




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الجهة المختصة ١١/١٤٨٥

ARAB JORDAN INVESTMENT BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

INDEPENDENT AUDITORS' REPORT
To the Shareholders of Arab Jordan Investment Bank
Amman – Jordan

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arab Jordan Investment Bank "Bank" and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Inadequate allowances (ECL) for credit facilities	
Refer to the note 9 on the consolidated financial statements	
Key Audit matter 1	How the key audit matter was addressed in the audit
<p>This is considered as a key audit matter as the group exercises significant judgement to determine when and how much to record as impairment.</p> <p>The provision for credit facilities is recognized based on the Group's provisioning and impairment policy which complies with the requirements of IFRS 9.</p> <p>Credit facilities form a major portion of the Group's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We gained an understanding of the Group's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes. • We read the Group's impairment provisioning policy and compared it with the requirements of the International Financial Reporting Standards as well as relevant regulatory guidelines and pronouncements. • We assessed the Group's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

As at 31 December 2018, the Group's gross credit facilities amounted to JD 770,246,697 and the related impairment provisions amounted to JD 14,468,779. The impairment provision policy is presented in the accounting policies in note (2) to the consolidated financial statements.

- We tested a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:
 - Appropriateness of the group's staging.
 - Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
 - Appropriateness of the PD, EAD and LGD for different exposures at different stages.
 - Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise.
 - Soundness and mathematical integrity of the ECL Model.
 - For exposures moved between stages we have checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
 - For exposures determined to be individually impaired we re-performed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.
- For forward looking assumptions used by the Group in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information.
- We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments,

	disclosures of credit facilities and on ECL in notes (2), (4), (10) and (44) to the consolidated financial statements.
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Other information included in the Group's 2018 annual report.

Other information consists of the information included in The Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Barkawi; license number 591.

Amman, Jordan
3 February 2019



Ernst + Young

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
<u>Assets</u>			
Cash and balances at Central Bank of Jordan	5	121,539,096	70,179,969
Balances at banks and financial institutions- net	6	307,520,994	254,895,109
Deposits at banks and financial institutions- net	7	15,877,685	16,535,460
Financial assets at fair value through profit or loss	8	263,244	169,390
Financial assets at fair value through other comprehensive income	9	15,506,988	14,817,140
Direct credit facilities - net	10	752,694,569	755,162,896
Financial assets at amortized cost - net	11	688,023,173	597,569,867
Investment in associate company	12	19,011,340	19,947,778
Property and equipment – net	13	74,301,592	68,754,517
Intangible assets - net	14	694,005	930,783
Deferred tax assets	21-D	540,846	932,646
Other assets	15	37,116,887	38,130,272
Total Assets		2,033,090,419	1,838,025,827
<u>Liabilities and Equity</u>			
Liabilities:			
Banks and financial institutions' deposits	16	537,381,551	487,339,879
Customers' deposits	17	1,030,562,047	1,050,715,661
Borrowed money from the Central Bank of Jordan	18	146,041,810	161,422
Cash margins	19	38,991,293	59,693,044
Sundry provisions	20	606,874	1,923,950
Income tax provision	21-A	6,866,156	7,785,786
Other liabilities	22	57,242,485	11,047,721
Total Liabilities		1,817,692,216	1,618,667,463
Equity:			
Equity attributable to Bank's shareholders			
Paid-up capital	23	150,000,000	150,000,000
Share issuance premium	24	1,418,000	1,418,000
Statutory reserve	25	31,447,469	29,279,131
General banking risks reserve		-	5,888,551
Foreign currency translation adjustments	26	(3,596,397)	(2,379,220)
Fair value reserve – net	27	(1,891,990)	(1,673,812)
Retained earnings	28	17,479,705	16,168,304
Total Equity attributable to the Bank's shareholders		194,856,787	198,700,954
Non – controlling interest	30	20,541,416	20,657,410
Total Equity		215,398,203	219,358,364
Total Liabilities and shareholders' Equity		2,033,090,419	1,838,025,827

The accompanying notes from (1) to (53) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
Interest income	31	90,353,940	80,807,691
Interest expense	32	(46,012,013)	(35,813,651)
Net interest income		44,341,927	44,994,040
Net commission income	33	8,289,626	8,468,863
Net interest and commissions income		52,631,553	53,462,903
Foreign currencies income	34	3,747,495	3,586,162
Loss from financial assets at fair value through profit or Loss	35	(43,568)	(7,924)
Cash dividends from financial assets at fair value through other comprehensive income	36	268,424	383,644
Other income	38	1,178,117	1,717,082
Gross income		57,782,021	59,141,867
Employees expenses	39	16,232,941	16,740,195
Depreciation and amortization	13, 14	3,030,943	3,068,516
Other expenses	40	12,426,711	11,726,260
Provision for impairment	37	1,424,673	1,808,167
Sundry provisions	15 & 20	551,070	796,529
Total expenses		33,666,338	34,139,667
Bank's share in the income of associate company	12	280,739	772,057
Profit for the year before income tax		24,396,422	25,774,257
Income tax expense	21-B	(7,580,095)	(8,599,308)
Profit for the year		16,816,327	17,174,949
Attributable to:			
Bank's shareholders		15,506,052	15,984,051
Non – controlling interest		1,310,275	1,190,898
		16,816,327	17,174,949
		JD/Fils	JD/Fils
Basic and diluted earnings per share from profit for the year (bank's shareholder)	41	0.103	0.107

The accompanying notes from (1) to (53) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	JD	JD
Profit for the year	16,816,327	17,174,949
<u>Comprehensive income items:</u>		
Other comprehensive income items which will be reclassified to profit or loss in future periods:		
Foreign Currency translation adjustments - Associate Company	(1,217,177)	1,799,434
Other comprehensive income items which will not be reclassified to profit or loss in future periods:		
Cumulative change in fair value of financial assets through comprehensive income - net after tax	(336,594)	(439,271)
(Loss) gain from the sale of financial assets through comprehensive income	(4,799)	4,222
Total other comprehensive income items for the year after tax	<u>(1,558,570)</u>	<u>1,364,385</u>
Total comprehensive income for the year	<u>15,257,757</u>	<u>18,539,334</u>
Total comprehensive income attributable to:		
Bank's shareholders	14,065,898	17,540,860
Non - controlling interest	1,191,859	998,474
	<u>15,257,757</u>	<u>18,539,334</u>

The accompanying notes from (1) to (53) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For The Year Ended 31 DECEMBER 2018

	Paid-in Capital		Share Issuance Premium		Statutory Reserve		General Banking Risks Reserve**		Foreign Currency Translation Adjustments		Fair Value Reserve - Net ****		Retained Earnings***		Total Equity attributable to the Bank's shareholders		Non - Controlling Interest		Total Equity	
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD	
For the year ended 31 December 2018																				
Balance - beginning of the year	150,000,000		1,418,000		29,279,131		5,888,551		(2,379,220)		(1,673,812)		16,168,304		198,700,954		20,657,410		219,358,364	
Transferred from general banking risks reserve Effect of IFRS 9 adoption as of 1/1/2018	-		-		-		(5,888,551)		-		-		5,888,551		(4,410,065)		-		(4,477,168)	
Restated Balance at the beginning of the year	150,000,000		1,418,000		29,279,131		-		(2,379,220)		(1,673,812)		17,646,790		194,290,889		20,590,307		214,881,196	
Total comprehensive income for the year	-		-		-		-		(1,217,177)		(218,178)		15,501,253		14,065,898		1,191,859		15,257,757	
Distributed dividend to shareholders *	-		-		-		-		-		-		(13,500,000)		(13,500,000)		-		(13,500,000)	
Transferred to reserves	-		-		2,168,338		-		-		-		(2,168,338)		-		-		-	
Change in non-controlling interest	-		-		-		-		-		-		-		-		(1,240,750)		(1,240,750)	
Balance at the end of the year	150,000,000		1,418,000		31,447,469		-		(3,596,397)		(1,891,990)		17,479,705		194,856,787		20,541,416		215,398,203	
For the year ended 31 December 2017																				
Balance - beginning of the year	150,000,000		1,418,000		26,957,710		5,788,551		(4,178,654)		(1,429,227)		20,603,714		199,160,094		21,254,186		220,414,280	
Total comprehensive income for the year	-		-		-		-		1,799,434		(244,585)		15,986,011		17,540,860		998,474		18,539,334	
Distributed dividend to shareholders *	-		-		-		-		-		-		(18,000,000)		(18,000,000)		-		(18,000,000)	
Transferred to reserves	-		-		2,321,421		100,000		-		-		(2,421,421)		-		-		-	
Change in non-controlling interest	-		-		-		-		-		-		-		-		(1,595,250)		(1,595,250)	
Balance at the end of the year	150,000,000		1,418,000		29,279,131		5,888,551		(2,379,220)		(1,673,812)		16,168,304		198,700,954		20,657,410		219,358,364	

* According to the resolution of the Bank's General Assembly meeting held on 26 April 2018 it was approved to distribute 9 % of the Bank's capital as cash dividends to the shareholders which is equivalent to JD 13.5 million.

** In accordance to the instructions of the regulatory authorities

The Central Bank of Jordan issued memo No. 10/17702 at 6 June 2018 requesting to transfer general banking risks reserve balance to retained earnings to be offset with the effect of IFRS 9, which represents the beginning balance for retained earnings as of 31 January 2018. The memo also stated to keep general banking risks reserve balance restricted after the offset, and it should not be distributed as dividends or used for any other purposes unless an approval from the Central Bank of Jordan is obtained. The restricted balance amounted to JD 1,478,486.

*** Retained earnings include a restricted amount of JD 540,846 against deferred tax benefits as of 31 December 2018. This restricted amount cannot be utilized through capitalization or distribution unless actually realized in accordance to the Central Bank of Jordan regulations.

**** The negative fair value reserve which amounts to JD 1,891,990 cannot be utilized through capitalization, distribution or any other way unless realized from the actual sales transactions in accordance to the Central Bank of Jordan regulations.

The accompanying notes from (1) to (53) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
<u>Operating activities</u>			
Profit before income tax		24,396,422	25,774,257
Adjustments for:			
Depreciation and amortization	13, 14	3,030,943	3,068,516
Provision for impairment	37	1,424,673	1,808,167
Unrealized loss on financial assets at fair value through profit or loss	35	47,995	19,242
Provision for End of service indemnity	20	38,070	236,529
Provision for seized assets	15	513,000	500,000
Other sundry provisions	20	-	60,000
Gain from sale of property and equipment	38	(5,530)	(27,147)
Loss (gain) from the sale of seized assets	38	49,367	(7,946)
Effect of exchange rate fluctuations on cash and cash equivalents	34	(196,432)	(136,658)
Bank's share in the income of associate company	12	(280,739)	(772,057)
Cash profit before changes in assets and liabilities		29,017,769	30,522,903
<u>Changes in assets and liabilities:</u>			
Deposits with banks and other financial institutions (maturing over 3 months)		602,257	10,776,654
Financial assets at fair value through profit or loss		(141,849)	35,128
Direct credit facilities		(2,790,696)	(3,727,761)
Other assets		(4,174,213)	(2,354,421)
Banks and financial institutions deposits (maturing over 3 months)		40,000,000	80,000,000
Customers' deposits		(20,153,614)	(26,840,806)
Cash margins		(20,701,751)	(2,767,530)
Other liabilities		45,693,968	(5,878,951)
Net change in assets and liabilities		38,334,102	49,242,313
Net cash flows from operating activities before taxes		67,351,871	79,765,216
Sundry provisions paid	20	(1,355,146)	(356,656)
Income tax paid	21-A	(8,107,925)	(10,785,573)
Net cash flows from operating activities		57,888,800	68,622,987
<u>Investing activities:</u>			
Financial assets at amortized cost - net		(90,574,098)	(3,578,034)
Sale of financial assets at fair value through other comprehensive income		(1,031,241)	(185,693)
Purchase of property and equipment	13	(3,449,558)	(5,527,593)
Proceeds from sale of property and equipment and intangible assets		12,299	384,576
Purchase of intangible assets	14	(273,220)	(202,686)
Net cash flows used in investing activities		(95,315,818)	(9,109,430)
<u>Financing activities:</u>			
Borrowed money from the Central Bank of Jordan		145,880,388	161,422
Change in non-controlling interest		(1,240,750)	(1,595,250)
Dividends distributed to shareholders		(13,427,397)	(17,792,433)
Net cash flows from (used in) financing activities		131,212,241	(19,226,261)
Net increase in cash and cash equivalents		93,785,223	40,287,296
Effect of exchange rate fluctuations on cash and cash equivalents		196,432	136,658
Cash and cash equivalent - beginning of the year		(82,264,801)	(122,688,755)
Cash and cash equivalent - end of the year	42	11,716,854	(82,264,801)

The accompanying notes from (1) to (53) constitute an integral part of these statements and should be read with them.

1. GENERAL

The Arab Jordan Investment Bank is a public shareholding limited company with headquarters in Amman – Jordan, On January 1, 1978 it was registered according to the Companies Law and related subsequent amendments the last of which was amendment No, (22) for the year 1997. Moreover the Bank's authorized and paid-up capital was increased gradually the last of which was during the year 2014 to become JD 150 million at face value of JD 1 each.

The Bank is engaged in commercial banking activities through its (33) branches and offices in Jordan and (1) branch in Cyprus and its subsidiaries in Qatar and Jordan (Arab Jordan Investment Bank - (Qatar) LLC and the United Arab Jordan Company for Investment and Financial Brokerage).

The Bank's shares are listed and traded in the Amman Stock Exchange.

The consolidated financial statements have been approved by the Board of Directors in its meeting held on 31 January 2019 meeting number (278) and are subject to the approval of the Central Bank of Jordan and the General Assembly of Shareholders.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Consolidated Financial Statements

The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards.

The consolidated financial statements are prepared on the historical cost basis except for financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income and financial derivatives which have been measured at fair value at the date of the consolidated financial statements, Moreover fair value hedged assets and liabilities are stated at fair value.

The consolidated financial statements are presented in Jordanian Dinar (JD) which is the functional currency of the Bank.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2018

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All transactions balances, income and expenses between the Bank and subsidiaries are eliminated. The following subsidiaries were consolidated in the Group's financial statements:

Company's Name	Ownership Percentage	Company's Paid-up capital Equivalent	Head Quarter	Date of Incorporated	Company's Objectives
		JD			
United Arab Jordan Company for Investment and Financial Brokerage	100%	2,500,000	Amman-Jordan	February 5, 2002	Financial Brokerage
Arab Jordan Invest Bank / Qatar	50% + two shares	35,450,000	Doha - Qatar	December 5, 2005	Bank Activity

The following are the most significant financial information for the subsidiary companies:

	United Arab Jordan Company for Investment and Financial Brokerage		Arab Jordan Investment Bank / Qatar	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total assets	2,728,334	2,799,178	241,205,414	192,800,408
Total liabilities	62,796	137,148	200,122,583	151,485,589
Equity	2,665,538	2,662,030	41,082,831	41,314,819
	For the year ending 31 December		For the year ending 31 December	
	2018	2017	2018	2017
		JD		JD
Total revenue	63,852	97,802	7,759,831	6,992,250
Total expenses	291,010	328,468	5,139,282	4,610,458

The financial statements of the subsidiaries are prepared for the same financial year of the Bank and by using the same accounting policies adopted by the Bank. If the accounting policies adopted by the subsidiaries are different from those used by the Bank the necessary adjustments to the financial statements of the subsidiaries are made to comply with the accounting policies used by the Bank.

The Results of operations of subsidiaries are included in the consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary to the Group. The results of operations of subsidiaries disposed are included in the consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.

Non-controlling interest represents the portion that is not owned by the Bank in the owner's equity in the subsidiary companies.

SIGNIFICANT ACCOUNTING POLICIES

Segmental Information

Business sector represents a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments, which were measured according to the reports used by the General Manager and the Bank's decision maker.

Geographical sector relates to providing products or services in an economic environment subject to specific risks and returns different from those operating in other sectors of other economic environments.

Direct Credit Facilities

Direct credit facilities are financial assets with fixed or determinable payments which are provided basically by the Bank or have been acquired and has no market price in the active markets, which are measured at amortized cost.

A provision for the impairment in direct credit facilities is recognized through the calculation of the expected credit loss in accordance with International Financial Reporting Standard number 9.

Interest and commission earned on non-performing granted credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan and in accordance with the instructions of the regulatory authorities whichever is more conservative in countries where the bank has its branches or subsidiaries.

When direct credit facilities are uncollectible they are written off against the provision account, any surplus in the provision is reversed through the consolidated statement of income, and subsequent recoveries of amounts previously written off are credited to revenue.

Fair Value

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements in active markets. In case declared market prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

Investment in Associate

An associate company is the company whereby the bank exercises effective influence over their decisions related to financial and operational policies without control, with the bank owning from (20%) to (50%) of the voting rights, and is stated in accordance to the equity method.

Revenues and expenses resulting from transactions between the Bank and the associate company are eliminated according to the bank's ownership percentage in these company.

