JD	JD	JD	JD
2018				
Bonds and treasury bills	18,340	(31,983)	-	(13,643)
Corporate shares	1,154,462	(740,917)	143,314	556,859
Financial derivatives	-	97,395	-	97,395
Investment funds	(24,412)	483,156	-	458,744
	1,148,390	(192,349)	143,314	1,099,355
2017				
Bonds and treasury bills	2,987	110,927	-	113,914
Corporate shares	1,699,475	94,848	173,687	1,968,010
Financial instruments	(6)	-	-	(6)
Investing funds	-	532,199	-	532,199
	1,702,456	737,974	173,687	2,614,117

21. Dividends distribution at fair value through other comprehensive income:

Details of this item are as follows:

	2018	2017
	JD	JD
Dividends distributed on corporate shares	1,023,540	938,771

22. Earnings per share for the banks shareholders period:

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
Income for the period	9,313,342	6,019,194	16,262,069	13,750,093
Weighted average number of shares *	160,000,000	155,966,633	160,000,000	140,568,860
Earnings per share pertains to the Bank's Shareholders (Basic and Diluted)	0.058	0.039	0.102	0.098

* According to the general assembly extra ordinary meeting dated January 29, 2017 it was agreed to increase the bank capital to become JD 160 million through issuning 35 shares with a par value JD 1 / share , the procedures were completed on May 12, 2017.

23. cash and cash equivalent:

Details of this item are as follows:

	For the Six Months Ended June 30,	
	2018	2017
	JD	JD
Balances at central banks due within three months	358,254,648	306,725,178
Add: Balances at banks and financial institutions due within three months	208,722,624	229,310,064
Less: Banks and financial institutions deposits due within three months	76,521,657	73,884,055
Restricted balances	9,139,125	8,617,395
	481,316,490	453,533,792

24. Borrowed funds

Details of this item are as follows:

	Amount	Number of Payments: Total	Number of Payments: What's left	Installment maturity period	Guarantees	Loan interest price
	JD					%
June 30, 2018						
Central bank of Jordan	28,024,038	4595	2590	Monthly	Banknotes	1.00%-2.75%
Central bank of Jordan	187,500	16	13	Quarterly	Banknotes	2.25%
Central bank of Jordan	1,677,508	4	4	One payment	Banknotes	1.75%
Central bank of Jordan	110,008	4	3	Annual	Banknotes	2.00%
International Bank for Reconstruction and Development	5,700,000	40	39	Semi annual starting from 15 September 2018	Banknotes	Labor 6 months+ 1.8%
Arab Fund for private sector	2,790,000	15	13	Semi annual	Banknotes	2.50%
Arab Fund for private sector	1,589,151	84	84	Semi annual	Banknotes	3.00%
European Bank for Reconstruction and Development	5,482,142	14	10	Semi annual	Banknotes	5.25%
Jordan Mortgage Refinance	40,000,000	4	4	One payment	Banknotes	4.5%-6.00%
Local bank related to a subsidiary	1,735,103	60	46	Monthly/ quarterly	Banknotes	6.00%
	87,295,450					

	Amount	Number of Payments: Total	Number of Payments: What's left	Installment maturity period	Guarantees	Loan interest price
	JD					%
December 31, 2017						
Central bank of Jordan	28,717,090	4595	3118	Monthly	Banknotes	1.00%-2.75%
Central bank of Jordan	312,500	16	15	Quarterly	Banknotes	2.25%
Central bank of Jordan	1,677,508	4	4	One payment	Banknotes	1.75%
Central bank of Jordan	110,008	4	3	Annual	Banknotes	2.00%
International Bank for Reconstruction and Development	6,000,000	40	40	semi annual starting from 15 September 2018	Banknotes	Labor 6 months+ 1.8%
Loans from Arab Fund for Economic and Social Development	2,790,000	15	14	Semi annual	Banknotes	2.50%
Loans from Arab Fund for Economic and Social Development	1,589,151	84	84	Semi annual	Banknotes	3.00%
European Bank for Reconstruction and Development	6,578,571	6	6	Semi annual	Banknotes	5.25%
Jordan Mortgage Refinance	40,000,000	4	4	One payment	Banknotes	4.5%-6.00%
Local bank related to a subsidiary	437,167	48	47	Monthly/ quarterly	Banknotes	6.00%
	88,211,995					

25. Information on the Bank's Business Activities

1. Bank Activities Information

For management purposes the bank is organized into the following major business segments based on the reports sent to the chief operating decision maker:

- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit.

- Small and Medium Enterprises: This item includes following up on the client's deposits and credit facilities and in which these clients are classified based on the volume of the granted deposits and facilities according to the Banks instructions and principles and in compliance with the regulatory bodies instruction.

- Corporate Accounts: This item includes following up on the client's deposits and credit facilities and in which these clients are classified based on the volume of the granted deposits and facilities according to the Banks instructions and principles and in compliance with the regulatory bodies instruction.

- Treasury: This item includes providing treasury and trading services, managing the Bank's funds and long terms investments at amortized costs which is maintained to collect the contractual cash flows.

- Others: This sector includes all the accounts not listed within the sectors mentioned above such as shareholder's rights, investments in associates, property and equipment, general management and supporting management.

