بنك الاتحاد
Bank al Etihad

للافصاح
* بورصة عمان
* السيد الدجاني
السيد عبدالله
السيد خالد

Ref: 3300/ 54 /2020

الرقم: 3300/ 54 /2020

Date: 08/06/2020

التاريخ: 2020/06/08

Jordan Securities Commission
Amman Stock Exchange

السادة هيئة الاوراق المالية
السادة بورصة عمان

٦/٩

Subject: Audited Financial Statements for the fiscal year ended 31/12/2019

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2019/12/31

Attached the Audited Financial Statements of Bank Al Etihad Arabic and English Version for the fiscal year ended 31/12/2019 after the Central Bank of Jordan approval.

مرفق طيه نسخة من البيانات المالية المدققة لبنك الاتحاد باللغتين العربية والانجليزية عن السنة المالية المنتهية في 2019/12/31 بعد ان تمت الموافقة عليها من البنك المركزي الاردني.

Best Regards,,,

وتفضلوا بقبول فائق الاحترام،،،

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٠٩ حزيران ٢٠٢٠
الرقم المتسلسل ...
الجهة المختصة ...

Nadia Al Saeed

Chief Executive Officer

ناديا السعيد

الرئيس التنفيذي

بنك الاتحاد
شارع عبد الرحيم الواكد، الشميساني ص.ب 35104 عمّان 11180، الأردن هاتف: 7011 560 6 (962)+ فاكس: 6149 566 6 (962)+
bankaletihad.com info@bankaletihad.com

BANK AL ETIHAD
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH THE AUDIT REPORT

BANK AL ETIHAD
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2019

TABLE OF CONTENTS

Deloitte & Touche (ME) – Jordan
Jabal Amman, 5th Circle
190Zahran Street
Amman 11118, Jordan

Tel: +962 (6) 5502200
Fax: +962 (6) 5502210
www.deloitte.com

Audit Report on the Consolidated Financial Statements

AM/ 010932

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

Opinion

We have audited the financial statements of Bank Al Etihad (A Public Shareholding Limited Company) "The Bank or the Group", which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity, consolidated statement of cash flows for the year, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2019, and its consolidated financial performance and its cash flows for the year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Central Bank of Jordan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 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.

Other Matter

The accompanying consolidated financial statement are a translation of the original consolidated financial statements, which are in the Arabic language, to which reference should be made.

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 of the current year. 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.

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.

For each matter below, our description of how our audit addressed the matter is provided in that context.

	Key Audit Matters	Scope of Audit to Address the Risks
1.	**Impairment of carrying value of the credit facilities and financing as per IFRS 9** The Bank's financial assets are stated in the statement of financial position at JD 2,636 million as at December 31, 2019. The expected credit loss (ECL) allowance was JD 97 million as at this date, which comprised an allowance of JD 23 million against Stage 1 and 2 exposures and an allowance of JD 74 million against exposures classified under Stage 3. The audit of the impairment of credit facilities and financing is a key area of focus because of their size (representing 57% of total assets) and due to the significance of the estimates and judgments used in classifying credit facilities and financing into various stages, and determining related allowance requirements and the complexity of the judgements, assumptions, and estimates used in the Expected Credit Loss models. Refer to Note (2) to the consolidated financial statements for the accounting policy, Note (4) for critical judgements and estimates used by management, and Note (44) for disclosures about credit risk.	We obtained a detailed understanding of the Bank's credit facilities and financing, investing assets business processes, and the accounting policies on the adoption of IFRS 9, including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the IFRS 9 ECL models as at December 31, 2019. We tested the design, implementation, and operating effectiveness of the relevant controls which included testing: • System-based and manual controls over the timely recognition of impaired credit facilities and financing and investing assets and advances; • Controls over the ECL calculation models; • Controls over collateral valuation estimates; • Controls over governance and approval process related to impairment provisions and ECL Models, including continuous reassessment by the management.

Key Audit Matters	Scope of Audit to Address the Risks
The Bank recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is compared to the ECL amount calculated according to the instructions of the Central Bank of Jordan, and the higher of the two amounts is recorded after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan. ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Bank employs statistical models for ECL calculations, and the key variables used in these calculations are probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are defined in Note (44) to the consolidated financial statements. The Corporate portfolio of credit facilities and financing and Investing assets is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management's judgement may also be involved in manual staging override as per the Bank's policies. The measurement of ECL amounts for retail exposures classified as Stage 1 and Stage 2 are calculated using models with limited manual intervention. Retail exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Bank in accordance with the original contractual terms.	We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the minimum requirements of the standard. We also tested the mathematical integrity of the ECL model by performing recalculations. It is compared to the ECL amount calculated according to the instructions of the Central Bank of Jordan, and the higher of the two amounts is recorded after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment. For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Bank's methodology to determine the allowance, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For samples of exposures, we checked the appropriateness of the Bank's staging. For forward-looking assumptions used by the Bank's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. We selected samples of credit facilities and financing and investing assets and assessed the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by management in their ECL calculations. For exposures determined to be individually impaired, we tested samples of credit facilities and financing and investing assets, and examined management's estimate of future cash flows, assessed their reasonableness and assessed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default.

Key Audit Matters	Scope of Audit to Address the Risks
Impaired credit facilities are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the credit facilities carrying value compared to the net present value of future cash flows using the original effective profit rate after comparing it with the ECL amount calculated according to the instructions of the Central Bank of Jordan and recording the higher of the two amounts, excluding credit exposures with/guaranteed by the Jordanian government, and any other special arrangements with the Central Bank of Jordan. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral, probability of successful repossession, and the costs involved to recover the debts.	We also, assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRSs.
2. IT systems and controls over financial reporting	
We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls, and therefore, the following procedures were designed to test access and control over IT systems: We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations. We examined computer-generated information used in financial reports from relevant applications and key controls over their report logics. We performed testing on the key automated controls on significant IT systems relevant to business processes.

Other Information

Management is responsible for other information. The other information consists of information provided in the annual report other than the consolidated financial statements and the related auditor's report. We expect that the annual report will be provided to us after the date of our report. Our opinion on the consolidated financial statements does not include the other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 International Financial Reporting Standards (IFRSs) as adopted by the Central Bank of Jordan, and for such internal control as management determines necessary to enable the preparation of the 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 exists. 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 the 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.

Deloitte.

- 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 and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group ("The Bank and its subsidiaries") to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
The Bank maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Amman – The Hashemite Kingdom of Jordan
February 16, 2020

Deloitte & Touche (M.E.) – Jordan

A. Am
Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010105

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
	Note	2019	2018
Assets:		JD	JD
Cash and balances at the Central Bank of Jordan	5	563,867,223	333,205,500
Balances at banks and financial institutions	6	330,805,729	248,264,111
Deposits at banks and financial institutions	7	3,000,000	4,258,890
Financial assets at fair value through statement of profit or loss	8	16,535,618	13,478,492
Direct credit facilities and financing - net	9	2,635,851,371	2,277,918,456
Financial assets at fair value through other comprehensive income	10	32,313,468	28,530,920
Financial assets at amortized cost	11	765,573,933	765,692,190
Investments in associates	12	354,022	376,618
Property and equipment - net	13	72,138,592	74,486,185
Deferred tax assets	21/b	12,891,744	11,957,746
Right of use assets	43	26,517,873	-
Intangible assets - net	14	24,409,882	22,186,281
Other assets	15	95,416,530	87,713,743
TOTAL ASSETS		4,579,675,985	3,868,069,132
LIABILITIES AND OWNERS' EQUITY:			
LIABILITIES:			
Banks' and financial institutions' deposits	16	149,997,070	96,687,828
Customers' deposits	17	3,575,967,461	2,988,949,545
Cash margins	18	185,698,024	141,814,536
Borrowed funds	19	65,169,905	85,236,262
Sundry provisions	20	930,224	1,232,609
Leasing liabilities	43	25,451,501	-
Income tax provision	21/a	20,634,229	18,199,119
Other liabilities	22	76,583,458	68,702,089
TOTAL LIABILITIES		4,100,431,872	3,400,821,988
OWNERS' EQUITY:			
BANK'S SHAREHOLDERS' EQUITY:			
Paid-up capital	23	160,000,000	160,000,000
Share premium	23	80,213,173	80,213,173
Statutory reserve	24	56,257,522	49,410,187
Voluntary reserve	24	38,833,125	34,279,172
Fair value reserve	26	372,413	(727,049)
Retained earnings	27	51,596,833	53,566,049
TOTAL BANK'S SHAREHOLDERS' EQUITY		387,273,066	376,741,532
Non-controlling interests		91,971,047	90,505,612
TOTAL OWNERS' EQUITY		479,244,113	467,247,144
TOTAL LIABILITIES AND OWNERS' EQUITY		4,579,675,985	3,868,069,132

THE ACCOMPANYING NOTES FROM (1) TO (50) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the Year Ended December 31, 2019	2018
		JD	JD
Interest income and returns	30	252,884,755	216,761,089
Interest and debit expenses	31	116,446,250	88,809,011
Net Interest Income and Returns		136,438,505	127,952,078
Net commission income	32	25,990,001	23,849,404
Net interest, returns and commission income		162,428,506	151,801,482
Gain from foreign currencies	33	6,964,464	5,854,006
Gain (Loss) from financial assets at fair value through statement of profit or loss	34	239,567	(2,455,797)
Net gain (losses) from sale of financial assets at amortized costs		71,875	(3,037)
Dividends from financial assets at fair value through other comprehensive income	35	1,039,085	1,026,133
Other income	36	1,469,127	1,337,196
Total Income		172,212,624	157,559,983
Employees' expenses	37	46,521,562	43,123,071
Depreciation and amortization	13 and 14	12,620,578	11,025,351
Other expenses	38	28,911,804	24,810,494
Right-of-use assets depreciation	43	3,316,267	-
Rent expense	43	574,032	3,894,694
Financing costs	43	918,592	-
Allowance for expected credit loss	28	17,306,333	10,935,812
Provision for impairment of foreclosed assets	15	(476,769)	200,000
Sundry provisions	20	1,161,541	1,048,709
Total Expenses		110,853,940	95,038,131
Profit from operations		61,358,684	62,521,852
Bank's share from associates (losses) profits		(12,596)	8,356
Profit for the year before tax		61,346,088	62,530,208
Income tax expense	21/a	(23,329,865)	(21,444,297)
Profit for the Year		38,016,223	41,085,911
Attributable to:			
Bank's Shareholders		31,613,674	35,736,582
Non-Controlling Interests		6,402,549	5,349,329
		38,016,223	41,085,911
		JD/ FILS	JD/ FILS
Basic and diluted earnings per share for the period attributable to the Bank's Shareholders	39	-/198	-/223

THE ACCOMPANYING NOTES FROM (1) TO (50) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Profit for the Year	38,016,223	41,085,911
Comprehensive income items		
Items not reclassifiable to profit or loss in the subsequent period		
Net change in fair value reserve after tax	1,320,628	(2,104,192)
Total Comprehensive Income for the Year	39,336,851	38,981,719
Attributable to:		
Bank's Shareholders	32,845,461	33,650,791
Non-Controlling Interests	6,491,390	5,330,928
	39,336,851	38,981,719

THE ACCOMPANYING NOTES FROM (1) TO (50) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Paid-up Capital	Share Premium	Reserves: Statutory	Reserves: Voluntary	Reserves: General Banking Risks	Reserves: Fair Value	Retained Earnings	Total Shareholder's Equity	Non-Controlling Interests	Total Owners' Equity
For the Year Ended December 31, 2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Beginning balance for the year	160,000,000	80,213,173	49,410,187	34,279,172	-	(727,049)	53,566,049	376,741,532	90,505,612	467,247,144
Effect of implementation of International Financial Reporting Standard No. (9)										-
Total comprehensive income for the year	-	-	-	-	-	1,231,787	31,613,674	32,845,461	6,491,390	39,336,851
Transferred during the year	-	-	-	-	-	-	-	-	-	-
Transferred to reserve	-	-	6,847,335	4,553,953	-	-	(11,401,288)	-	-	-
Distributed dividends (note 23)	-	-	-	-	-	-	(22,400,000)	(22,400,000)	(4,228,426)	(26,628,426)
Realized gain from sold financial assets at fair value through other comprehensive income	-	-	-	-	-	(132,325)	132,325	-	-	-
Share at subsidiaries	-	-	-	-	-	-	86,073	86,073	(797,529)	(711,456)
Ending Balance for the Year	160,000,000	80,213,173	56,257,522	38,833,125	-	372,413	51,596,833	387,273,066	91,971,047	479,244,113
For the Year Ended December 31, 2018										
Beginning balance for the year	160,000,000	80,213,173	42,668,849	29,271,414	14,034,670	1,191,589	43,243,353	370,623,048	87,887,985	458,511,033
Effect of implementation of International Financial Reporting Standard No. (9)	-	-	-	-	-	-	(11,539,158)	(11,539,158)	(122,931)	(11,662,089)
Transferred from general banking risks	-	-	-	-	(14,034,670)	-	14,034,670	-	-	-
Adjusted beginning balance	160,000,000	80,213,173	42,668,849	29,271,414	-	1,191,589	45,738,865	359,083,890	87,765,054	446,848,944
Total comprehensive income for the year	-	-	-	-	-	(2,085,791)	35,736,582	33,650,791	5,330,928	38,981,719
Transferred during the year	-	-	6,741,338	5,007,758	-	-	(11,749,096)	-	-	-
Distributed dividends (note 23)	-	-	-	-	-	-	(16,000,000)	(16,000,000)	(2,602,635)	(18,602,635)
Realized gain from sold financial assets at fair value through other comprehensive income	-	-	-	-	-	167,153	(167,153)	-	-	-
Effect of disposal of a subsidiary	-	-	-	-	-	-	6,851	6,851	12,265	19,116
Ending Balance for the Year	160,000,000	80,213,173	49,410,187	34,279,172	-	(727,049)	53,566,049	376,741,532	90,505,612	467,247,144

* The retained earnings balance includes deferred tax assets of JD 11,210,810 as of December 31, 2019 (JD 10,380,457 as of December 31, 2018), which is restricted from use according to the Central Bank of Jordan's instructions, unless there is an approval to use it.

* The retained earnings balance includes an amount of JD 437,154 that represents losses from differences on the revaluation of financial assets at fair value through profit and loss.

- It is forbidden to use the excess from the personal financial risk reserve balance and the amount of JD 108,397 transferred to retained earnings as of December 31, 2019 and 2018 that belongs to Safwa Islamic Bank without the Central Bank of Jordan's prior approval.

THE ACCOMPANYING NOTES FROM (1) TO (50) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31, 2019	2018
Operating Activities		JD	JD
Profit before income tax		61,346,088	62,530,208
Adjustments for non-cash items:			
Depreciation and amortization	13 & 14	12,620,578	11,025,351
Provision for expected credit loss	28	17,306,333	10,935,812
Right-of-use assets depreciation	43	3,316,267	-
Interest from leasing liabilities	43	918,592	-
Provision for impairment in foreclosed assets	15	(476,769)	200,000
Unrealized (gains) losses from financial assets	34	(208,190)	1,002,899
Loss from sale of property and equipment	38	445,414	315,651
Loss from the evaluation of transferred bonds		6,360	-
Sundry provisions	20	1,161,541	1,048,709
Banks' share from associates' (losses) profits	12	12,596	(8,356)
Losses (gains) from sale of foreclosed assets against debts	36 & 38	383,477	(208,038)
Differences in exchange rates on cash and cash equivalents	33	(2,287,622)	(1,914,563)
Profit before changes in assets and liabilities		94,544,665	84,927,673
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (Increase) in restricted cash balances		2,377,264	(736,983)
(Increase) in financial assets at fair value through statement of profit or loss		(2,848,936)	(6,972,111)
Decrease in banks and financial institutions' deposits with maturity exceeding 3 months		1,259,461	4,065,637
Decrease in deposits at banks and financial institutions with maturity exceeding 3 months		34,073,000	8,500,000
(Increase) in direct credit facilities		(376,461,538)	(221,433,607)
(Increase) in other assets		(8,764,299)	(25,403,942)
Increase in customers' deposits		587,017,916	297,613,624
Increase (decrease) in cash margins		43,883,488	(68,274,174)
Increase in other liabilities		9,031,577	17,074,372
Net Cash Flows from Operating Activities Before Tax and Provisions Paid		384,112,598	89,360,489
Income tax paid	a/21	(21,725,107)	(18,402,776)
Sundry Provisions Paid	20	(1,463,926)	(50,715)
Net Cash Flows from Operating Activities		360,923,565	70,906,998
Investing Activities			
(Purchase) of financial assets at fair value through other comprehensive income		(2,565,565)	(603,655)
Financial assets matured at amortized cost	11	199,722,310	115,610,315
(Purchase) of financial assets at amortized cost	11	(199,514,025)	(263,084,420)
(Purchase) of property and equipment and payments for (Purchase of property and equipment) account	13	(7,430,869)	(11,949,707)
Proceeds from sale of property and equipment	13	524,933	408,117
(Increase) in intangible assets	14	(6,036,063)	(4,558,579)
Payments of lease liability	43	(3,918,611)	-
Repayment of part of lease liability interest	43	(234,176)	-
Cash dividends collected in associates	12	10,000	9,000
Net Cash Flows (used in) Investing Activities		(19,442,066)	(164,168,929)
Financing Activities			
Dividends distributed to shareholders		(26,577,548)	(18,522,953)
(Decrease) in borrowings		(20,066,357)	(2,975,733)
Impact of the exclusion of a subsidiary		(711,456)	19,116
Net Cash Flows (used in) from Financing Activities		(47,355,361)	(21,479,570)
Net increase (decrease) in cash and cash equivalent		294,126,138	(114,741,501)
Effect of the change in exchange rates on cash and cash equivalents	33	2,287,622	1,914,563
Cash and cash equivalents - Beginning of the year		487,189,265	600,016,203
Cash and cash equivalents - End of the Year	40	783,603,025	487,189,265

THE ACCOMPANYING NOTES FROM (1) TO (50) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

1. GENERAL

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

- The Bank provides its financial and banking services through its main branch located in Amman and through its (49) branches and its subsidiaries in Jordan.

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

- The consolidated financial statements were approved by the Audit Committee on January 30, 2020, based on the authorization of the Bank's Board of Directors, subject to the approval of the General Assembly of Shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Consolidated Financial Statement

- The accompanying consolidated financial statement of the Bank and its subsidiaries have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpertation Committee arising from the International Accounting Standrads Committee, and in conformity with the local applicable laws and regulations and the regulations of the Central Bank of Jordan.

  The main differences between IFRSs as they should be applied and what has been approved by the Central Bank of Jordan are as follows:

- Provisions for expected credit losses are calculated in accordance with IFRS 9, the Central Bank of Jordan's instructions , and the instructions of the supervisory authorities in the countries in which the Bank operates, whichever is tougher. The material differences are as follows:

  - Elimination of debt instruments issued or granted by the Jordanian Government, in addition to any credit exposures with / guaranteed by the Jordaninan Government, so that such credit exposures are handled without incurring any credit losses.
  - When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan's Instructions No. (2009/47) dated December 10, 2009 for each stage separately. The tougher results are adopted.

- Interest and commissions on non-performing credit facilities granted to clients is suspended, in accordance with the instructions of the Central Bank of Jordan.

- Assets seized by the Bank are shown in the consolidated statement of financial position, among other assets, at their current value when seized by the Bank or at their fair value, whichever is lower. Furthermore, they are reassessed on the date of the consolidated financial statements separately, and any decrease in value is recorded in the consolidated statement of profit or loss while any increase in value is not recorded as revenue. In addition, any subsequent increase is taken to the statement of profit or loss to the extent of not exceeding the previously recorded value. As of the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, according to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. In this respect, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, and confirming postponement of the calculation of the provision until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deduction of the required provisions against the acquired real estate will continue at a rate of 5% of the total book value of these properties (regardless of the violation period) from the year 2021 until the required percentage is reached (50% of these properties by the end of the year 2029).