Financial Assets at Amortized Cost

Are the assets that the bank's management intends to hold for the purpose of collecting the contractual cash flows which represents the cash flows that are solely payments of principal and interest on the outstanding principal.

Financial assets are recorded at cost upon purchase plus acquisition expenses, Moreover the issue premium \ discount is amortized using the effective interest associated with the decline in value of these investments leading to the in ability to recover the investment or parts thereof are deducted, any impairment is registered in the consolidated statement of income and should be presented subsequently at amortized cost less any impairment losses.

The amount of impairment loss recognised at amortized cost is the expected credit loss of the financial assets at amortized cost.

It is not allowed to reclassify any financial assets from/to this category except for certain cases that are specified by the International Financial Reporting Standards (And if in any cases these assets are sold before the maturity date the result of sale will be recorded in the consolidated statement of income in a separated disclosure and caption in according to the International Financial Reporting Standards in specific).

Financial Assets at Fair Value through Profit or Loss

It is the financial assets purchased by the bank for the purpose of trading in the near future and achieving gains from the fluctuations in the short-term market prices or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded in the consolidated statement of income upon acquisition) and subsequently measured in fair value, Moreover changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency, Gains or losses resulting from the sale of these financial assets or part of them are taken to the consolidated statement of income.

Dividends and interests from these financial assets are recorded in the consolidated statement of income.

It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standard.

Financial Assets at Fair Value through other Comprehensive Income

These financial assets represents the investments in equity instruments held for the long term.

These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the consolidated statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the consolidated statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the consolidated statement of income.

No impairment testing is required for these assets. Unless classified debt instrument as financial assets at fair value through other comprehensive income, in that case, the impairment is calculated through the expected credit loss model.

Dividends are recorded in the consolidated statement of income.

Impairment in Financial Assets

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018.

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates the expected credit losses in accordance with the International Financial Reporting Standard Number 9 which is illustrated in Note 4.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value, Moreover Property and Equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	<u>%</u>
Buildings	2
Equipment furniture and fixtures	9-15
Vehicles	20
Computer	12-15
Others	2-12

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the consolidated statement of income.

The useful lives of property and equipment are reviewed at the end of each year, In case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.

Property and equipment are derecognized when disposed or when there is no expected future benefit from their use or disposal.

Impairment of non-financial assets -

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Intangible Assets

A. Goodwill

Goodwill is recognized at cost and represents the excess of the acquisition costs or investment costs in an affiliate or a subsidiary over the net assets fair value of the affiliate or subsidiary as of the acquisition date. Goodwill arises from the investment in the subsidiary recognized as a separate item in intangible assets. Later on, goodwill will be reviewed and reduced by any impairment amount.

Goodwill is allocated to cash generating unit(s) to test impairments in its value.

Impairment testing is done on the date of the consolidated financial statements. Goodwill is reduced if the test indicates that there is impairment in its value, and that the estimated recoverable value of the cash generating unit(s) relating to goodwill is less than the book value of the cash generating unit(s). Impairment is recognized in the consolidated statement of income.

B. Other Intangible assets

Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.

No capitalization of intangible assets resulting from the banks' operations is made. They are rather recorded as an expense in the consolidated statement of income in the same year.

Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent periods.

The intangible assets with a specified useful life appears of cost after deducting the annual amortization. These assets were amortized by using the straight-line method on the useful life using a percentage of 25% annually.

Provisions

Provisions are recognized when the bank has an obligation on the date of the consolidated financial statement arising from a past event and the costs to settle the obligation is probable and can be reliably measured.

Provision for employees' end-of-service indemnity

Provision for end of service indemnity is established by the Bank to fare any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws regulations and instructions of the countries where the bank operates.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

Capital Cost of Issuing or Buying the Bank's Shares

Cost arising from the issuance or purchase of the bank's shares are charged to retained earnings (net of the tax effect of these costs if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the consolidated statement of income.

Accounts Managed on Behalf of Customers

These represent the accounts managed by the bank on behalf of its customers but do not represent part of the bank's assets. The fees and commissions on such accounts are shown in the consolidated statement of Income. A provision against the impairment in the capital-guaranteed portfolios managed on behalf of customers is taken.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Realization of Income and Recognition of Expenses

Interest income is realized by using the effective interest method except for interest and commissions from non-performing credit facilities which are not recognized as income and are recorded in the interest and commissions in suspense account.

Expenses are recognised according to the accrual basis.

Commission is recorded as revenue when the related services are provided, moreover dividends are recorded when realized (decided upon by the General Assembly of Shareholders).

Date of Recognizing Financial Assets

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the bank commits itself to purchase or sell the asset).

Hedge Accounting and Financial Derivatives

Financial Derivatives for Hedging:

Fair Value Hedges:

For the purpose of hedge accounting the financial derivatives appear at fair value.

A fair value hedge is a hedge against the exposure to changes in the fair value of the bank's recognised assets or liabilities.

When the conditions of an effective fair value hedge are met the resulting gains and losses from the valuation of the fair value hedge and the change in the fair value of the hedged assets or liabilities is recognised in the consolidated statement of income.

When the conditions of an effective portfolio hedge are met the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the consolidated income statement for the same year.

Cash flow Hedges:

Hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

When the conditions of an effective cash flow hedge are met the gain or loss of the hedging instruments is recognized in the statement of comprehensive income and owner's equity, such gain or loss is transferred to the consolidated statement of income in the period in which the hedge transaction impacts the consolidated statement of income.

When the condition of the effective hedge do not apply the gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income the same year.

Assets Seized by the Bank against Due Debts

Assets that have been the subject of foreclosure by the bank are shown under "other assets" at the acquisition value or fair value whichever is lower. As of the consolidated statement of financial position date these assets are revalued individually at fair value, any decline in their market value is taken to the consolidated statement of income as a loss whereas any such increase is not recognized. Subsequent increase is taken to the income statement to the extent it does not exceed the previously recorded impairment.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognised in the bank's consolidated financial statements due to the bank's continuing exposure to the risks and rewards of these assets using the same accounting policies, (The buyer has the right to control such assets (by sale or pledge as collateral) which are reclassified as financial assets pledged as collateral), The proceeds of the sale are recorded under loans and borrowings, The difference between the sale and repurchase price is recognised as an interest expense over the agreement term using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the bank's consolidated financial statements since the bank is not able to control these assets and since any risks and benefits do not accrue to the bank when they occur. The related payments are recognised as part of deposits at banks and financial institutions or direct credit facilities as applicable Moreover the difference between the purchase and resale price is recognised in the consolidated statement of income over the agreement term using the effective interest method.

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions. Moreover, financial assets and financial liabilities are translated to Jordanian Dinar based on the average exchange rates declared by the Central Bank of Jordan on the date of the consolidated financial statements.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

When consolidating the financial statements assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency to the currency used in the financial statements using the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan, Revenue and expense items are translated using the average exchange rates during the year and exchange differences are shown in a separate item within the consolidated statement of other comprehensive income equity, In case of selling one of the subsidiaries or branches the related amount of exchange difference is booked in revenues/expenses in the consolidated statement of income.

Profit or loss resulting from the foreign exchange of interest-bearing debt instruments and within financial assets at fair value through other comprehensive income is included in the consolidated statement of income. Differences in the foreign currency translation of equity instruments are included in the cumulative change in fair value reserve within owner's equity in the consolidated statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months less balances due to banks and financial institutions maturing within three months and restricted funds.

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018:

IFRS 9 Financial Instruments

The Bank has adopted IFRS 9 (2014) Financial Instruments on the required effective date 1st January 2018, the date on which the Bank has assessed the requirements of the new expected loss impairment model, hedge accounting, and the revised guidance on the classification and measurement requirements of financial instruments. The Bank had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The standard has been applied retrospectively and, in line with IFRS 9 financial instruments, comparative amounts have not been restated. The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognized in retained earnings in the statement of changes in equity. The standard eliminates the use of IAS 39 (Financial Instruments: recognition and measurement) incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

IFRS 9 (2014) (Financial Instruments) provides revised guidance on how an entity should classify and measure its financial assets and financial liabilities. IFRS 9 requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Bank reviewed and assessed the classification and measurement of financial assets and financial liabilities on the adoption of IFRS 9 (2009) and has further reviewed and assessed the existing financial assets and financial liabilities at the date of the required application on 1 January 2018. There have been no material changes in the classification and measurement of financial assets or financial liabilities on the adoption of IFRS 9 (2014).

IFRS 9 (2014) replaces the incurred loss model in IAS 39 Financial Instruments: Recognition and Measurement with an expected credit loss model. The new impairment model also applies to certain loan commitments, financial guarantee contracts, and placements, but not to equity investments. If a financial asset had low credit risk at the date of initial application of IFRS 9, then the credit risk of the asset has been deemed to have not increased

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The impact of this change in accounting policy on the consolidated financial statements as at 1 January 2018 has been to decrease retained earnings and non-controlling interest by JD 4,477,168 as follows:-

Item (JD)	Balance as of 31 December 2017	Reclassified Amount	Expected credit losses	Balance as of 1 January 2018
Retained earnings	16,168,304	5,888,551	(4,410,065)	17,646,790
Non-controlling interest	20,657,410	-	(67,103)	20,590,307
Cash and balances at Central Bank of Jordan	70,179,969	-	-	70,179,969
Balances and deposits at bank and financial institutions	271,430,569	-	80,945	271,349,624
Direct credit facilities - net	755,162,896	-	3,883,738	751,279,158
Debt instruments in the portfolio of financial assets at amortized cost	597,569,867	-	84,292	597,485,575
Indirect credit facilities				
Letters of credit	76,650,460	-	136,812	76,513,648
Letters of guarantee	32,893,879	-	42,707	32,851,172
Acceptances	45,703,226	-	248,674	45,454,552

Beginning balance for provision after IFRS 9 adoption:

Item (JD)	Balance as of 31 December 2017	Difference due to recalculation	Balance as of 1 January 2018
Balances and deposits at banks and financial institutions	-	80,945	80,945
Direct credit facilities - net	11,093,862	3,883,738	14,977,600
Debt instruments in the portfolio of financial assets at amortized cost	73,000	84,292	157,292
Letters of guarantee	-	136,812	136,812
Letters of credit	-	42,707	42,707
Acceptances	-	248,674	248,674

Effect of IFRS 9 adoption on deferred tax assets and deferred tax liabilities as follows:

Item (JD)	Deferred tax assets	Deferred tax liabilities
Increase (decrease) in ECL for assets	-	-
Reclassification of financial assets	-	-

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ECL for the year ended 31 December 2018:

Item (JD)	Stage 1 (Individual)	Stage 1 (Collective)	Stage 2 (Individual)	Stage 2 (Collective)	Stage 3 (Individual)	Total
Balances and deposits at banks and financial institutions	31,041	-	62,792	-	-	93,833
Direct credit facilities - net	2,557,038	2,296,157	2,258,120	446,990	6,910,474	14,468,779
Debt instruments in the portfolio of financial assets at amortized cost	84,292	-	-	-	109,500	193,792
Letters of guarantee	136,812	-	-	-	-	136,812
Letters of credit	42,707	-	-	-	-	42,707
Acceptances	248,674	-	-	-	-	248,674

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The implementation of the new standard does not have any impact on the Bank's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Bank's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Bank's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Bank's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Bank.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Bank's consolidated financial statements.

4 USE OF ESTIMATE

INCOME TAX

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws regulations and instructions of the countries where the bank operates.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

FAIR VALUE

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements in active markets. In case declared market prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

PROVISIONS FOR IMPAIRMENT / ALLOWANCE FOR DIRECT CREDIT FACILITIES

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the 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 ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

❖ **Detailed explanation of the bank's internal credit rating system and its working mechanism.**

• The Bank relies on Moody's RA to classify corporate credit risk ratings, which reviews and analyzes financial and objective information about the borrower. The program generates a comprehensive assessment of the creditworthiness of the borrower, that results in the probability of default (PD). The system classifies the corporate customers within 7 levels of active accounts and 3 levels of non- performing accounts. The probability of default (PD) increase with the level of risk, wherein, 3 segments are adopted at each level (grade) except for grade 1 as shown in the table below:

Risk Grade of the Customer	Credit Rating	Credit Quality
1	Aaa	Exceptional business credit, judged to be of highest quality, with minimal credit risk.
2+	Aa1	Very good business credit with very good asset quality, consistently great liquidity and debt capacity; highly regarded in the industry with strong market share.
2	Aa2	
2-	Aa3	
3+	A1	Good business credit considered upper – medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
3	A2	
3-	A3	
4+	Baa1	Acceptable business credit subject to moderate credit risk, considered medium grade and as such possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
4	Baa2	
4-	Baa3	
5+	Ba1	Average to below average business credit subject to moderate credit risk, considered medium grade and as such possess certain higher risk characteristics. Company has demonstrated adequate performance.
5	Ba2	
5-	Ba3	
6+	B1	Below average business credit and subject to high credit risk. Company is likely lower than their competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
6	B2	
6-	B3	
7+	Caa1	Weak Business credit: judged to be of poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a substandard classification.
7	Caa2	
7-	Caa3	
8	Default	In Default (Substandard): unacceptable business credit with normal repayment in jeopardy.
9	Default	In Default (Doubtful): Full repayment questionable. Serious problems to the point where partial loss of principle is likely.
10	Default	In Default (Loss): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification

- Risk of individuals is measured based on portfolio valuation through customer behavior records and their commitment for timely payments.
- Global ratings are used to measure the risk of other financial assets (fixed-rate financial instruments and credit claims on banks and financial institutions).

❖ **The mechanism for calculating expected credit losses (ECL) on financial instruments and for each item separately.**

The Bank has adopted a special mechanism for calculating expected credit losses based on the type of financial instrument:

- Financial instruments for the portfolio of companies and instruments with fixed income and credit claims on banks and financial institutions:

In calculating the expected credit losses for this portfolio, the Bank relies on a specialized and developed system from Moody's. Each customer / instrument is calculated individually at the level of each account / instrument.

- Portfolio financial instruments:

In collaboration with Moody's, the Bank has developed a retail portfolio model to calculate expected credit loss based on the requirements of the Standard. The provision for the Retail Portfolio is calculated on an aggregate basis

Governs the application of the requirements of IFRS 9 and includes the responsibilities of the board of directors and executive management to ensure compliance with the requirements of the IFRS

The Board of Directors has several specialized committees, each with its own objectives and () to implement the Standard.

❖ **Risk Management and Compliance Committee**

- Review the implementation strategy of the standard and its impact on the risk management of the bank before its adoption by the Board.
- Keeping pace with developments affecting the Bank's risk management and reporting periodically to the Board.
- Verify that there is no difference between the actual risks taken by the Bank and the level of acceptable risks approved by the Board.
- To create the appropriate conditions to ensure the identification of risks that have a material impact and any activities carried out by the Bank that could expose it to risks greater than the acceptable risk level, report to the Board and follow up on their treatment.

❖ **Audit Committee**

- Review the financial statements after application of the Standard to verify the orders of the Central Bank of Jordan regarding the adequacy of the provisions and to give an opinion on the non-performing bank debts before submitting them to the Board of Directors.
- Review the observations contained in the reports of the Central Bank and the reports of the external auditor and follow up the actions taken thereon.

- Review the accounting issues that have a significant impact on the financial statements of the Bank and ensure the accuracy of the accounting and control procedures and their compliance.

❖ **Financial Department**

- Participate with the departments in the development and construction of the business model, including the classification of the Bank's financial assets in accordance with the principles of IFRS 9.
- Make necessary accounting adjustments and restrictions after the results are approved and verify that all products have been calculated.
- Prepare the necessary disclosures in cooperation with the concerned departments in the bank in accordance with the requirements of the standard and the instructions of the Central Bank.

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

- Corporate and fixed-income financial instruments and credit claims on banks and financial institutions:

- **Probability of default (PD):** The percentage of the probability of the borrower defaulting or failing to meet the payment of the installments or obligations towards the bank on its due dates.

The probability of default is calculated for each customer using **Moody's Risk Analyst MRA**, which is based on the customer's financial data and / or based on the objective evaluation of the customer.

The system has three calculation models to reach the default rate:

- a. Large and medium-sized companies (with financial statements).
- B. Small businesses (without financial statements).
- T. Individuals with high solvency.

- **Loss given Default (LGD)**

The percentage that represents the portion of the exposure that will be lost in case of default

The Loss Given Default (LGD) is calculated through a specialized system from Moody's. The system has a model calculation that is used to reach the (LGD):

- A. **Clean Basis Exposure:** The loss ratio is calculated based on the economic sector, the probability of default and the geographical area of the customer.
- B. **Exposure to acceptable collateral Credits:** which include the covered and unsecured portion, are considered when calculating losses at default. Haircut ratios are defined in accordance with the requirements of the Central Bank of Jordan

- **Exposure at Default (EAD):** This is the present value of used and unused facilities at defaults, in addition to any outstanding receivables, plus any accrued interest not received.