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

	Individuals	Corporates	Treasury	Other	Total – For the Six Months Ended June 30, 2018	Total – For the Six Months Ended June 30, 2017
	JD	JD	JD	JD	JD	JD
Total Income	39,949,137	58,405,067	20,705,405	513,093	119,572,702	105,706,540
Expected credit loss	(1,966,173)	(5,745,180)	-	-	(7,711,353)	(10,909,298)
Segments results	13,350,191	40,383,160	14,719,122	513,093	68,965,566	60,772,722
Unallocated expenses - net					(40,155,407)	(38,082,840)
Operating income before tax					28,810,159	22,689,882
Bank's share of profit from investments in associates					8,356	16,900
Income before tax					28,818,515	22,706,782
Income tax					(9,990,674)	(7,519,338)
Income for the Period					18,827,841	15,187,444
Other Information						
Capital Expenditures					6,937,869	5,834,182
Depreciation and Amortization					5,213,298	4,790,013

	Individuals	Corporations	Treasury	Other	Total – June 30, 2018	Total – December 31, 2017
	JD	JD	JD	JD	JD	JD
Segment Assets	840,184,578	1,304,545,495	1,182,589,231	-	3,327,319,304	3,279,921,356
Unallocated assets	-	-	-	305,922,220	305,922,220	252,353,897
					3,633,241,524	3,532,275,253
Segment Liabilities	1,922,124,852	931,699,632	265,852,298	-	3,119,676,782	3,048,561,067
Unallocated liabilities	-	-	-	67,727,228	67,727,228	65,203,153
					3,187,404,010	3,113,764,220

26. Transactions and Balances with Related Parties

The Bank entered into transactions with major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates.

All of the credit facilities granted to related parties are considered to be performing facilities, and no impairment provisions have been taken except for the below:

A- The following is a summary of the transactions with related parties during the period

	Board of Directors Members	Top Executive Management and management shareholder	Subsidiaries	Others (excutive management members and their relatives)	Total June 30, 2018	Total December 31, 2017
On- Condensed Consolidated Interim Statement of Financial Position Items:	JD	JD	JD	JD	JD	JD
Direct credit facilities	871,532	3,363,910	950,000	39,478,925	44,664,367	38,748,195
Deposits	6,941,070	2,296,860	2,138,260	7,987,839	19,364,029	21,131,537
Banks and financial Institutions deposits	-	-	781,754	-	781,754	33,281
Off- Condensed Consolidated Statement of Financial Position Items:						
Letter of credits	-	-	-	984,336	984,336	247,157
Acceptances	-	-	-	-	-	145,024
Guarantees	10,545	-	778,000	5,156,708	5,945,253	4,432,629
Extra Information						
Direct credit facilities during stage (2)	-	-	-	1,006	1,006	1,917
Impairment loss of direct credit facilities during stage (2)	-	-	-	-	-	31

					For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Condensed Consolidated Statement of Income Items:					JD	JD
Credit interests, returns and commissions	25,977	88,304	29,810	1,241,982	1,386,073	1,424,513
Debit interests, returns and commissions	59,828	8,874	30,022	33,210	131,934	687,429

B- The Salaries, bonuses and transportation allowances of Executive management for the Bank amounted to JD 3,117,439 for period ended June 30, 2018 (JD 2,951,132 for six month period ended June 30, 2017).

27. Capital Adequacy

In addition to subscribed capital, the capital includes the statuary reserve, voluntary reserve, share premium, retained earnings, cumulative change in fair value , general banking risk reserve, other reserves and treasury stocks.

The bank is committed to apply the requirements set forth by regulators concerning capital adequacy as follows:

1- Central Bank of Jordan instructions that capital adequacy ratio does not go below 12%.

2- Comply with the minimum limit set for the paid capital for Jordanian Banks such that it is not less than JD 100 million.

3- The Bank's investments in stocks and shares which should not exceed 50% of the subscribed capital.

4-The ratio of credit limits (credit concentration) to regulatory capital.

5- Banks and Companies laws related to the deduction of the legal reserve at a rate of 10% of the Bank's profit before tax.

	June 30, 2018	December 31, 2017
	JD	JD
Common Equity Shareholders Rights		
Paid-up capital	160,000,000	160,000,000
Retained earnings after deduction of the expected distributions	29,586,394	27,243,353
The cumulative change in fair value	97,525	1,191,589
Share premium	80,213,173	80,213,173
Statuary reserve	42,668,849	42,668,849
Voluntary reserve	29,271,414	29,271,414
Recognizable non controlling shareholders	24,165,827	23,424,090
Interim profit (losses) after tax and deduction of the expected distributions	8,262,069	-
Total Common Equity Tire 1 before regulatory adjustments	**374,265,251**	**364,012,468**
Regulatory Adjustments (Propositions of the Capital)		
Goodwill and intangible assets	21,170,075	20,945,239
Deferred tax assets resulting from investments within Tier 1 (10%)	10,025,877	4,559,081
Total Tier 1 capital	**343,069,299**	**338,508,148**
Additional capital		
Recognizable minority rights	4,264,558	4,133,663
Total Capital (Tier 1)	**347,333,857**	**342,641,811**
Tier 2 Capital		
General Banking risk reserve	-	14,034,670
Provision for debts tools listed in Tier 1	14,873,573	-
Recognizable non-controlling shareholders	5,686,077	5,511,551
Total Supporting Capital	**20,559,650**	**19,546,221**
Total Regulatory Capital	**367,893,507**	**362,188,032**
Total Risk Weighted Assets	**2,481,997,184**	**2,464,358,929**
Capital Adequacy Ratio (CET 1) (%)	14/82%	14/70%
Primary Capital Ratio (%)	13/82%	13/74%
Supporting Capital Ratio (%)	0/83%	0/79%

	2018	2017
	JD	JD
Financial leverage rate		
Tier 1 Capital	347,333,857	342,641,811
Total assets in and out of the financial positons after removing deductible items from Tier 1	4,347,921,094	4,127,174,086
Financial leverage rate	7.99%	8.30%

Capital adequacy was calculated on June 30, 2018 and December 31, 2017 based on the basel committee III.