- The consolidated financial statements are prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial derivatives stated at fair value as of the date of the consolidated financial statements. Furthermore, hedged financial assets and financial liabilities are stated at fair value.

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

- The accounting policies adopted in preparing the consolidated financial statements are consistent with those applied in the year ended December 31, 2018 except for the effect of what is stated in Note (3 – a & 3 – b):

  Basis of Consolidation

  The accompanying consolidated financial statements include the financial statements of the Bank and the subsidiary under its control. Moreover, control is achieved when the Bank has the ability to control the investee company, the company is exposed to variable returns or has rights to participate in the investee company, and the Bank is able to use its authority over the investee company, which affects its revenues.

- The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

- When the Bank has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

  In this regard, the Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

  - The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
  - Potential voting rights held by the Company, other vote-holders, or other parties;
  - Rights arising from other contractual arrangements.
  - Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be taken, including voting patterns at previous shareholders' meetings.

- Transactions, balances, revenues and expenses are eliminated between the Bank and the subsidiary.

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

- The results of the subsidiaries' operations are consolidated in the consolidated statement of profit or loss effective from their acquisition date, which is the date on which control over subsidiaries is effectively transferred to the Bank. Furthermore, the results of the disposed of subsidiaries are consolidated in the consolidated statement of profit or loss up to the date of their disposal, which is the date on which the Bank loses control over the subsidiaries.

- Non-controlling interests represent that part of the equity that is not owned by the Bank. Non-controlling interests in the net assets of the subsidiary are presented separately in the Bank's statement of equity.

The Bank owns the following subsidiaries as of December 31, 2019:

Company's Name	Paid-up Capital	Ownership of the Bank	Nature of Operation	Date of Acquisition	Location	Total Assets	Total Liabilities	Total Revenues	Total Expenses
	JD	%				JD	JD	JD	JD
Al-Etihad for Financial Brokerage Company L.L.C.	5,000,000	100	Financial Brokerage	2006	Jordan	11,657,187	1,200,147	999,518	479,210
Al-Etihad for Financial Leasing Company L.L.C	7,500,000	100	Finance leasing	2015	Jordan	12,590,134	4,531,941	1,300,252	819,705
Al-Etihad Islamic Investment Company L.L.C	65,562,636	58	Acquisition of bonds and shares in companies and borrowing the necessary funds from banks	2016	Jordan	113,970,382	7,051	4,325,574	8,242
Al-Etihad for Financial Technology Company	100,000	100	Manufacturing, programing development and supplying programs	2019	Jordan	100,000	-	-	-

Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the investee’s returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Bank has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of other voting rights;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be taken, including voting patterns at previous shareholders' meetings.

When it loses control of a subsidiary, the Bank performs the following;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests.
- Derecognizes transfer differences restricted in Owners' Equity.
- Derecognizes the fair value to the next controlling party.
- Derecognizes the fair value of any investment retained.
- Derecognizes any gain or loss in the income statement.
- Reclassifies owners' equity already booked in other comprehensive income to the profit or loss statement as appropriate.

The subsidiaries' financial statements are prepared under the same accounting policies adopted by the Bank. If the subsidiaries apply different accounting policies than those used by the Bank, the necessary modifications shall be made to the subsidiaries' financial statements to make them comply with the accounting policies used by the Bank.

The non-controlling interests represent the portion not owned by the Bank relating to ownership of the subsidiaries.

<u>Segment Information</u>

- Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors (measured in accordance with the reports sent to the operations management and decision makers in the Bank).

- The geographical sector relates to providing products or services in a specific economic environment subject to risks and returns different from those of sectors functioning in other economic environments.

<u>Net Interest Income</u>

Interest income and expense for all financial instruments, except for those classified as held for trading, or those measured or designated as at fair value through the consolidated statement of profit or loss, are recognized in 'Net interest income' as 'Interest income' and 'Interest Expense' in the statement of profit or loss using the effective interest method. Interest on financial instruments measured as at fair value through the statement of profit or loss is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI), EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Banks's consolidated statement of profit or loss also includes the effective portion of the fair value changes of derivatives designated as hedging instruments in the cash flow hedges of interest rate risk. For fair value hedges of interest rate risk related to interest income and expense, the effective portion of the fair value changes of the designated derivatives, as well as the fair value changes of the designated risk of the hedged item, are also included in interest income and expense.

Net Fee and Commission Income
Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in this part of the Group's consolidated statement of profit or loss include, among other things, fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement, and loan syndication fees.

Fee and commission expenses concerning services are accounted for as the services are received.

Part of the contracts with clients that result from the recognition of financial instruments could be related to IFRS 9 or 15. In this case, IFRS 9-related part of the commission is recognized, and the remaining part is recognized according to IFRS 15.

Net Trading Income
Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Bank has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense, and dividends.

Net Income from Other Financial Instruments at Fair Value through the Statement of Profit or Loss:
Net income from other financial instruments at fair value through the statement of profit or loss includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through the statement of profit or loss except those that are held for trading. The Bank has elected to present the full fair value movement of assets and liabilities at fair value through the statement of profit or loss in this line, including the related interest income, expense, and dividends.

The fair value movement on derivatives held for economic hedging where hedge accounting is not applied is presented in 'Net income from other financial instruments at fair value through the statement of profit or loss'. However, for designated and effective fair value hedge accounting relationships, the gains and losses on the hedging instrument are presented in the same line in the statement of profit or losses as a hedged item. For designated and effective cash flow and net investment hedge accounting relationships, the gains and losses of the hedging instrument, including any hedging ineffectiveness included in the statement of profit or loss, are presented in the same line as the hedged item that affects the statement of profit or loss.

Dividend Income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- For equity instruments which are held for trading, dividend income is presented as gain (loss) of financial assets at fair value through the statement of profit or loss, in the statement of profit or loss;
- For equity instruments designated at fair value through other comprehensive income, dividend income is presented in the statement of profit or loss as dividends revenue from financial assets at fair value through other comprehensive income; and
- For equity instruments not designated at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through the statement of profit or loss.

Financial Instruments

Initial recognition and measurement:

Financial assets and financial liabilities are recognized in the Bank's consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of profit or loss are recognized immediately in the statement of profit or loss.

If the transaction price differs from the fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in the statement of profit or loss' initial recognition (i.e. day 1 profit or loss);

- In all other cases, fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to the statement of profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instrument.

Financial Assets

Initial Recognition

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through the statement of profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through the statement of profit or loss are recognized immediately in the consolidated statement of profit or loss.

Subsequent Measurement

All recognized financial assets that are within the scope of IFRS (9) are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through the statement of profit or loss.

However, the Bank may irrevocably make the following selection / designation at initial recognition of a financial asset on an asset- by-asset basis:

- The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS (3) applies, in other comprehensive income; and
- The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through the statement of profit or loss if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value Through Other Comprehensive Income

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at fair value through other comprehensive income, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of (SPPI) test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Assessment of Business Models

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments that reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- The stated policies and objectives of the portfolio and application of those policies concerning if the management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate, and matching the maturity period of financial assets with that of the financial liabilities that finance those assets.
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How the business managers are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Bank has not identified any change in its business models.

When a debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain/loss previously recognized in other comprehensive income is reclassified from equity to the statement of income. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

Financial Assets at Fair Value through the Statement of Income

Financial assets at fair value through profit or loss are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at fair value through profit or loss using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognized in the statement of income.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model, which results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Bank holds financial assets, and therefore, no reclassifications were made. The changes in the contractual cash flows are considered under the accounting policy on the modification and de-recognition of financial assets described below.

Foreign Exchange Gains and Losses

The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the statement of income; and
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve; and
- For financial assets measured at fair value through the statement of profit or loss that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through the statement of profit or loss if otherwise held at fair value through the statement of profit or loss; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Fair Value Option

A financial instrument with a fair value that can be reliably measured at fair value through the i statement of profit or loss (fair value option) may be classified at initial recognition even if the financial instruments are not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option may be used for financial assets if it significantly eliminates or significantly reduces the measurement or recognition inconsistency that would otherwise have resulted in the measurement of the asset or liability or recognized the related gain or loss on a different basis ("accounting mismatch"). The fair value option for financial liabilities can be chosen in the following cases:

- If the selection leads to a significant cancellation or reduction of the accounting mismatch;

- If the financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or

- If a derivative is included in the underlying financial or non-financial contract and the derivative is not closely related to the underlying contract.

These instruments can not be reclassified from the fair value category through the statement of profit or loss while retained or issued. Financial assets at fair value through the income statement are recognized at fair value with any unrealized gain or loss arising from changes in fair value recognized in investment income.

Impairment

The Bank recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through the statement of income:

- Balances and deposits at banks and financial institutions;
- Direct credit facilities (loans and advances to customers);
- Financial assets at amortized cost (debt investment securities);
- Financial assets at fair value through statement of other comprehensive income;
- Off-statement of financial position exposure subject to credit risk (financial guarantee contracts issued).

No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECLs, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- Full lifetime ECLs, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For utilized loan limits, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is utilized; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the client, or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan Instructions No. (2009/47) dated December 10, 2009 for each stage individually, and the tougher results are taken. The credit instruments issued / guaranteed by the Jordanian Government, in addition to any other credit exposures with / guaranteed by the Jordanian government are excluded from the calculation.

Credit-impaired Financial Assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulties facing the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

If it may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or fair value through other comprehensive income are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly, and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment, including meeting the definition of default. The definition of *default* includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more. However, cases where the assets impairment is not recognized after 90 days of their becoming due are supported by reasonable information.

Purchased or Originated Credit-impaired (POCI) Financial Assets
POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in the statement of income. A favorable change for such assets creates an impairment gain.

Definition of Default
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in determining whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in the credit risk below.

The Bank considers the following as constituting an event of default:

- The borrower is past due for more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default that is either developed internally or obtained from external sources.

Significant Increase in Credit Risk
The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of a significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets included in the 'watch list', as exposure is watch-listed once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce, or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes more than (45) days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default, or default has already happened, and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized, the loss allowance for ECL is re-measured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default that has not been reduced by the modification. The Bank monitors the credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss, comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in the calculation of the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

<u>Write-off</u>
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion thereof). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off, which constitutes a derecognition event. In this respect, the Bank may apply enforcement activities to financial assets written off. Meanwhile, recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of Allowance for ECL in the Consolidation Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.
- For loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Liabilities and Equity

Debt and equity instruments issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is:

- a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or

- a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments; or

- a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity Instruments

Paid-up Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Treasury Shares

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated statement of profit or loss when purchasing, selling, issuing, or cancelling the Bank's own equity instruments.

Compound instruments

The component parts of compound instruments (e.g. convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. In the case where there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an amortized cost basis, using the effective interest method until extinguished upon conversion, or at the instrument's maturity date.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through the statement of income' or 'other financial liabilities'.

Financial Liabilities at Fair Value through the Statement of Income

Financial liabilities are classified as at fair value through the statement of profit or loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through the statement of income. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through the statement of profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS (9) permits the entire hybrid (combined) contract to be designated as at fair value through the statement of income.

Financial liabilities at fair value through the statement of profit or loss are stated at fair value, with any gains/losses arising on re-measurement recognized in the statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at fair value through the statement of profit or loss.

However, for non-derivative financial liabilities designated as at fair value through the statement of income, the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts designated as at fair value through the consolidated statement of profit or loss, all gains and losses are recognized in profit or loss.

In determining whether recognizing changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at fair value through the statement of profit or loss.

<u>Other Financial Liabilities</u>
Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR, see the "net interest income section" above.

<u>Derecognition of Financial Liabilities</u>
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of income.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least (10) per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative Financial Instruments
The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage the Bank's exposure to interest rate risk, credit risk, and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Bank designates certain derivatives as hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than (12) months, and it is not expected to be realized or settled within (12) months. Other derivatives are presented as current assets or current liabilities.

Embedded Derivatives
Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS (9); and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position, and the re-measurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at fair value through profit or loss.

Commitments to Provide a Loan at a Below-Market Interest Rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS (9); and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Commitments to provide a loan below market rate not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position, and the re-measurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at fair value through profit or loss.

Hedge Accounting

The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS (39) hedge accounting rules, i.e. the Bank applies IFRS (9) hedge accounting rules in full.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of the hedged item.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements, when necessary. In such cases, discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship; hence, hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships, the Bank designates only the intrinsic value of options. In this case, the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Bank's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank's risk exposures relate to financial items only.

The hedged items designated by the Bank are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortized from equity to profit or loss on a rational basis (e.g. straight- line) over the term of the hedging relationship.

In some hedge relationships, the Bank excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case, a treatment is applied similar to the one applied for the time value of options. The treatment for the forward element of a forward and the currency basis element is optional, and the option is applied on a hedge-by-hedge basis, unlike the treatment for the time value of the options, which is mandatory. For hedge relationships with forwards or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation, the Bank generally recognizes the excluded element in OCI.

The fair values of the derivative instruments used for hedging purposes and movements in the hedging reserve are determined in equity.

Fair Value Hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income in which case it is recognized in OCI. The Bank has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedging gain/loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains/losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at fair value through other comprehensive income) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If the Bank no longer expects the transaction to occur, that amount is immediately reclassified to profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognized immediately in profit or loss.

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described above.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight-line method over their expected useful life.

The depreciation rates used are as follows:

	%
Buildings	2-4
Equipment, furniture and fixtures	7-15
Vehicles	15
Computer	20

- The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is charged to the consolidated statement of profit or loss.

- The useful life of property and equipment is reviewed at each year-end, and changes in the expected useful life are treated as changes in accounting estimates.

- An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Fair Value

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration, when determining the price of any asset or liability, whether market participants are required to take these factors into account at the measurement date. Fair value for the purposes of measurement and / or disclosure in these financial statements is determined on the same basis, except for measurement procedures that are similar to the fair value procedures and are not fair value such as fair value as used in IAS (36).

In addition, fair value measurements are classified, for the purposes of financial reporting to level (1), (2) or (3), based on the extent to which the inputs are clear concerning the fair value measurements and the importance of inputs to the full fair value measurements. The details are as follows:

Level (1) Inputs: Inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;

Level (2) Inputs: Inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;

Level (3) Inputs: Inputs to assets or liabilities that are not based on observable market prices.

Provisions

Provisions are recognized when the Bank has an obligation at the date of the consolidated statement of financial position arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Income Tax

- Tax expense comprises current tax and deferred taxes.

- Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non-deductible expenses which may be exempted in the current or subsequent financial years, or accumulatted losses that are tax acceptable or items not subject to deduction for tax purposes.

- Tax is calculated based on tax rates and laws that are applicable in the country of operation.

- Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the consolidated statement of financial position.

- The carrying values of deferred tax assets are reviewed at the date of the consolidated financial statement and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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.

Revenue and Expense Recognition

- Interest income is recorded using the effective interest rate method except for fees and interest on non-performing facilities and financing, on which interest is transferred to the interest in suspense account and not recognized in the consolidated statement of profit or loss.

- Expenses are recognized on an accrual basis.

- Commission income is recognized upon the rendering of services. Dividend income is recognized (when approved by the General Assembly).

Date of Recognition of Financial Assets

Purchase or sale of financial assets is recognized on the trade date, (the date that the Bank commits to purchase or sell the asset).

Financial Derivatives and Hedge Accounting

Derivatives for Trading

The fair value of derivative financial instruments held for trading (such as future foreign exchange contracts, future interest contracts, swaps contracts, foreign exchange rate option rights) is recognized in the consolidated statement of financial position. Moreover, fair value is determined at the prevailing market prices. If these prices are not available, the assessment method should be mentioned, and the amount of changes in fair value should be recognized in the consolidated statement of profit or loss.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a specified future date will continue to be recognized in the Bank's consolidated financial statements due to the Bank's control of these assets and the fact that continuing exposure to the risks and rewards of these assets remains with the Bank and continue to be evaluated in accordance with the applied accounting policies. The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

- Assets purchased with a corresponding commitment to resell at a specified future date are not recognized in the Bank's consolidated financial statements since the Bank is not able to control these assets or the associated risks and benefits. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

Assets Repossesed by the Bank

Since the beginning of 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, pursuant to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Moreover, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, in which it confirmed postponement of the calculation of the allowance until the end of the year 2019. Pursuant to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deductions shall be made for the provisions required against the seized real estate at a rate of 5% from the total book value of these properties (regardless of the violation period) starting from the year 2021 until the required percentage has been reached, i.e. 50% of the value of these properties by the end of the year 2029.

Intangible Assets

- Intangible assets are measured on initial recognition at cost.

- Intangible assets are classified as indefinite or with definite useful life. Intangible assets with finite lives are amortized over the useful economic life, and amortization is recorded in the consolidated statement of profit or loss, using the straight-line metthod during a period not exceeding 5 years from the date of the purchase transaction. Meanwhile, intangible assets with indefinite useful lives are assessed for impairment at each reporting date, and impairment losses are recorded in the consolidated statement of income.

- Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of profit or loss.

- Intangible assets include computer software, programs, Safwa Islamic Bank's license and customers' deposits. The Bank's management estimates the useful life for each intangible asset, where the assets are amortized using the straight- line method from 3 to 7 years. As for Safwa Bank's license, its useful life is indefinite and it is not amortized.

Business Combinations and Goodwill

- A business combination is registered using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree.

- For each business combination, the Bank elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses in the consolidated income statement.

- Goodwill is measured at cost, which represents the excess of the amounts granted in addition to the amount of non-controlling interests over the net fair value of the assets and liabilities owned after deducting the impairment amount.

- When the Bank acquires a business, it reviews the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Investment in Associates

- Associates are those companies in which the Bank exerts an effective influence on their financial and operational policy decisions, and that are not retained for trading. In this regard, investments in associates are stated according to the equity method.

- Investments in associates are stated at cost within the statement of financial position, in addition to the Bank's share of changes in the associate's net assets. The goodwill resulting from investing in associates is recorded as part of the investment account of the associate and is not amortized. Moreover, the Bank's share of the associates’ profits is recorded in the consolidated statement of profit or loss . In the event of changes in the owners’ equity of the associates, these changes, if any, are reflected in the Bank’s statement of changes in owners’ equity. Profits and losses resulting from transactions between the Bank and the associates are elimintated to the extent of the Bank's share in the associates.

Foreign Currencies

For the purpose of the consolidated financial statements, the results and financial position of each entity of the Group are presented in the functional currency unit of the Bank and the presentation currency of the consolidated financial statements.

The standalone financial statements of the Bank's subsidiaries are prepared. Moreover, the standalone financial statements of each entity of the Group are presented in the functional currency in which it operates. Transactions in currencies other than the functional currency of the Bank are recorded at the rates of exchange prevailing at the dates of those transactions. At the balance sheet date, financial assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates at the date when the fair value is determined. Non-monetary items measured at historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise except for:

- Foreign exchange differences on transactions made in order to hedge foreign exchange risk.

- Foreign exchange differences on monetary items required to / from a foreign operation that are not planned to be settled, are unlikely to be settled in the near future (and therefore, these differences form part of the net investment in the foreign operation), and are initially recognized in the comprehensive income statement and reclassified from equity to the income statement when selling or partially disposing of the net investment.

In order to present the consolidated financial statements, the assets and liabilities of the Bank's foreign operations are translated at the rates of exchange prevailing at the statement of financial position date. Income is also translated at the average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates are used on the date of the transactions. Exchange differences arising, if any, are recognized in other consolidated statement of comprehensive income under a separate line item of equity.

When foreign operations are disposed of (i.e. disposal of the entire share of the Bank from foreign operations, or resulting from loss of control of a subsidiary in foreign operations, or partial exclusion by its share in a joint arrangement, or an associate company of a foreign nature in which the share held is a financial asset), all foreign exchange differences accumulated in a separate item under equity in respect of that transaction attributable to the Bank's owners are reclassified to the consolidated statement of profit or loss.