All the above ratios shall be entered at the level of each account / instrument together with details of facilities / financial instruments on the expected credit loss calculation system which also calculates exposure at default (EAD).

Retail Portfolio:

- **Probability of Default (PD):** is calculated based on the relationship between the historical regression ratios of each product and the economic variables.
- **Loss Given Default (LGD)** is calculated based on historical bad debts compared with its time of default.
- **Exposure at default (EAD)** for both personal loans and housing loans is calculated based on future cash flows (cash flows according to repayment schedules) For credit cards, credit exposure is assumed to be equal to the current outstanding balance plus a certain percentage of the unutilized balance Based on a study by Moody's.

Determines the significant change in credit risk that the Bank has relied on in calculating the expected credit losses.

Stage	Nature of the accounts within the stage.
First Stage (First recognition)	Regular financial instruments <ul style="list-style-type: none"> - Financial instruments with less than 60 days' receivables. Note that this period will be reduced by 10 days per year to become 30 days within 3 years from the date of application. - Customers with a risk rating of -6 and below. - Bonds and financial investments with a credit rating of B1 and above according to Moody's.
Second Stage (Credit quality decline)	Regular financial instruments that have shown a significant increase in credit risk since the date of initial recognition. <ul style="list-style-type: none"> - Financial instruments that have dues from 60-90 days, noting that the minimum period will be reduced by 10 days per year to become 30-90 days within 3 years from the date of application. - Current and under-exposed accounts if the period of non-payment is more than 30 days and less than 90 days. - Customers with a risk score of +7, 7, and 7. - Bonds and financial investments that carry a credit rating between B1 and Caa3 - A decline in the possibility of stumbling to the customer by 2% and above. - A decline in the credit rating since the initial recognition of bonds and financial investments by four degrees or more. - All accounts classified under observation. - The ceilings that have expired and have not been renewed or have not been postponed.
Third Stage (Decrease in credit value)	Unregulated financial instruments that have objective evidence / evidence to default with a negative impact on the future cash flow of the financial instrument.

1. The Bank's policy in identifying the common elements (s) on which the credit risk and expected credit loss were measured on a collective basis.

The Retail Portfolio is calculated on a lump sum basis. The portfolio was divided into three categories:

- 1) Personal loans
- 2) Housing loans.
- 3) Credit cards.

These categories share the same credit characteristics:

- 4) Credit Product Type
- 5) Quality guarantees

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

Our base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

5. Cash and balances at the Central Bank of Jordan

This item consists of the following:

	2018	2017
	JD	JD
Cash in vaults	20,443,867	18,454,887
Balances at Central Bank of Jordan:		
Statutory Cash reserve	64,490,248	51,725,082
Current accounts	36,604,981	-
Total	121,539,096	70,179,969

Except for the statutory cash reserve there are no restricted balances at the Central Bank of Jordan as of 31 December 2018 and 2017.

Cash and balances at the Central Bank of Jordan classification based on the Bank's internal credit rating is as follows:

	2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	
Low risk (2-6)	101,095,229	-	-	101,095,229	51,725,082
Acceptable risk (7)	-	-	-	-	-
High risk (8-10)	-	-	-	-	-
Total balances as of 31 December 2018	101,095,229	-	-	101,095,229	51,725,082

The movement on balances at Central Bank of Jordan as of 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018	51,725,082	-	-	51,725,082
New balances	51,121,556	-	-	51,121,556
Paid balances	(1,751,409)	-	-	(1,751,409)
Total Balances as of 31 December 2018	101,095,229	-	-	101,095,229

The movement on expected credit losses for balances at Central Bank of Jordan as of 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018	-	-	-	-
New balances	-	-	-	-
Paid balances	-	-	-	-
Total Balances as of 31 December 2018	-	-	-	-

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6. Balances at banks and financial institutions- net

This item consists of the following:

Description	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Current and call accounts	442,526	170,433	102,081,211	57,389,439	102,523,737	57,559,872
Deposits maturing within 3 months or less	-	18,302,183	205,035,572	179,033,054	205,035,572	197,335,237
Total	442,526	18,472,616	307,116,783	236,422,493	307,559,309	254,895,109
ECL provision	-	-	(38,315)	-	(38,315)	-
	442,526	18,472,616	307,078,468	236,422,493	307,520,994	254,895,109

The balances at banks and financial institutions that bears no interest amounted to JD 117,109,425 as of 31 December 2018 (JD 57,559,263 as of 31 December 2017).

There are no restricted balances at banks and financial institutions as of 31 December 2018 and 2017.

Balances at banks and financial institutions' classification based on the Bank's internal credit rating.

Credit rating categories based on banks internal system	2018				2017
	Stage 1 "Individual"	Stage 2 "Individual"	Stage 3 "collective"	Total	Total
	JD	JD	JD	JD	JD
Low risk (2-6)	302,275,510	-	-	302,275,510	230,704,271
Acceptable risk (7)	-	5,283,799	-	5,283,799	24,190,838
High risk (8-10)	-	-	-	-	-
Total	302,275,510	5,283,799	-	307,559,309	254,895,109

The movement on balances at banks and financial institutions as of 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018	230,704,271	24,190,838	-	254,895,109
New balances	215,069,926	-	-	215,069,926
Paid balances	(143,498,687)	(18,907,039)	-	(162,405,726)
Total Balances as of 31 December 2018	302,275,510	5,283,799	-	307,559,309

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The movement on the expected credit losses for balances at banks and financial institutions as of 31 December 2018 is as follows:

	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD
Total Balances as of 1 January 2018	18,153	7,274	-	25,427
(Adjusted)				
New balances	12,888	-	-	12,888
Paid balances	-	-	-	-
Total Balances as of 31 December 2018	<u>31,041</u>	<u>7,274</u>	<u>-</u>	<u>38,315</u>

7. DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS - NET

This Item consists of the following:

<u>Description</u>	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Deposits maturing within 3-6 months	-	-	5,294,846	5,511,348	5,294,846	5,511,348
Deposits maturing within 6-9 months	-	-	5,308,473	5,511,348	5,308,473	5,511,348
Deposits maturing from 9 months to one year	-	-	5,329,884	5,512,764	5,329,884	5,512,764
Total	-	-	<u>15,933,203</u>	<u>16,535,460</u>	<u>15,933,203</u>	<u>16,535,460</u>
Less: ECL	-	-	(55,518)	-	(55,518)	-
Total	-	-	<u>15,877,685</u>	<u>16,535,460</u>	<u>15,877,685</u>	<u>16,535,460</u>

There are no restricted balances at banks and financial institutions of 31 December 2018 and 2017.

Distribution of deposits at banks and financial institutions according to the Bank's internal credit rating:

	2018				2017
	Stage 1 "individual"	Stage 2 "individual"	Stage 3 "portfolio"	Total	Total
	JD	JD	JD	JD	JD
Credit rating categories based on Bank's internal system					
Law risk (2-6)	-	-	-	-	-
Acceptable risk (7)	-	15,933,203	-	15,933,203	16,535,460
High risk (8-10)	-	-	-	-	-
Total	-	<u>15,933,203</u>	-	<u>15,933,203</u>	<u>16,535,460</u>

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The movement on deposits at banks and financial institutions as of 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018 (Adjusted)	-	16,535,460	-	16,535,460
New balances	-	2,975,507	-	2,975,507
Paid balances	-	(3,577,764)	-	(3,577,764)
Total Balances as of 31 December 2018	-	15,933,203	-	15,933,203

The movement on the expected credit losses for deposits at banks and financial institutions as of 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018 (Adjusted)	-	55,518	-	55,518
New balances	-	-	-	-
Paid balances	-	-	-	-
Total Balances as of 31 December 2018	-	55,518	-	55,518

8. Financial assets at fair value through profit or loss

This item consists of the following:

	2018	2017
	JD	JD
Quoted equity shares	263,244	169,390

9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through comprehensive income classified based on IFRS 9:

	2018	2017
	JD	JD
Quoted financial assets:		
Corporate equity shares	13,104,260	13,384,653
Total quoted financial assets	13,104,260	13,384,653
Unquoted financial assets:		
Corporate equity shares	2,402,728	1,432,487
Total unquoted financial assets	2,402,728	1,432,487
	15,506,988	14,817,140

Cash dividends on the investments above amounted to JD 268,424 for the year ended 31 December 2018 (JD 383,644 for the year ended 31 December 2017).

10. Direct credit facilities – net

This item consists of the following:

	2018 JD	2017 JD
Individuals (Retail)		
Loans	95,128,314	92,585,951
Credit cards	9,388,751	9,448,232
Housing loans	100,855,698	91,578,633
Large companies		
Loans *	247,721,903	246,844,342
Overdraft	119,331,110	82,713,613
Small and medium companies		
Loans *	23,480,732	34,862,172
Overdraft	5,571,496	8,209,895
Government & public sector	168,768,693	202,870,110
Total	770,246,697	769,112,948
Less: provision for impairment of direct credit facilities	(14,468,779)	(11,093,862)
Less: suspended interest	(3,083,349)	(2,856,190)
Net credit facilities	752,694,569	755,162,896

* Net after deducting interests and commission received in advance.

- Non-performing credit facilities amounted to JD 18,974,146 representing 2.46% of direct credit facilities balance as of 31 December 2018 (JD 16,220,840 representing 2.11% of the granting balance for the previous year).
- Non-performing credit facilities net of interest in suspense amounted to JD 16,747,105 representing 2.18% of direct credit facilities balance net of interest in suspense (JD 13,918,004 representing 1.82% for the previous year).
- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 145,901,821 representing 18.94% of total direct credit facilities (JD 179,452,826 representing 23.33% for the previous year).

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The Bank's internal credit rating

	Individual				Small and medium entities				Corporate				Real-estate firms				Government and public sector				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Low risk (2-6)	98,990,857			98,990,857	18,312,108			18,312,108	355,521,671			355,521,671	92,736,124			92,736,124	168,768,693			168,768,693	734,329,453
Acceptable risk (7)		2,504,514		2,504,514		4,344,430		4,344,430	8,059,928			8,059,928		3,954,226		3,954,226			16,943,068		16,943,068
High risk (8-10)																			18,974,146		18,974,146
Balance as of 31																					
December 2018	98,990,857	2,504,514		104,517,365	18,312,108	4,344,430		29,052,228	355,521,671	8,059,928	5,471,414	387,053,013	92,736,124	3,954,226	4,105,348	100,855,898	168,768,693		16,943,068	18,974,146	770,246,697

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The movement on the credit facilities:

	Individual				Small and medium entities				Corporate				Real - estate loans				Government and public sector							
	Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3			
	"Collective"	"Collective"	"Collective"	Total	"Individual"	"Individual"	"Individual"	"Individual"	"Collective"	"Collective"	"Collective"	"Collective"	"Collective"	"Collective"	"Collective"	"Collective"	"Individual"	"Individual"	"Individual"	"Individual"	"Collective"	"Collective"		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		
Balance as of 31 December																								
2017	96,746,537	2,143,976	3,141,670	102,034,183	21,569,841	13,462,547	8,039,679	43,072,067	329,557,955	-	-	-	-	329,557,955	81,655,185	4,883,957	5,039,491	91,578,633	202,870,110	-	-	202,870,110	769,112,948	
Credit facilities for new balances through the year	4,549,343	706,087	283,131	5,518,571	-	1,127,014	932,217	2,059,231	25,963,716	727,374	38,846	26,729,936	11,938,770	7,036	147,201	12,093,007	-	-	-	-	-	-	46,400,745	
Recovered from credit losses on repaid balances	(161,822)	(430,861)	(123,963)	(716,466)	(1,671,256)	(430,411)	(2,048,844)	(4,150,511)	-	-	-	-	(1,552,797)	(874,003)	(34,101,417)	(34,101,417)	-	-	-	-	-	-	(41,395,194)	
Net transferred in stage 1	-	-	-	-	375,368	(375,368)	-	-	-	-	-	-	(182,619)	1,360,242	(1,177,823)	-	-	-	-	-	-	-	-	
Net transferred in stage 2	(345,424)	652,271	(306,847)	-	(367,708)	586,494	(198,786)	-	-	-	-	(675,212)	(593,369)	1,268,561	-	-	-	-	-	-	-	-	-	
Net transferred in stage 3	(1,128,686)	(373,793)	1,502,469	-	(586,903)	(847,181)	1,434,084	-	-	-	-	10,765,122	(145,366)	(14,372)	(159,739)	(159,739)	-	-	-	-	-	-	96,290	
Changes from adjustments	-	44,147	(44,147)	-	(987,254)	(9,178,845)	(343,195)	(10,509,094)	5,432,554	5,332,554	-	-	(5,477)	(223,827)	(229,404)	(229,404)	-	-	-	-	-	-	(3,968,062)	
Written off balances	(671,091)	(157,513)	(1,490,619)	(2,319,223)	-	-	(1,419,465)	(1,419,465)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments result from foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as of 31 December																								
2018	98,960,857	2,584,514	2,941,694	104,517,065	18,312,108	4,344,430	6,395,690	28,052,228	355,521,871	8,059,928	5,471,414	367,053,013	92,736,124	3,954,226	4,165,348	100,855,998	168,768,693	168,768,693	-	-	-	-	770,246,897	

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item	Stage 1			Stage 2			Stage 3			Total						
Balance as of 31 December 2017	732,401,628			20,490,480			16,220,840			769,112,948						
ECL for paid balances	42,451,829			2,567,521			1,381,395			46,400,745						
Recovered from ECL for paid balances	(35,934,495)			(2,413,889)			(3,046,810)			(41,395,194)						
Net transferred in stage 1	375,388			(375,388)			-			-						
Net transferred in stage 2	(915,751)			2,599,007			(1,683,256)			-						
Net transferred in stage 3	(2,390,801)			(1,814,333)			4,205,134			-						
Changes from adjustments	(987,254)			(3,947,310)			5,030,854			96,290						
Written off balances	(671,091)			(162,990)			(3,134,011)			(3,968,092)						
Adjustments result from foreign exchange	-			-			-			-						
Balance as of 31 December 2018	734,329,453			16,943,098			18,974,146			770,246,697						
<u>Provision for impairment of direct credit facilities:</u>																
The following is the movement on the provision for impairment of direct credit facilities:																
	Individual			Small and medium entities			Corporate			Real-estate loans			Government and public sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance as of 31 December 2017	12,105	321,447	2,220,298	2,553,850	73,545	2,065,282	3,657,320	5,716,147	1,064,000	-	-	1,064,000	82,897	73,259	1,803,909	1,759,865
IFRS9 effect	1,864,184	-	-	1,864,184	505,705	3,327	-	509,032	1,291,994	-	-	1,291,994	218,529	-	-	218,529
Amendment balance	1,876,289	321,447	2,220,298	4,418,034	579,250	2,068,609	3,557,320	8,225,178	2,355,994	-	-	2,355,994	301,226	73,259	1,803,909	1,978,394
New balances through the year	48,367	237,944	283,957	570,268	205,057	10,993	156,961	373,011	28,211	241,454	641,342	911,007	70,275	21,400	173,016	284,891
Paid balances	-	(171,714)	(17,887)	(189,601)	-	(9,491)	(202,410)	(211,901)	(21,587)	-	-	(21,587)	-	(35,346)	(285,257)	(320,603)
Net transferred in stage 1	-	-	-	-	714	(714)	-	-	-	-	-	-	-	-	-	-
Net transferred in stage 2	-	79,259	(79,259)	-	(840)	840	-	-	120,938	(120,938)	-	-	(260)	353,547	(353,287)	-
Net transferred in stage 3	-	(13,512)	13,512	-	(80)	(7,375)	7,455	-	(82,078)	82,078	-	-	(961)	(9,147)	10,108	-
Changes from adjustments	-	(65,747)	697,687	631,940	(576,892)	(1,807,850)	(70,440)	(2,454,982)	(51,649)	1,780,314	81,488	1,810,153	1,221	(344,400)	343,179	-
Written off balances	-	-	(990,410)	(990,410)	-	-	(679,008)	(679,008)	-	-	-	-	-	-	(201,800)	(201,800)
Adjustments result from foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	1,924,656	387,677	2,127,898	4,440,231	207,209	275,212	2,769,878	3,252,299	2,349,829	1,982,908	722,830	5,055,567	371,501	59,313	1,289,868	1,720,862
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item	Stage 1	Stage 2	Stage 3	Total
Balance as of 31 December 2017	1,232,347	2,479,988	7,381,527	11,093,862
Impact of IFRS 9 adoption	3,880,412	3,327	-	3,883,739
Adjusted balance	5,112,759	2,483,315	7,381,527	14,977,601
New balances during the year	351,910	511,791	1,255,276	2,118,977
Paid balances	(21,587)	(216,551)	(505,554)	(743,692)
Net transferred in stage 1	714	(714)	-	-
Net transferred in stage 2	119,838	312,708	(432,546)	-
Net transferred in stage 3	(83,119)	52,044	31,075	-
Changes from adjustments	(627,320)	(437,483)	1,051,914	(12,889)
Written off balances	-	-	(1,871,218)	(1,871,218)
Adjustments result from foreign exchange	-	-	-	-
Balance as of 31 December 2018	<u>4,853,195</u>	<u>2,705,110</u>	<u>6,910,474</u>	<u>14,468,779</u>

	Individuals	Housing loans	Large companies	Small and medium companies	Total
	JD	JD	JD	JD	JD
<u>For the year ended 31 December 2017</u>					
Balance at the beginning of the year	2,270,177	2,058,376	1,064,000	4,843,729	10,236,282
Provision for the year taken from revenues used during the year	783,777	-	-	987,890	1,771,667
Transfer to off-statement of financial position accounts *	(500,104)	(298,511)	-	(115,472)	(914,087)
Balance at the end of the year	<u>2,553,850</u>	<u>1,759,865</u>	<u>1,064,000</u>	<u>5,716,147</u>	<u>11,093,862</u>
Provision on individual basis	2,232,403	1,686,606	1,064,000	3,630,865	8,613,874
Provision for on collective basis	<u>321,447</u>	<u>73,259</u>	<u>-</u>	<u>2,085,282</u>	<u>2,479,988</u>
	<u>2,553,850</u>	<u>1,759,865</u>	<u>1,064,000</u>	<u>5,716,147</u>	<u>11,093,862</u>

- Comparative figures for the year ended 31 December 2017 are presented in accordance with International Accounting Standards IAS 39 (financial instruments: recognition and measurement).
- The provisions no longer needed due to settlements or repayments and transferred against other debts amounted to JD 3,065,216 for the year ended 31 December 2018 (JD 3,215,082 as of 31 December 2017).