28. Paid-up Capital and distributed dividends:

Capital:

The authorized and paid in capital amounted to JD 160 million divided into 160 million shares at a par value of JD 1 per share as of June 30, 2018 and December 31, 2017.

Share Premium:

Share premium amounted to JD 80,213,713 as of June 30, 2018 and December 31, 2017.

Distributed Dividends:

Dividends distributed to shareholders for the year 2017 were amounted to JD 16 million (JD 12.5 million during the year 2016)

29. Reserves

The Bank did not deduct the statutory reserves during the period due to the fact that these statements are condensed consolidated financial statements, as it is done in the year end.

30. Contingent Liabilites and Commitments:

The details of this item is as follows:

	June 30, 2018	December 31, 2017
	JD	JD
Letters of credit	172,598,195	195,853,744
Acceptances	104,696,253	182,116,425
Letters of guarantee:		
- Payments	48,905,591	48,260,272
- Performance	73,200,713	71,307,780
- Other	54,566,035	58,854,936
- Unused Limits of Direct Credit Facilities and Financing	453,949,914	404,360,216
- Total	907,916,701	960,753,373

31. Lawsuits against the Bank

The value of the cases against the Bank were amounted to JD 3,723,725 as of June 30, 2018 (JD 3,497,551 as of December 31, 2017). Provisions booked against them was amounted to JD 316,777 as of June 30, 2018 (JD 210,797 as of December 31, 2017). Management of the Bank and legal counsel declare that the provisions deducted for these cases are sufficient.

32. Risk mananagement:

The Bank continuously develops the structure of risk and credit management to ensure the effective administration of all its operations to ensure efficiency of the risk and credit management process and the proper application of regulatory controls across all of the Bank's operations, the responsibility of risk management is distributed among various levels as summarized below :

1. Business (Work) Units:

Work units are formed of employees who, through their daily work manage the various risks associated with the Bank's operations according to acceptable risk levels determined by the Bank and specified in its policies.

To ensure effective management of risks, and as part of strategic plan, for example the Bank separates the functions of credit management and client relations management within each work unit to ensure the independency of studies and credit decisions, continuous development of the effectiveness and quality of its operations. In addition, the middle office reports to the risk management and is segregated from the treasury.

2. Risk Management and Compliance

The work of this department was furthered such that it operates independently across all business lines. The Department is linked to the Board through the Risk Management Committee to ensure its independency and capacity to detect measure and control risk within acceptable levels as determined by the Bank and submit regular reports to the Board in this regard.

3. Internal Audit

The Internal Audit Department is fully independent and linked to the Board Audit Committee. The Department functions as the last defense line through applying an audit plan that includes periodic audits of all the Bank's activities in order to ensure that all violations of the system and noncompliance with the banks' policies and procedures or the principles determined by the regulatory bodies

4. Risk Management Committee

The Board of Directors endorsed the Board Risk Management charter. The charter has been developed based on the best practice of risk management and CBJ requirements. The Committee includes Board members, the Head of the Risk Management Department and headed by the chairman. All reports prepared by the Risk Management Department are submitted to the committee periodically to ensure that committee members are informed of all risks in timely manner such that they are able to make decisions or take measures to change risk levels in the event they are not in line with the established acceptable risks levels and submit reports to the Board in this regard.

5. Board of Directors

The Board of Directors has the following responsibilities with regard to risk management:

- Determine the acceptable risks level for various of the Bank's activities.
- Review and approve the various risk policies.
- Monitor risks and ensure application of necessary controls through the Risks Management Committee.
- Delegate authority related to the approval, amendment and renewal of credit to the various credit committees and to review their performance and the validity of their decisions, which will reflect on the quality of the credit portfolio.,
- Approve the investments policies, decisions and approve investment dealing and trading ceilings.

6. Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is headed by the Chairman, General Management and the directors of operations, financial management and risk management departments as members. The Committee reviews the budget and presents any amendment recommendations, based on liquidity and market risk management, to the Board for approval. Furthermore, the Committee reviews the risk management policies related to liquidity and market risks and submits its recommendations to the Board for endorsement. It also reviews the various risk reports in order to take any necessary decisions related to altering of the acceptable risks levels by the Bank.

The Committee also recommends to the Board the allocation of capital for the various activities of the Bank in a manner that ensures the most effective use of capital.

A. Credit risks:

Credit risks are controlled within acceptable risk levels by the Bank through the following:

1. Credit Policy: accurately determines the basis for extending credit, levels of acceptable credit risks, the basis used for establishing credit risks pricing and acceptable guarantees. In addition, the policy outlines the monitoring basis and procedures over credit to ensure early detection of any deterioration in the credit portfolio quality.