In respect of the partial disposal of a subsidiary involving foreign operations that do not result in the Bank losing control of the subsidiary, its share of the accumulated exchange differences is credited to net comprehensive income at a rate that is derecognized and not recognized in the consolidated statement of income. For all other partial liquidation (such as partial liquidation of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the share of accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Leases
Accounting Policy Adopted Since January, 1, 2019.
The Bank as a Lessee
The Bank assesses whether the contract contains lease when starting the contract. Moreover, the Bank recognizes the right-of-use assets and the corresponding lease obligations in relation to all lease arrangements to which the lessee is a party, except for short-term lease contracts (defined as leases of 12 months or less) and low-value asset leases. For these contracts, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the period of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are utilized.

The lease obligation is initially measured at the present value of the lease payments that were not paid on the start date of the lease, and is discounted by using the price implicit in the lease. If this rate cannot be easily determined, the Bank uses its expected incremental borrowing rate.

The lease payments included in the rental obligation measurement include:

- Fixed rental payments (essentially including fixed payments), minus rental incentives receivable;

- Variable rental payments that depend on an index or a rate, initially measured using the index or the rate at the date the contract begins.

- The amount expected to be paid by the lessee under the residual value guarantees.

- The price of the exercise of purchase options, if the lessee is reasonably certain of the exercise of the options; and

- Payment of the contract termination fines, if the lease reflects the exercise of the lease termination option.

Rental obligations are presented as a separate note to the consolidated statement of financial position.

Subsecuently, lease obligations are subsequently measured by increasing the book value to reflect the interest in the rental obligations (using the effective interest method) and by reducing the book value to reflect the rental payments paid.

The lease obligations (and a similar adjustment to the related right-of-use assets) are re-measured whenever:

- The lease term has changed or there is an event or important change in the conditions that lead to a change in the exercise of the purchase option assessment, in which case the lease obligations are re-measured by deducting the adjusted lease payment using the adjusted discount rate.

- Lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value, in which cases the lease obligation is re-measured by deducting the modified rental payments using a non-variable discount rate (unless the rental payments change due to a change in the floating interest rate, in this case the adjusted discount rate is used.

- The lease contract is adjusted and the lease amendment is not accounted for as a separate lease, in which case the lease obligation is re-measured based on the duration of the adjusted lease contract by deducting the adjusted rental payments using the adjusted discount rate at the actual price at the date of the amendment.

The right-of-use assets are depreciated over the life of the lease or the useful life of the asset (whichever is shorter). If the lease contract transfers the ownership of the underlying asset or the cost of the right to use, which reflects that the company expects to exercise the purchase option, then the relevant value of the right to use is depreciated over the useful life of the asset. Depreciation begins on the lease commencement date.

The right-of-use assets are presented as a separate note in the consolidated statement of financial position.

The Bank applies International Accounting Standard (36) to determine whether the value of the right to use has decreased, and calculates any impairment losses as described in the policy of "property and equipment".

Variable rents that are not dependent on an index or rate are not included in the measurement of lease obligations and right-of-use assets. Related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs, and are included in "Other Expenditures" in the statement of profit or loss.

<u>The Bank as a Lessor</u>
The Bank enters into lease contracts as a lessor regarding some investment properties.

Leases in which the Bank is the lessor are classified as operating or finance leases. In the event that the terms of the lease contract transfer all risks and rewards of ownership to the lessee, the contract is classified as a finance lease, and all other leases are classified as operating leases.

When the Bank is an intermediary lessor, it represents the main lease and sub-contract as two separate contracts. The sublease contract is classified as finance or operating lease by reference to the original right of use arising from the main lease.

Rental income from operating leases is recognized on a straight-line basis over the period of the relevant lease. The primary direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

The amounts due from the lessee under finance leases are recognized as receivables with the amount of the company's net investment in the rental contracts. Finance lease income is allocated to the accounting periods to reflect a constant periodic rate of return on the Bank's existing net investment with respect to lease contracts.

When the contract includes leasing components and components other than leasing, the Bank applies IFRS 15 to distribute the amounts received or to be received under the contract for each component.

Accounting Policy Adopted Since December, 31, 2018

Leasing contracts are classified as financing leases when the terms of the lease provide for the transfer of all risks and benefits related to the lessor's ownership in a substantial manner. All other leases are classified as operational leases.

The Bank as a Lessor

The amounts due from the lessees under finance leases are recognized as receivables with the amount of the net investment in the lease contracts. Finance lease income is distributed to the accounting periods to reflect a constant periodic rate of return on the net investment outstanding with respect to the lease contracts.

Income from operating leases is recognized using the straight-line method over the life of the lease. The initial direct costs incurred in discussing and arranging the operating contract are also added to the book value of the leased assets and are recorded according to the straight-line method over the lease term.

The Bank as a Lessee

Assets acquired through leases are recognized on initial recognition at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Finance lease liabilities are recorded at the same value. The lease payments are distributed between the financing expenses and the amortization of the finance lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Direct financing expenses are recognized in the consolidated statement of income.

The lease payments are distributed between financing expenses and decreasing the finance lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Moreover, the direct financing expenses are recognized in the consolidated statement of profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the life of the lease, except in situations where there is another regular basis that is more representative of the time pattern in which the economic benefits are utilized from the leased asset. Moreover, contingent lease payments arising from operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into an operating lease, these incentives are recognized as an obligation. The overall interest of incentives is recognized as a reduction in the lease expense on a straight-line basis, unless there is a systematic basis that is more representative of the time pattern in which economic benefits from the leased assets are utilized.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks' and financial institutions' deposits that mature within three months and restricted balances.

3. Application of the new and revised International Financial Reporting Standards (IFRS)

a. Amendments with no material effect on the Financial Statements of the Company:

The following new and revised IFRSs that are effective for the financial periods beginning on or after January 1, 2019 have been adopted in the preparation of the Company's financial statements. These statndrads did not materially affect the amounts and disclosures in the financial statements for the year and prior years, but may have an impact on the accounting treatment of future transactions and arrangements:

New and Revised IFRS Standards	Amendments to New and Revised IFRS Standards
Annual Improvements to IFRS Standards 2015–2017 Cycle	The Company has adopted the amendments included in the Annual Improvements to IFRS (3) Business Combinations, IFRS (11) Joint Arrangements, IAS (12) Income Taxes and IAS (23) Borrowing Costs : IAS 12 Income Taxes The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. IFRS 3 Business Combinations The amendments clarify that when the Company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. IFRS 11 Joint Arrangements The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.
IFRIC 23 Uncertainty over Income Tax Treatments	- The interpretation clarifies the determination of taxable profit, tax loss, tax bases, unused tax losses, unused tax benefits, and tax rates when there is uncertainty about the treatment of income tax under IAS (12), and it specifically addresses. - Whether tax treatment should be considered in aggregate; - Assumptions related to the examining procedures of the tax authorities - Determination of the taxable profit, tax loss, tax basis, unused tax losses, unused tax exemptions, and tax rates. - The effect of changes in facts and circumstances.

New and Revised IFRS Standards	Amendments to New and Revised IFRS Standards
Amendments to IFRS (9): Financial instruments	These amendments relate to the advantages of prepayment with negative compensation, as the current requirements of IFRS (9) have been modified in relation to termination rights to allow measurement of the amortized cost (or based on the business model, at fair value through other comprehensive income) even in case of negative compensation payments.
Amendments to IAS (28) Investment in Associates and Joint Ventures	These amendments relate to long-term shares in associates and joint ventures and clarify that the entity applies IFRS (9) Financial instruments for long-term shares in an associate or joint venture that form part of the net investment in the associate or joint Venture in case the Eequity method is not applied in this regard.
Amendments to IAS (19) Employee Benefits Plan Amendment, Curtailment or Settlement	The amendments pertain to the amendments to the plans, curtailments, or settlements.

B) Amendments Affecting the Bank's Consolidated Financial Statements:

Effect of Application of IFRS (16) "Leases":

The Bank adopted IFRS 16 'Leases' , which replaces the existing guidance on leases, including IAS 17 "Leases Contracts", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016, and is effective for annual periods commencing on or after January 1, 2019. IFRS (16) stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Bank's financial Position, unless the term is 12 months or less or the lease is for a low-value asset. Thus, the classification required under IAS (17) "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, and is amortized over the useful life.

The Bank has opted for the simplified approach application permitted by IFRS (16) upon adoption of the new standard. During the first time application of IFRS (16) to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first-time application.

Right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet a of December 31, 2018. Furthermore, no adjustments arising therfrom were made to retained earnings as of January 1, 2019 according to this approach. In addition, there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leased properties as of December 31, 2019.

The table below shows the net effect of applying IFRS 16 on the opening balances:

Note	Balance at December 31, 2018	Increase/ Decrease	Balance at January 1, 2019
	JD	JD	JD
Right-of-use assets	-	24,915,513	24,915,513
Other debit balances	1,669,638	(1,156,392)	513,246
Leases liabilities	-	23,767,069	23,767,069

The Bank's Leasing Activities and Its Accounting Treatment Mechanism:

The Bank leases real estate for use in its corporate activities, and usually leases are for fixed periods ranging from one to thirty years. Some of these leases may include extension options, and lease terms are negotiated on an individual basis and contain a set of different terms and conditions. Lease contracts do not include any pledges and may not be used as collateral for borrowing purposes.

Until the end of the fiscal year 2018, real estate leases were classified as either an operating lease or a finance lease, and amounts paid against operating leases are recorded in the income statement according to the straight-line method during the lease term.

As of January 1, 2019, lease contracts are recognized as right-of-use assets and the related liabilities on the date when the asset is ready for use by the Group. Moreover, the amount of each lease payment is distributed between the lease obligations and financing costs, and financing costs are recorded in the statement of profit or loss during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation for each period. Meanwhile, the right-of-use assets are depreciated during the useful life of the asset or the lease period, whichever is shorter according to the straight-line method.

Assets and liabilities arising from lease contracts are initially measured based on the present value, and the lease obligations include the net present value of the following lease payments:

- Fixed payments (including embedded fixed payments) minus lease incentives receivable;
- Variable lease payments based on an index or rate;
- The amounts expected to be paid by the lessee under the residual value guarantees;
- Purchase option if the lessee is reasonably certain of this option, and
- Payment of the contract termination fines if the terms of the lease include this option.

Lease payments are deducted using the interest rate of the underlying lease or the incremental borrowing rate of the lessee if they are not available, which is the amount that the lessee must pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The right-of-use assets are measured at cost, which includes the following:

- The value of the initial measurement of the lease obligations;
- Any lease payments made on or before the start date minus any lease incentives received;
- Any initial direct costs; and
- Return costs (renewal and restoration).

Payments related to short-term leases and contracts for lease of low-value assets are included on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are for 12 months or less. Low-value assets are, for instance, low-value IT equipment and small items of office furniture.

When applying the IFRS 16 for the first time, the Bank:

- Used a single discount rate for a portfolio of lease contracts with reasonably similar characteristics;
- Depended on previous evaluations of whether lease contracts are low;
- Accounted for operating leases with a remaining lease term of less than 12 months on January 1, 2019 as short-term leases;
- Excluded the initial direct costs for measuring the right-of-use assets at the date of the initial application; and
- Used the previous perception to determine the term of the lease, as the contract contains options for extending or terminating the lease.

The Bank also chose not to reassess whether the contract contains or does not contain a lease on the date of the initial application. Instead, the Bank relied on the evaluation of contracts that were concluded before the date of the transition, which was applied through the application of International Accounting Standard No. (17) "Lease Contracts" and International Interpretation (4) "Determining whether an arrangement involves a lease contract."

c. New and revised IFRS in issue but not yet effective:

At the date of authorization of these consolidation financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Amendments to new and revised IFRS
Definition of Material - Amendments to IAS 1 *Presentation of Consolidation Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* *(Effective from* January 1, 2020)	The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidation financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.'
Amendment to IFRS 3 *"Business Combinations"* (Effective form on January 1, 2020)	These amendments clarify the definition of business as the International Accounting Standards Board published the Conceptual Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation and disclosure. In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS 2, 3, 6 and 14 and IAS 1, 8, 34, 37 and 38) and IFRIC 12, 19, Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards No. 32 in order to update those statements with regard to references and quotations from the framework or to refer to a a different version from the conceptual framework.

New and revised IFRSs	Amendments to new and revised IFRS
IFRS 17 *Insurance Contracts* *(Effective from* January 1, 2022)	It provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts . IFRS 17 requires insurance liabilities to be measured at a current fulfilment value
Amendments to IFRS 10 *Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) (Effective date deferred indefinitely; adoption is still permitted)	Relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Company's financial statements as and when they are applicable, and adoption of these new standards, interpretations, and amendments may have no material impact on the financial statements of the Company in the period of initial application.

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

Preparation of the consolidated financial statements and application of accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities, and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, and provisions, in general; as well as expected credit losses and changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Bank's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.
Management believes that its estimates in the consolidated financial statements are reasonable. The details are as follows:

Impairment of Property Acquired

Impairment in the value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically. As of the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, according to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. In this respect, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, and confirming postponement of the calculation of the provision until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deduction of the required provisions against the acquired real estate will continue at a rate of 5% of the total book value of these properties (regardless of the violation period) from the year 2021 until the required percentage is reached (50% of these properties by the end of the year 2029).

Productive lifespan of tangible assets and intangible assets

The Bank’s management periodically recalculates the useful lives of tangible assets and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of profit or loss for the year.

Income tax

The fiscal year is charged with income tax expense in accordance with accounting regulations, laws, and standards. Moreover, deferred tax assets, liabilities, and provision are recognized.

Provision for lawsuits

A provision for lawsuits is taken to meet any legal obligations that might arise based on the legal study prepared by the Bank’s legal advisor. The study identifies risks that might occur in the future, and is reviewed periodically.

Provision for end- of- service indemnity

The provision for end- of- service indemnity, representing the Bank's obligations to employees, is calculated in accordance with the Bank's internal regulations.

Assets and liabilities at cost

Management reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of profit or loss for the year.

Provision for expected credit losses

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risk for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Bank's management are detailed in Note (44).

When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan Instructions No. (2009/47) dated December 10, 2009 for each stage individually, and the tougher results are taken. The credit instruments issued / guaranteed by the Jordanian Government, in addition to any other credit exposures with / guaranteed by the Jordanian government are excluded from the calculation.

Evaluation of business model

The classification and measurement of financial assets depends on the results of the principal and interest payments test on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, and the risks that affect the performance of assets, how they are managed, and how asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is not appropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of (12) months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates and uses by the Bank's management relating to the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are shown in details in Note (44).

Establishment of groups of assets with similar credit risk characteristics

When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower's geographic location, etc.). The Bank monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar. This is required to ensure that, in the event of a change in the credit risk characteristics, the asset is properly reallocated. This may result in the creation of new portfolios or the transfer of assets to an existing portfolio that better reflects the credit risk characteristics of that group of assets.

Re-division of portfolios and movements between portfolios

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a period of (12) months or a lifetime, but the amount of credit loss changes are expected due to the varying credit risk of portfolios.

Models and assumptions used

The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in Note (44). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

a. Classification and measurement of financial assets and liabilities

The Bank classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as a title in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form.

The Bank shall determine the classification at initial recognition as well as a reassessment of such determination, if possible and appropriate, at each date of the consolidated statement of financial position.

When measuring financial assets and liabilities, some of the Bank's assets and liabilities are re-measured at fair value for financial reporting purposes. In assessing the fair value of any assets or liabilities, the Bank uses available observable market data. In the absence of Tier 1 inputs, the Bank conducts evaluations, using professionally qualified independent evaluators. Moreover, the Bank works closely with qualified external evaluators to develop appropriate valuation and data valuation techniques.

b. Fair value measurement

If the fair values of financial assets and financial liabilities included in the consolidated statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the data entered from those models will be obtained from market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities. Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

c. Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and, where appropriate, recognized pricing models. In the absence of prices, fair values are determined using valuation techniques that reflect observable market data. These techniques include comparison with similar instruments at observable market prices, discounted cash flow analysis, pricing option models, and other valuation techniques commonly used by market participants. The main factors that the Administration takes into consideration when applying the model are:

- The expected timing and probability of future cash flows on the instrument where such cash flows are generally subject to the terms of the instrument, although the management judgment may be required where the counterparty's ability to repay the instrument in accordance with the contractual terms is doubtful; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rare at a rate higher than the non-risk rate. In assessing the instrument by reference to comparative instruments, management considers the maturity, structure and degree of classification of the instrument based on the system in which the existing position is compared. When evaluating tools on a model basis using the fair value of the main components, management also considers the need to make adjustments for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

Lease Extension and Termination Options

Extension and termination options are included in a number of leases. These conditions are used to increase operational flexibility in terms of contract management. Most of the held extension and termination options are renewable by both the Bank and the lessor.

Determination the Lease Term

When determining the term of a lease, management considers all facts and circumstances that create an economic incentive for the option to extend, or the option not to terminate, the lease. The extension options (or periods following the termination options) are only included in the term of the lease if it is reasonably certain that that the lease will be extended (or not terminated). The evaluation is reviewed in the case of an important event or a significant change in the circumstances that affect this evaluation and that are under the control of the lessee.

Key Sources of Uncertainty Estimates

The main principal estimates used by management in applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determining the number and relative weight of scenarios of the outlook for each type of product / market and the identification of future information relevant to each scenario

When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic engines and how these affect each other.

Probability of default

The potential for default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions and expectations relating to future circumstances.

Loss given default

Loss on the assumption of default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financer expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

Fair value measurement and valuation procedures

When estimating the fair value of financial assets and financial liabilities, the Bank uses available observable market data. In the absence of level (1) inputs, the Bank conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

Discounting rental payments

Lease payments are discounted using the Bank's incremental borrowing rate ("IBR"). Management applied the judgments and estimates to determine the incremental borrowing rate at the start of the lease.

5. Cash and Balances at the Central Bank of Jordan

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Cash in treasury	60,137,075	92,196,682
Balances at central banks:		
Current accounts and demand deposits	179,521,732	41,419,234
Term and notice deposits	86,700,000	-
Statutory cash reserve	237,508,416	199,589,584
Total	563,867,223	333,205,500

- Except for the statutory cash reserve , there are no restricted balances as of December 31, 2019 and 2018.

- There are no accrued amounts during a period exceeding three months as of December 31, 2019 and December 31, 2018.

- All balances at the Central Bank of Jordan are classified within stage 1 based on the requirements of IFRS (9). There are also no transfers between Stages (1,2,3) or written-off balances during the year ended December 31, 2019.

- Disclosure on the movements of the Central Bank of Jordan's balances:

	December 31 ,2019	December 31, 2018
	Stage (1) - Individual	Stage (1) - Individual
	JD	JD
Balance at beginning of period	241,008,818	282,485,418
New balances during period	262,721,330	3,523,400
Paid balances	-	(45,000,000)
Balance at end of period	503,730,148	241,008,818

6. Balances at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
Description	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	161,978	821,867	96,345,450	100,300,855	96,507,428	101,122,722
Deposits maturing within 3 months	-	-	234,509,657	147,283,348	234,509,657	147,283,348
Total	161,978	821,867	330,855,107	247,584,203	331,017,085	248,406,070
Provision for expected credit loss	-	-	(211,356)	(141,959)	(211,356)	(141,959)
Net	161,978	821,867	330,643,751	247,442,244	330,805,729	248,264,111

- Non-interest bearing balances at banks and financial institutions amounted to JD 16,999,423 as of December 31, 2019 (JD 27,033,140 as of December 31, 2018).

- Restricted balances at banks and financial institutions amounted to JD 6,857,213 as of December 31, 2019 and (JD 9,234,477 as of December 31, 2018).

* The provision recovered to the mutual investment fund, which is related to a subsidiary (Safwa Islamic Bank) amounted to JD 51,883 as of December 31,2019.