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Interest in suspense:

The following is the movement on the interest in suspense:

	Individual	Housing loans	Large companies	Small and medium companies	Total
	JD	JD	JD	JD	JD
<u>For the year ended 31 December 2018</u>					
<u>Balance at the beginning of the year</u>	336,486	910,490	-	1,609,214	2,856,190
<u>Add: Interest suspended during the year</u>	590,101	312,939	9,305	763,649	1,675,994
<u>Less: Interest in suspense reversed to revenues</u>	(117,319)	(116,340)	-	(343,715)	(577,374)
<u>Less: Interest in suspense transferred to off - statement of financial position accounts</u>	(368,050)	(91,324)	-	(396,452)	(855,826)
<u>Less: Interest in suspense written off</u>	(4,612)	(11,023)	-	-	(15,635)
<u>Balance at the end of the year</u>	<u>436,606</u>	<u>1,004,742</u>	<u>9,305</u>	<u>1,632,696</u>	<u>3,083,349</u>

	Individual	Housing loans	Large companies	Small and medium companies	Total
	JD	JD	JD	JD	JD
<u>For the year ended 31 December 2017</u>					
<u>Balance at the beginning of the year</u>	253,496	749,639	-	1,007,637	2,010,772
<u>Add: Interest suspended during the year</u>	272,656	455,817	-	689,179	1,417,652
<u>Less: Interest in suspense reversed to revenues</u>	(90,516)	(234,261)	-	(9,291)	(334,068)
<u>Less: Interest in suspense transferred to off - statement of financial position accounts</u>	(97,268)	(55,925)	-	(78,311)	(231,504)
<u>Less: Interest in suspense written off</u>	(1,882)	(4,780)	-	-	(6,662)
<u>Balance at the end of the year</u>	<u>336,486</u>	<u>910,490</u>	<u>-</u>	<u>1,609,214</u>	<u>2,856,190</u>

Following is the economic sector of credit facilities - net:

	2018			2017
	Inside Jordan	Outside Jordan	Total	JD
	JD	JD	JD	
Financial	7,422,402	-	7,422,402	15,484,879
Industrial	173,435,947	-	173,435,947	149,532,954
Trading	175,161,333	29,222,167	204,383,500	198,433,580
Real Estate	92,958,161	5,172,113	98,130,274	88,908,278
Equities	913,526	-	913,526	789,248
Retail	91,931,074	7,709,153	99,640,227	99,143,847
Governmental and public sector	168,768,693	-	168,768,693	202,870,110
<u>Total</u>	<u>710,591,136</u>	<u>42,103,433</u>	<u>752,694,569</u>	<u>755,162,896</u>

Following is the geographical distribution of credit facilities- net:

	2018 JD	2017 JD
Inside Jordan	710,591,136	705,417,666
Asia	38,272,539	45,935,729
Europe	3,830,894	3,809,501
Total	<u>752,694,569</u>	<u>755,162,896</u>

11. FINANCIAL ASSETS AT AMORTIZED COST - NET

This item consists of the following:

	2018 JD	2017 JD
Quoted financial assets		
Governmental bonds and with their guarantee	2,303,786	4,613,554
Foreign government bonds	5,919,331	6,026,881
Companies bonds	19,789,265	22,411,869
Total quoted financial assets	<u>28,012,382</u>	<u>33,052,304</u>
Unquoted financial assets		
Governmental bonds and with their guarantee	656,622,083	556,908,063
Companies bonds	3,582,500	7,682,500
Total unquoted financial assets	<u>660,204,583</u>	<u>564,590,563</u>
	<u>688,216,965</u>	<u>597,642,867</u>
Less: Provision for impairment	<u>(193,792)</u>	<u>(73,000)</u>
Total	<u>688,023,173</u>	<u>597,569,867</u>

The Financial assets at amortized cost includes Jordanian Treasury bonds amounted to JD 149,133,000 collateralized against borrowed a money from the Central Bank of Jordan.

Debt instruments analysis

	2018 JD	2017 JD
Fixed rate	669,468,064	581,695,022
Variable rate	18,555,109	15,874,845
Total	<u>688,023,173</u>	<u>597,569,867</u>

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Financial assets at amortized cost classifications based on the Bank's internal credit rating:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	"individual"	"individual"	"individual"		
	JD	JD	JD	JD	JD
Credit rating categories based on Bank's internal system:					
Low risk (2-6)	688,034,465	-	-	688,034,465	597,460,367
Acceptable risk (7)	-	-	-	-	-
High risk (8-10)	-	-	182,500	182,500	182,500
Total	688,034,465	-	182,500	688,216,965	597,642,867

The movement on the financial assets at amortized cost during 2018 is as follows:

	Stage 1 "individual"	Stage 2 "individual"	Stage 3 "individual"	Total
	JD	JD	JD	JD
Total balance as of 1 January 2018	597,460,367	-	182,500	597,642,867
New balances during the year	146,704,617	-	-	146,704,617
Paid balances	(56,130,519)	-	-	(56,130,519)
Net transferred in stage 1	-	-	-	-
Net transferred in Stage 2	-	-	-	-
Net transferred in Stage 3	-	-	-	-
Changes resulting from modifications	-	-	-	-
Written-off investment	-	-	-	-
Adjustments due to exchange rate changes	-	-	-	-
Total balance as of 31 December 2018	668,034,465	-	182,500	668,216,965

The movement of the impairment provision of the financial assets at amortized cost is as follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total Balances as of 1 January 2018 (Adjusted)	84,292	-	73,000	157,292
New balances	-	-	36,500	36,500
Paid balances	-	-	-	-
Total Balances as of 31 December 2018	84,292	-	109,500	193,792
2017				
JD				
Balance as of 1 January 2017	36,500			
Provision for the year	36,500			
Balance at the end of the year	73,000			

12. Investment in associate company

The following is the movement on the investment in the associate company:

	2018	2017
	JD	JD
Balance at the beginning of the year	19,947,778	17,376,287
The Bank's share in the associate company's profit	280,739	772,057
Foreign currency translation adjustment	(1,217,177)	1,799,434
Balance at the end of the year	19,011,340	19,947,778

- Investment in associate company represents the Bank's share in Jordan International Bank/ London (United Kingdom, which amounts to 25% of capital (GBP 65,000,000)), the Bank's share in net income for the year ended 31 December 2018 was calculated based on latest unaudited available financial statements as of 31 December 2018, in addition to Bank's share percentage which is 25%.
- The Bank's right to vote on the General Assembly's decisions regarding this investment is based on the ownership percentage in the investment.

The Bank's share in the associate company's assets, liabilities, and revenues is as follows:

	2018	2017
	JD	JD
Total assets	357,158,516	384,193,346
Total liabilities	281,113,158	304,402,236
Net assets	76,045,358	79,791,110
The Bank's share in net assets	19,011,340	19,947,778
Net income for the year	1,122,956	3,088,228
The Bank's share in net income for the year	280,739	772,057

The Bank's share of 25% in the assets and liabilities and net profit of Jordan International Bank / London has been calculated for the year 2018 as shown above according to the latest financial statements available on 31 December 2018.

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13. Property and equipment - net

This item consists of the following:

For the year-ended 31 December 2018

Cost:

	Land	Buildings	Equipment furniture and fixtures	Vehicles	Computers	Solar Energy	Others	Payments to acquire property and equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	17,930,283	38,936,517	14,196,255	1,391,898	2,959,554	-	7,419,213	3,066,290	85,900,010
Additions**	4,625,231	-	187,101	290,133	131,502	2,126,315	151,822	565,695	8,077,799
Disposals	-	-	(1,105,855)	(74,993)	-	-	-	(3,010)	(1,183,858)
Transfers*	-	-	28,185	-	516	2,257,932	206,629	(2,506,637)	(13,375)
Balance at the end of the Year	22,555,514	38,936,517	13,305,686	1,607,038	3,091,572	4,384,247	7,777,664	1,122,338	92,780,576

Accumulated depreciation :

Balance at the beginning of the year	-	2,245,802	7,849,838	972,554	2,131,952	-	3,945,347	-	17,145,493
Depreciation for the year	-	810,009	795,896	168,004	229,034	18,268	486,359	-	2,507,570
Disposals	-	-	(1,099,380)	(74,699)	-	-	-	-	(1,174,079)
Balance at the end of the year	-	3,055,811	7,546,354	1,065,859	2,360,986	18,268	4,431,706	-	18,478,984
Net property and equipment at the end of the year	22,555,514	35,880,706	5,759,332	541,179	730,586	4,365,979	3,345,958	1,122,338	74,301,592

For the year-ended 31 December 2017

Cost:

Balance at the beginning of the year	17,911,860	36,469,078	14,068,335	1,429,170	2,920,048	-	7,069,960	881,720	80,750,171
Additions	18,423	2,240,348	167,456	190,750	122,233	-	298,536	2,489,847	5,527,593
Transfers	-	227,091	26,096	-	1,373	-	50,717	(305,277)	-
Disposals	-	-	(65,632)	(228,022)	(84,100)	-	-	-	(377,754)
Balance at the end of the year	17,930,283	38,936,517	14,196,255	1,391,898	2,959,554	-	7,419,213	3,066,290	85,900,010

Accumulated depreciation :

Balance at the beginning of the year	-	1,481,057	7,098,063	1,034,247	1,981,279	-	3,463,041	-	15,057,687
Depreciation for the year	-	764,745	817,396	154,890	234,563	-	482,306	-	2,453,900
Disposals	-	-	(65,621)	(216,583)	(83,890)	-	-	-	(366,094)
Balance at the end of the year	-	2,245,802	7,849,838	972,554	2,131,952	-	3,945,347	-	17,145,493
Net property and equipment at the ending of the year	17,930,283	36,690,715	6,346,417	419,344	827,602	-	3,473,866	3,066,290	68,754,517

* Transfers represents an amount of JD 13,375 which has been transferred to intangible assets- note (14) during 2018.

** The addition include the value of a land that was transferred to property and equipment amounted to JD 4,625,231.

- Property and equipment consists of assets that has been fully depreciated amounting to JD 10,265,631 as of 31 December 2018 (JD 10,073,367 as of 31 December 2017).

14. Intangible assets – Net

This item consists of the following:

	Computer's Software and programs	
	2018	2017
	JD	JD
Balance at the beginning of the year	930,783	1,688,482
Additions	273,220	202,686
Transfers (Note 13)*	13,375	-
Disposals	-	(345,769)
Amortization for the year	(523,373)	(614,616)
Balance at the end of the Year	694,005	930,783

* This represents what has been transferred from payments to acquire property and equipment during the year 2018.

15. Other Assets

This item consists of the following:

	2018	2017
	JD	JD
Accrued interest and commissions revenue	17,932,921	15,924,542
Prepaid expenses	1,554,334	1,416,582
Assets seized by the Bank *	15,145,544	18,680,902
Stationery and printing	230,100	254,573
Refundable deposits	451,327	456,363
Cheque clearing	286,632	98,177
Others	1,516,029	1,299,133
Total	37,116,887	38,130,272

* The following is the movement on the assets seized by the Bank:

	2018	2017
	JD	JD
Balance at the beginning of the year	20,006,902	18,890,249
Additions	1,978,239	1,158,257
Disposals*	(5,000,597)	(41,604)
	16,984,544	20,006,902
Less: Provision for assets seized by the Bank **	(1,839,000)	(1,326,000)
Balance at the end of the year	15,145,544	18,680,902

* Disposals include the amount of a land that has been transferred to property and equipment, amounted to JD 4,625,231.

** According to Central Bank of Jordan's Law, buildings and plots of land that were foreclosed by the Bank against debts due from clients should be sold within two years from the foreclosure date, however this period could be extended for two more years in exceptional cases by the Central Bank of Jordan.

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Provision for assets seized by the Bank is as follows:

	2018	2017
	JD	JD
Balance-Beginning of the year	1,326,000	826,000
Provision during the year	513,000	500,000
Balance- End of the year	1,839,000	1,326,000

16. Banks and financial institutions' deposits

This item consists of the following:

	2018			2017		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	81,547	8,399,933	8,481,480	62,664	3,224,354	3,287,018
Time deposits due within 3 months	115,809,321	293,090,750	408,900,071	176,630,620	227,422,241	404,052,861
Time deposits over 1 year	120,000,000	-	120,000,000	80,000,000	-	80,000,000
Total	235,890,868	301,490,683	537,381,551	256,693,284	230,646,595	487,339,879

17. Customers' deposits

This item consists of the following:

	Individual	Large companies	Small and medium companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
31 December 2018					
Current accounts and demand deposits	83,392,236	82,009,917	52,887,554	12,734,348	231,024,055
Saving accounts	169,903,845	3,151,169	965,357	5,348	174,025,719
Time deposits	471,611,415	39,632,272	10,194,983	104,073,603	625,512,273
Total	724,907,496	124,793,358	64,047,894	116,813,299	1,030,562,047
31 December 2017					
Current accounts and demand deposits	77,693,611	106,601,631	40,409,612	23,411,946	248,116,800
Saving accounts	194,270,211	3,469,308	1,067,884	9,193	198,816,596
Time deposits	415,497,959	73,838,216	13,076,922	101,369,168	603,782,265
Total	687,461,781	183,909,155	54,554,418	124,790,307	1,050,715,661

- Deposits of the government and the general public sector inside the kingdom of Jordan amounted to JD 81,363,299 and the government deposits outside the Kingdom of Jordan JD 35,450,000 equivalent to 11.33% from the total deposits as of 31 December 2018 (JD 124,790,307 equivalent to 11.88% as of 31 December 2017).
- Non-interest bearing deposits amounted to JD 214,435,376 equivalent to 20.81% of total deposits as of 31 December 2018 (JD 241,292,196 equivalent to 22.96% as of 31 December 2017).
- Restricted deposits amounted to JD 4,815,195 equivalent to 0.47% of total deposits as of 31 December 2018 of which JD 4,218 is at Cyprus branch and JD 4,810,977 at Jordan Branches (JD 3,097,302 equivalent to 0.29% as of 31 December 2017 of which JD 5,128 is at Cyprus branch and JD 3,092,174 at Jordan branches).
- Dormant deposits amounted to JD 776,022 as of 31 December 2018 (JD 1,460,668 for the previous year).

18. Borrowed money from the Central Bank of Jordan

This item represents a repurchase agreement between the Central Bank of Jordan and Arab Jordan Investment Bank, as treasury bonds were sold from the Bank's portfolio to the Central Bank of Jordan portfolio. The Bank will repurchase the bonds at maturity date, in addition to that, this item includes borrowed money from Central Bank of Jordan to be relend to customers to finance production projects.