2. Training and Development: the continuous training and development of all credit staff and relationship managers ensures better understanding of client requirements and the availability of high level credit analysis expertise and a good understanding of these risks when recommending their acceptance and ensures the effective management of these accounts.

3. Authority to Grant Credit: credit approval is done by specialized credit committees whereby they are formed and granted authority by the Board of Directors.

4. Credit Risk Measurement: the Bank implemented a credit rating system for corporate and medium size companies. In addition, the Bank implemented a scoring system for retail products as a base for credit granting decisions for retail and SME customers.

5. Internal Valuation for Capital Adequacy: the Bank developed a model to measure the capital adequacy based on a 5 years forecasted data to calculate the potential capital requirements and the effect of the stress testing on the Bank's capital adequacy, profitability and liquidity.

6. Credit Monitoring:

A specialized unit within the Risk Management Department monitors the credit portfolio and prepares relevant reports.

The role of this Unit starts with managing legal risks resulting from the granting of credit. The Unit, in cooperation with the Bank's legal advisor, ensures that all facilities and guarantees contracts meet all the legal conditions that protect the rights of the Bank.

It ensures that all credit terms are met prior to allowing the borrower to execute the credit facility. All this is done due to the importance of having more than one monitoring entity oversee these highly sensitive transactions.

Through the early credit risk warning system, the risk management department examines any indicators that may signal the deterioration of the credit status of a customer. Such indicators include customer's transactions, financial performance, and the performance of the economic sector he / she operates in, in addition to indicators related to the performance of the client's account at the Bank. This system allows us to detect, early on, any deterioration in the performance of the account and enables us to take necessary measures to reduce any possible losses that may result from this.

7. .Credit Portfolio Management

All departments concerned with credit continuously review the credit portfolio to maintain a good level of credit exposure quality.

In managing the portfolio, efforts are made to ensure that it is distributed in a balanced manner to avoid any concentration that could lead to an increase in the risk level of the portfolio. In this regard, the sectoral and the geographical distribution of the portfolio are considered, in addition to avoiding large credit exposures of a single client except in exceptional cases and for exceptional clients.

8. .Credit Risk Alleviation

As a step to hedge against credit risk, the cash flow of financed projects are taken into account when determining the repayment schedule of any credit extended to our clients and necessary controls to monitor cash flows that will be used for loan repayments in addition to determine collaterals deemed necessary in relation to the credit risk level. The quality and liquidity of the collaterals are taken into consideration in addition to the effective implementation of procedures that ensure sound control over these collaterals, the monitoring of their value and ease of liquidation.

B.Market risk:

Market risks are defined as those risks resulting from price fluctuations in a way that affect the Bank's profitability or equity. This definition includes the change in interest rates.

The Bank uses a conservative policy in market risk management. The Bank controls these risks through the adoption of clear policies in their regard and establishing risk limits for each risk type. Our policy aims to reduce these risks to lowest levels.

1. Interest Rate Risks:

A conservative policy is adopted in managing interest rate risks whereby most of the Bank's assets and liabilities can be re-priced in the short term. This limits the effect of interest rates change on the Bank's profitability and on the price of its assets and investments.

Interest rate risks are managed by the Assets and Liabilities Committee whereby it is provided with regular gap reports of interest rates re-pricing in addition to per currency interest rate price changes sensitivity reports, these reports shows that interest rate risks are within the lowest range.

2. Currency Risks:

The Bank policy is to fully hedge the currency risk by not maintaining open positions in foreign currencies only within the limits set and according to a clear policy which reduces the sensitivity of the Bank's profitability to currency price changes. Ceilings are placed for open positions for each currency and total currencies, as well as daily evaluations for these positions to reduce the risks of currency exchange rates to minimum.

3.Change in Stock Price Risks

Trading portfolio risk management depends on a policy that is based on diversification of investments. Investments are distributed on a sectoral basis, to include the most stable sectors, and across several financial markets to reduce risks to acceptable levels. Regular monitoring of risks is also conducted through:

- Determining the different investments ceilings
- Determining limits to stop losses per investment and its daily monitoring.
- Regular assessment of the investment portfolio by an independent body (middle office).
- Performing sensitivity analysis to measure the extent to which these investments may be impacted should the markets invested in drop, so as to maintain risks within levels acceptable to the Bank.

These risks are managed by the Risks Management Department in cooperation with the Treasury Department and their recommendations are submitted to the Assets and Liabilities Management Committee.

C.Liquidity Risks

The bank continuously works on expanding its depositors base and deversifying its money injection with the aim of keeping its stability, where they focus on keeping its level of liquidity within clear limits that include lowering liquidity risks to the minimum.

The bank's policy in liquidity risk management also tries to maintain limits at corresponding banks that include getting the liquidity at the accepted speed and cost in case of any unexpected incidence on the liquidity.

To measure liquidity levels at the bank, schedule is prepared periodically to make sure of maintaining liquidity levels within the accepted level, in addition to calculating liquidation rates on a daily basis to fulfil control requirements and inner policies. Different scenarios' effects on the banks wallet are determined and measured to confirm their ability to withstand any changes in the financial markets.

The treasury department manages funds in line with the Bank's liquidity policy that was endorsed by the Assets and Liabilities Management Committee and submits regular reports to the Committee. Moreover, the risk management department monitors the liquidity levels and ensure adherence to the Bank's internal policies.