- The movement on balances at banks and financial institutions is as follows:

	For the year ended December 31, 2019			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	248,406,070	-	-	248,406,070
New balances during the year	288,018,603	-	-	288,018,603
Paid balances during the year	(205,407,588)	-	-	(205,407,588)
Balance - End of the Year	331,017,085	-	-	331,017,085

	for the year ended December 31, 2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	326,075,874	-	-	326,075,874
New balances during the year	214,925,790	-	-	214,925,790
Paid balances during the year	(292,595,594)	-	-	(292,595,594)
Balance - End of the Year	248,406,070	-	-	248,406,070

- The following represents the movement on the provision for impairment loss:

	December 31, 2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	141,959	-	-	141,959
Impairment on the new balances during the year	183,425	-	-	183,425
Recovered from impairment on the paid balances	(114,028)	-	-	(114,028)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect on the impaiment loss due to changes in the classifications between stages	-	-	-	-
the bad balances and deposits	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-
Balance – End of the Year	211,356	-	-	211,356

	December 31, 2018			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-
Effect of implementing IFRS (9)	390,482	-	-	390,482
Adjusted balance after implementing IFRS (9)	390,482	-	-	390,482
Impairment on the new balances during the year	141,959	-	-	141,959
Recovered from impairment on the paid balances	(390,482)	-	-	(390,482)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect on the impaiment loss due to changes in the classifications between stages	-	-	-	-
the bad balances and deposits	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-
Balance – End of the Year	141,959	-	-	141,959

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Deposits maturing during the period:						
More than 3 months to 6 months	-	-	-	1,259,461	-	1,259,461
More than 6 months to 9 months	3,000,000	3,000,000	-	-	3,000,000	3,000,000
More than 9 months to 12 months	-	-	-	-	-	-
More than a Year	-	-	-	-	-	-
Total	3,000,000	3,000,000	-	1,259,461	3,000,000	4,259,461
Provision for expected credit losses	-	-	-	(571)	-	(571)
Net	3,000,000	3,000,000	-	1,258,890	3,000,000	4,258,890

* The provision recovered to the mutual investment fund, which is related to a subsidiary (Safwa Islamic Bank) amounted to JD 571 as of December 31,2019.

	For the year ended December 31, 2019			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	4,259,461	-	-	4,259,461
New balances during the year	3,000,000	-	-	3,000,000
Paid balances during the year	(4,259,461)	-	-	(4,259,461)
Balance - End of the Year	3,000,000	-	-	3,000,000

	For the year ended December 31, 2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	8,325,098	-	-	8,325,098
New balances during the year	1,259,461	-	-	1,259,461
Paid balances during the year	(5,325,098)	-	-	(5,325,098)
Balance - End of the Year	4,259,461	-	-	4,259,461

- The following represents the movement on the provision for impairment loss:

	December 31, 2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	571	-	-	571
Impairment of the new balances during the year	(571)	-	-	(571)
Recovered from impairment on the paid balances	-	-	-	-
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Impact on provision -at the end of the year- due to changing the classification between the 3 stages	-	-	-	-
Effect due to adjustments	-	-	-	-
the bad balances and deposits	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-
Balance – End of the Year	-	-	-	-

	December 31, 2018			
	Stage (1)	Stage (2)	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-
Effect of implementing IFRS (9)	125,765	-	-	125,765
Adjusted balance after implementing IFRS (9)	125,765	-	-	125,765
Impairment of the new balances during the year	571	-	-	571
Recovered from impairment on the paid balances	(69,003)	-	-	(69,003)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Impact on provision -at the end of the year- due to changing the classification between the 3 stages	-	-	-	-
Effect due to adjustments	(56,762)	-	-	(56,762)
the bad balances and deposits	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-
Balance – End of the Year	571	-	-	571

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Government bonds listed in financial markets	74,800	65,641
Corporate bonds listed in financial markets	3,536,138	688,489
Corporate shares listed in financial markets	5,611,686	5,815,710
Investment Funds	7,312,994	6,908,652
Total	16,535,618	13,478,492

9. Direct Credit and Financing Facilities - Net

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Individuals (retail):		
Overdraft accounts	5,315,122	14,128,985
Loans and promissory notes*	549,935,654	425,192,861
Credit cards	11,120,843	10,047,891
Real estate loans	731,907,486	676,724,409
Large Companies		
Overdraft accounts	108,485,266	115,962,039
Loans and promissory notes *	1,075,482,323	861,212,816
Small and Medium		
Overdraft accounts	29,451,272	32,977,931
Loans and promissory notes *	130,963,019	109,222,969
Government and public sector	106,890,228	136,294,904
Total	2,749,551,213	2,381,764,805
Less: Interest revenue in suspense	16,683,041	16,198,168
Less: Provision of expected credit losses	97,016,801	87,648,181
Net Direct Credit and Financing Facilities	2,635,851,371	2,277,918,456

* Net after deducting interest and commission received in advance of JD 3,143,006 as of December 31, 2019 (JD 3,026,798 as of December 31, 2018).

- Non-performing credit and financing facilities included in stage (3) amounted to JD 116,450,626, which is equivalent to 4.24% of total direct credit and financing facilities as of December 31, 2019 (JD 117,508,889, which is equivalent to 4.93% of total direct credit and financing facilities as of December 31, 2018).

- Non- performing credit and financing facilities included in stage (3) after deducting interest in suspense amounted to JD 99,767,585 which is equivalent to 3.65% of total direct credit facilities balance after deducting interest and commission in suspense as of December 31, 2019 (JD 101,310,721, which is equivalent to 4.28% of total credit facilities balance after deducting interest and commission in suspense as of December 31, 2018).

- Direct credit facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 132,990,323, which is equivalent to 4.84% of total direct credit facilities as of December 31, 2019 (JD 103,848,914, which is equivalent to 4.36% as of December 31, 2018).

- The facilities according to the Islamic law related to Safwa Islamic Bank amounted to JD 981,246,046, which is equivalent to 35.69% of total direct credit facilities as of December 31, 2019 (JD 773,335,043, which is equivalent to 32.47% as of December 31, 2018).

The movement on the credit and financing facilities on a collective basis as of the year end:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	1,626,451,409	382,802,606	245,592,451	9,409,450	117,508,889	2,381,764,805
New exposures during the year	718,996,248	168,506,755	73,688,436	7,581,237	12,592,984	981,365,660
Exposures paid during the year	(444,608,782)	(85,924,889)	(46,559,538)	(4,117,489)	(18,630,560)	(599,841,258)
Transferred to stage (1)	57,630,033	509,548	(55,988,368)	(457,042)	(1,694,171)	-
Transferred to stage (2)	(76,064,148)	(19,818,615)	78,586,322	20,908,283	(3,611,842)	-
Transferred to stage (3)	(8,750,273)	(3,137,793)	(10,207,394)	(1,927,860)	24,023,320	-
Effect due to adjustments	-	-	-	-	-	-
The bad exposures	-	-	-	-	(13,737,994)	(13,737,994)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year- end	1,873,654,487	442,937,612	285,111,909	31,396,579	116,450,626	2,749,551,213

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	1,540,548,219	330,462,462	187,530,992	6,669,828	107,481,008	2,172,692,509
New exposures during the year	548,646,548	125,489,679	36,601,793	580,927	9,810,256	721,129,203
Exposures paid during the year	(325,111,740)	(64,813,740)	(86,956,596)	(4,677,650)	(19,045,670)	(500,605,396)
Transferred to stage (1)	22,594,023	307,505	(21,980,780)	(302,034)	(618,714)	-
Transferred to stage (2)	(147,103,698)	(8,220,289)	148,118,028	8,690,412	(1,484,453)	-
Transferred to stage (3)	(13,121,943)	(423,011)	(17,720,986)	(1,552,033)	32,817,973	-
Effect due to adjustments	-	-	-	-	-	-
The bad exposures	-	-	-	-	(11,451,511)	(11,451,511)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year- end	1,626,451,409	382,802,606	245,592,451	9,409,450	117,508,889	2,381,764,805

The movement on the provision of direct credit and financing facilities' impairment loss was as follows:

	Individual	Real Estate Loans	Corporations		Governmental and Public Sector	Total
			Large Corporate	SME's		
	JD	JD	JD	JD	JD	JD
For the Year ended December 31, 2019						
Balance at the beginning of the year	11,753,092	6,826,408	61,932,663	6,788,777	347,241	87,648,181
Impairment on new Credit facilities during the year	2,259,931	875,040	7,559,071	1,260,532	67,679	12,022,253
Recovered from Impairment on paid credit facilities	(1,321,385)	(258,182)	(2,472,016)	(565,750)	(280,000)	(4,897,333)
Transferred to stage (1)	484,832	155,662	423,751	(3,593)	-	1,060,652
Transferred to stage (2)	434,525	558,479	(261,731)	104,407	-	835,680
Transferred to stage (3)	(919,357)	(714,141)	(162,020)	(100,814)	-	(1,896,332)
Effect due to adjustments	4,426,158	995,160	3,362,576	2,550,259	54,864	11,389,017
Written-off credit facilities	(311,445)	-	(8,508,304)	(325,568)	-	(9,145,317)
Balance at the End of the Year	16,806,351	8,438,426	61,873,990	9,708,250	189,784	97,016,801
Redistribution:						
Provision on an Individual basis	16,266,535	8,438,306	61,873,989	9,648,451	189,784	96,417,065
Provision on a collective basis	539,816	120	-	59,800	-	599,736
	16,806,351	8,438,426	61,873,989	9,708,251	189,784	97,016,801
For the Year Ended December 31, 2018						
Balance at the beginning of the year	7,618,092	3,700,092	56,838,583	4,139,183	-	72,295,950
Impact of Implementing IFRS (9)	1,911,832	1,683,804	10,332,629	766,929	83,078	14,778,272
Adjusted beginning balance of the year	9,529,924	5,383,896	67,171,212	4,906,112	83,078	87,074,222
Impairment of new credit facilities during the year	1,491,378	2,130,436	8,683,792	694,929	280,000	13,280,535
Recovered from impairment of paid credit facilities	(1,638,022)	(1,635,033)	(5,788,040)	(987,795)	(186)	(10,049,076)
Transferred to stage (1)	359,874	(13,367)	(449,023)	(79,191)	-	(181,707)
Transferred to stage (2)	108,480	146,600	417,602	5,405	-	678,087
Transferred to stage (3)	(468,354)	(133,233)	31,421	73,786	-	(496,380)
Effect due to adjustments	2,485,717	1,111,522	1,485,816	2,215,690	(15,651)	7,283,094
Written off credit facilities	(115,905)	(164,413)	(9,620,117)	(40,159)	-	(9,940,594)
Balance at the End of the Year	11,753,092	6,826,408	61,932,663	6,788,777	347,241	87,648,181
Redistribution:						
Provision on an Individual basis	11,420,511	6,824,371	61,932,663	6,709,244	347,241	87,234,030
Provision on a collective basis	332,581	2,037	-	79,533	-	414,151
	11,753,092	6,826,408	61,932,663	6,788,777	347,241	87,648,181

- During the year ended December 31, 2019, an amount of JD 9,671,349 was transferred to off-balance sheet items (JD 10,485,183 as of December 31, 2018), and direct credit facilities of JD 4,066,645 were written off according to the Board of Directors' decision regarding this matter (JD 966,328 as of December 31, 2018).

* The provision recovered to the mutual investment fund, which is related to a subsidiary (Safwa Islamic Bank) amounted to JD 14,686 as of December 31,2019.

* The Bank has implemented the Central Bank of Jordan's instructions related to the IFRS (9) starting from 1 January 2018 retrospectively, and the cumulative credit loss due to the implementation amounted to JD 14,778,272 before tax as an adjustment to the opening balance of the provision for direct credit facilities as of January 1, 2018.

Interest in Suspense

The following is the movement on interest in suspense:

	Individual	Real estate loans	Corporate Entities		Government and Public Sector	Total
			Corporates	SMEs		
	JD	JD	JD	JD	JD	JD
For the Year ended December 31, 2019						
Balance - beginning of the period	2,384,194	3,776,288	8,802,669	1,119,455	115,562	16,198,168
Add: Interest and returns suspended during the period	1,442,122	721,908	3,417,446	846,169	-	6,427,645
Less: Interest and returns transferred to revenues	432,476	285,336	552,273	80,010	-	1,350,095
Written-off suspended interest	153,761	1,789,376	2,355,419	178,559	115,562	4,592,677
Balance at the End of the Year	3,240,079	2,423,484	9,312,423	1,707,055	-	16,683,041
For the Year ended December 31, 2018						
Balance beginning of the period	1,661,408	4,809,524	8,779,001	703,075	115,562	16,068,570
Add: Interest and returns suspended during the period	988,161	649,945	964,338	592,138	-	3,194,582
Less: Interest and returns transferred to revenues	176,893	1,263,222	71,123	42,831	-	1,554,069
Written-off suspended interest	88,482	419,959	869,547	132,927	-	1,510,915
Balance at the End of the Year	2,384,194	3,776,288	8,802,669	1,119,455	115,562	16,198,168

The following are the exposures according to IFRS (9):

As of December 31, 2019

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Individual	525,507,387	1,324,563	-	20,535,654	694,921	-	20,328,578	14,786,867	3,240,079	566,371,619	16,806,351	3,240,079
Real estate loans	606,027,353	134,498	-	108,837,181	3,169,916	-	17,042,952	5,134,012	2,423,484	731,907,486	8,438,426	2,423,484
Corporate entities	958,011,738	9,917,876	-	164,345,616	6,496,920	-	61,610,235	45,459,194	9,312,423	1,183,967,589	61,873,990	9,312,423
SME's	120,155,393	783,146	-	22,790,037	463,417	-	17,468,861	8,461,687	1,707,055	160,414,291	9,708,250	1,707,055
Governmental and Public Sector	106,890,228	189,784	-	-	-	-	-	-	-	106,890,228	189,784	-
	2,316,592,099	12,349,867	-	316,508,488	10,825,174	-	116,450,626	73,841,760	16,683,041	2,749,551,213	97,016,801	16,683,041

As of December 31, 2018

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Individual	424,819,242	1,186,778	-	8,190,527	411,947	-	16,359,968	10,154,367	2,384,194	449,369,737	11,753,092	2,384,194
Real estate loans	591,439,446	109,348	-	68,164,691	2,541,438	-	17,120,272	4,175,622	3,776,288	676,724,409	6,826,408	3,776,288
Corporate entities	745,078,413	10,822,336	-	162,346,127	1,630,692	-	69,750,315	49,479,635	8,918,231	977,174,855	61,932,663	8,918,231
SME's	111,622,010	347,630	-	16,300,556	225,608	-	14,278,334	6,215,539	1,119,455	142,200,900	6,788,777	1,119,455
Governmental and Public Sector	136,294,904	347,241	-	-	-	-	-	-	-	136,294,904	347,241	-
	2,009,254,015	12,813,333	-	255,001,901	4,809,685	-	117,508,889	70,025,163	16,198,168	2,381,764,805	87,648,181	16,198,168

The movement on the provision for expected credit losses on a collective basis as of the year-end:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	1,626,451,409	382,802,606	245,592,451	9,409,450	117,508,889	2,381,764,805
New exposures during the year	718,996,248	168,506,755	73,688,436	7,581,237	12,592,984	981,365,660
Exposures paid during the year	(444,608,782)	(85,924,889)	(46,559,538)	(4,117,489)	(18,630,560)	(599,841,258)
Transferred to stage (1)	57,630,033	509,548	(55,988,368)	(457,042)	(1,694,171)	-
Transferred to stage (2)	(76,064,148)	(19,818,615)	78,586,322	20,908,283	(3,611,842)	-
Transferred to stage (3)	(8,750,273)	(3,137,793)	(10,207,394)	(1,927,860)	24,023,320	-
Effect on the volume of exposures due to changes in the classifications between stages	(27,184,388)	(22,446,860)	12,390,560	18,523,381	18,717,307	-
Effect due to adjustment	-	-	-	-	-	-
The bad exposures	-	-	-	-	(13,737,994)	(13,737,994)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year-end	1,873,654,487	442,937,612	285,111,909	31,396,579	116,450,626	2,749,551,213

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	1,540,548,219	330,462,462	187,530,992	6,669,828	107,481,008	2,172,692,509
New exposures during the year	548,646,548	125,489,679	36,601,793	580,927	9,810,256	721,129,203
Exposures paid during the year	(325,111,740)	(64,813,740)	(86,956,596)	(4,677,650)	(19,045,670)	(500,605,396)
Transferred to stage (1)	22,594,023	307,505	(21,980,780)	(302,034)	(618,714)	-
Transferred to stage (2)	(147,103,698)	(8,220,289)	148,118,028	8,690,412	(1,484,453)	-
Transferred to stage (3)	(13,121,943)	(423,011)	(17,720,986)	(1,552,033)	32,817,973	-
Effect on the impairment loss due to changes in the classifications between stages	(137,631,618)	(8,335,795)	108,416,262	6,836,345	30,714,806	-
Effect due to adjustment	-	-	-	-	-	-
The bad exposures	-	-	-	-	(11,451,511)	(11,451,511)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year-end	1,626,451,409	382,802,606	245,592,451	9,409,450	117,508,889	2,381,764,805

The movement of the provision for expected credit losses on a collective basis as for the year-end:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	12,532,691	280,642	4,676,176	133,509	70,025,163	87,648,181
Impairment losses on the new exposures during the year	2,118,853	155,021	5,447,547	99,277	4,201,555	12,022,253
Recovered from impairment of the paid exposures during the year	(1,401,753)	(43,416)	(628,166)	(5,850)	(2,818,148)	(4,897,333)
Transferred to stage (1)	1,383,973	13,310	(612,723)	(10,348)	(774,212)	-
Transferred to stage (2)	(229,889)	(35,370)	1,462,669	258,149	(1,455,559)	-
Transferred to stage (3)	(52,036)	(19,336)	(229,543)	(32,524)	333,439	-
Effect on the impairment loss due to changes in the classifications between stages	1,102,048	(41,396)	620,403	215,277	(1,896,332)	-
Effect on the provision resulting from adjustment	(2,290,296)	(62,527)	397,802	(130,801)	13,474,839	11,389,017
Impairment on the bad exposures	-	-	-	-	(9,145,317)	(9,145,317)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year-end	12,061,543	288,324	10,513,762	311,412	73,841,760	97,016,801

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	11,235,480	154,389	4,185,528	37,639	71,461,186	87,074,222
Impairment losses on the new exposures during the year	7,012,145	151,950	2,327,408	20,416	3,768,616	13,280,535
Recovered from impairment on the paid exposures during the year	(3,929,556)	(25,695)	(1,355,853)	(917)	(4,737,055)	(10,049,076)
Transferred to stage (1)	1,118,859	3,753	(784,996)	(3,753)	(333,863)	-
Transferred to stage (2)	(1,190,747)	(12,590)	1,594,422	189,754	(580,839)	-
Transferred to stage (3)	(97,901)	(3,081)	(273,097)	(44,243)	418,322	-
Effect on the impairment loss due to changes in the classifications between stages	(169,789)	(11,918)	536,329	141,758	(496,380)	-
Effect on the provision resulting from adjustment	(1,615,589)	11,916	(1,017,236)	(65,387)	9,969,390	7,283,094
Impairment on the bad exposures	-	-	-	-	(9,940,594)	(9,940,594)
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Total balance at year-end	12,532,691	280,642	4,676,176	133,509	70,025,163	87,648,181

The distribution of total credit and financing facilities by the internal credit rating for Individuals is as follows:

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	1,506,291	-	-	-	-	1,506,291	1,149,338
2	1,884,080	-	3	-	-	1,884,083	6,626,471
3	4,353,356	-	85,263	-	-	4,438,619	3,173,364
4	2,274,913	-	1,841,335	-	-	4,116,248	3,425,548
5	2,284,644	-	677,655	-	-	2,962,299	2,285,269
6	88,653	-	-	-	-	88,653	1,370,131
7	1,189,543	-	42,016	-	-	1,231,559	438,271
8	-	-	-	-	974,758	974,758	1,572,580
Not rated	345,201,840	166,724,067	11,000,201	6,889,181	19,353,820	549,169,109	429,328,765
Total	358,783,320	166,724,067	13,646,473	6,889,181	20,328,578	566,371,619	449,369,737