This item consists of the following:

	<u>Amount</u>	<u>Maturity date</u>	<u>Collaterals</u>	<u>Payment terms</u>	<u>Interest rate</u>
31 December 2018					
Central Bank of Jordan	15,000,000	2 January 2019	Tax bonds and bills	One payment	5.5%
Central Bank of Jordan	50,000,000	2 January 2019	Tax bonds and bills	One payment	5.5%
Central Bank of Jordan	80,000,000	7 January 2019	Tax bonds and bills	One payment	4.75%
Central Bank of Jordan	1,041,810	31 December 2023	-	Monthly payments	1.75%
Total	<u>146,041,810</u>				
31 December 2017					
Central Bank of Jordan	161,422	21 March 2018	-	One payment	1.75%
Total	<u>161,422</u>				

19. Cash margins

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Cash margins against direct credit facilities	29,540,428	46,626,294
Cash margins against indirect credit facilities	9,450,865	13,066,750
Total	<u>38,991,293</u>	<u>59,693,044</u>

20. Sundry provisions

This item consists of the following:

	<u>2018</u>			
	<u>Beginning balance</u>	<u>Provided during the year</u>	<u>Used during the year</u>	<u>Ending balance</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Provision for end of service indemnity	1,736,950	38,070	(1,267,837)	507,183
Lawsuits provision	127,000	-	(27,309)	99,691
Other provisions	60,000	-	(60,000)	-
Total	<u>1,923,950</u>	<u>38,070</u>	<u>(1,355,146)</u>	<u>606,874</u>

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	2017			
	Beginning balance	Provided during the year	Used during the year	Ending balance
	JD	JD	JD	JD
Provision for end-of-service indemnity	1,777,077	236,529	(276,656)	1,736,950
Lawsuits provision	127,000	-	-	127,000
Other provisions	80,000	60,000	(80,000)	60,000
Total	1,984,077	296,529	(356,656)	1,923,950

21. Income tax

A- Income tax provision

The movement on the income tax provision is as follows:

	2018 JD	2017 JD
Balance at the beginning of the year	7,785,786	9,975,825
Income tax paid	(8,107,925)	(10,785,573)
Accrued income tax expense	7,188,295	8,595,534
Balance –at the end of the year	6,866,156	7,785,786

B - Income tax in the statement of income represents the following:

	2018 JD	2017 JD
Accrued Income tax expense for the year	7,188,295	8,595,534
Amortization of deferred tax assets	391,800	3,774
Total	7,580,095	8,599,308

C - Tax situation

The Bank has reached a final settlement with the Income and Sales Tax Department for all previous years up to 2015, in addition, 2014 record was reviewed during the year 2017 and no additional tax burdens will be resulted for that year.

The Bank paid the taxes declared for the years 2016, 2017 on the legal date and there are no accrued balances due to the Department as of 31 December 2018 relating to previous years.

United Arab Jordan Company for Investment and Financial Brokerage (a subsidiary) has reached a final settlement with the Income and Sales Tax Department in Jordan up to the year 2015, In addition the company has submitted its tax returns for the year 2016. All tax balances due were paid by the Company.

A final tax settlement has been reached for the bank in Qatar up to the year 2017.

A final tax settlement has been reached for Cyprus branch up to the year 2017.

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The Bank has booked a provision against any expected tax liabilities for the declared years which includes the above-mentioned years, in the opinion of the bank's management and its tax consultant the income tax provision booked in the consolidated financial statement is sufficient to cover any future tax liabilities that may arise.

D- Deferred Tax Assets

The details of this item are as follows:

	2018				2017
	Beginning of the Year	Amount Released	Additional Amounts	End of the Year	Deferred Tax
	JD	JD	JD	JD	JD
<u>Accounts Included</u>					
Provision for impairment of direct credit facilities	1,202,335	-	-	1,202,335	456,887
Provision for staff end-of-service Indemnity*	1,462,365	(1,241,420)	-	220,945	83,959
	<u>2,664,700</u>	<u>(1,240,420)</u>	<u>-</u>	<u>1,423,280</u>	<u>540,846</u>

* Deferred tax assets has not been calculated on the total balance of the staff's end-of-service indemnity provision as a part of this balance relates to Arab Jordan Investment Bank – Qatar.

The movement on deferred tax assets is as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	932,646	936,420
Additions	-	63,000
Released	(434,497)	(66,774)
Social contribution	42,697	-
Balance at the end of the year	<u>540,846</u>	<u>932,646</u>

E- Reconciliation between accounting profit and taxable profit is as follows:

	2018	2017
	JD	JD
Accounting profit	24,396,422	25,774,257
Non-taxable income	(2,952,797)	(2,362,119)
Non- deductible expenses	780,106	1,378,752
Taxable profit	<u>22,223,731</u>	<u>24,790,890</u>
Income tax for the year	<u>7,188,795</u>	<u>8,595,534</u>
Effective income tax rate	<u>31.07%</u>	<u>33.36%</u>

According to the Income Tax Law which has come effective from 1 January 2015 income tax expense was calculated at tax rate of 35% as of 31 December 2018 (35% as of 31 December 2017).

The tax rate on the Bank's branch in Cyprus is 12.5 % and the subsidiary in Qatar is 10% and 24% for the subsidiary in Jordan.

Deferred tax assets are calculated according to the applicable tax regulations effective at the expected time to utilize the deferred tax assets. Deferred tax assets in Jordan were calculated based on the Income Tax law No. 38 for the year 2018 which includes 35% income tax rate and 3% national contribution income tax. Deferred tax assets balance has been adjusted and the impact was recorded in the income statement for the deferred taxes pf provision for impairment and end of service provision for the years 2018 and 2017. The deferred tax assets will be utilized in the future periods.

22. Other liabilities

This item consists of the following:

	2018 JD	2017 JD
Accrued interest expense	7,593,713	4,197,726
Accounts payable	39,314,065	832,007
Accrued unpaid expenses	1,342,747	1,330,173
Transfers and checks payable	664,007	34,119
Bank cheques issued	2,735,031	1,904,277
Safe boxes deposits	131,266	110,156
Other deposits	53,492	131,041
Creditors	726,135	335,699
Dividends payable	1,295,613	1,223,010
Due to income tax	128,515	90,936
Restricted deposits	38,418	38,518
ECL*	428,193	-
Prepaid Revenues	297,264	-
Others	2,494,026	820,059
Total	57,242,485	11,047,721

* Indirect credit facilities classification based on the Banks internal credit rating.

	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total 2018	Total 2017
Low risk (2-6)	168,873,998	-	-	168,873,998	155,247,565
Acceptable risk (7)	-	-	-	-	-
High risk (8-10)	-	-	-	-	-
Balance as of 31 December 2018	168,873,998	-	-	168,873,998	155,247,565

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The movement on the indirect credit facilities as of 31 December 2018 is as follows:

	Letters of guarantee			Letters of credit			Acceptances			Total		
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 31 December 2017												
(adjusted)	76,650,460	-	-	76,650,460	32,893,879	-	-	32,893,879	45,703,226	-	-	45,703,226
New balances	3,967,613	-	-	3,967,613	15,419,983	-	-	15,419,983	-	-	-	-
Paid balances	-	-	-	-	-	-	-	-	5,761,163	-	-	5,761,163
Balance as of 31 December 2018	80,618,073	-	-	80,618,073	48,313,862	-	-	48,313,862	39,942,063	-	-	39,942,063
									168,873,998	-	-	168,873,998

The following is the movement on the provision for impairment of indirect credit facilities:

	Letters of guarantee			Letters of credit			Acceptances			Total		
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 31 December 2017 (adjusted)	136,812	-	-	136,812	42,707	-	-	42,707	248,674	-	-	248,674
New balances	-	-	-	-	-	-	-	-	-	-	-	-
Paid balances	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2018	136,812	-	-	136,812	42,707	-	-	42,707	248,674	-	-	248,674
									428,193	-	-	428,193

23. Paid-up capital

The paid-up capital of the Bank is JD 150,000,000 divided into 150,000,000 shares at a par value of JD 1 each as of 31 December 2017 and 2018.

24. Share premium

During 2012 Arab Jordan Investment Bank – Qatar raised its capital from USD 25,000,000 to USD 50,000,000 through the issuance of shares at a share price of USD 1.16, which includes an issuance premium of USD 0.16 for a total of USD 4,000,000 where the share of Arab Jordan Investment Bank was USD 2,000,000 (which is equivalent to JD 1,418,000)

25. Reserves

Statutory Reserve

The amount accumulated in this account is transferred from the annual net income before tax at 10% during the year and previous years according to the companies Law, this reserve cannot be distributed to shareholders.

The restricted reserves are as follows:

Reserve	Amount JD	Nature of restriction
Statutory reserve	31,447,469	According to companies laws

26. Foreign currency translation adjustments

This represents differences resulting from the translation of the net investment in associates and foreign branches outside of Jordan upon consolidation of the financial statements of the Bank and the movement for this account is the following:

	2018 JD	2017 JD
Balance at the beginning of the year	(2,379,220)	(4,178,654)
Movement during the year	(1,217,177)	1,799,434
Balance at the end of the year	<u>(3,596,397)</u>	<u>(2,379,220)</u>

27. Fair value reserve- Net

The details of fair value reserve for financial assets at fair value through other comprehensive income according to the international financial reporting standard (9) are as follows:

	2018 JD	2017 JD
Balance at the beginning of the year	(1,673,812)	(1,429,227)
Effect of IFRS 9 adoption	-	-
Effect of IFRS 9 adoption on deferred tax assets and deferred tax liabilities	-	-
Balance at the beginning of the year (adjusted)	<u>(1,673,812)</u>	<u>(1,429,227)</u>
Unrealized (losses) shares	(218,898)	(246,847)
Gains from financial assets at fair value through other comprehensive income transferred to retained earnings	720	2,262
Balance at the end of the year	<u>(1,891,990)</u>	<u>(1,673,812)</u>

- There are no hedging derivatives.

Its restricted to use the negative fair value amounting to JD (1,891,990), including capitalization, distribution, or amortization of losses or any other use, except to that realized from the sales operations based on the instructions of the Central Bank of Jordan.

28. Retained earnings

The movement on retained earnings account as the following:

	2018 JD	2017 JD
Balance at the beginning of the year	16,168,304	20,603,714
Transferred from general banking risks reserve	5,888,551	-
Effect of IFRS 9 adoption (note 3)	(4,410,065)	-
Adjusted balance at the beginning of the year	17,646,790	20,603,714
Profit for the year	15,506,052	15,984,051
(Losses) gain from sale of financial assets through comprehensive income	(4,799)	1,960
Transferred reserves	(2,168,338)	(2,421,421)
Distributed dividends to shareholders	(13,500,000)	(18,000,000)
Balance at the end of the year	17,479,705	16,168,304

- Retained earnings include an amount of JD 540,846 as of 31 December 2018 (JD 932,646 as of 31 December 2017) restricted against deferred tax assets.
- Retained earnings include an amount of JD 1,478,486 restricted balance according to the Central Bank of Jordan memo No.(10/1/7702) which is related to the early implementation of IFRS 9.

29. Proposed dividends to the General Assembly

The Board of Directors recommended the distribution of 9% of capital as cash dividends to the shareholders equivalent to JD 13,500,000 subject to the approval of the General Assembly of Shareholders (during the year 2018 the Bank distributed 9% of capital as cash dividends to shareholders equivalent to JD13,500,000 for the year 2017).

30. Non - controlling interest

This item represents other shareholders' interest of 50% (minus two shares) as of 31 December 2018 from the net shareholders' equity of Arab Jordan Investment Bank in Qatar (subsidiary company).

31. Interest income

This item consists of the following:

	2018 JD	2017 JD
<u>Direct credit facilities:</u>		
<u>Individuals (retail):</u>		
Loans	8,459,685	7,895,432
Credit cards	1,270,220	1,547,340
Real estate loans	9,218,725	8,527,986
<u>Large companies</u>		
Loans	14,337,772	11,801,883
Overdraft	5,108,192	3,301,181
<u>Small and medium companies</u>		
Loans	4,887,209	3,466,778
Overdraft	578,693	381,435
Government and public sector	8,730,793	9,898,789
Balances at the Central Bank of Jordan	8,260	104,315
Balances and deposits at banks and financial institutions	4,267,249	3,016,895
Financial assets at amortized cost	33,487,142	30,865,657
Total	90,353,940	80,807,691

32. Interest expense

This item consists of the following:

	2018 JD	2017 JD
Deposits from banks and financial institutions	18,811,418	11,397,743
Customers' deposits:		
Current accounts and demand deposits	1,929,773	2,157,282
Saving accounts	1,508,004	1,337,707
Time and notice deposits	21,569,626	18,342,256
Cash margins	728,588	1,090,942
Deposits guarantee	1,464,604	1,487,721
Total	46,012,013	35,813,651

33. Net Commissions income

This item consists of the following:

	2018 JD	2017 JD
Commissions income:		
Direct credit facilities	1,830,725	1,621,559
Indirect credit facilities	7,979,650	8,100,149
Less: Commission expense	(1,520,749)	(1,252,845)
Net commissions income	<u>8,289,626</u>	<u>8,468,863</u>

34. Foreign currencies income

This item consists of the following:

	2018 JD	2017 JD
Resulting from trading	3,551,063	3,449,504
Resulting from revaluation	196,432	136,658
Total	<u>3,747,495</u>	<u>3,586,162</u>

35. Loss from financial assets at fair value through profit or loss

The details of gains on financial assets of fair value through profit and loss in accordance with IFRS (9) are as follows:

	Realized gains JD	Unrealized (losses) JD	Total JD
<u>For the year ended 31 December 2018</u>			
Corporate equity shares	4,427	(47,995)	(43,568)
Total	<u>4,427</u>	<u>(47,995)</u>	<u>(43,568)</u>
	Realized gains JD	Unrealized (losses) JD	Total JD
<u>For the year ended 31 December 2017</u>			
Corporate equity shares	11,318	(19,242)	(7,924)
Total	<u>11,318</u>	<u>(19,242)</u>	<u>(7,924)</u>

36. Cash dividends on financial assets at fair value through other comprehensive income

This item consists of the following:

	2018	2017
	JD	JD
Dividends return on local corporates equity shares	268,424	309,634
Dividends return on foreign corporates equity shares	-	74,010
Total	268,424	383,644

37. Provision for Impairment

	2018	2017
	JD	JD
Balances and deposits at banks and financial institutions	12,888	-
Bonds at amortized cost	36,500	36,500
Direct credit facilities	1,375,285	1,771,667
Indirect credit facilities	-	-
Total	1,424,673	1,808,167

38. Other income

This item consists of the following:

	2018	2017
	JD	JD
Income from sale of property and equipment	5,530	27,147
(Losses) gains from sales of repossessed assets	(49,367)	7,946
Returns from managed portfolios	41,273	130,754
Commission of salary transfer	55,360	53,404
Returns from shares trading on behalf of customers	155,745	28,698
Recorded revenues from pervious provisions	72,889	80,000
Recovered revenues from bad debts	633,715	840,761
Revenues from credit cards sponsorship	56,707	447,516
Other revenues	206,265	100,856
Total	1,178,117	1,717,082

39. Employees expenses

This item consists of the following:

	2018	2017
	JD	JD
Salaries, bonuses and employees benefits	13,177,585	13,535,039
Bank's contribution in social security	1,377,113	1,432,462
Bank's contribution in provident fund	389,892	478,431
Employees' life insurance	192,497	178,760
Medical expenses	768,239	701,522
Staff training	45,805	55,559
Travel expenses	179,146	265,365
Other	102,664	93,057
Total	16,232,941	16,740,195

40. Other expenses

This item consists of the following:

	2018	2017
	JD	JD
Rent	2,233,286	2,168,715
Stationery and printing	315,638	299,763
Subscriptions	740,244	763,095
Legal and audit fees	227,926	233,821
Telephone, telex, postage and stamps	895,611	882,421
Insurance expenses	144,046	167,556
Maintenance and repair	608,055	657,982
General services	1,577,522	1,815,660
Swift services	160,810	145,379
Security	274,088	295,437
Donations	114,683	108,183
Board of directors remunerations	55,000	55,000
Board of directors expenses	1,020,975	743,874
Foreign currency trading fees	151,348	188,549
Registration and governmental fees	149,608	99,021
Mortgage and insurance fees	346,411	334,844
Consultations	751,096	266,395
Automated clearing (offset) expenses	8,247	17,500
Property tax fees	268,413	203,013
Marketing and advertising expenses	457,281	259,741
Computers and ATMs expenses	1,038,471	971,699
Other expenses	887,952	1,048,612
Total	12,426,711	11,726,260

41. Basic and Diluted Earnings Per Share (Bank's shareholders)

This item consists of the following:

	2018	2017
	JD	JD
Income for the year- statement (B)	15,506,052	15,984,051
Weighted average number of shares	150,000,000	150,000,000
Basic and diluted earnings per share (Bank shareholders)	0.103	0.107

42. Cash and cash equivalents

This item consists of the following:

	2018	2017
	JD	JD
Cash and balances at the Central Bank of Jordan maturing within 3 months	121,539,096	70,179,969
Add: balances at banks and other financial institutions maturing within 3 months	307,559,309	254,895,109
Less: deposits from banks and financial institutions maturing within 3 months	(417,381,551)	(407,339,879)
Total	11,716,854	(82,264,801)

43. Related Parties Transactions

The Consolidated Financial Statements includes the financial statements of the Bank and its subsidiaries include the following:

Company's Name	Ownership Percentage	Company's Capital	
		2018	2017
		JD	JD
United Arab Jordan Company for Investment and Financial Brokerage	100%	2,500,000	2,500,000
Arab Jordan Investment Bank /Qatar LLC	50% + two shares	35,450,000	35,450,000

The Bank has entered into transactions with members of the Board of Directors and Executive Management within the normal course of its activities at the commercial interest rates and commissions.