D.Operational Risks

The Unit implements a comprehensive system at the level of the Bank to identify the operational risks that arise from the Bank operations including the reputation risk and the best practices to limit the effect of those risks. The Unit reviews controls and procedures regularly and in coordination with the internal audit department to assess the compliance with those procedures.

In coordination with all Bank departments, the unit gathers data related to losses resulted from operational risks to prepare more effective way in forecasting these risks in the future.

The Unit implements a comprehensive policy for data and assets security based on the best international practices. The employees of the Unit follow up on the implementation of the plan especially with the internal audit and the IT department.

To ensure mitigation of operational risks on the activities of the Bank, a business continuity policy and an emergency plan are being developed; the objective is to secure a substitute location that is fully equipped for use during emergencies or catastrophes which may preclude accessing the bank's main branch

Stress testing situations

Within the bank's management expected risk management frame and being prepared to deal with these risks, negative stress situations that might face the bank and its operations are detected and its effects are measured on the banks liquidity and reputation. In addititon, weak points that the bank face resulted from stress are identified to the board of directors and executive management, in order to develop a strategic plan to limit its effects and tackle it or even avoid it if happened again. Stress testing also targets improving and enhancing the risk management of the bank by complying to the orders and control regulations produced for that case, and the best international customs.

Choosing stress testing senarios mechanism.

Case senarios that cover all risks encountered by the bank are chosen, where a measurment of the stress is made on different bank investments whether it is on the level of a facilites wallet investment wallet level as follows:

1- Measuring the effect of stress sitiuations on the banks credit portfolio whether if there is an increase in the percentage of non performing loans due to many factors including concentration in granting credits, fall in economic sectors due to financial crises, type of credit portfolio, decrease in the value of advanced guarantees and other factors. The effect of these risk scenarios are put in the income, balance and capital adequecy.

2- Measuring the effect of stress sitiuations on the banks investments whether there is a drop in the liquidity of the markets invested in, and a drop in the investment's value due to financial and economic crises. The effect of these risk scenarios are calculated on the income, balance and capital adecuecy.

3- Measuring the effect of stress sitiuations on the banks assets and liabilities in the case of changes in prices of JD exchange with foreign currencies.

4- Measuring the effect of stress situtations on the banks liquidity due to several factors including losing banks investments from deposits at other banks, concentration of bank's deposit clients and other banks placing deposits at our bank, extensive deposit withdrawl and changes in prices of JD exchanges with foreign currencies. The effect of these risk scenarios are calculated on the legal liquidity rate and on the liquidty according to accrual bases.

5- Measuring the effect of stress on the banks operating risks. The effect of this risk scenario is calculated on the capital adequcy.

Based on those test results; contingency plans are formed to face financial and economic crises, policies determine the concentration of facilities and investments, in addition to policies that face that banks assets and liabilities, and activating tools that lower risks such as hedging and offseting for balance sheet items and accepted guarantees, in accordance with the stress testing results.

Govenmental applying of stress testing situations

Board of director's responsibility

1- Revewing stress testing result semi-annualy (every 6 months), to take decisions that suit these results and therefore assure the banks safety in the case of any of the scenarios.

2- Confirming that the executive management will perform and stick to the plans and policies placed to face any stress faced by the bank.

3- The Committee has to check that the risk management are performing stress testing periodicaly. Committee must have a pivotal role in confirming the scenarios used, analysing the tests results and place the right procedures that should be taken depending on the results.

Executive management responsibility

1- Placing the right recommendations that are based on the stress testing results made, and presenting them to the board of directors.

2- Implementing the decisions made by the board of directors and that are related to the bank's stress testing results, in addition to informing the board with the results.

3- Implement and control stress testing, has to match what was agreed upon by the board of directors.

4- Taking the stress testing results into consideration when planning capital with the aim of reaching the capital that matches the bank's strategy and its risk structure, in addition to taking the results into consideration while performing ICAAP.

5- Cooperation between all the different bank departments by coordianting with the risk management to come up with the closest real world stress testing results that the bank might be prone to as a result of the financial, local and international economic situations.

The bank definition for applying defaults and the mechanism of processing defaults :

The is inline with the regulatories instructions and the best practice in the banking sector in relation to applying the defaults and the mechanism to process the default debits.

Default debits are the facilities that have a watch list risk or worse, the following is a brief description on these degrees:

Watch List: borrowers with no assured profits and extremely unstable operational revenues. Its history shows its decrease along with an increase in the allowance for doubtful account with no sufficient guarantees and his exposure is greater than the accepted standards in the relevant sector. Also the management and controls are weak. Debits calssified as watch list will remain for a period of time so it can be controlled to improve its credit classification in case the given facts lead to classifying it under watch list category or decreasing its credit classification.

Substandard: Borrower who is not acceptable to deal with credit wise, as getting the granted facilities back based on the operational revenues are questionable and his assets are not protected in an acceptable net equity, also his ability to committ to debits or providing additional guarantees is weak. Facilities classified under this level of risks requires a special provision according to the instructions of the central bank of Jordan.

Doubtful: The bank's chances of retrieving the debt granted to the borrower is in a doubtful place with a probability of losing a part of the original debt, and this is under the given circumstances that show the borrower's inability of committing to his payments towards the bank. Facilities classified under this level of risks requires a special provision according to the instructions of the central bank of Jordan.