The movement on credit and financing facilities for Individuals is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	299,044,711	125,774,531	5,829,367	2,361,160	16,359,968	449,369,737
New credit facilities during the year	151,999,417	90,123,974	2,399,177	1,250,813	3,053,485	248,826,866
Paid credit facilities	(81,565,499)	(42,646,588)	(2,217,658)	(1,700,031)	(3,230,002)	(131,359,778)
Transferred to stage (1)	2,373,242	172,013	(1,841,338)	(161,720)	(542,197)	-
Transferred to stage (2)	(10,184,653)	(5,261,448)	10,867,205	5,683,727	(1,104,831)	-
Transferred to stage (3)	(2,883,898)	(1,438,415)	(1,390,280)	(544,768)	6,257,361	-
Effect on the volume of exposures due to the changes between stages	(10,695,309)	(6,527,850)	7,635,587	4,977,239	4,610,333	-
Effect due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(465,206)	(465,206)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	358,783,320	166,724,067	13,646,473	6,889,181	20,328,578	566,371,619

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	237,235,838	108,587,999	8,189,367	1,810,541	10,497,587	366,321,332
New credit facilities during the year	120,925,920	49,456,454	464,492	116,215	2,443,220	173,406,301
Paid credit facilities	(55,825,031)	(29,805,279)	(1,899,598)	(915,757)	(1,686,028)	(90,131,693)
Transferred to stage (1)	3,241,277	88,436	(2,936,017)	(82,965)	(310,731)	-
Transferred to stage (2)	(3,897,385)	(2,173,996)	4,156,078	2,388,759	(473,456)	-
Transferred to stage (3)	(2,635,908)	(379,083)	(2,144,955)	(955,633)	6,115,579	-
Effect on the volume of exposures due to the changes between stages	(3,292,016)	(2,464,643)	(924,894)	1,350,161	5,331,392	-
Effect due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(226,203)	(226,203)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	299,044,711	125,774,531	5,829,367	2,361,160	16,359,968	449,369,737

The movement on the provision for credit loss for Individuals credit facilities is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	970,017	216,761	296,127	115,820	10,154,367	11,753,092
Impairment losses on the new exposures during the year	357,327	140,985	61,713	75,721	1,624,185	2,259,931
Recovered from impairment of the paid exposures during the year	(363,359)	(19,811)	(81,165)	(1,648)	(855,402)	(1,321,385)
Transferred to stage (1)	551,500	13,310	(132,072)	(10,348)	(422,390)	-
Transferred to stage (2)	(30,111)	(22,545)	424,492	244,474	(616,310)	-
Transferred to stage (3)	(17,326)	(9,996)	(63,117)	(28,904)	119,343	-
Effect on impairment losses due to the changes in the classifications between stages	504,063	(19,231)	229,303	205,222	(919,357)	-
Effect on the provision resulting from adjustment	(404,287)	(57,902)	(90,071)	(116,101)	5,094,519	4,426,158
Impairment loss on written-off credit facilities	-	-	-	-	(311,445)	(311,445)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	1,063,761	260,802	415,907	279,014	14,786,867	16,806,351

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	1,521,846	146,688	405,061	36,653	7,419,676	9,529,924
Impairment losses on the new exposures during the year	351,012	99,634	31,330	5,094	1,004,308	1,491,378
Recovered from impairment of the paid exposures during the year	(623,680)	(11,527)	(37,571)	(421)	(964,823)	(1,638,022)
Transferred to stage (1)	444,888	3,753	(187,873)	(3,753)	(257,015)	-
Transferred to stage (2)	(44,143)	(9,898)	228,476	187,062	(361,497)	-
Transferred to stage (3)	(33,204)	(1,522)	(75,257)	(40,175)	150,158	-
Effect on impairment losses due to the changes in the classifications between stages	367,541	(7,667)	(34,654)	143,134	(468,354)	-
Effect on the provision resulting from adjustment	(646,702)	(10,367)	(68,039)	(68,640)	3,279,465	2,485,717
Impairment loss on written-off credit facilities	-	-	-	-	(115,905)	(115,905)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	970,017	216,761	296,127	115,820	10,154,367	11,753,092

The distribution of total credit and financing facilities by internal credit rating for Real Estate Loans is as follows:

	2019						2018
	Stage (1)	Stage (1)	Stage (2)	Stage (2)	Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Total	Total
Credit rating categories based on the Bank's internal system:	JD	JD	JD	JD	JD	JD	JD
1	932,348	-	-	-	-	932,348	856,232
2	8,231,107	-	-	-	-	8,231,107	15,889,380
3	37,381,757	-	2,813,487	-	-	40,195,244	16,096,401
4	26,282,239	-	3,942,565	-	-	30,224,804	45,406,427
5	55,169,719	-	14,726,722	-	-	69,896,441	61,837,983
6	10,348,628	-	29,047,661	-	-	39,396,289	31,068,263
7	1,104,830	-	27,542,021	-	-	28,646,851	23,378,747
8	-	-	-	-	5,552,015	5,552,015	5,232,609
Not rated	204,846,381	261,730,344	11,831,354	18,933,371	11,490,937	508,832,387	476,958,367
Total	344,297,009	261,730,344	89,903,810	18,933,371	17,042,952	731,907,486	676,724,409

The movement on credit and financing facilities for Real Estate is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	346,688,470	244,750,976	61,491,607	6,673,084	17,120,272	676,724,409
New credit facilities during the year	75,884,927	67,233,620	11,130,528	1,661,882	1,499,509	157,410,466
Paid credit facilities	(52,313,759)	(36,304,281)	(7,035,300)	(1,743,756)	(3,040,917)	(100,438,013)
Transferred to stage (1)	15,112,712	337,535	(14,490,346)	(295,322)	(664,579)	-
Transferred to stage (2)	(39,872,790)	(13,306,908)	40,974,660	13,937,377	(1,732,339)	-
Transferred to stage (3)	(1,202,551)	(980,598)	(2,167,339)	(1,299,894)	5,650,382	-
Effect on the volume of exposures due to the changes between stages	(25,962,629)	(13,949,971)	24,316,975	12,342,161	3,253,464	-
Effect due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(1,789,376)	(1,789,376)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	344,297,009	261,730,344	89,903,810	18,933,371	17,042,952	731,907,486

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	303,597,224	218,028,593	38,536,747	4,476,914	17,985,370	582,624,848
New credit facilities during the year	108,811,030	64,623,322	16,302,454	131,784	1,365,820	191,234,410
Paid credit facilities	(42,950,373)	(32,150,502)	(11,335,952)	(3,460,695)	(6,674,770)	(96,572,292)
Transferred to stage (1)	8,013,447	219,069	(7,713,340)	(219,069)	(300,107)	-
Transferred to stage (2)	(27,809,638)	(5,969,506)	28,199,157	6,224,866	(644,879)	-
Transferred to stage (3)	(2,973,220)	-	(2,497,459)	(480,716)	5,951,395	-
Effect on the volume of exposures due to the changes between stages	(22,769,411)	(5,750,437)	17,988,358	5,525,081	5,006,409	-
Effect due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(562,557)	(562,557)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	346,688,470	244,750,976	61,491,607	6,673,084	17,120,272	676,724,409

The movement on the provision for credit loss for Real Estate credit facilities is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	107,336	2,012	2,541,413	25	4,175,622	6,826,408
Impairment losses on the new exposures during the year	43,219	9	19,200	-	812,612	875,040
Recovered from impairment on the paid exposures during the year	(54,509)	(8)	(50,282)	-	(153,383)	(258,182)
Transferred to stage (1)	168,847	-	(72,503)	-	(96,344)	-
Transferred to stage (2)	(11,793)	(358)	654,302	358	(642,509)	-
Transferred to stage (3)	(1,029)	(5)	(23,653)	(25)	24,712	-
Effect on impairment losses due to the changes in the classifications between stages	156,025	(363)	558,146	333	(714,141)	-
Effect on the provision resulting from adjustment	(117,601)	(1,622)	101,347	(266)	1,013,302	995,160
Impairment loss on written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	134,470	28	3,169,824	92	5,134,012	8,438,426

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	317,354	228	587,873	-	4,478,441	5,383,896
Impairment losses on the new exposures during the year	22,290	377	2,080,276	-	27,493	2,130,436
Recovered from impairment of the paid exposures during the year	(16,630)	-	(632,434)	-	(985,969)	(1,635,033)
Transferred to stage (1)	81,348	-	(9,346)	-	(72,002)	-
Transferred to stage (2)	(86,578)	(9)	190,575	9	(103,997)	-
Transferred to stage (3)	(8,128)	-	(34,638)	-	42,766	-
Effect on impairment losses due to the changes in the classifications between stages	(13,358)	(9)	146,591	9	(133,233)	-
Effect on the provision resulting from adjustment	(202,320)	1,416	359,107	16	953,303	1,111,522
Impairment loss on written-off credit facilities	-	-	-	-	(164,413)	(164,413)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	107,336	2,012	2,541,413	25	4,175,622	6,826,408

The distribution of total credit and financing facilities by internal credit rating for corporates is as follows:

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Total	Total
Credit rating categories based on the Bank's internal system:	JD	JD	JD	JD	JD	JD	JD
1	-	-	-	-	-	-	-
2	84,537,978	-	-	-	-	84,537,978	26,079,425
3	111,761,576	-	2,169,682	-	-	113,931,258	106,103,920
4	296,027,635	-	16,891,291	-	-	312,918,926	222,256,056
5	255,361,719	-	7,032,806	-	-	262,394,525	194,934,111
6	137,152,111	-	17,792,572	-	-	154,944,683	198,937,803
7	29,758,678	-	120,151,380	-	-	149,910,058	142,123,553
8	-	-	-	-	30,294,544	30,294,544	26,397,693
Not rated	43,412,041	-	307,885	-	31,315,691	75,035,617	60,342,294
Total	958,011,738	-	164,345,616	-	61,610,235	1,183,967,589	977,174,855

The movement on credit and financing facilities for corporates is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	745,078,413	-	162,346,127	-	69,750,315	977,174,855
New credit facilities during the year	447,737,802	-	52,937,317	-	5,504,803	506,179,922
Paid credit facilities	(248,740,894)	-	(31,027,370)	-	(8,639,639)	(288,407,903)
Transferred to stage (1)	37,336,645	-	(36,932,824)	-	(403,821)	-
Transferred to stage (2)	(20,133,564)	-	20,269,923	-	(136,359)	-
Transferred to stage (3)	(3,266,664)	-	(3,247,557)	-	6,514,221	-
Effect on the volume of exposures due to the changes between stages	13,936,417	-	(19,910,458)	-	5,974,041	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(10,979,285)	(10,979,285)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	958,011,738	-	164,345,616	-	61,610,235	1,183,967,589

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	756,551,844	-	129,795,529	-	70,757,593	957,104,966
New credit facilities during the year	265,502,319	-	12,492,127	-	4,100,693	282,095,139
Paid credit facilities	(179,316,406)	-	(64,387,555)	-	(7,831,624)	(251,535,585)
Transferred to stage (1)	10,080,825	-	(10,080,825)	-	-	-
Transferred to stage (2)	(104,112,694)	-	104,451,004	-	(338,310)	-
Transferred to stage (3)	(3,627,475)	-	(9,924,153)	-	13,551,628	-
Effect on the volume of exposures due to the changes between stages	(97,659,344)	-	84,446,026	-	13,213,318	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(10,489,665)	(10,489,665)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	745,078,413	-	162,346,127	-	69,750,315	977,174,855

The movement on the provision for credit facilities for corporates is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	10,822,336	-	1,630,692	-	49,479,635	61,932,663
Impairment losses on the new exposures during the year	1,449,216	-	5,148,758	-	961,097	7,559,071
Recovered from impairment of the paid exposures during the year	(602,328)	-	(406,524)	-	(1,463,164)	(2,472,016)
Transferred to stage (1)	620,841	-	(384,418)	-	(236,423)	-
Transferred to stage (2)	(165,876)	-	223,112	-	(57,236)	-
Transferred to stage (3)	(31,214)	-	(100,425)	-	131,639	-
Effect on impairment losses due to the changes in the classifications between stages	423,751	-	(261,731)	-	(162,020)	-
Effect on the provision resulted from adjustment	(2,175,099)	-	385,725	-	5,151,950	3,362,576
Impairment loss on written-off credit facilities	-	-	-	-	(8,508,304)	(8,508,304)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	9,917,876	-	6,496,920	-	45,459,194	61,873,990

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	8,668,908	-	3,041,846	-	55,460,458	67,171,212
Impairment losses on the new exposures during the year	6,173,000	-	146,083	-	2,364,709	8,683,792
Recovered from impairment of the paid exposures during the year	(2,909,522)	-	(625,013)	-	(2,253,505)	(5,788,040)
Transferred to stage (1)	576,384	-	(576,384)	-	-	-
Transferred to stage (2)	(1,000,859)	-	1,090,213	-	(89,354)	-
Transferred to stage (3)	(24,548)	-	(96,227)	-	120,775	-
Effect on impairment losses due to the changes in the classifications between stages	(449,023)	-	417,602	-	31,421	-
Effect on the provision resulted from adjustment	(661,027)	-	(1,349,826)	-	3,496,669	1,485,816
Impairment loss on written-off credit facilities	-	-	-	-	(9,620,117)	(9,620,117)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	10,822,336	-	1,630,692	-	49,479,635	61,932,663

The distribution of total credit and financing facilities by internal credit rating for (SME's) is as follows:

	2019						2018
	Stage (1)	Stage (1)	Stage (2)	Stage (2)	Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	-	-	-	-	-	-	-
2	3,970,220	-	-	-	-	3,970,220	371,505
3	36,741,567	-	1,166,109	-	-	37,907,676	28,908,811
4	22,573,860	-	1,892,001	-	-	24,465,861	29,946,337
5	19,476,164	-	2,194,269	-	-	21,670,433	23,458,445
6	18,573,184	-	2,368,299	-	-	20,941,483	19,186,482
7	4,259,591	-	7,527,847	-	-	11,787,438	11,980,540
8	-	-	-	-	11,502,013	11,502,013	7,467,396
Not rated	77,606	14,483,201	2,067,485	5,574,027	5,966,848	28,169,167	20,881,384
Total	105,672,192	14,483,201	17,216,010	5,574,027	17,468,861	160,414,291	142,200,900

The movement on credit and financing facilities for SME's during the year ended December 31, 2019 is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	99,344,911	12,277,099	15,925,350	375,206	14,278,334	142,200,900
New credit facilities during the year	40,844,316	11,149,161	7,221,414	4,668,542	2,535,187	66,418,620
Paid credit facilities	(30,054,168)	(6,974,020)	(6,279,210)	(673,702)	(3,720,002)	(47,701,102)
Transferred to stage (1)	2,807,434	-	(2,723,860)	-	(83,574)	-
Transferred to stage (2)	(5,873,141)	(1,250,259)	6,474,534	1,287,179	(638,313)	-
Transferred to stage (3)	(1,397,160)	(718,780)	(3,402,218)	(83,198)	5,601,356	-
Effect on the volume of exposures due to the changes between stages	(4,462,867)	(1,969,039)	348,456	1,203,981	4,879,469	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(504,127)	(504,127)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	105,672,192	14,483,201	17,216,010	5,574,027	17,468,861	160,414,291

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	107,855,470	3,845,870	11,009,349	382,373	8,240,458	131,333,520
New credit facilities during the year	32,758,762	11,409,903	7,342,720	332,928	1,900,523	53,744,836
Paid credit facilities	(27,358,474)	(2,857,959)	(9,333,491)	(301,198)	(2,853,248)	(42,704,370)
Transferred to stage (1)	1,258,474	-	(1,250,598)	-	(7,876)	-
Transferred to stage (2)	(11,283,981)	(76,787)	11,311,789	76,787	(27,808)	-
Transferred to stage (3)	(3,885,340)	(43,928)	(3,154,419)	(115,684)	7,199,371	-
Effect on the volume of exposures due to the changes between stages	(13,910,847)	(120,715)	6,906,772	(38,897)	7,163,687	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(173,086)	(173,086)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	99,344,911	12,277,099	15,925,350	375,206	14,278,334	142,200,900

The movement on the provision for credit loss for (SME's) credit facilities is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	285,761	61,869	207,944	17,664	6,215,539	6,788,777
Impairment losses on the new exposures during the year	201,412	14,027	217,876	23,556	803,661	1,260,532
Recovered from impairment of the paid exposures during the year	(101,557)	(23,597)	(90,195)	(4,202)	(346,199)	(565,750)
Transferred to stage (1)	42,785	-	(23,730)	-	(19,055)	-
Transferred to stage (2)	(22,109)	(12,467)	160,763	13,317	(139,504)	-
Transferred to stage (3)	(2,467)	(9,335)	(42,348)	(3,595)	57,745	-
Effect on impairment losses due to the changes in the classifications between stages	18,209	(21,802)	94,685	9,722	(100,814)	-
Effect on the provision resulted from adjustment	351,827	(3,003)	801	(14,434)	2,215,068	2,550,259
Impairment loss on written off credit facilities	-	-	-	-	(325,568)	(325,568)
Adjustments due to change in exchange rates	-	-	-	-		-
Balance - End of the Year	755,652	27,494	431,111	32,306	8,461,687	9,708,250

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	644,294	7,473	150,748	986	4,102,611	4,906,112
Impairment losses on the new exposures during the year	185,843	51,939	69,719	15,322	372,106	694,929
Recovered from impairment of the paid exposures during the year	(379,538)	(14,168)	(60,835)	(496)	(532,758)	(987,795)
Transferred to stage (1)	16,239	-	(11,393)	-	(4,846)	-
Transferred to stage (2)	(59,167)	(2,683)	85,158	2,683	(25,991)	-
Transferred to stage (3)	(32,021)	(1,559)	(66,975)	(4,068)	104,623	-
Effect on impairment losses due to the changes in the classifications between stages	(74,949)	(4,242)	6,790	(1,385)	73,786	-
Effect on the provision resulted from adjustment	(89,889)	20,867	41,522	3,237	2,239,953	2,215,690
Impairment loss on written off credit facilities	-	-	-	-	(40,159)	(40,159)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	285,761	61,869	207,944	17,664	6,215,539	6,788,777

The distribution of total credit and financing facilities by internal credit rating for Government and Public Sector is as follows:

	2019						2018
	Stage (1)	Stage (1)	Stage (2)	Stage (2)	Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	59,556,842	-	-	-	-	59,556,842	89,551,625
2	52,098	-	-	-	-	52,098	-
3	11,974,650	-	-	-	-	11,974,650	12,363,769
4	17,662,536	-	-	-	-	17,662,536	15,708,671
5	14,094,435	-	-	-	-	14,094,435	4,373,551
6	3,549,667	-	-	-	-	3,549,667	14,185,767
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	111,521
Total	106,890,228	-	-	-	-	106,890,228	136,294,904

The movement on credit and financing facilities for the Government and Public Sector is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	136,294,904	-	-	-	-	136,294,904
New credit facilities during the year	2,529,786	-	-	-	-	2,529,786
Paid credit facilities	(31,934,462)	-	-	-	-	(31,934,462)
Transferred to stage (1)	-	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on the volume of exposures due to the changes between stages	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	106,890,228	-	-	-	-	106,890,228

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	135,307,843	-	-	-	-	135,307,843
New credit facilities during the year	20,648,517	-	-	-	-	20,648,517
Paid credit facilities	(19,661,456)	-	-	-	-	(19,661,456)
Transferred to stage (1)	-	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on the volume of exposures due to the changes between stages	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	136,294,904	-	-	-	-	136,294,904

The movement on the provision for credit loss for the Government and Public Sector credit facilities is as follows:

	2019					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	347,241	-	-	-	-	347,241
Impairment losses on the new exposures during the year	67,679	-	-	-	-	67,679
Recovered from impairment on the paid exposures during the year	(280,000)	-	-	-	-	(280,000)
Transferred to stage (1)	-	-	-	-	-	
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)		-	-	-	-	-
Effect on impairment losses due to the changes in the classifications between stages	-	-	-	-	-	-
Effect on the provision resulted from adjustment	54,864	-	-	-	-	54,864
Impairment loss on written-off credit facilities	-	-	-	-	-	
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	189,784	-	-	-	-	189,784

	2018					
	Stage (1)		Stage (2)		Stage (3)	
	Individual	Collective	Individual	Collective	Individual	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	83,078	-	-	-	-	83,078
Impairment losses on the new exposures during the year	280,000	-	-	-	-	280,000
Recovered from impairment of the paid exposures during the year	(186)	-	-	-	-	(186)
Transferred to stage (1)	-	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on impairment losses due to the changes in the classifications between stages	-	-	-	-	-	-
Effect on the provision resulted from adjustment	(15,651)	-	-	-	-	(15,651)
Impairment loss on written-off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	347,241	-	-	-	-	347,241

10. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Quoted shares in active markets	22,930,050	22,038,515
Unquoted shares in active markets	9,383,418	6,492,405
	32,313,468	28,530,920

- Losses transferred to retained earnings on the sale of financial assets at fair value through other comprehensive income amounted to JD 205,441 as of December 31, 2019 (JD 170,199 as of December 31, 2018).