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The following is a summary of the transactions with related parties during the year:

	Related party					Total	
	Subsidiary company	Board of directors members	Management executives	Associate company	Other*	2018	2017
	JD	JD	JD	JD	JD	JD	JD
<u>Statement of Financial Position Items:</u>							
Total deposits for related parties	50,463,823	149,870,608	893,970	4,855,891	7,609,075	213,693,367	157,919,709
Total Bank deposits with related parties	40,317,154	665,893	-	23,147,837	-	64,130,884	39,432,463
Loans and credit facilities granted to related parties	-	-	675,683	-	2,553,715	3,229,398	2,694,975
<u>Off-Statement of Financial Position Items:</u>							
Letter of credit and guarantee	16,211,107	-	-	-	-	16,211,107	17,098,081
Managed account	8,505,485	-	-	-	-	8,505,485	9,237,422
<u>Statement of Income Items:</u>							
Credit interest and commission	279,544	-	14,285	124,547	139,400	557,776	448,676
Debit interest and commission	1,270,769	2,577,454	44,980	228,725	355,785	4,477,713	4,708,190

* This item represents employees' deposits and facilities for other than Board of Directors and the executive management.

- Balances transactions revenues and expenses between the Bank and the subsidiaries are eliminated.
- Interest expense rates ranges from 0% - 7.25% (current accounts included).
- Interest revenue rates ranges from 1.75% - 7%.
- All credit facilities granted to related parties are performing and consequently no related provisions have been booked.

The following is a summary of the benefits (salaries and remunerations plus other benefits) of the executive management of the Bank:

	2018	2017
	JD	JD
Salaries, remunerations and other benefits	1,770,415	1,875,572
Travel and transportation	23,443	31,837
Total	1,793,858	1,907,409

44. Risk management

Risk is an integral part of the Bank's operations, the general framework of the Risk Management Department in the bank is to identify understand and evaluate risks associated with the Bank's operations, The Department also ensures that risk is maintained within approved and accepted limits and that the necessary measures are taken to reduce risk and attain a balance between risks and rewards.

The Risk Department's policies are developed in order to identify analyze control and place caps on risk, Moreover risk is also monitored through the Bank's risk database system.

The Bank periodically reviews the policies and procedures associated with the Risk Department in order to incorporate new market developments and practices best suited to the Bank's operations.

The Risk Management Department in the Bank is responsible for managing risk through close alignment of the policies and procedures authorized by the Bank's Board of Directors, Furthermore the Risk Committee which is emerged from the Board of Directors reviews the said department's activities and continually issues reports to the Board of Directors disclosing whether the risk is maintained according to the Bank's policies and approved and accepted risk levels.

The Assets and Liabilities Management Committee and Investment Committee also partake in risk management within the Bank. In addition all of the Bank's work centers are responsible for identifying the risks associated with their activities, They also set the necessary and appropriate risk controls; the most important risks are credit risk liquidity risk operation risk and market risk which also includes interest rate risk and currency risk.

Credit Risk

Credit risk arises from the probable default or inability of the borrower or third party to fulfil its obligations to the Bank Moreover, this risk is one of the most important risks the Bank faces during the conduct of its activities, Therefore the Bank manages credit risk continuously this risk relates to items such as loans bonds and activity investments in debt instruments in addition to credit risk related to off- statement of financial position items such as unutilized loans guarantees and documentary credits.

Measurement of Credit Risk:

1. Debt Instruments

The external rating issued by the International Rating Institutions such as (Standard and Poor) and (Moody's) or the like is used in managing exposure to credit risk relating to debt instruments.

This rating is within specific categories and as instructed by the regulatory authorities in the countries where the bank has its branches or subsidiaries.

2. Control on Risk Ceilings and Credit Risk Mitigation Policies

The Bank manages credit ceilings and controls the credit concentrations risks on the customers' levels (individual or corporate) in addition to managing and controlling the exposure to credit risk for each sector or geographical area.

The Bank determines the accepted credit risk levels through installing ceilings for the acceptable risks relating to one borrower or a group of borrowers and for each sector or geographical area.

These risks are continuously controlled and are subject to annual/ periodic reviews in addition to controlling the actual exposure against the risk ceilings daily.

Credit Risk Mitigation Methods

The Bank adopts several methods and practices to mitigate credit risk such as obtaining guarantees according to acceptable standards.

The most prevalent guarantees against loans and credit facilities are the following:

- Real estate mortgages.
- Mortgages of financial instruments such as shares.
- Bank guarantees.
- Cash Collaterals.
- Government guarantees.

Moreover, the Bank adopts the following methods to improve the quality of credit and mitigate risks:

- A system of three approvals for granting a credit.
- Credit approval authority that varies from one management level to another depending on the volume of the customer's portfolio extent of exposure maturity and customer's risk degree.
- Complete segregation between credit management departments (business) credit control and analysis departments.

Second: quantitative disclosures:

(44/A) credit risk

1-A Exposure to credit risks (after provision for impairment and interest in suspense and before collaterals and any other risk decreasing factors).

	<u>2018</u>	<u>2017</u>
	JD	JD
Statement of Financial Position items:		
Cash and balances at Central Bank of Jordan	101,095,229	51,725,082
Balances at banks and financial institutions - Net	307,520,994	254,895,109
Deposits at banks and financial Institutions - Net	15,877,685	16,535,460
Credit Facilities- Net:		
Individual	99,640,228	99,143,847
Real-estate loans	98,130,274	88,908,278
Large companies	361,988,141	328,493,955
Small and medium companies	24,167,233	35,746,706
Government & public sector	168,768,693	202,870,110
Bonds and Treasury Bills:		
Within financial assets at amortized Cost- net	688,023,173	597,569,867
Other assets	17,932,921	15,924,542
Total	<u>1,883,144,571</u>	<u>1,691,812,956</u>
Contingent liabilities:		
Letters of guarantee	80,618,073	76,650,460
Letters of credit	48,313,862	32,893,879
Acceptances	39,942,063	45,703,226
Un-utilized facilities	78,070,287	48,350,039
	<u>246,944,285</u>	<u>203,597,604</u>
Total	<u>2,130,088,856</u>	<u>1,895,410,560</u>

The Bank obtains cash and in-kind collaterals representing real estates and shares to mitigate credit risks to which the Bank might be exposed.

The above schedule represents the Bank's maximum exposure to credit risk as of 31 December 2018 and 2017 without taking into consideration guarantees and other credit risk mitigation factors.

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B- Distribution of credit exposure:

	The Bank's internal credit rating	Classification category based on (47/2009) instruction	Total exposure		Expected credit loss (ECL)	Probability of default (PD)	Rating according to external rating institutions	Exposure at default (EAD) in JD Millions*	Loss given default (LGD) %
			amount	JD					
2-7		Performing	751,272,551	7,558,305	2.4%	Moody's	669,321,246	30.3%	
8-10		Non performing	18,974,146	6,910,474	100%	Moody's	18,974,146	27.9%	

* The exposure at default (EAD) includes unutilized credit facilities amounting to JD 78,070,287 .

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Regarding assets items within consolidated financial statements, the exposure mentioned above is based on the balance presented in the consolidated financial statements.

2. Credit exposure is distributed according to the degree of risk as follows:

31 December 2018	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Banks and other financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	7,462,173	2,845,179	2,953,015	347,874	914,670,956	-	928,279,197
Acceptable risk	94,678,197	91,961,091	368,406,769	17,964,234	31,114,614	332,375,353	936,500,258
From which past due:							
Up to 30 days	-	-	-	-	-	-	-
From 31 to 60 days	-	-	-	-	-	-	-
Watch list	2,584,514	3,954,226	6,059,928	4,344,430	-	-	16,943,098
Non performing:							
Substandard	332,891	279,908	-	-	-	-	612,799
Doubtful	1,304,009	713,603	5,471,414	351,113	-	-	7,840,139
Loss	1,304,794	3,171,837	-	6,044,577	-	-	10,521,208
Total	107,666,578	102,925,844	382,891,126	29,052,228	945,785,570	332,375,353	1,900,696,699
Deduct: interest in suspense	436,606	1,004,742	9,305	1,632,696	-	-	3,083,349
Provision for impairment	4,440,231	1,720,682	5,055,567	3,252,299	-	-	14,468,779
Net	102,789,741	100,200,420	377,826,254	24,167,233	945,785,570	332,375,353	1,883,144,571

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31 December 2017	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Banks and other financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	8,354,304	2,987,754	13,572,231	717,546	799,273,268	-	824,905,103
Acceptable risk	91,616,818	85,855,423	331,989,232	20,852,296	32,118,844	281,713,973	844,146,586
From which past due:							
Up to 30 days	25,813	16,317	-	-	-	-	42,130
From 31 to 60 days	-	-	-	12,841	-	-	12,841
Watch list	2,143,975	4,883,957	-	13,462,547	-	-	20,490,479
Non performing:							
Substandard	616,277	1,046,598	-	-	-	-	1,662,875
Doubtful	1,161,674	853,172	-	2,213,478	-	-	4,228,324
Loss	1,363,719	3,139,722	-	5,826,200	-	-	10,329,641
Total	105,256,767	98,766,626	345,561,463	43,072,067	831,392,112	281,713,973	1,705,763,008
Deduct: interest in suspense	336,486	910,490	-	1,609,214	-	-	2,856,190
Provision for impairment	2,553,850	1,759,865	1,064,000	5,716,147	-	-	11,093,862
Net	102,366,431	96,096,271	344,497,463	35,746,706	831,392,112	281,713,973	1,691,812,956

* Exposures include credit facilities balances and deposits with banks and Treasury bonds and any assets of its credit exposures.

* The full balance of the debt owed in the event of a single maturity premiums or benefits and the overdraft is considered payable if it exceeds the ceiling.

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3. The following table breaks down the fair value of the collaterals held as security for credit facilities:

	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Total
<u>31 December 2018</u>	JD	JD	JD	JD	JD	JD
Low risk	7,462,173	2,845,179	2,953,015	347,874	143,666,003	157,274,244
Acceptable risk	70,893,126	68,712,656	272,013,588	16,652,617	25,102,690	453,374,677
Watch list	21,076	3,614,652	550,000	1,138,140	-	5,323,868
Non- performing :	-	-	-	-	-	-
Substandard grade	-	279,908	-	-	-	279,908
Doubtful	-	699,923	4,040,000	185,013	-	4,924,936
Loss	1,294,892	2,993,589	-	4,909,651	-	9,198,132
Total	79,671,267	79,145,907	279,556,603	23,233,295	168,768,693	630,375,765
As :						
Cash margins	7,462,173	609,361	2,953,015	347,874	-	11,372,423
Governmental guarantees	-	2,235,818	-	-	168,768,693	171,004,511
Real estate	63,981,214	76,300,728	248,365,731	22,669,605	-	411,317,278
Listed shares	7,869,256	-	25,874,981	215,816	-	33,960,053
Vehicles and equipment	358,624	-	2,362,876	-	-	2,721,500
<u>31 December 2017</u>						
Low risk	8,354,304	2,987,754	13,572,231	717,546	176,929,313	202,561,148
Acceptable risk	70,603,687	60,802,850	243,362,455	17,647,354	25,940,797	418,357,143
Watch list	35,808	4,836,251	-	7,207,224	-	12,079,283
Non- performing :						
Substandard grade	-	1,038,244	-	-	-	1,038,244
Doubtful	-	832,719	-	1,867,640	-	2,700,359
Loss	1,164,415	2,862,045	-	5,159,352	-	9,185,812
Total	80,158,214	73,359,863	256,934,686	32,599,116	202,870,110	645,921,989
As :						
Cash margins	8,354,304	464,241	13,572,231	717,546	-	23,108,322
Governmental guarantees	-	2,523,513	-	-	202,870,110	205,393,623
Real estate	66,040,317	70,372,109	220,400,556	31,881,570	-	388,694,552
Listed shares	4,372,213	-	22,961,899	-	-	27,334,112
Vehicles and equipment	1,391,380	-	-	-	-	1,391,380

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3- B-1 Distribution of fair value of collateral against total credit exposures:

Item	Gross exposure amount	Fair value of collaterals						Gross collateral amount	Net exposure after collaterals	Expected credit loss (ECL)
		Cash margins	Quoted shares	Accepted banking guarantees	Housing	Vehicles and machines	Others			
Balances at central bank	101,095,229	-	-	-	-	-	-	-	101,095,229	-
Balances at banks and financial institutions	307,559,309	-	-	-	-	-	-	-	307,559,309	38,315
Deposits at banks and financial institutions	15,933,203	-	-	-	-	-	-	-	15,933,203	55,518
Credit facilities:										
Retail	104,517,065	7,462,172	7,869,256	-	63,981,214	358,624	-	79,671,266	24,845,799	4,440,231
Housing loans	100,855,698	609,361	-	-	76,300,728	-	2,235,818	79,145,907	21,709,791	1,720,682
Corporate										
Large corporate	443,142,201	2,953,016	25,874,981	-	248,365,731	2,362,876	-	279,556,604	163,585,597	5,055,567
Small and medium entities	31,033,327	347,874	215,816	-	22,669,605	-	-	23,233,295	7,800,032	3,252,299
Government and public sector	168,768,693	-	-	-	-	-	168,768,693	168,768,693	-	-
Bonds and bills:										
Within financial assets at amortized cost	688,216,965	-	-	-	182,500	-	-	182,500	688,034,465	193,792
Other assets	17,932,921	-	-	-	-	-	-	-	17,932,921	-
Total	1,979,054,611	11,372,423	33,960,053	-	411,499,778	2,721,500	171,004,511	630,558,265	1,348,496,346	14,756,404
Letters of guarantee	80,618,073	-	-	-	-	-	-	-	80,618,073	136,812
Letters of credit	48,313,862	-	-	-	-	-	-	-	48,313,862	42,707
Acceptances	39,942,063	-	-	-	-	-	-	-	39,942,063	248,674
Grand total	2,147,928,609	11,372,423	33,960,053	-	411,499,778	2,721,500	17,004,511	630,558,265	1,517,370,344	15,184,597

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3- B-2 The fair value of collateral against total stage 3 credit exposures:

Item	Gross exposure stage 3	Fair value for collaterals					Gross collateral amount	Net exposure after collaterals	Expected credit loss (ECL)
		Cash margins	Quoted shares	Accepted banking guarantees	Housing	Vehicles and machines	Others		
Balances at central bank	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-
Credit facilities:									
Retail	2,941,635	-	1,294,892	-	-	-	1,294,892	1,646,803	2,127,898
Housing loans	4,165,347	-	-	-	3,973,420	-	3,973,420	191,927	1,289,868
Corporate	5,471,414	-	-	-	1,677,124	2,362,876	4,040,000	1,431,414	722,830
Large corporate									
Small and medium entities (SME'S)	6,395,630	-	-	-	5,094,664	-	5,094,664	1,301,026	2,769,878
Government and public sector	-	-	-	-	-	-	-	-	-
Bonds and bills:									
Within financial assets at amortized cost	182,500	-	-	-	182,500	-	182,500	-	109,500
Other assets	-	-	-	-	-	-	-	-	-
Total	19,156,646	-	1,294,892	-	10,927,708	2,362,876	14,585,476	4,571,170	7,019,974
Letters of guarantee	-	-	-	-	-	-	-	-	-
Letters of credit	-	-	-	-	-	-	-	-	-
Acceptances	-	-	-	-	-	-	-	-	-
Grand total	19,156,646	-	1,294,892	-	10,927,708	2,362,876	14,585,476	4,571,170	7,019,974

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3-B-3 Total reclassified exposures

Item	Stage 2		Stage 3		Total reclassified exposures	Reclassified exposures %
	Total exposure amount	Reclassified exposures	Total exposure amount	Reclassified exposures		
Direct credit facilities	14,237,988	2,286,299	12,063,672	4,174,059	6,460,358	%0.855

3-B-4 ECL for reclassified facilities

Item	Reclassified exposures			ECL for reclassified exposures				
	Reclassified exposures	Reclassified exposures	Total reclassified exposures	Stage 2	Stage 2	Stage 3	Stage 3	Total
	Stage 2	Stage 3	exposures	individual	cumulative	individual	cumulative	
Direct credit facilities	2,286,299	4,174,059	6,460,358	312,708	-	31,075	-	343,783

Rescheduled loans:

These represent loans classified previously as non-performing and reclassified as performing but taken out therefrom according to proper scheduling and classified as watch list loans they amounted to JD 2,408,696 for the current year (JD 3,257,131 for the previous year).

The balance of the rescheduled loans represents the loans which were rescheduled either still classified as watch list or transferred to performing.

Restructured loans:

Restructuring means to rearrange facilities instalments or by increasing their duration postpone some instalments or increase the grace period...etc, they are classified as a watch-list debt and it amounted to JD 107,231,075 for the current year (JD 5,233,770 for the previous year-end).