Loss: There is a probability of getting back part of the granted amount in the future as the bank still believes that there might be a slight chance of retrieving the granted loan which is why they are not writing off that debt yet. Facilities classified under this level of risks requires a special provision according to the instructions of the central bank of Jordan.

General rules to be followed when dealing with default debts:

- Any suggested schedule must be based on the clients ability to commit to it as the banks aim is not only to improve the credit portfolio classification, but to also retrieve the loan amount granted to the client.

- While planning the repayment schedule, a study of the borrowers's cash flow must be done, especially if the borrower has liabilities towards creditors other than the bank, requiring the bank to study the borrower's cash flow, current guarantees and any other extra assets that can be facilitated as a an extra source for the repayment, or having it act as an additional guarantee to reduce the client's credit risk. Other aspects of the client are also studied which include the client's ability to manage the facilities and the safety of legal documents and contracts in the banks posession where they protect the banks rights incase legal actions are taken with regards to the borrower.

- In a case where the client is committed to his repayment schedule for a period of no less than 3 months, then his account's classification is improved to running debt.

Internal credit classification system:

The bank adopts Moody's system to classify clients acting as corporates , SME's and middle markets. The aim of this system is to asses credit risks at the clients level and te facilities provided, and express them in a way that gives each facilitated client a rank from 1-10, explaining his risk level where level (1) is the least risk. Clients classification is the credit department's responsibility.

When applying the system, the following can be guaranteed:

- The ability to maintain high qualities for the banks credit wallet, control the wallets performance and determine the right plans and strategies for the future management of credit risks.
- Connecting credit quality to the efficiency of performance and pricing.
- Determining the party responsible for accepting to grant andlor renew facilities.

The following table clarifies the standards that were placed with different weights for different client classifications:

Indicator	Indicator's nature
Financial items	Quantitative
Management	Qualitative
Corporate	Qualitative
Economic sector	Qualitative

And to calculate the classification, financial statements that cover 3 years and information about the economic sectors performance must be available, thus clients that are granted with facilities are classified according to the following table:

Risk level	Risk rank
Excellent	1
Strong	2
Good	3-4
Satisfactory	4
Adequate	5
Marginal	6
Watch List	7
Substandard	8
Doubtful	9
Loss	10

Mechanism used to calculate expected credit losses on financial tools for each item seperately

Expected credit losses are calculated on an individual basis on a system that was previously applied by the bank according to the calculation syllabus adopted by the board of directors and external auditor while preparing quarter and year end data.

A. Probability of Default:

Probability of default is measured for the purpose of calculating the expected credit losses of each IFRS (9) stages by using statistical models depending on previous data and the credit exposure classification, in addition to stress testings that are related to economic indicators of the corporates and SME's facilities portfolio. As for the consumers facilities portfolio, statistical models have been adopted and depend on the product criteria and the clients credit behaviour.

According to what IFRS (9) includes, all credit exposures and loan tools are listed in the stage (1). The probability of stumbling on an exposure is taken into consideration. As for the credit exposures under stage 2, the probability of stumbling on a credit exposure is taken into consideration based on whats left in the credit exposure's timeline.

B. Loss Given Default:

When calculating the loss given default , an assesment of the early recived guarantees is made in return for granting credit exposure, and only collatrals that are classified as risk facilitators are taken into consideration (Legally documented within credit contracts with nothing prevents the bank from reaching it) for purposes of calculating the repayable amount from the credit exposure after applying sepacified deductable rates in the loan instruction classification number (47/2009). Loss rates are applied by LGDs on the part that is not covered by the credit exposure depending on previous rates for financial repayables resulted from processing the collatrals resulted from the default.

C. Exposure at Default:

The amounts that will be used by the debit side and the type of loan tool will be taken into consideration when calculating the credit exposure for purposes of calculating the expected credit loss for every stage of the IFRS (9). Usage rate are calculated after performing a study on withdrawal and rates of currencies and different loans in the past.

In direct credit exposures also (no financed) also considered to be an actual credit exposures and a credit loss for them is being claculated also propapiliy of default for them is being calculated based on the hsitorical studies.

D. Time value of money:

The current expected credit value loss is calculated by using the time value and active interest rate (EIR) given for credit exposures as a discounting factor.

The governmental of applying internatioanl financial reporting standard requirements which insures the management responsibility and the management to excute those requitement to insure complying with the standard requirement.

Board of directors:

Board of directors will look on the operations and results of calculating provisions acccording to the international standard to take the right decisions that agrees with the results, and make sure that the executive management is committed to the placed operations and policies for provisions in order to aprove the granted policy to identify the extraordinary situations which has a proper justification for adjusting the results and the out comes of the system to select an independent party which has the authority to take unordinary decisions or to adjust and represent the adjustings in those situations on the board and to approve it.

Risk committee

Risk committee is responsible for supervising the provision calculation operation according to international standard and to make sure of the following:

- Insures that provisions cover expected credit loss
- Capital adequicy is within the requested level and guarantee its stability and not having it drop below the specified limit
- Price mechanism covers provision costs

Audit committee

Results of provision calculations according to international standard are shown to the audit committee where they check that the expected credit loss is covered by the bank and check its efficiency on all financial data

Executive management

Executive management present the risks. When pricing credit exposures, policies and procedures are updated to continue with assesing credit risks and the measuring system for all intended consumers.