- Cash dividends on the above-mentioned financial assets amounted to JD 1,039,085 for the year ended December 31, 2019 (JD 1,026,133 for the year ended December 31, 2018).

11. Financial Assets at Amortized Cost - Net

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Quoted Financial Assets:		
Foreign treasury bonds	31,335,452	47,858,829
Corporate bonds and debentures	78,226,864	63,262,689
Unquoted Financial Assets:		
Governmental guaranteed bonds and bills	633,138,257	614,264,340
Corporate bonds and debentures	23,652,000	41,175,000
	766,352,573	766,560,858
Less: Provision for expected credit loss related to financial assets within stage (1)	528,640	618,668
Provision for expected credit loss related to financial assets within stage (2)	-	-
Provision for expected credit loss related to financial assets within stage (3)	250,000	250,000
	765,573,933	765,692,190
Bonds and Bills Analysis		
With Fixed rate	745,137,934	746,889,318
With Floating rate	21,214,639	19,671,540
Total	766,352,573	766,560,858
Bonds Analysis IFRS 9:		
stage (1)	766,102,573	766,310,858
stage (2)	-	-
stage (3)	250,000	250,000
Total	766,352,573	766,560,858

* The provision recovered to the mutual investment fund, which is related to a subsidiary (Safwa Islamic Bank) amounted to JD 104,951 as of December 31,2019.

- The following is the movement on financial assets at amortized cost:

	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
	JD	JD	JD	JD
For the year ended December 31, 2019				
Balance - beginning of the year	766,310,858	-	250,000	766,560,858
New investments during the year	199,514,025	-	-	199,514,025
Accrued investment	(199,722,310)	-	-	(199,722,310)
Change in the fair value	-	-	-	-
Transferred to Stage (1)	-	-	-	-
Transferred to Stage (2)	-	-	-	-
Transferred to Stage (3)	-	-	-	-
Effects due to adjustments	-	-	-	-
Written off investments	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	766,102,573	-	250,000	766,352,573

	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
	JD	JD	JD	JD
For the year ended December 31, 2018				
Balance - beginning of the year	616,099,253	-	2,987,500	619,086,753
New investments during the year	263,084,420	-	-	263,084,420
Accrued investment	(112,872,815)	-	(2,737,500)	(115,610,315)
Change in the fair value	-	-	-	-
Transferred to Stage (1)	-	-	-	-
Transferred to Stage (2)	-	-	-	-
Transferred to Stage (3)	-	-	-	-
Effects due to adjustments	-	-	-	-
Written-off investments	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	766,310,858	-	250,000	766,560,858

- The following is the movement on the provision for expected credit losses for financial assets at amortized cost:

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD
Balance - beginning of the year	618,668	-	250,000	868,668	1,390,625
Effect of implementing IFRS (9) - Note (3)	-	-	-	-	235,192
Adjusted beginning balance for the year	618,668	-	250,000	868,668	1,625,817
Expected credit losses on new investments during the year	301,355	-	-	301,355	411,505
Recovered from impairment losses on accrued investments	(412,727)	-	-	(412,727)	(1,178,787)
Transferred to Stage (1)	-	-	-	-	-
Transferred to Stage (2)	-	-	-	-	-
Transferred to Stage (3)	-	-	-	-	-
Impact on the provision - for the year ended- due to reclassifications between the three stages during the year	-	-	-	-	-
Effects due to adjustments	21,344	-	-	21,344	10,133
Written-off investments	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-
Deducted during the period from the revenues	-	-	-	-	-
Balance - End of the Year	528,640	-	250,000	778,640	868,668

12. Investments in Associates

The details of this item are as follows:

				December 31,	
Company Name	Country of Residence	Ownership %	Nature of Activity	2019	2018
				JD	JD
Jordan Blending & Packing of Fertilizers Co.	Jordan	25%	Industrial	354,022	376,618

	2019	2018
	JD	JD
Balance beginning of the Year	376,618	377,262
Group's share from profit of the year	14,517	14,071
Tax share of mutual funds	(2,113)	(5,715)
Share of mutual funds from the impact of the application of IFRS 9	(25,000)	-
Collected cash dividends	(10,000)	(9,000)
Balance End of the Year	354,022	376,618

The details of the associate's assets and liabilities are as follows:

	2019	2018
	JD	JD
Total Assets	1,749,047	1,907,964
Total Liabilities	(332,960)	(401,492)
Net assets	1,416,087	1,506,472

13. Property and Equipment - Net

The details of this item are as follows:

	Lands	Buildings	Equipment, Furniture and Fixtures	Vehicles	Computers Hardware	Total
For the year ended December 31, 2019	JD	JD	JD	JD	JD	JD
Cost:						
Balance - beginning of the year	20,979,031	22,511,690	53,706,970	1,311,465	15,103,335	113,612,491
Additions	1,649,747	-	4,029,214	337,575	2,175,340	8,191,876
Disposals	-	(88,827)	(1,455,750)	(261,641)	(880,835)	(2,687,053)
Balance - End of the Year	22,628,778	22,422,863	56,280,434	1,387,399	16,397,840	119,117,314
Accumulated Depreciation:						
Balance - beginning of the year	-	7,209,807	26,541,274	673,961	8,872,903	43,297,945
Annual depreciation	-	422,998	5,790,630	176,916	2,417,572	8,808,116
Disposals	-	(88,774)	(881,955)	(256,370)	(489,607)	(1,716,706)
Balance - End of the Year	-	7,544,031	31,449,949	594,507	10,800,868	50,389,355
Net book value of property and equipment	22,628,778	14,878,832	24,830,485	792,892	5,596,972	68,727,959
Payments on purchased property and equipment	-	979,797	1,382,153	-	1,038,683	3,400,633
Net Book Value – End of the Year	22,628,778	15,858,629	26,212,638	792,892	6,635,655	72,128,592
For the year ended December 31, 2018						
Cost:						
Balance - beginning of the year	20,678,588	22,629,802	45,384,622	1,204,497	12,007,837	101,905,346
Additions	300,443	-	9,310,298	280,995	3,633,976	13,525,712
Disposals	-	(118,112)	(987,950)	(174,027)	(538,478)	(1,818,567)
Balance - End of the Year	20,979,031	22,511,690	53,706,970	1,311,465	15,103,335	113,612,491
Accumulated Depreciation:						
Balance - beginning of the year	-	6,902,105	21,816,001	632,203	7,334,621	36,684,930
Annual depreciation	-	425,784	5,086,291	170,888	2,024,851	7,707,814
Disposals	-	(118,082)	(361,018)	(129,130)	(486,569)	(1,094,799)
Balance - End of the Year	-	7,209,807	26,541,274	673,961	8,872,903	43,297,945
Net book value of property and equipment	20,979,031	15,301,883	27,165,696	637,504	6,230,432	70,314,546
Payments on purchased property and equipment	-	-	2,847,973	-	1,323,666	4,171,639
Net Book Value – End of the Year	20,979,031	15,301,883	30,013,669	637,504	7,554,098	74,486,185
Annual depreciation rate	-	4 - 2	15 - 7	15	20	

- Property and equipment include fully depreciated assets of JD 16,104,702 as of December 31, 2019 (JD 15,167,630 as of December 31, 2018), which are still used by the Bank.

14. Intangible Assets

The details of this item are as follows:

	Computer Software	Bank's License (Fair Value)	Customers Deposits	Goodwill *	Total
For the year ended December 31, 2019	JD	JD	JD	JD	JD
Balance - beginning of the year	8,378,435	9,928,000	2,499,334	1,380,512	22,186,281
Additions	6,036,063	-	-	-	6,036,063
Amortization for the year	(3,187,629)	-	(624,833)	-	(3,812,462)
Balance - End of the Year	11,226,869	9,928,000	1,874,501	1,380,512	24,409,882
For the year ended December 31, 2018					
Balance - beginning of the year	6,512,560	9,928,000	3,124,167	1,380,512	20,945,239
Additions	4,558,579	-	-	-	4,558,579
Amortization for the year	(2,692,704)	-	(624,833)	-	(3,317,537)
Balance - End of the Year	8,378,435	9,928,000	2,499,334	1,380,512	22,186,281

15. Other Assets

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Accrued interest and revenues	15,722,603	12,963,625
Prepaid expenses	3,025,805	4,099,033
Foreclosed assets against debts *	42,371,291	40,501,004
Clearing cheques	54,766	69,571
Transfers and cheques under collection	45,689	213,790
Paid guaranteed insurance	4,219,291	4,865,274
Discounted commercial papers	20,215,525	19,636,744
Convertible loans **	170,890	-
Other	9,590,670	5,364,702
Total	95,416,530	87,713,743

* The regulations of the Central Bank of Jordan require disposing of the foreclosed assets against debts during a maximum period of two years from the acquistion date. However, in some exceptional cases, the Central Bank of Jordan has the right to extend the period for a maximum of two subsequent years.

Since the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts that have expired over a period of more than 4 years, according to the Central Bank of Jordan's Circular No 4076/1/15 dated March 27, 2014 and Circular No. 2510/1/10 dated February 14, 2017. Moreover, the Central Bank of Jordan has issued Circular No. 13967/1/10 dated October 25,2018, extending the validity of Circular No. 16607/1/10 dated February 17, 2017, and postponing the provision calculation until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 16239/1/10 dated November 21, 2019, deductions shall be made concerning the required allocations against real estate acquired at the rate of (5%) of the total book values of these properties (regardless of the period of their violation) effective from the year 2021 until the required percentage of 50% of these properties is reached by the end of the year 2029.

- The following is a summary of the movement on the foreclosed assets against debts:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Balance - beginning of the year	40,501,004	31,992,554
Additions	5,420,756	12,186,490
Disposals	(3,989,928)	(3,413,659)
Gain / (loss)	439,459	(264,381)
Balance - End of the Year	42,371,291	40,501,004

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

Balance beginning of year	3,954,620	3,690,239
Additions during the year	(476,769)	200,000
Deducted from risks fund / associate company	37,310	64,381
Balance - end of the year	3,515,161	3,954,620

- The impairment provision against the foreclosed assets amounted to JD 1,044,491 as of December 31, 2019 (JD 1,313,575 as of December 31, 2018). Also, the provision for the assets seized by the Bank for a period of more than (4) years amounted to JD 2,470,671 as of December 31, 2019 (JD 2,641,045 as of December 31, 2018).

** This item represents a bond convertible to shares of JD 170,890, which has been bought at the fourth quarter of 2019

16. Banks' and Financial Institutions Deposits

The details of this item are as follows:

	2019			2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	11,972,689	44,196,653	56,169,342	266,546	59,276,955	59,543,501
Time deposits	3,000,000	90,827,728	93,827,728	3,000,000	34,144,327	37,144,327
	14,972,689	135,024,381	149,997,070	3,266,546	93,421,282	96,687,828

17. Customers' Deposits

The details of this item are as follows:

	Individual	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
December 31, 2019					
Current accounts and demand deposits	309,861,708	217,513,522	118,515,343	1,690,389	647,580,962
Saving deposits	687,390,763	15,459,996	11,620,460	2,043,228	716,514,447
Time and notice deposits	1,088,270,909	527,615,686	109,712,959	141,825,776	1,867,425,330
Certificates of deposit	311,116,822	7,768,000	11,461,900	14,100,000	344,446,722
Total	2,396,640,202	768,357,204	251,310,662	159,659,393	3,575,967,461
December 31, 2018					
Current accounts and demand deposits	267,566,939	180,788,367	88,564,540	1,601,014	538,520,860
Saving deposits	549,342,450	19,539,458	6,199,819	767,389	575,849,116
Time and notice deposits	887,002,197	481,432,204	92,465,559	187,769,788	1,648,669,748
Certificates of deposit	203,545,539	1,418,000	7,946,282	13,000,000	225,909,821
Total	1,907,457,125	683,178,029	195,176,200	203,138,191	2,988,949,545

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD 159,659,393 , representing 4.46% of total deposits as of December 31, 2019 (JD 203,138,191 , representing 6.8% of total deposits as of December 31, 2018).

- Non-interest bearing deposits amounted to JD 645,849,625, representing 18.06% of total deposits as of December 31, 2019 (JD 564,675,631, representing 18.89% of total deposits as of December 31, 2018).

- Restricted deposits amounted to JD 3,474,938, representing 0.07% of total deposits as of December 31, 2019 (JD 1,974,041, representing 0.07% of total deposits as of December 31, 2018).

- Fixed deposits amounted to JD 51,271,856, representing 1.43% of total deposits as of December 31, 2019 (JD 55,457,285, representing 1.86% of total deposits as of December 31, 2018).

- Customers' deposits include an amount of JD 1,080,470,681, which represents the shared customers' investments related to Safwa Islamic Bank as of December 31, 2019.

18. Cash Margins

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD	JD
Margins against direct credit facilities	104,312,047	87,115,535
Margins against indirect credit facilities	72,197,550	43,760,287
Margin dealings	3,989,528	5,106,274
Other margins	5,198,899	5,832,440
Total	185,698,024	141,814,536

19. Borrowed Funds

The details of this item are as follows:

	Amount	Number of total payments: Total no. of payments	Number of total payments: Remaining payments	Payments frequency	Collaterals	Loan interest rate price
	JD					
December 31, 2019						
Central Bank of Jordan borrowing *	26,127,926	6,407	4,335	Monthly	Bank Promissory	2.25% - 1%
Central Bank of Jordan borrowing *	771,485	38	10	Quarterly	Bank Promissory	2% - 1.75%
Central Bank of Jordan borrowing *	1,436,371	60	53	semi-annual	Bank Promissory	1.75% - 1%
Central Bank of Jordan borrowing *	2,996,486	33	31	Annual	Bank Promissory	1.75% - 1%
International Bank for Reconstruction and Development **	4,800,000	20	16	Semi-annual starting from September 15, 2018	Bank Promissory	3.87%
Arab Fund for Economic and Social Development ***	1,950,000	15	10	semi-annual	Bank Promissory	2.5%
Arab Fund for Economic and Social Development ***	1,589,016	34	34	semi-annual	Bank Promissory	3%
Arab Fund for Economic and Social Development ***	1,576,749	34	34	semi-annual	Bank Promissory	3%
The European Bank for Reconstruction and Development ****	2,192,859	7	2	semi-annual	Bank Promissory	6.25%
Jordan Mortgage Refinance Company	20,000,000	2	2	semi-annual	Bank Promissory	6% - 4.5%
Local Banks (related to a subsidiary)	1,729,013	236	176	Monthly/ Quarterly	Bank Promissory	6%
	65,169,905					
December 31, 2018						
Central Bank of Jordan borrowing *	28,699,815	5419	3524	Monthly	Bank Promissory	1% - 2.25%
Central Bank of Jordan borrowing *	381,197	34	9	Quarterly	Bank Promissory	1.75% - 2.25%
Central Bank of Jordan borrowing *	55,004	3	1	Annual	Bank Promissory	2٪
International Bank for Reconstruction and Development **	5,400,000	40	36	Semi-annual starting from September 15, 2018	Bank Promissory	4.37%
Arab Fund for Economic and Social Development ***	2,370,000	15	12	Semi annual	Bank Promissory	2.5%
Arab Fund for Economic and Social Development ***	1,589,016	84	84	Semi annual	Bank Promissory	3%
The European Bank for Reconstruction and Development ****	4,385,713	14	9	Semi annual	Bank Promissory	5.75%
Jordan Mortgage Refinance Company	40,000,000	4	4	One payment	Bank Promissory	4.5% - 6%
Local Banks (related to a subsidiary)	2,355,517	697	573	Monthly/ Quarterly	Bank Promissory	6% - 7.5%
	85,236,262					

- All borrowings have fixed payment terms.

* Funds have been borrowed from the Central Bank of Jordan to corporates and SMEs sectors at an interest rate ranging from 3.75% - 6%.

** Funds have been borrowed from the International Bank for Reconstruction and Development to corporates and SMEs sectors at an interest rate ranging from 7.25% - 11.5%.

*** Funds have been borrowed from the Arab Fund for Economic and Social Development to corporates and SMEs sectors at an interest rate ranging from 6% - 8.25%.

**** Funds have been borrowed from the European Bank for Reconstruction and Development to corporates and SMEs sectors at an interest rate ranging from 7.25% - 10.25%.

20. Sundry Provisions

The details of this item are as follows:

	Balance at the beginning of the year	Addition during the year	Paid during the year	Transferred to income	Balance at the end of the year
For the Year Ended December 31, 2019	JD	JD	JD	JD	JD
Provision for end-of-service indemnity	-	34,065	-	-	34,065
Provision for lawsuits and contingent liabilities	912,609	1,182,568	1,463,926	96,092	535,159
Other provisions	320,000	361,000	-	320,000	361,000
Total	1,232,609	1,577,633	1,463,926	416,092	930,224
For the Year Ended December 31, 2018					
Provision for end-of-service indemnity	23,818	-	8,554	15,264	-
Provision for lawsuits and contingent liabilities	210,797	774,953	42,161	30,980	912,609
Other provisions	-	320,000	-	-	320,000
Total	234,615	1,094,953	50,715	46,244	1,232,609

21. Income Tax

a. Income tax provision

The movement on the income tax provision is as follows:

	2019	2018
	JD	JD
Balance - beginning of the year	18,199,119	14,773,872
Income tax paid	(21,725,107)	(18,402,776)
Accrued income tax	24,145,907	20,974,275
Provision for prior years income tax	14,310	853,748
Balance - End of the Year	20,634,229	18,199,119

Income tax appearing in the consolidated income statement represents the following:

	2019	2018
	JD	JD
Income tax accrued for the current year profit	24,145,907	20,974,275
Income tax for prior years	14,310	853,748
Amortization of deferred tax assets	(830,352)	(383,726)
	23,329,865	21,444,297

b. Deferred Income Tax Assets / Liabilities

The details of this item are as follows:

	2019					2018
	Beginning Balance	Amounts Released	Amounts Added	Ending Balance	Deferred Tax	Deferred Tax
Deferred Tax Assets	JD	JD	JD	JD	JD	JD
Unrealized losses from financial assets at fair value through other comprehensive income	(2,295,554)	1,589,478	2,576,510	(1,308,522)	1,680,934	1,577,289
Unrealized losses from financial assets at fair value through profit or loss	(101,929)	426,135	965,218	437,154	160,928	212,589
Provision for real estate acquired	3,890,239	476,769	-	3,413,470	1,297,119	1,478,291
Provision for bonuses	2,999,996	2,999,996	3,775,213	3,775,213	1,434,581	1,139,998
Capital maintenance expenditures 2012	154,165	77,082	-	77,083	29,292	58,583
Capital maintenance expenditures 2013	86,344	43,172	-	43,172	16,405	32,811
Provision for lawsuits against the Bank	912,609	377,450	-	535,159	203,360	346,791
Provision for unaccepted credit financing and facilities stage 3	356,550	-	242,228	598,778	227,536	135,489
General provision	-	-	47,377	47,377	13,266	-
Provision for expected obligations	-	-	361,000	361,000	137,180	-
Differences due to the application IFRS 16	-	-	252,645	252,645	96,005	-
Provision for expected credit losses stage 1 or 2	16,857,646	-	3,095,493	19,953,139	7,582,193	6,405,905
Provision for end-of-service indemnity	-	-	34,065	34,065	12,945	-
Legal expenses	1,500,000	1,500,000	-	-	-	570,000
Total	24,360,066	7,490,082	11,349,749	28,219,733	12,891,744	11,957,746

- The movement on the deferred income tax assets / liabilities is as follows:

	Assets	
	December 31,	
	2019	2018
	JD	JD
Balance - beginning of the year	11,957,746	4,559,081
Impact of Implementing IFRS (9)	-	6,168,660
Adjusted balance as of January 31, 2019	11,957,746	10,727,741
Additions	3,826,357	3,430,248
Disposals	(2,892,359)	(2,200,243)
Balance - End of the Year	12,891,744	11,957,746

c. Reconciliation of the accounting profit with taxable profit

	2019	2018
	JD	JD
Accounting profit for the year	61,346,088	62,530,208
Non-taxable income	(8,927,646)	(10,224,635)
Non-deductible expenses for tax purposes	12,813,380	8,482,830
Prior years' accumulated losses	-	(155,925)
Taxable Profit	65,231,822	60,632,478
Effective income tax rate	38.02%	34.29%

- The Bank's legal income tax rate was 35%, in addition to the national contribution of 3%.