4. Bills bonds and debentures

The table below shows the classification of bills bonds and debentures according to external rating agencies:

<u>Risk rating class</u>	<u>Rating agency</u>	<u>Included in assets at amortized cost</u>
Government guaranteed bonds	Moody's	650,118,576
Government guaranteed bonds B1	Moody's	8,807,293
Foreign governmental bonds Aa3	Moody's	2,139,194
Foreign governmental bonds BBB -	Moody's	693,275
Foreign governmental bonds B2	Moody's	1,639,293
Foreign governmental bonds Ba1	Moody's	711,922
Foreign governmental bonds Baa2	Moody's	708,985
Companies Bond A	Moody's	711,695
Companies Bond A1	Moody's	1,421,889
Companies Bond A3	Moody's	1,423,676
Companies Bond Ba1	Moody's	1,406,827
Companies Bond Ba2	Moody's	712,643
Companies Bond Baa3	Moody's	9,334,247
Companies Bond Caa3	Moody's	1,401,141
Companies Bond without classification	Moody's	6,792,517
Total		<u>688,023,173</u>

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5.A- The schedule below shows the geographical distribution of the credit risk exposure:

	Inside the Kingdom	Other Middle East Countries		Europe		Asia *		Africa *		America		Other countries		Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at Central Bank of Jordan	101,095,229	-	-	-	-	-	-	-	-	-	-	-	-	101,095,229
Balances at banks and financial institutions	442,526	209,621,044	30,274,014	674,074	665,894	65,843,442	-	-	-	-	-	-	-	307,520,994
Deposits at banks and financial institutions	-	-	15,877,685	-	-	-	-	-	-	-	-	-	-	15,877,685
Credit facilities-net:	710,591,136	38,272,539	3,830,894	-	-	-	-	-	-	-	-	-	-	752,694,569
Bonds and bills:														
Financial assets at amortized cost	664,994,011	3,573,458	6,224,194	4,982,722	2,332,567	5,916,221	-	-	-	-	-	-	-	688,023,173
Other assets	16,468,702	690,466	498,832	95,676	73,410	105,835	-	-	-	-	-	-	-	17,932,921
Total / Current year	1,493,591,604	252,157,507	56,705,619	5,752,472	3,071,871	71,865,498	-	-	-	-	-	-	-	1,883,144,571
Letters of guarantee	74,138,447	6,262,338	217,288	-	-	-	-	-	-	-	-	-	-	80,618,073
Letters of credit	42,594,704	5,719,158	-	-	-	-	-	-	-	-	-	-	-	48,313,862
Acceptances	38,903,248	1,038,815	-	-	-	-	-	-	-	-	-	-	-	39,942,063
Un-utilized facilities	77,319,806	750,481	-	-	-	-	-	-	-	-	-	-	-	78,070,287
Grand total	1,726,547,809	265,928,299	56,922,907	5,752,472	3,071,871	71,865,498	-	-	-	-	-	-	-	2,130,088,856
Total comparative figures	1,508,578,896	239,614,148	51,970,551	2,093,765	3,020,355	41,355,335	-	-	-	-	-	-	-	1,847,060,521

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Exposure distribution according to IFRS 9- Net:

Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	Total
Inside Jordan	1,549,763,920	154,955,085	6,350,821	5,568,352	9,909,631	-	1,726,547,809
Other middle east countries	265,928,299	-	-	-	-	-	265,928,299
Europe	34,193,590	-	22,729,317	-	-	-	56,922,907
Asia	5,752,472	-	-	-	-	-	5,752,472
Africa	3,071,871	-	-	-	-	-	3,071,871
America	71,865,498	-	-	-	-	-	71,865,498
Others	-	-	-	-	-	-	-
Total	1,930,575,650	154,955,085	29,080,138	5,568,352	9,909,631	-	2,130,088,856

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5.B- The schedule below shows the credit risk exposure according to financial instruments:

Item	Finance		Industrial		Trade		Real estate		Shares		Retail		Government and public sector		Total	
	JD		JD		JD		JD		JD		JD		JD		JD	
Balances at Central Bank of Jordan	-		-		-		-		-		-		101,095,229		101,095,229	
Balances at banks and financial institutions -Net	307,520,994		-		-		-		-		-		-		307,520,994	
Deposits at banks and financial institutions- Net	15,877,685		-		-		-		-		-		-		15,877,685	
Credit facilities - Net	7,422,402		173,435,947		204,383,500		98,130,274		913,526		99,640,227		168,768,693		752,694,569	
Bonds and bills:																
Financial assets at amortized cost - Net	7,792,702		9,737,635		3,678,632		1,995,669		-		-		664,818,535		688,023,173	
Other assets	1,183,974		977,249		1,441,474		74,477		3,120		3,149,514		11,103,113		17,932,921	
Total / Current year	339,797,757		184,150,831		209,503,606		100,200,420		916,646		102,789,741		945,785,570		1,883,144,571	
Letters of guarantee	-		-		80,618,073		-		-		-		-		80,618,073	
Letters of credit	-		-		48,313,862		-		-		-		-		48,313,862	
Acceptances	-		-		39,942,063		-		-		-		-		39,942,063	
Un- utilized ceilings	500,000		36,596,134		40,974,153		-		-		-		-		78,070,287	
Grand total	340,297,757		220,746,965		419,351,757		100,200,420		916,646		102,789,741		945,785,570		2,130,088,856	
Total comparative figures	297,309,652		161,111,024		357,994,518		96,096,271		790,513		102,366,431		831,392,112		1,847,060,521	

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The distribution of the risk exposure according to the staging classification as per IFRS (9) – Net.

Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Total
Finance	319,070,547	-	21,154,210	-	73,000	340,297,757
Industry	215,932,532	-	-	-	4,814,433	220,746,965
Trade	409,231,118	-	7,925,928	-	2,194,711	419,351,757
Real estate	26,101,494	68,308,235	-	3,648,920	2,141,771	100,200,420
Shares	916,646	-	-	-	-	916,646
Retail	13,537,743	86,646,850	-	1,919,432	685,716	102,789,741
Government and public sector	945,785,570	-	-	-	-	945,785,570
Total	1,930,575,650	154,955,085	29,080,138	5,568,352	9,909,631	2,130,088,856

44/B Market risks:

Market risk is the risk of the fluctuation in the fair value or cash flows of financial instruments due to changes in market prices such as interest rates, currency rates and stock prices. The risks subject to this requirement are foreign currency, risk price risk, commodity risk and market risks arise due to open positions for interest rate, foreign currency exchange rate, investment rate and share prices. These risks are controlled according to predetermined policies and procedures and through specialized committees and work centers.

Sensitivity analysis is based on estimating the loss risk in fair value due to changes in interest rate and exchange rate. Moreover, fair value is calculated according to the current value of future cash flows that will be affected by price changes.

1. Interest rate risks

Interest rate risk arises from the probable impact of changes in interest rates on the value of other financial assets. The Bank is exposed to the risk of interest rates due to a mismatch or a gap in the amounts of assets and liabilities according to the various time limits or review of interest rates in a certain period. Moreover, the Bank manages these risks through reviewing the interest rates on assets and liabilities based on the risk management strategy. The Bank will study all the factors that have an effect on the interest rates whether they are local regional or global in addition to studying the interest rate gap and their future expectations to determine the degree of risk in the short and long term so as to be able to put a suitable future plan and make the right decisions such as amending the maturity date and repricing the deposits and loans and the purchase and sale of the financial investments.

Sensitivity Analysis 2018

<u>Currency</u>	<u>Change (increase) in interest rate (%)</u>	<u>Sensitivity of interest revenue profit and (loss)</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
US Dollar	1	(535,716)	-
Euro	1	(150,802)	-
British Pound	1	(41,720)	-
Japanese Yen	1	(2)	-
Others	1	187,983	-

<u>Currency</u>	<u>Change (increase) in interest rate (%)</u>	<u>Sensitivity of interest revenue profit and (loss)</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
US Dollar	1	535,716	-
Euro	1	150,802	-
British Pound	1	41,720	-
Japanese Yen	1	2	-
Others	1	(187,983)	-

Sensitivity Analysis 2017

<u>Currency</u>	<u>Change (increase) in interest rate (%)</u>	<u>Sensitivity of interest revenue profit and (loss)</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
US Dollar	1	676,963	-
Euro	1	225,716	-
British Pound	1	(40,756)	-
Japanese Yen	1	(3)	-
Others	1	144,720	-

<u>Currency</u>	<u>Change (increase) in interest rate (%)</u>	<u>Sensitivity of interest revenue profit and (loss)</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
US Dollar	1	(676,963)	-
Euro	1	(225,716)	-
British Pound	1	40,756	-
Japanese Yen	1	3	-
Others	1	(144,720)	-

2. Foreign currencies risk

This is the risk that results from the changes in foreign exchange rates with potential impact on the Bank's assets and liabilities in foreign currencies. The Bank prepares a sensitivity analysis to monitor the changes in exchange rates at (\pm 5%) of net profits and losses.

Sensitivity analysis 2018

<u>Currency</u>	<u>Change in currency exchange rate (%)</u>	<u>Effect on profits and losses</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
Euro	5	1,694	-
British Pound	5	(14,037)	(935,161)
Japanese Yen	5	840	-
Other currencies	5	717,059	-

Sensitivity analysis 2017

<u>Currency</u>	<u>Change in currency exchange rate (%)</u>	<u>Effect on profits and losses</u>	<u>Sensitivity of shareholders' equity</u>
		JD	JD
Euro	5	814	-
British Pound	5	38,603	958,786
Japanese Yen	5	142	-
Other currencies	5	171,990	-

In case the decrease in the currency exchange rate amounts to 5% the same financial effect will result with an opposite sign.

3. Shares prices risks

Is the risk arising from changes in the prices of stocks within the portfolio of financial assets at fair value through the statement of income and comprehensive income. The Bank manages the risks of stock prices by analysing value at losses.

Sensitivity analysis 2018

<u>Indicator</u>	<u>Change in equity prices (%)</u>	<u>Effect on profit and losses</u>	<u>Effect on shareholders</u>
		JD	JD
Amman Stock Exchange	5	13,162	635,184
Qatar Stock Exchange	5	-	20,029

Sensitivity Analysis 2017

<u>Indicator</u>	<u>Change in equity prices (%)</u>	<u>Effect on profit and losses</u>	<u>Effect on shareholders</u>
		JD	JD
Amman Stock Exchange	5	8,470	637,362
Qatar Stock Exchange	5	-	31,870

If the stock exchanges indicator decreases by the same percentage the same financial effect will arise but with an opposite sign.

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4. Interest rate sensitivity gap

Classification is done according to interest re-pricing or maturity whichever is closer.

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	Over 3 years	Non - interest bearing Items	Total
	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2018								
Assets								
Cash and balances at Central Bank of Jordan	121,539,096	-	-	-	-	-	-	121,539,096
Balances at banks and financial institutions - Net	-	190,411,569	-	-	-	-	117,109,425	307,520,994
Deposits at banks and financial institutions - Net	-	-	5,276,525	10,601,160	-	-	-	15,877,685
Financial assets at fair value through profit or loss	-	-	-	-	-	-	15,506,988	15,506,988
Direct credit facilities- Net	155,080,956	69,669,212	73,186,400	50,513,324	175,173,587	229,071,090	-	752,694,569
Financial assets at amortized cost- Net	25,000,049	26,730,075	47,199,032	96,019,706	164,316,618	328,757,693	-	688,023,173
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	263,244	263,244
Investments in associate company	-	-	-	-	-	-	19,011,340	19,011,340
Property and equipment – Net	-	-	-	-	-	-	74,301,592	74,301,592
Intangible assets – Net	-	-	-	-	-	-	694,005	694,005
Deferred tax assets	-	-	-	-	-	-	540,846	540,846
Other assets	-	-	-	-	-	-	37,116,887	37,116,887
Total assets	301,620,101	286,810,856	125,661,957	157,134,190	339,490,205	557,828,783	264,544,327	2,033,090,419
Liabilities								
Banks and financial institution deposits	8,481,480	408,900,071	-	-	120,000,000	-	-	537,381,551
Customers' deposits	442,774,862	194,083,730	105,679,385	69,547,257	4,000,000	41,437	214,435,376	1,030,562,047
Borrowed funds from the Central Bank of Jordan	145,245,500	-	-	-	-	796,310	-	146,041,810
Cash Collaterals	11,986,864	7,320,505	3,500,583	6,824,255	130,161	70,204	9,158,721	38,991,293
Sundry provisions	-	-	-	-	-	-	606,874	606,874
Income tax provisions	-	-	-	-	-	-	6,866,156	6,866,156
Other liabilities	-	-	-	-	-	-	57,242,485	57,242,485
Total Liabilities	608,488,706	610,304,306	109,179,968	76,371,512	124,130,161	907,951	288,309,612	1,817,692,216
Interest rate sensitivity gap	(306,868,605)	(323,493,450)	16,481,989	80,762,678	215,360,044	556,920,832	(23,765,285)	215,398,203
31 December 2017								
Total Assets	202,931,799	264,003,572	107,790,815	89,786,698	457,743,380	514,527,774	201,241,789	1,838,025,827
Total Liabilities	510,792,275	611,648,612	68,301,283	73,113,146	82,427,232	94,755	272,290,160	1,618,667,463
Interest rate sensitivity gap	(307,860,476)	(347,645,040)	39,489,532	16,673,552	375,316,148	514,433,019	(71,048,371)	219,358,364

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5. Foreign Currency Sensitivity Gap:

Item/Currency	USD	Euro	Sterling Pounds	Japanese Yen	Others	Total
31 December 2018						
Assets:						
Cash and balances at Central Bank of Jordan	28,489,242	1,821,266	387,972	1,208	407,507	31,107,195
Balances and deposits at banks and financial institutions	217,483,345	68,168,127	17,886,178	23,540	19,496,460	323,057,650
Direct credit facilities	164,465,680	4,526,154	-	-	36,883,517	205,875,351
Financial securities at amortized cost	161,076,315	6,728,533	-	-	-	167,804,848
Financial assets through Comprehensive Income	35,672	-	-	-	400,577	436,249
Investments in associate company	-	-	19,011,340	-	-	19,011,340
Property and equipment - net	1,775,104	-	-	-	-	1,775,104
Other assets	41,269,345	965,352	52,513	(104)	(5,843,499)	36,443,607
Total Assets	614,594,703	82,209,432	37,338,003	24,644	51,344,562	785,511,344
Liabilities:						
Banks and financial institutions deposits	245,505,506	29,442,735	375,451	-	18,985	275,342,677
Customers' deposits	348,248,425	51,974,838	17,744,542	7,753	33,269,979	451,245,537
Cash Margins	6,781,475	370,079	200,880	-	3,366,506	10,718,940
Sundry provisions	-	-	-	-	286,238	286,238
Income Tax Provision	-	-	-	-	277,408	277,408
Other liabilities	3,642,273	387,905	22,059	81	14,401	4,066,719
Retained earnings	406,731	-	-	-	-	406,731
Share Issuance Premium	1,418,000	-	-	-	-	1,418,000
Fair value reserve	-	-	-	-	(230,140)	(230,140)
Non - Controlling Interest	20,541,416	-	-	-	-	20,541,416
Total Liabilities	626,543,826	82,175,557	18,342,932	7,834	37,003,377	764,073,526
Net concentration on - balance sheet for the current year	(11,949,123)	33,875	18,995,071	16,810	14,341,185	21,437,818
Contingent liabilities off - balance sheet for the current year	174,512,499	14,816,726	82,744	90,138	20,525,820	210,027,927
31 December 2017						
Total Assets	567,942,400	70,785,005	43,608,890	29,410	58,091,950	740,457,655
Total Liabilities	581,438,495	70,768,732	23,630,885	26,565	54,652,160	730,516,837
Net concentration on - balance sheet for the current year	(13,496,095)	16,273	19,978,005	2,845	3,439,790	9,940,818
Contingent liabilities off - balance sheet for the current year	134,343,314	19,512,416	197,903	1,785,980	21,384,668	177,224,281

(44/C) Liquidity risk

Liquidity risk is defined as the Bank's inability to provide the necessary funding to cover its obligations at the due date, Liquidity risk is managed through the following:

Funding requirements are managed through daily oversight of future cash flows to ensure the possibility of meeting them and the Bank maintains a presence in the market of cash that allows the bank to achieve it.

Holding highly marketable assets that can be easily liquidated to meet any unexpected liquidity requirements.

Monitoring the liquidity ratios according to the internal requirements and the requirements of the regulatory authorities.

Managing concentrations in assets / liabilities and their maturities.

Maintaining a portion of customers' deposits as a cash reserve at the Central Bank of Jordan; this reserve cannot be disposed of except for certain conditions as specified by the Central Bank of Jordan.

Liquidity is measured on the basis of normal and emergency conditions, this includes analyzing the remaining period of the contractual maturity and financial assets on the basis of the expected recoverability.

The treasurer is in charge of controlling the liquidity of the Bank taking into consideration loans and any related commitments letters of credit and guarantees.