Executive management is responsible for implementing the reliable credit risk strategies by the board of diretors and develop policies and procedures stated above.

Risk management department

Risk management department makes sure that all provisions fully cover the credit losses by international standard and present results to the board of directors, risk committee and the executive management.

Exposure distribution according to Economic sectors:

A. Distribution of exposure according to financial instruments

	Financial	Manufacturing	Trade	Real estates	Agriculture	Shares	Individual	Public sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	271,941,981	-	-	-	-	-	-	-	-	271,941,981
Balances at banks and financial institutions	208,304,041	-	-	-	-	-	-	-	-	208,304,041
Deposits at banks and financial institutions	7,982,633	-	-	-	-	-	-	-	-	7,982,633
Direct credit facilities	8,616,414	207,591,790	515,455,782	634,088,600	37,756,385	53,562,031	262,694,191	141,055,962	287,508,959	2,148,330,114
Treasury bills:	84,116,216	3,358,600	1,419,450	-	-	-	-	601,413,557	1,323,125	691,630,948
Within financial assets at fair value through profit or loss	821,728	-	-	-	-	-	-	1,475,078	-	2,296,806
Within financial assets at fair value through other comprehensive incom	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized costs	83,794,488	3,358,600	1,419,450	-	-	-	-	599,938,479	1,323,125	689,334,142
Derivatives of financial tools	-	-	-	-	-	-	-	-	-	-
Guaranteed financial assets (loan tools)	-	-	-	-	-	-	-	-	-	-
Other assets	1,757,418	4,796,217	1,891,103	-	3,777,776	-	-	-	20,986,142	33,208,656
Total for period	582,718,703	215,746,607	518,766,335	634,088,600	41,534,161	53,562,031	262,694,191	742,469,519	309,818,226	3,361,398,373
Cash guarantees	8,878,794	11,858,586	79,983,650	23,676,965	2,724,569	-	75,300	-	49,474,475	176,672,339
Letter of credit	2,551,058	16,223,513	104,050,871	5,818,111	29,174,515	-		-	120,076,380	277,294,448
Other liabilities	5,765,918	42,320,740	228,052,223	21,581,235	6,218,966	171,802	20,488,618	-	129,350,412	453,949,914
Total for period	600,314,473	286,149,446	930,853,079	685,164,911	78,652,211	53,733,833	283,258,109	742,469,519	608,719,493	4,269,315,074

B. Distribution of exposures according to IFRS (9) stages:

	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Financial	595,989,496	-	4,320,616	-	4,361	600,314,473
Manufacturing	237,816,440	-	45,931,421	-	2,401,585	286,149,446
Trade	857,727,825	-	65,505,779	-	7,619,475	930,853,079
Real estates	355,202,308	288,933,147	35,945,155	175,896	4,938,407	685,164,911
Agriculture	60,937,417	-	17,406,158	-	308,636	78,652,211
Shares	20,792,278	30,930,185	1,777,754	174,412	59,204	53,733,833
Individual	256,461,591	18,261,983	3,039,377	4,436,454	1,058,704	283,258,109
Public sector	742,469,519	-	-	-	-	742,469,519
Other	511,512,549	12,275,063	80,725,044	457,972	3,748,865	608,719,493
Total	3,638,909,421	350,370,378	254,651,304	5,244,734	20,139,237	4,269,315,074

Exposure distribution according to geographical distribution

A. Distribution of exposure according to geographical areas:

	Jordan	Other Middle East countries	Europe	Asia	Africa	America	Other countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	271,941,981	-	-	-	-	-	-	271,941,981
Balances at banks and financial institutions	27,713,239	76,259,505	67,498,620	9,167,009	-	27,408,341	257,327	208,304,041
Deposits at banks and financial institutions	2,942,139	4,222,450	818,044	-	-	-	-	7,982,633
Direct credit facilities	2,148,330,114	-	-	-	-	-	-	2,148,330,114
Treasury bills:	602,943,687	30,980,415	12,934,591	4,197,845	-	39,156,493	1,417,917	691,630,948
Within financial assets at fair value through profit or loss	-	2,296,806	-	-	-	-	-	2,296,806
Within financial assets at fair value through other comprehensive inc	-	-	-	-	-	-	-	-
Within financial assets at amortized costs	602,943,687	28,683,609	12,934,591	4,197,845	-	39,156,493	1,417,917	689,334,142
Other assets	33,208,656	-	-	-	-	-	-	33,208,656
Total for period	3,087,079,816	111,462,370	81,251,255	13,364,854	-	66,564,834	1,675,244	3,361,398,373
Cash guarantees	176,672,339	-	-	-	-	-	-	176,672,339
Letter of credit	277,294,448	-	-	-	-	-	-	277,294,448
Other liabilities	453,949,914	-	-	-	-	-	-	453,949,914
Total for period	3,994,996,517	111,462,370	81,251,255	13,364,854	-	66,564,834	1,675,244	4,269,315,074

B. Distribution of exposures according to IFRS (9) stages

	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Jordan	3,364,590,864	350,370,378	254,651,304	5,244,734	20,139,237	3,994,996,517
Other middle east countries	111,462,370	-	-	-	-	111,462,370
Europe	81,251,255	-	-	-	-	81,251,255
Asia	13,364,854	-	-	-	-	13,364,854
Africa	-	-	-	-	-	-
America	66,564,834	-	-	-	-	66,564,834
Other countries	1,675,244	-	-	-	-	1,675,244
Total	3,638,909,421	350,370,378	254,651,304	5,244,734	20,139,237	4,269,315,074