- Al Etihad Leasing Company's and Al Etihad Brokerage Company's legal income tax rate was 24%, in addition to the national contribution of 4%

- Bank Al Etihad (Parent Company) has submitted its tax returns for the years 2015 , 2016, 2017 and 2018. Moreover, there is a case before the court relatung to the year 2015, and no decision has been issued thereon yet. The Income and Sales Tax Department has not reviewed the Bank's accounting records for the years 2017 and 2018.

- During the first quarter of 2019, a final settlement has been reached between Safwa Islamic Bank (subsidiary) and the Income and Sales Tax Department concerning the tax cases for the years 2014 and 2015.

- Safwa Islamic Bank's tax returns for 2016 and 2017 have been submitted, but not yet reviewed by the Income and Sales Tax Department until the date of the preparation of the consolidated financial statements.

- A final settlement for Al Etihad Brokerage Co. has been reached up to the years 2014 and 2016

- A final settlement with the Income and Sales Tax Department for Al Etihad Leasing Co. has been reached up to the year 2016. Moreover, the Bank has filed its income tax returns for the years 2017 and 2018, which have not yet been reviewed by the Income and Sales Tax Department until the date of the preparation of the consolidated financial statements.
- The deferred tax rates have reached 38% and 13%. In the opinion of the Bank's management, these deferred taxes may be realized in the future.

22. Other Liabilities

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Accrued interest expenses	35,741,443	27,373,621
Revenues received in advance	1,709,686	1,341,001
Accounts payable	787,305	355,329
Accrued expenses	10,916,992	8,157,279
Incoming transfers	441,538	477,596
Postdated cheques	8,482,283	7,380,522
Investment risk fund balance	-	1,945,997
Income tax provision investment risk fund	585,640	2,052,566
Provision for expected credit losses for the off-balance sheet items	2,377,767	3,294,904
Dividends payable	685,514	634,636
Other liabilities	14,855,290	15,688,638
Total	76,583,458	68,702,089

Below is the movement of the indirect facilities on a collective basis during the year:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	881,522,934	-	40,204,360	-	2,211,056	923,938,350
New exposurea during the period	669,145,665	-	48,580,472	-	138,174	717,864,311
Accrued exposure	(646,851,446)	-	(18,580,671)	-	(1,160,599)	(666,592,716)
Transferred to stage (1)	15,867,000	-	(15,669,395)	-	(197,605)	-
Transferred to stage (2)	(4,509,479)	-	4,509,479	-	-	-
Transferred to stage (3)	(209,500)	-	(11,250)	-	220,750	-
Changes from adjustments	-	-	-	-	-	-
Written-off Facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	914,965,174	-	59,032,995	-	1,211,776	975,209,945

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	927,607,279	-	10,057,049	-	2,200,238	939,864,566
New exposurea during the period	603,968,593	-	30,148,122	-	1,504,488	635,626,204
Accrued exposure	(640,691,358)	-	(9,117,077)	-	(1,738,985)	(651,547,420)
Transferred to stage (1)	1,569,071	-	(1,569,071)	-	-	-
Transferred to stage (2)	(10,685,336)	-	10,685,336	-	-	-
Transferred to stage (3)	(245,315)	-	-	-	245,315	-
Changes from adjustments	-	-	-	-	-	-
Written-off Facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	881,522,934	-	40,204,360	-	2,211,056	923,938,350

Below is the movement on the expected credit loss for indirect facilities on a collective bases during the year:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	2,367,050	-	200,629	-	727,225	3,294,904
Impairment loss on new exposures during the year	1,312,440	-	224,414	-	-	1,536,854
Recovered from the impairment loss of the accrued exposures	(194,785)	-	(66,871)	-	(445,586)	(707,242)
Transferred to stage (1)	131,892	-	(59,431)	-	(72,461)	-
Transferred to stage (2)	(17,729)	-	17,729	-	-	-
Transferred to stage (3)	(719)	-	-	-	719	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Changes from adjustments	(1,556,159)	-	(43,864)	-	(146,726)	(1,746,749)
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	2,041,990	-	272,606	-	63,171	2,377,767

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Impact of implementing IFRS (9)	2,646,482	-	133,182	-	1,981,057	4,760,721
Adjusted balance as of January 1, 2018	2,646,482	-	133,182	-	1,981,057	4,760,721
Impairment loss on new exposures during the year	2,167,278	-	115,647	-	723,619	3,006,544
Recovered from the impairment loss of the accrued exposures	(2,167,910)	-	(103,329)	-	(1,981,057)	(4,252,296)
Transferred to stage (1)	6,274	-	(6,274)	-	-	-
Transferred to stage (2)	(70,843)	-	70,843	-	-	-
Transferred to stage (3)	(1,860)	-	-	-	1,860	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Changes from adjustments	(212,371)	-	(9,440)	-	1,746	(220,065)
Written-off Facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	2,367,050	-	200,629	-	727,225	3,294,904

The distribution of the total indirect facilities (guarantees) according to the Bank's internal credit ratings:

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	-	-	-	-	-	-	11,000
2	32,745,379	-	-	-	-	32,745,379	20,060,255
3	34,448,794	-	-	-	-	34,448,794	28,037,600
4	25,409,111	-	-	-	-	25,409,111	18,931,531
5	37,790,297	-	-	-	-	37,790,297	27,515,289
6	27,875,849	-	1,698,796	-	-	29,574,645	29,958,989
7	6,732,705	-	5,130,253	-	-	11,862,958	10,452,088
8	-	-	-	-	638,856	638,856	1,095,348
Not rated	21,724,580	-	18,484,515	-	572,920	40,782,015	40,072,386
Total	186,726,715	-	25,313,564	-	1,211,776	213,252,055	176,134,486

Below is the movement on the indirect facilities (guarantees):

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	152,478,662	-	21,444,768	-	2,211,056	176,134,486
New exposure during the period	78,053,496	-	17,126,184	-	138,174	95,317,854
Accrued exposure	(52,699,141)	-	(4,340,545)	-	(1,160,599)	(58,200,285)
Transferred to stage (1)	10,775,508	-	(10,577,903)	-	(197,605)	-
Transferred to stage (2)	(1,672,310)	-	1,672,310	-	-	-
Transferred to stage (3)	(209,500)	-	(11,250)	-	220,750	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	186,726,715	-	25,313,564	-	1,211,776	213,252,055

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	175,188,818	-	1,033,932	-	2,200,238	178,422,988
New exposure during the period	6,105,117	-	13,102,862	-	1,504,488	20,712,467
Accrued exposure	(20,636,475)	-	(625,509)	-	(1,738,985)	(23,000,969)
Transferred to stage (1)	260,440	-	(260,440)	-	-	-
Transferred to stage (2)	(8,193,923)	-	8,193,923	-	-	-
Transferred to stage (3)	(245,315)	-	-	-	245,315	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	152,478,662	-	21,444,768	-	2,211,056	176,134,486

Below is the movement on the expected credit loss for the indirect facilities - guarantees:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	435,108	-	78,231	-	727,225	1,240,564
Impairment loss on new exposures during the year	89,670	-	69,304	-	-	158,974
Recovered from the impairment loss of the accrued exposures	(117,077)	-	(41,987)	-	(445,586)	(604,650)
Transferred to stage (1)	88,230	-	(15,769)	-	(72,461)	-
Transferred to stage (2)	(10,030)	-	10,030	-	-	-
Transferred to stage (3)	(719)	-	-	-	719	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(200,069)	-	(8,797)	-	(146,726)	(355,592)
Written-off Facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-		-
Balance at the End of the Year	285,113	-	91,012	-	63,171	439,296

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Impact of implementing IFRS (9)	560,955	-	5,259	-	1,981,057	2,547,271
Adjusted balance as of January 1, 2018	560,955	-	5,259	-	1,981,057	2,547,271
Impairment loss on new exposures during the year	103,347	-	7,053	-	723,619	834,019
Recovered from the impairment loss of the accrued exposures	(100,967)	-	(2,298)	-	(1,981,057)	(2,084,322)
Transferred to stage (1)	1,155	-	(1,155)	-	-	-
Transferred to stage (2)	(61,841)	-	61,841	-	-	-
Transferred to stage (3)	(1,860)	-	-	-	1,860	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(65,681)	-	7,531	-	1,746	(56,404)
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	435,108	-	78,231	-	727,225	1,240,564

The distribution of the total indirect facilities (unutilized limits) according to the Bank's internal credit ratings:

	2019						2018
	Stage (1)		Stage (2)		Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	2,215,437	-	-	-	-	2,215,437	335,032
2	41,533,363	-	-	-	-	41,533,363	73,220,389
3	86,301,657	-	-	-	-	86,301,657	80,017,261
4	133,280,580	-	-	-	-	133,280,580	49,051,819
5	94,172,137	-	-	-	-	94,172,137	68,933,336
6	35,465,210	-	-	-	-	35,465,210	63,799,011
7	5,157,805	-	13,188,239	-	-	18,346,044	13,020,539
8	-	-	-	-	-	-	-
Not rated	37,340,320	-	2,718,545	-	-	40,058,865	84,062,533
Total	435,466,509	-	15,906,784	-	-	451,373,293	432,439,920

Below is the movement on the indirect facilities - unutilized limits

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	423,237,421	-	9,202,499	-	-	432,439,920
New exposure during the period	343,273,945	-	13,641,641	-	-	356,915,586
Accrued exposure	(332,271,484)	-	(5,710,729)	-	-	(337,982,213)
Transferred to stage (1)	4,063,796	-	(4,063,796)	-	-	-
Transferred to stage (2)	(2,837,169)	-	2,837,169	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	435,466,509	-	15,906,784	-	-	451,373,293

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	375,106,489	-	8,364,920	-	-	383,471,409
New exposure during the period	358,747,224	-	8,515,864	-	-	367,263,088
Accrued exposure	(310,323,164)	-	(7,971,413)	-	-	(318,294,577)
Transferred to stage (1)	734,954	-	(734,954)	-	-	-
Transferred to stage (2)	(1,028,082)	-	1,028,082	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	423,237,421	-	9,202,499	-	-	432,439,920

Below is the movement on the expected credit loss for the indirect facilities - unutilized ceilings:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	1,521,294	-	96,916	-	-	1,618,210
Impairment loss on new exposures during the year	884,361	-	124,270	-	-	1,008,631
Recovered from the impairment loss of the accrued exposures	(59,299)	-	(24,884)	-	-	(84,183)
Transferred to stage (1)	39,518	-	(39,518)	-	-	-
Transferred to stage (2)	(7,699)	-	7,699	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(1,007,734)	-	(13,729)	-	-	(1,021,463)
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	1,370,441	-	150,754	-	-	1,521,195

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Impact of implementing IFRS (9)	1,347,839	-	124,191	-	-	1,472,030
Adjusted balance as of January 1, 2018	1,347,839	-	124,191	-	-	1,472,030
Impairment loss on new exposures during the year	1,707,173	-	87,256	-	-	1,794,429
Recovered from the impairment loss of the accrued exposures	(1,411,169)	-	(100,552)	-	-	(1,511,721)
Transferred to stage (1)	4,735	-	(4,735)	-	-	-
Transferred to stage (2)	(4,858)	-	4,858	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(122,426)	-	(14,102)	-	-	(136,528)
Written-off Facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	1,521,294	-	96,916	-	-	1,618,210

The distribution of the total indirect facilities (letter of credits and acceptances) according to the Bank's internal credit ratings:

	2019						2018
	Stage (1)	Stage (1)	Stage (2)	Stage (2)	Stage (3)		
	Individual	Collective	Individual	Collective	Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	-	-	-	-	-	-
2	24,577,233	-	-	-	-	24,577,233	33,901,758
3	50,107,909	-	-	-	-	50,107,909	25,575,116
4	57,964,209	-	-	-	-	57,964,209	57,640,852
5	79,746,493	-	-	-	-	79,746,493	80,096,193
6	13,955,379	-	-	-	-	13,955,379	32,920,540
7	8,552,118	-	3,813,160	-	-	12,365,278	2,984,893
8	-	-	-	-	-	-	-
Not rated	57,868,609	-	13,999,487	-	-	71,868,096	82,244,592
Total	292,771,950	-	17,812,647	-	-	310,584,597	315,363,944

Below is the movement on the indirect facilities - letters of credit :

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	305,806,851	-	9,557,093	-	-	315,363,944
New exposure during the period	247,818,224	-	17,812,647	-	-	265,630,871
Accrued exposure	(261,880,821)	-	(8,529,397)	-	-	(270,410,218)
Transferred to stage (1)	1,027,696	-	(1,027,696)	-	-	-
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	292,771,950	-	17,812,647	-	-	310,584,597

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	377,311,972	-	658,197	-	-	377,970,169
New exposure during the period	239,116,252	-	8,529,397	-	-	247,645,649
Accrued exposure	(309,731,719)	-	(520,155)	-	-	(310,251,874)
Transferred to stage (1)	573,677	-	(573,677)	-	-	-
Transferred to stage (2)	(1,463,331)	-	1,463,331	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effects due to adjustments	-	-	-	-	-	-
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	305,806,851	-	9,557,093	-	-	315,363,944

Below is the movement on the indirect facilities provision - letter of credits and acceptances:

	2019					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	410,648	-	25,482	-	-	436,130
Impairment loss on new exposures during the year	338,409	-	30,840	-	-	369,249
Recovered from the impairment loss of the accrued exposures	(18,409)	-	-	-	-	(18,409)
Transferred to stage (1)	4,144	-	(4,144)	-	-	-
Transferred to stage (2)	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(348,356)	-	(21,338)	-	-	(369,694)
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	386,436	-	30,840	-	-	417,276

	2018					
	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Impact of implementing IFRS (9)	737,688	-	3,732	-	-	741,420
Adjusted balance as of January 1, 2018	737,688	-	3,732	-	-	741,420
Impairment loss on new exposures during the year	356,758	-	21,338	-	-	378,096
Recovered from the impairment loss of the accrued exposures	(655,774)	-	(479)	-	-	(656,253)
Transferred to stage (1)	384	-	(384)	-	-	-
Transferred to stage (2)	(4,144)	-	4,144	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Impact on the provision as of the end of the year due to the reclassifications between the stages during the year	-	-	-	-	-	-
Effects due to adjustments	(24,264)	-	(2,869)	-	-	(27,133)
Written-off facilities	-	-	-	-	-	-
Adjustments due to changes in the exchange rates	-	-	-	-	-	-
Balance at the End of the Year	410,648	-	25,482	-	-	436,130

23. Paid-up Capital and Share Premium

Capital:

The authorized and paid-in capital amounted to JD 160 million, divided into 160 million shares at a par value of JD 1 per share as of December 31, 2019 and December 31, 2018.

Share Premium:

Share premium amounted to JD 80,213,173 as of December 31, 2019 and December 31, 2018.

Dividends Paid:

The distribution of cash dividends amounted to JD 22,400,000 for 2018 (JD 16,000,000 for 2017).

24. Reserves

The details of the reserves as of December 31, 2019 and December 31, 2018 are as follows:

a. Statutory Reserve

This reserve represents amounts transferred from income before tax at a rate of 10% during the previous years. The statutory reserve is not available for distribution to shareholders.

b. Voluntary reserve

This reserve represents amounts transferred from the pre-tax profits at a rate not exceeding 20%. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly shall have the right to distribute it in whole or in part as dividends to the shareholders.

The restricted reserves are as follows:

	December 31,		
Reserve	2019	2018	Regulation
	JD	JD	
Statutory reserve	56,257,522	49,410,187	According to the regulatory authoroties' regulations
Fair value reserve	372,413	(727,049)	According to the regulations of the Central Bank of Jordan and Jordan Securities Commission

25. Proposed Dividends

The Board of Directors proposed cash dividends at 10% of paid-in capital, equivalent to JD 16,000,000. Moreover, the cash dividends distributed to the shareholders in the prior year amounted to 14% of the Bank's paid-in capital, equivalent to JD 22,400,000.

The distributable profits amounted to JD 38.6 million.

26. Fair Value Reserve - Net

The details are as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Balance at the beginning of the year	(727,049)	1,191,589
Unrealized gains (losses)	1,128,142	(2,932,070)
deferred tax assets	103,645	846,279
(Gains) losses from sale of financial assets at fair value through other comprehensive income	(132,325)	167,153
Balance at the End of the Year	372,413	(727,049)

27. Retained Earnings

The movement on retained earnings is as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Balance – beginning of the year	53,566,049	43,243,353
General banking risks reserve	-	14,034,670
Expected credit losses for financial assets (ECL) due to the application of IFRS (9)	-	(17,707,818)
Impact of implementing IFRS (9) on deferred tax assets	-	6,168,660
Adjusted balance as of January 1, 2018	53,566,049	45,738,865
Income for the year	31,613,674	35,736,582
Gains (losses) from sale of financial assets through other comprehensive income	132,325	(167,153)
Transferred to reserves	(11,401,288)	(11,749,096)
Dividends distributed	(22,400,000)	(16,000,000)
Shares in subsidiaries	86,073	-
Effect of disposal of a subsidiary	-	6,851
Balance – End of the Year	51,596,833	53,566,049

- Retained earnings includes a restricted amount of JD 437,154, which represents gains from the differences on the revaluation of the financial assets at fair value through the statement of profit or loss.

- Retained earnings includes a restricted amount of JD 11,210,810 as of December 31, 2019 (JD 10,380,457 as of December 31, 2018), which represents deferred tax assets. According to the Central Bank of Jordan's instructions, this amount may not be used unless prior approval is obtained from the Central Bank of Jordan.