Sources of funds

The Bank diversifies its funding sources according to geographical areas, currencies customers, and products in order to achieve financial flexibility and reduce funding costs, It also endeavors to maintain stable and reliable funding sources, Moreover the Bank has a large customer base including individual customers companies and corporations.

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1. The table below summarizes the distribution of liabilities (not discounted) on the basis of the remainder of the contractual maturity at the date of the financial statements:

	Less than 1 Month		1 to 3 Months		From 3 to 6 Months		From 6 Months to 1 year		From 1 to 3 Years		Over 3 Years		Without Maturity		Total
	JD		JD		JD		JD		JD		JD		JD		JD
31 December 2018															
Liabilities:															
Banks' and financial institution's deposits	8,627,096		409,174,071		-		-		128,857,123		-		-		546,658,290
Customers' deposits	442,786,730		194,096,811		105,695,334		69,617,052		4,015,142		41,437		214,435,376		1,030,687,882
Borrowed funds from the Central Bank of Jordan	145,245,500		-		-		-		-		796,310		-		146,041,810
Cash margins	12,321,488		8,052,477		5,127,847		8,039,723		457,918		70,204		9,158,721		43,228,378
Sundry provisions	-		-		-		-		-		-		606,874		606,874
Income tax provision	1,511,215		4,694,503		-		-		-		-		660,438		6,866,156
Other liabilities	38,515,028		-		-		-		-		-		18,727,457		57,242,485
Total	649,007,057		616,017,862		110,823,181		77,656,775		133,330,183		907,951		243,588,866		1,831,331,875
Total assets (according to expected maturities)	935,545,921		260,890,362		79,361,265		63,247,057		190,270,460		239,231,027		264,544,327		2,033,090,419
31 December 2017															
Liabilities:															
Banks' and financial institution's deposits	3,389,746		404,128,259		-		-		86,481,630		-		-		493,999,635
Customers' deposits	482,080,368		198,754,972		64,131,948		65,760,983		2,330,887		41,437		241,292,196		1,054,392,791
Borrowed funds from the Central Bank of Jordan	-		163,834		4,963,742		9,080,144		109,199		53,318		10,240,507		163,834
Cash margins	25,798,201		9,670,327		-		-		-		-		1,923,950		59,915,438
Sundry provisions	-		-		-		-		-		-		-		1,923,950
Income tax provision	-		-		-		-		-		-		7,785,786		7,785,786
Other liabilities	-		-		-		-		-		-		11,047,721		11,047,721
Total	511,268,315		612,717,392		69,095,690		74,841,127		88,921,716		94,755		272,290,160		1,629,229,155
Total assets (according to expected maturities)	764,453,414		264,003,572		84,785,536		66,782,798		211,744,391		245,014,327		201,241,789		1,838,025,827

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2. The following table summarizes forward currency contracts based on the remaining period to the contractual maturity date on the date of the financial statements:

31 December 2018	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
	JD	JD	JD	JD	JD	JD	JD
Forward currency contracts							
Outflows	25,524,000	-	-	2,133,000	-	-	27,657,000
Inflows	25,524,000	-	-	2,133,000	-	-	27,657,000

31 December 2017

Forward currency contracts

Outflows

Inflows

Off- the statement of financial position items:

2018

Letters of credit and acceptances / issued

Un-utilized facilities

Letters of guarantee

Total

2017

Letters of credit and acceptances / issued

Un-utilized facilities

Letters of guarantee

Total

	Up to 1 Year	More than 1-5 Years	Over 5 Years	Total
	JD	JD	JD	JD
Letters of credit and acceptances / issued	95,012,464	-	-	95,012,464
Un-utilized facilities	78,070,287	-	-	78,070,287
Letters of guarantee	75,944,392	4,625,681	48,000	80,618,073
Total	249,027,143	4,625,681	48,000	253,700,824
	87,476,221	-	-	87,476,221
	48,350,039	-	-	48,350,039
	57,478,461	19,148,999	23,000	76,650,460
Total	193,304,721	19,148,999	23,000	212,476,720

45. Segment Analysis

A. Information about the Bank's Business Segments

The Bank is organized for administrative purposes to the following four main business segments:

- **Individual accounts:**

Include following up on individual customers accounts, real estate loans, overdrafts, credit cards facilities and transfer facilities.

- **Institutions and corporate:**

The loans and the credit facilities, other sector services, deposits, current accounts related to the customers of the corporations and institutions..

- **Treasury:**

Principally providing money market trading and treasury services as well as management of the Bank's funding operations through treasury bills, and bond government securities placements, and acceptances with other banks and that is through treasury and banking services.

- **Institutional financing:**

This sector relates to finance structure special arrangements and share issuance.

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1- The Following represents information about the bank's sector activities:

	Individual bank sector activities	Corporate bank sector activities	Treasury	Others	2018	2017
	JD (In Thousands)	JD (In Thousands)	JD (In Thousands)	JD (In Thousands)	JD (In Thousands)	JD (In Thousands)
Gross revenues	11,264	42,861	41,735	7,934	103,794	94,956
Investment in associate company	-	-	281	-	281	772
Provision for impairment	(1,050)	(325)	(50)	-	(1,425)	(1,808)
Segment results	10,214	42,536	41,966	7,934	102,650	93,920
Undistributed expenses					(78,146)	(68,146)
Income before tax					24,396	25,774
Income tax expense					(7,580)	(8,599)
Net income for the period					16,816	17,175
Capital expenditures					3,722	5,730
Depreciation and amortization					3,031	3,069
					2018	2017
					JD	JD
Segment's assets	178,911	573,783	1,148,732	-	1,901,426	1,709,330
Investments in associate Company	-	-	19,011	-	19,011	19,948
Undistributed assets	-	-	-	112,653	112,653	108,748
Total assets	178,911	573,783	1,167,743	112,653	2,033,090	1,838,026
Segment's liabilities	752,201	317,352	683,423	-	1,752,976	1,597,909
Undistributed liabilities	-	-	-	64,716	64,716	20,758
Total Liabilities	752,201	317,352	683,423	64,716	1,817,692	1,618,667

(2-A) Geographical Information

This item represents the geographical distribution of the Bank's activities. Moreover, the Bank conducts its activities mainly in Jordan representing local activities, additionally, the Bank performs its international activities through its branch in Cyprus, and its subsidiary in Qatar.

The following table shows the distribution of the Bank's operating income, total assets and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenues	92,824,199	85,971,816	11,250,574	9,755,759	104,074,773	95,727,575
Capital expenditure	3,632,698	5,691,658	90,080	38,621	3,722,778	5,730,279
	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total Assets	1,619,207,733	1,470,116,827	413,882,686	367,909,000	2,033,090,419	1,838,025,827

46. Capital Management:

The Bank seeks to achieve the following goals:

- Compliance with the Central Bank of Jordan requirements relating to share capital.
- Maintaining the ability to continue as a going concern.
- Maintaining a strong capital base for supporting the expansion and development of the Bank's activities.

Capital adequacy is monitored and reviewed by the Bank's management moreover the Bank provides the Central Bank of Jordan with quarterly reports on the adequacy of its capital.

According to the Central Bank of Jordan instructions the minimum requirements for the capital adequacy ratio is 12%. Moreover, banks are classified into five categories the best one having an average capital adequacy ratio equal to or more than 14% Additionally the Bank's capital adequacy ratio is 15.9% as of 31 December 2018 (15.95% as of 31 December 2017).

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The schedule below shows capital components total risk weighted assets and capital adequacy ratio according to the Central Bank of Jordan instructions in accordance with Basel II 2018 Committee regulations:

	2018 JD In Thousands	2017 JD In Thousands
<u>Primary capital according to bank's management requirements</u>		
Paid-up capital	150,000	150,000
Retained Earnings	3,980	2,668
Profit for the year after tax and deducting expected distributions		
Other Comprehensive income items:		
Cumulative change in fair value	(1,892)	(1,674)
Foreign currency translation adjustments	(3,596)	(2,379)
Share Issuance Premium	1,418	1,418
Statutory Reserve	31,447	29,279
Authorized minority rights	6,353	5,654
Total Ordinary Share Capital	187,710	184,966
Total regulatory Adjustments (deductions from capital)		
Goodwill and Intangible assets	(694)	(931)
Deferred tax assets resulting from provisions of credit facilities	(541)	(933)
Investment in Bank's Capital and financial institutions and insurance companies Outside the scope of regulatory consolidation and where the bank owns more than 10%	(364)	(1,637)
Net Ordinary Shareholders	186,111	181,465
Additional Capital	-	-
Total primary Capital	186,111	181,465
Secondary Capital		
General banking risk reserve	-	5,889
Provision required against credit facilities/ credit compensation in stage 1	3,425	-
Total Stable Capital	3,425	5,889
Net stable capital	3,425	5,899
Total regulatory capital	189,536	187,354
Total risk weighted assets	1,192,262	1,174,614
Capital adequacy ratio %	15.90%	15.95%
Primary capital ratio %	15.61%	15.45%

47. Accounts managed on behalf of customers

This item represents the accounts managed by the Bank on behalf of its customers but are not considered part of the bank's assets and its balances as of 31 December 2018 was 43,199,818 JD (JD 32,886,344 as of 31 December 2017), The fees and commissions on such accounts are stated in the consolidated statement of Income.

48. Assets and Liabilities maturity analysis:

The following table analyzes assets and liabilities according to the expected period of their recoverability or settlement:

	Up to 1 year	Over 1 year	Total
	JD	JD	JD
31 December 2018			
Assets:			
Cash and balances at Central Bank of Jordan	121,539,096	-	121,539,096
Balances at banks and financial institutions - net	307,520,994	-	307,520,994
Deposits at banks and financial institutions- net	15,877,685	-	15,877,685
Financial assets at fair value through other comprehensive income	-	15,506,988	15,506,988
Financial assets at fair value through Profit or Loss	263,244	-	263,244
Direct Credit facilities- Net	348,449,892	404,244,677	752,694,569
Financial assets at amortized cost	662,766,363	25,256,810	688,023,173
Investments in associate company	-	19,011,340	19,011,340
Property and equipment-Net	-	74,301,592	74,301,592
Intangible assets-Net	-	694,005	694,005
Deferred tax assets	-	540,846	540,846
Other assets	-	37,116,887	37,116,887
Total assets	1,456,417,274	576,673,145	2,033,090,419
Liabilities:			
Banks and financial institutions' deposits	417,381,551	120,000,000	537,381,551
Customers' deposits	812,085,234	218,476,813	1,030,562,047
Borrowed money from Central Bank of Jordan	145,245,500	796,310	146,041,810
Cash margins	29,632,207	9,359,086	38,991,293
Sundry provisions	-	606,874	606,874
Income tax provision	6,205,718	660,438	6,866,156
Other liabilities	38,515,028	18,727,457	57,242,485
Total liabilities	1,449,065,238	368,626,978	1,817,692,216
Net	7,352,036	208,046,167	215,398,203

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	Up to 1 Year	Over 1 Year	Total
31 December 2017	JD	JD	JD
Assets:			
Cash and balances at Central Bank of Jordan	70,179,969	-	70,179,969
Balances at banks and financial institutions	254,895,109	-	254,895,109
Deposits at banks and financial institutions	16,535,460	-	16,535,460
Financial assets at fair value through			
Comprehensive Income	14,817,140	-	14,817,140
Financial assets at fair value through Profit or			
Loss	169,390	-	169,390
Direct credit facilities- Net	246,521,451	508,641,445	755,162,896
Financial assets at amortized cost	567,231,486	30,338,381	597,569,867
Investments in associate company	-	19,947,778	19,947,778
Property and equipment-Net	-	68,754,517	68,754,517
Intangible assets-Net	-	930,783	930,783
Deferred tax assets	-	932,646	932,646
Other assets	-	38,130,272	38,130,272
Total assets	1,170,350,005	667,675,822	1,838,025,827
Liabilities:			
Banks and financial institutions' deposits	407,339,879	80,000,000	487,339,879
Customers' deposits	705,154,124	345,561,537	1,050,715,661
Borrowed money from Central Bank of Jordan	161,422	-	161,422
Cash margins	49,297,590	10,395,454	59,693,044
Sundry provisions	-	1,923,950	1,923,950
Income tax provision	-	7,785,786	7,785,786
Other liabilities	-	11,047,721	11,047,721
Total liabilities	1,161,953,015	456,714,448	1,618,667,463
Net	8,396,990	210,961,374	219,358,364

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49. Fair Value Hierarchy

A. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about

How the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs)

	Fair Value as at		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable	Relationship of Unobservable Inputs to fair value
	2018	2017				
	JD	JD				
Financial Assets/Financial Liabilities						
Financial assets at fair value						
Financial assets at fair value through profit or loss						
Quoted corporate equity shares	263,244	169,390	level 1	quoted rates in financial instruments	Not Applicable	Not Applicable
Total	263,244	169,390				
Financial assets at fair value through comprehensive income						
Quoted shares	13,104,260	13,384,653	level 1	quoted rates in financial markets	Not Applicable	Not Applicable
Unquoted shares	2,402,728	1,432,487	level 2	compare to similar financial instruments	Not Applicable	Not Applicable
Total	15,506,988	14,817,140				

There were no transfers between level 1 and 2 during 2018 and 2017.

B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

Except what is detailed in following table we believe that the carrying amounts of financial assets recognized in the Company's financial statements

approximate their fair values, due to that the bank's management believes that the item's book value are equals to the fair value which is due to its

Short term maturity or to the interest rates being revaluated during the year.

	2018		2017		Fair value hierarchy
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial assets not calculated at fair value					
Balances at central banks	101,095,229	101,095,229	51,725,082	51,725,082	level 2
Balances at banks and financial institutions	307,520,994	308,230,505	254,895,109	255,101,343	level 2
Deposits at banks and financial institutions	15,877,685	15,956,936	16,535,460	16,571,563	level 2
Loans and other bills	752,694,569	758,137,904	755,162,886	760,572,218	level 2
Financial assets at amortized costs	688,023,173	699,442,904	597,569,867	607,355,672	level 1&2
Total Financial assets not calculated at fair value	1,885,211,650	1,882,863,478	1,675,888,414	1,691,325,878	
Liabilities not calculated at fair value					
Banks and financial institution deposits	537,381,551	540,674,472	487,339,879	488,053,997	level 2
Customer deposits	1,030,562,047	1,034,495,807	1,050,715,661	1,053,821,803	level 2
Borrowed money from the central bank of Jordan	146,041,810	146,041,810	161,422	161,958	level 2
Cash margins	38,991,293	39,170,804	59,693,044	59,769,606	level 2
Total Liabilities not Calculated at Fair Value	1,752,976,701	1,760,382,893	1,597,910,006	1,601,807,364	

The fair values of the financial assets included in level 2 and 3 categories above have been determined in accordance with the generally accepted pricing

50. Commitments and contingent liabilities (Off-Statement of Financial Position)

A. Contingent liabilities:

	2018	2017
	JD	JD
Letters of credit		
Export	47,006,472	32,202,294
Import (backed)	1,307,390	691,585
Import (not backed)	64,444,035	70,358,389
Acceptance		
Export / letter of credit	39,942,063	45,703,226
Export / policies	8,063,929	9,570,701
Import (not backed)	7,790,234	6,143,745
Letters of guarantee		
Payments	27,955,736	23,233,230
Performance	29,453,390	30,372,402
Other	23,208,947	23,044,828
Forward contracts	27,657,000	-
Un-utilized facilities	78,070,287	48,350,039
Total	354,899,483	289,670,439

Operating lease contracts in Arab Jordan Investment Bank- Qatar (subsidiary) amounted to JD 119,776 as of 31 December 2018 (JD 181,161 as of 31 December 2017).

B. There are no contractual commitments to purchase fixed assets or constructional contracts.

C. There are no guarantees provided against contractual obligations.

D. Operating and finance lease contracts.

The minimum capital lease payment is as follows:

	2018	2017
	JD	JD
Within one year	119,776	181,161
Total	119,776	181,161

51. Lawsuits against the Bank

The lawsuits against the Bank amounted to JD 6,737,335 as of 31 December 2018 (10,234,144 as of 31 December 2017) which represents lawsuits that clients have raised to respond to lawsuits that the Bank has raised against them. In the opinion of the Bank's lawyer the Bank will not incur any significant amounts against these lawsuits except for the booked provision which amounted to JD 99,691 as of 31 December 2018. Moreover, the amounts paid by the Bank against concluded or settled lawsuits are taken to the statement of income upon payment.

52. New International Financial Reporting Standards and its explanations and issued amendments and not implemented yet

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Bank has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Bank will adopt IFRS 16 using the modified retrospective approach. During 2018, the Bank has performed a detailed impact assessment of IFRS 16. The Bank expect the effect of adopting IFRS 16 to be JD 3,859,493 on the total assets and JD 3,859,493 on the total liabilities.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment,

recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

53. Comparative figures

Some of 2017 balances were reclassified to correspond with those of 2018 presentation, the reclassification has no effect on the profit and total equity of the year 2017.