Reclassified credit exposures:

A. Total credit exposures that were classified:

	Stage (2)		Stage (3)			
	Total exposure value	Exposures that were reclassified	Total exposure value	Exposures that were reclassified	Total exposures that were reclassified	Rate of exposures that were reclassified
	JD	JD	JD	JD	JD	JD
Balances at central banks	-	-	-	-	-	0.00%
Balances at banks and financial institutions	-	-	-	-	-	0.00%
Deposits at banks and financial Institutions	-	-	-	-	-	0.00%
Direct credit facilities	237,027,004	108,733,295	111,732,482	8,479,973	117,213,268	5.19%
Treasury bills:	-	-	2,987,500	-	-	0.00%
Within financial assets at fair value through profit or loss	-	-	-	-	-	0.00%
Within financial assets at fair value through other comprehensive income	-	-	2,987,500	-	-	0.00%
Within financial assets at amortized costs	-	-	-	-	-	0.00%
Derivatives of financial tools	-	-	-	-	-	0.00%
Guaranteed financial assets (loan tools)	-	-	-	-	-	0.00%
Other assets	-	-	-	-	-	0.00%
Total for period	237,027,004	108,733,295	114,719,982	8,479,973	117,213,268	3.29%
Cash guarantees	17,048,977	16,904,637	923,456	33,250	16,937,887	9.59%
Letter of credit	2,180,388	1,661,170	-	-	1,661,170	0.60%
Other liabilities	8,276,055	797,820	-	-	797,820	0.18%
Total for period	264,532,424	128,096,922	115,643,438	8,513,223	136,610,145	3.06%

B. Expected credit losses for the exposures that were reclassified:

	Exposures that were reclassified			Expected credit losses for the exposures that were reclassified				
	Total exposures that were reclassified from stage (2)	Total exposures that were reclassified from stage (3)	Total reclassified exposures	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Stage (3) Collective	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	-	-	-	-	-	-	-	-
Balances at banks and Financial Institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities	108,733,295	8,479,973	117,213,268	1,645,356	209,551	155,078	191,598	2,201,583
Treasury bills:	-	-	-	-	-	-	-	-
Within financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Within financial assets at amortized costs	-	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-	-
Mortgaged financial assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	108,733,295	8,479,973	117,213,268	1,645,356	209,551	155,078	191,598	2,201,583
Cash guarantees	16,904,637	33,250	16,937,887	119,130	-	126	-	119,256
Letter of credit	1,661,170	-	1,661,170	2,479	-	-	-	2,479
Other liabilities	797,820	-	797,820	9,640	-	-	-	9,640
Total for period	128,096,922	8,513,223	136,610,145	1,776,605	209,551	155,204	191,598	2,332,958

33. Fair Value Hierarchy

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

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

Financial Assets	Fair Value June 30, 2018	Fair Value December 31, 2017	The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Government bonds listed on financial markets	1,475,078	-	Level 1	Quoted prices in financial markets	N/A	N/A
Companies bonds listed on financial markets	821,728	-	Level 1	Quoted prices in financial markets	N/A	N/A
Companies shares	7,423,599	3,658,948	Level 1	Quoted prices in financial markets	N/A	N/A
Investment Fund	5,807,361	3,850,332	Level 2	The treasury manager evaluation of fair value	N/A	N/A
Financial Assets at Fair Value Through Other Comprehensive Income						
Quoted Shares in active markets	23,339,844	26,751,131	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted Shares in active markets	4,473,855	4,126,605	Level 3	Through using equity method and based on the latest available financial information	N/A	N/A
Total Financial Assets at Fair Value	43,341,465	38,387,016				

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

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

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the condensed consolidated interim financial statements of the Bank approximates their fair value.

	June 30, 2018		December 31, 2017		The level of
	Book value	Fair value	Book value	Fair value	Fair Value
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Term deposits, and certificate of deposits at Central Bank	38,700,000	38,722,531	45,000,000	45,007,397	Level 2
Current accounts, and balances at Banks and Financial Institutions	216,286,674	216,490,069	334,400,972	334,514,049	Level 2
Direct credit facilities at amortized costs	2,148,330,114	2,154,326,774	2,084,327,989	2,100,310,512	Level 2
Other financial assets at amortized costs	689,334,142	697,213,547	617,696,128	624,646,198	Level 1 and 2
Total Financial Assets of Non-specified Fair Value	3,092,650,930	3,106,752,921	3,081,425,089	3,104,478,156	
Financial Liabilities of Non-specified Fair Value					
Banks and Financial Institutions Deposits	89,521,657	89,982,309	58,873,920	58,985,911	Level 2
Customers' Deposits	2,793,157,498	2,817,494,513	2,691,335,921	2,712,076,501	Level 2
Cash Margin	149,453,999	149,511,065	210,088,710	210,094,536	Level 2
Borrowed Funds	87,295,450	88,181,737	88,211,995	89,101,327	Level 2
Total Financial Liabilities of Non-specified Fair Value	3,119,428,604	3,145,169,624	3,048,510,546	3,070,258,275	

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