28. Provision for Expected Credit Losses on Financial Assets

The Bank has started implementing IFRS (9) effective from January 1, 2018, which requires the Bank to calculate the expected credit

	2019	2018
	JD	JD
Deposits at banks and financial institutions	17,514	(83,843)
Financial assets at amortized costs	(194,978)	(744,309)
Direct credit facilities	18,528,623	13,064,868
Contingent liabilities	(1,044,826)	(1,300,904)
	17,306,333	10,935,812

29. Subsidiaries with Material Non-controlling Interests

First: Percentage owned by non-controlling interests

As of December 31, 2019

Company's Name	Country	Ownership Percentage	Activity Nature	Distributions
Safwa Islamic Bank (Owned by Al Etihad Islamic for Investment Company)	Jordan	63.83%	Provides all financial, banking and investment services according to Islamic Sharia	7,000,000
Al Etihad Islamic for Investment Company LLC.	Jordan	42.00%	The Company's purposes are to acquire companies' stocks, bonds and shares	3,700,000

As of December 31, 2018

Company's Name	Country	Ownership Percentage	Activity Nature	Distributions
Safwa Islamic Bank (Owned by Al Etihad Islamic for Investment Com	Jordan	64.16%	Provides all financial, banking and investment services according to Islamic Sharia	5,000,000
Al Etihad Islamic for Investment Company LLC.	Jordan	42.00%	The Company's purposes are to acquire companies' stocks, bonds and shares	1,648,445

Second: The following is selected financial information for subsidiaries with material non-controlling interests

a. Condensed statement of financial position before the elimination of inter-company transactions:

	(Al Etihad Islamic for Investment Company)	(Al Etihad Islamic for Investment Company)
	December 31, 2019	December 31, 2018
	JD	JD
Financial assets	1,505,133,350	1,078,226,197
Other assets	37,365,196	34,908,755
Total assets	1,542,498,546	1,113,134,952
Financial Liabilities	1,353,775,574	943,501,419
Other Liabilities	44,272,704	28,338,551
Total Liabilities	1,398,048,278	971,839,970
Total Equity	144,450,268	141,294,982
Total Liabilities and Equity	1,542,498,546	1,113,134,952
Equity attributed to non-controlling interests	91,842,119	90,376,684
Non-Controlling Interest Share at Al Etihad Islamic for Investment Company	128,928	128,928
Total non-controlling interests	91,971,047	90,505,612

b. Condensed statement of income before the elimination of inter-company transactions:

	(Al Etihad Islamic for Investment Company)	(Al Etihad Islamic for Investment Company)
	December 31, 2019	December 31, 2018
	JD	JD
Total revenue	50,225,007	43,150,943
Profit for the year	10,016,219	8,350,661
Total Comprehensive Income	10,155,286	8,321,979
Attributable to non-controlling interests	6,481,630	5,339,326
Non-controlling interests share in profits (losses) of Al Etihad Islamic for Investment Company	(3,462)	1,289,279
Non-Controlling Interests	6,478,168	6,628,605

30. Interest Income and Returns

The details of this item are as follows:

	2019	2018
	JD	JD
Direct Credit Facilities and Financing		
Individual retail customer		
Overdraft	432,822	1,154,574
Loans and discounted bills	46,091,559	36,162,776
Credit cards	1,539,823	1,202,149
Real estate	59,149,728	53,040,298
Large corporates		
Overdraft	9,470,915	9,580,213
Loans and discounted bills	72,710,823	59,488,439
SME's		
Overdraft	2,862,950	3,273,069
Loans and discounted bills	9,525,020	8,600,437
Government and Public Sector	7,346,184	8,762,407
Balances at the Central Bank	2,054,029	810,495
Balances and deposits at banks and financial institutions	5,546,487	3,146,088
Financial assets at fair value through statement of profit or loss	4,077	48,670
Financial assets at amortized cost	34,967,233	30,686,797
Others	1,183,105	804,677
Total	252,884,755	216,761,089

31. Interest Expense

The details of this item are as follows:

	2019	2018
	JD	JD
Banks and financial institutions deposits	2,403,529	1,862,618
Customers' deposits:		
Current accounts and demand deposits	1,414,120	907,186
Saving deposits	10,287,190	7,008,603
Time and notice deposits	77,923,781	60,096,814
Certificates of deposit	15,148,504	9,698,042
Cash margins	2,571,385	2,735,637
Borrowed funds	2,681,077	3,268,683
Deposits Insurance Corporation's fees	4,016,664	3,231,428
	116,446,250	88,809,011

32. Net Commission Income

The details of this item are as follows:

	2019	2018
	JD	JD
Direct credit facilities and financing commissions	8,024,494	7,290,667
Indirect credit facilities and financing commissions	9,380,627	9,193,251
Other	9,426,195	8,316,506
Less: Commission expense	(841,315)	(951,020)
Net Commission Income	25,990,001	23,849,404

33. Gains from Foreign Currencies

The details of this item are as follows:

	2019	2018
	JD	JD
Resulting from dealings / tradings	4,676,842	3,939,443
Resulting from valuations	2,287,622	1,914,563
	6,964,464	5,854,006

34. (Losses) Gains from Financial Assets at Fair Value through Pofit or Loss

The details of this item are as follows:

	(Losses) Realized	Gains (Losses) Unrealized	Dividends income Received	Total
	JD	JD	JD	JD
2019				
Treasury bills and bonds	122,583	9,088	-	131,671
Corporate shares	(622,767)	(268,016)	296,247	(594,536)
Financial derivatives	235,314	-	-	235,314
Investment funds	-	467,118	-	467,118
	(264,870)	208,190	296,247	239,567
2018				
Treasury bills and bonds	20,345	19,429	-	39,774
Corporate shares	(2,268,189)	(1,005,135)	161,637	(3,111,687)
Financial derivatives	658,071	-	-	658,071
Investment funds	(24,762)	(17,193)	-	(41,955)
	(1,614,535)	(1,002,899)	161,637	(2,455,797)

35. Dividends from Financial Assets at Fair Value through other Comprehensive Income

The details of this item are as follows:

	2019	2018
	JD	JD
Dividends distributed on corporate shares	1,039,085	1,026,133

36. Other Income

The details of this item are as follows:

	2019	2018
	JD	JD
Safety deposits boxes rental income	163,027	144,622
Dormant accounts	124,997	107,157
Gains from the sale of repossessed assets	-	208,038
Bonded revenues	300,223	298,720
Net income from recovered bad debts	178,099	322,480
Income from liquidation of invested companies	77,465	55,468
income from reconciling accounts	459,951	-
Other income	165,365	200,711
Total	1,469,127	1,337,196

37. Employees' Expenses

The details of this item are as follows:

	2019	2018
	JD	JD
Salaries, benefits and allowances	35,344,161	33,518,579
Bank's contribution to social security	3,713,489	3,609,843
Bank’s contribution to saving fund	1,460,170	1,372,538
Medical expenses	1,590,350	1,587,423
Per diems	325,602	326,608
Training expenses	857,885	736,691
Uniforms	86,681	80,525
Advertising and marketing incentives	2,991,366	1,704,228
Employees' life insurance expense	151,858	180,612
Other	-	6,024
	46,521,562	43,123,071

38. Other Expenses

The details of this item are as follows:

	2019	2018
	JD	JD
Postage, telephone telex and reutters	2,496,947	2,117,044
Stationery and printing	1,038,441	1,159,377
Water, electricity and fuel expense	904,092	1,274,053
Maintenance of machines and equipment	9,165,848	7,529,647
Insurance expenses on the Bank's assets and activities	964,275	805,888
Consultation and professional fees	2,476,944	1,664,303
Licenses and governmental fees	1,327,361	1,172,793
Loss from disposal of property and equipment	445,414	315,651
Board of Directors’ transportations and allowances	1,414,424	1,275,991
Advertising	5,580,029	5,067,065
Donations and subscriptions	969,554	957,227
Board of Directors’ remuneration	116,250	108,438
Loss from disposal of owned assets	383,477	-
Others	1,628,748	1,363,017
	28,911,804	24,810,494

39. Earnings Per Share

The details of this item are as follows:

	2019	2018
	JD	JD
Profit for the year	31,613,674	35,736,582
Weighted average number of shares (share)	160,000,000	160,000,000
Earnings per share attributable to the Bank's shareholders:		
Basic and diluted	0.198	0.223

40. Cash and Cash Equivalents

The details of this item are as follows:

	2019	2018
	JD	JD
Cash and balances with CBJ maturing within 3 months	563,867,223	333,205,500
Add: Balances with banks and financial institutions maturing within 3 months	331,017,085	248,406,070
Less: Banks and financial institutions deposits maturing within 3 months	104,424,070	85,187,828
Restricted balances	6,857,213	9,234,477
	783,603,025	487,189,265

41. Financial Derivative Instruments

The following table shows the positive and negative fair value for the financial derivatives along with the distribution of their nominal value based on their maturities.

	Positive Fair Value	Negative Fair Value	Total Nominal Value	Par Value Maturity Due in three Months	Due in 3 - 12 Months	From 1 to 3 Years	More than 3 Years
	JD	JD	JD	JD	JD	JD	JD
2019							
Customers' purchased forward agreements	11,525	22,221	7,251,517	4,451,974	2,799,543	-	-
Interest rates swap contracts	-	94,627	18,434,000	4,254,000	14,180,000	-	-
Banks' purchased forward agreements	113,398	148,415	79,739,782	79,225,974	513,808	-	-
	124,923	265,263					
2018							
Customers' purchased forward agreements	379,397	64,516	50,551,832	34,672,955	15,878,877	-	-
Interest rates swap contracts	20,150	103,747	20,561,000	-	2,127,000	18,434,000	-
Banks' purchased forward agreements	122,458	334,016	109,623,864	101,464,913	8,158,951	-	-
	522,005	502,279					

Nominal value represents the value of transactions outstanding at year-end and does not refer to market risks or credit risks.

42. Related Party Transactions

The accompanying consolidated financial statements include the financial statements of the Bank and the following subsidiaries:

		The Company's Capital	
Company's Name	Ownership	2019	2018
	%	JD	JD
Al Etihad Islamic for Investment Company LLC.	58	113,039,028	113,039,028
Safwa Islamic Bank	36.2	100,000,000	100,000,000
Al- Etihad for Financial Brokerage Co. Ltd	100	5,000,000	5,000,000
Al- Etihad for Financial Leasing Co. Ltd	100	7,500,000	5,000,000
Al- Etihad for financial technology	100	100,000	-

The balances and transactions between the Bank and its subsidiaries have been eliminated.

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates. All the credit facilities granted to related parties are performing, and no provisions have been taken except for what is shown below:

The details of this item are as follows:

	Related Party				Total	
	Board of Directors	Major Shareholders	Subsidiaries	Others (Executive Management of the Bank and Related Parties)	December 31, 2019	December 31, 2018
	JD	JD	JD	JD	JD	JD
On- Consolidated Statement of Financial Position Items:						
Direct credit facilities and financing	2,539,358	3,866,184	1,417,002	47,637,594	55,460,138	48,909,746
Deposits	80,525,513	3,102,971	24,427,836	8,511,236	116,567,556	91,952,412
Deposits at banks and financial institutions	-	-	270,695	-	270,695	192,603
Off- Consolidated Statement of Financial Position Items:						
Letter of credits	-	-	136,653	1,007,916	1,144,569	2,024,165
Acceptance	-	-	-	3,033,318	3,033,318	3,680,288
Letter of guarantee	7,000	-	864,000	5,372,607	6,243,607	13,960,278

					For the Year Ended December 31,	
					2019	2018
					JD	JD
Consolidated Income Statement Items						
Interest, returns and commissions income	133,537	167,838	50,591	4,367,867	4,719,833	3,099,563
Interest and commissions expense	2,773,651	65,713	655,525	220,095	3,714,984	2,121,000
Extra Information						
Credit and financing facilities under monitoring	-	-	-	-	-	-
Impairment loss of direct credit and financing facilities under mor	-	-	-	-	-	-

- The interest income rates on credit facilities range from 3.5% to 17%, and interest expense rates on customers' deposits range from 0.5% to 6%.

Below is a summary of the remunerations for the Bank's executive management:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Salaries and bonuses of the Executive Management	5,096,319	5,056,160
Board of Directors' transportation and allowances	1,529,868	1,303,483
Total	6,626,187	6,359,643

43. Right-of-Use Assets/ Leasing Liabilities

This items includes the following:

1. Right-of-use assets

The Bank leases many assets including land and buildings, and the average lease term is 8 years.
Below is the movement on the right-of-use assets during the year:

	For the Year Ended December 31, 2019
	JD
Beginning balance (adjusted)	24,915,513
Add: additions during the year	4,918,627
Less: depreciation for the year	(3,316,267)
Balance as of Decmber 31,2019	26,517,873

Restricted balances in the statement of profit or loss	For the Year Ended December 31, 2019
	JD
Depreciation for the year	(3,316,267)
Interest during the year	(918,592)
Lease expense during the year	(574,032)

2. Lease Liabilities

	For the Year Ended December 31, 2019
	JD
Beginning balance (adjusted)	23,767,069
Add: additions during the year	4,918,627
Interest during the year	918,592
Less: paid during the year	(4,152,787)
Balance as of December 31,2019	25,451,501

*including interest of JD 234,176

Analysis of the accrual of lease liabilities:	For the Year Ended December 31, 2019
	JD
Less than one year	1,652,520
From 1 year to 5 years	8,874,979
More than 5 years	14,924,002
	25,451,501

The undiscounted lease liabilities amounted to JD 30,798,733 as of December 31, 2019.
The following is the analysis of the accrual:

Analysis of the accrual of lease liabilities:	For the Year Ended December 31, 2019
	JD
Less than one year	2,216,277
From 1 year to 5 years	10,808,442
More than 5 years	17,774,014
	30,798,733

44. Risk Management:

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

1. Business Units:

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

To ensure efficient risk management, the Bank fully separates the functions of the business units from those of risk management. For example, the study and management of credit control is completely separated from Custmer Relations Management (CRM) within the business units. This ensures the integrity of studies and credit decisions, continuous development of their efficiency, and business quality. In addition, the Middle Office is placed under market risk management and separated from the Treasury.

2. Risk Management

This Department operates independently across all business lines. It reports to the Board through the Risk Management Committee to ensure its independence and ability to detect, measure, control, and monitor risks within acceptable levels as determined by the Bank; as well as submit regular reports to the Board in this regard.

3. Internal Audit:

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

4. Risk Management Committee:

The Board of Directors endorsed the Risk Management Committee's charter, which has been developed based on the best risk management practices and CBJ requirements. The Committee comprises Board members and the Head of the Risk Management Department. All reports prepared by the Risk Management Department are submitted to the Committee periodically to ensure that the Committee's members are informed of all risks in a timely manner. This is to enable them make decisions, or take measures to change risk levels in the event risk levels are not in line with the established risk appetite, and submit reports to the Board in this regard.

5. Board of Directors:

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

- Determining the acceptable risk levels for the Bank's various activities.
- Reviewing and approving the various risk policies.
- Monitoring risks and ensuring application of the necessary controls through the Risks Management Committee.
- Delegating authority related to the approval, amendment, and renewal of credit to the various credit committees and reviewing their performance and the validity of their decisions, a matter which would reflect on the quality of the credit portfolio.
- Approving the investments policies and decisions and approving investment dealings and trading ceilings.

6. Assets and Liabilities Management Committee:

The Assets and Liabilities Management Committee comprises the Chairman as President and the CEO, CCO, FCO,Treasurer and CRO as members. The Committee reviews the statement of financial position and recommends any amendments thereto, in addition to approving the liquidity and market risk management principles. Moreover, the Committee reviews the policies related to these risks, recommends their approval by the Board, and studies the various risk reports in order to take any necessary decisions related to amending the acceptable risks levels by the Bank.

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

A. Credit risks:

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

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

2. Training and Development: The continuous training and development of all credit staff and managers ensures better understanding of the client's requirements, availability of high-level credit analysis expertise, and a good understanding of these risks when recommending their acceptance; as well as ensuring the effective management of these accounts.

3. Authority to Grant Credit: Credit is approved by specialized credit committees which are formed and granted authorities by the Board of Directors.

4. Credit Risk Measurement: The Bank put in placem, a credit rating system for corporate and medium-size companies. In addition, the Bank implements a scorecards framework for retail products as a basis for credit granting and renewal decisions for retail products.

   Internal Valuation for Capital Adequacy: The Bank develops a model to measure capital adequacy based on a 5-year data forecast to calculate the potential capital requirements and the effect of stress testing on the Bank's capital adequacy, profitability, and liquidity aligned with ICAAP.

5. Credit Risk Monitoring:
A specialized unit within the Risk Managment Department monitors the credit portfolio and prepares the relevant reports.

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

Through the early credit risk warning system, the Risk Management Department examines any indicators that may signal the deterioration of the credit status of a customer. Such indicators include customer's transactions, financial performance, and the performance of their economic sectors , in addition to indicators related to the performance of the client's account at the Bank. This system allows us to detect, early on, any deterioration in the performance of the account and enables us to take the necessary measures to reduce any possible losses that may result therefrom.

6. Credit Portfolio Management:
All departments concerned with credit continuously review the credit portfolio to maintain a good level of credit exposure quality.

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

7. Credit Risk Alleviation:
As a key measure to hedge against credit risk, the cash flows of financed projects are taken into account when determining the repayment schedule of any credit extended to our clients. Moreover, the necessary controls are determined regarding the monitoring of these cash flows that will be used for loan repayments, and collaterals in-kind are obtained if required by the credit risk level. In this respect, the quality and liquidity of these collaterals are taken into consideration, in addition to effectively implementing procedures that ensure sound control over these collaterals, monitoring of their value, and ease of their liquidation.

Operational Risks:
The Operational Risk Management Department, which also covers strategic and reputation risks, leads the implementation of a Bank operational risk management framework, as part of the overall strengthening and continuous improvement of the internal control systems within the Bank. The framework consists of policies and aims at the identification, assessment, mitigation, monitoring, and reporting of operational risks in all business activities. Major tools used for operational risk management include:

- Risk and Control Self-Assessment (RCSA); through which the Bank assesses the operational risks of the Bank's products and services and their potential impact.
- Key Risk Indicators provide early signals of changes in risk exposures in various areas of the Bank.
- Key control Indicators provide information on the extent to which a given control is meeting its intended objectives in terms of loss prevention, reduction, etc.
- Loss data collection and analysis of operational risks provide meaningful information for assessing the Bank's exposure to operational risk and the effectiveness of internal controls.

The Bank monitors operational risk exposures against the risk appetite on various levels across the Bank, the operational risk appetite is articulated in the Board approved Risk Appetite Statement .

Cyber Security :

Information security - risk management is depending on using all international means, tools, procedures and following international standards to ensure that information is well protected and secured, from any internal and external risks and threats, and to prevent unauthorized users from reaching and accessing the bank`s information, and to maintain confidentiality, integrity of information, and to ensure its availability and the continuity of the systems when needed and in case of emergencies and crisis.

Bank Al Etihad has provided qualified personnel and resources for that, in addition to contracting with external parties to protect information and cyber security from security breach and threats.

Information Security Department has published an information security and cyber security policy in accordance with best practices and international standards to protect the bank and our customer`s information, and has also made a plan for business continuity during disasters and crises to ensure the bank's business continues and provides all the services provided by it to all its customers.

Stress testing situations

Within the Bank's expected risk management framework and hedging of these risks, negative stress situations that might face the Bank and its operations are detected, and their impact on the Bank's liquidity and reputation is measured. In addititon, the vulnerabilties that the Bank faces as a result of stress are identified and reported to the Board of Directors and Executive Management, in order to develop a strategic plan to limit their effects, tackle them, or even avoid them altogeth should they recur. Stress testing also targets improving and enhancing the Bank's risk management through complying with the intructions of the regulatory bodies and best international practices in this regard.

Choosing the stress testing scenarios

Stress scenarios that cover all possible risks encountered by the Bank are chosen, where stress is measured on different bank investments, either on the level of the facilities portfolio or that of the investments portfolio, as follows:

1. Measuring the effect of stress situations on the Bank's credit portfolio concerning the increase in the percentage of non-performing loans due to many factors, including concentration in granting credits, deterioration of the economic sectors due to financial crises, quality of the credit portfolio, decrease in the value of advanced guarantees, and other factors. The impact of these risk scenarios on assessed on the income statement, statement of financial position, and capital adequacy ratios.

2. Measuring the effect of stress situations on the Bank's investments regarding the liquidity of the investments markets and impairment of the investments due to financial and economic crises. The impact of these risk scenarios is reflected in the income statement, statement of financial position, and capital adequacy ratios.

3. Measuring the effect of stress situations on the Bank's assets and liabilities in the case of changes in the JD prices against foreign currencies.

4. Measuring the effect of stress situations on the Bank's liquidity due to several factors, including loss of the Bank's investments from deposits at other banks, concentration of the deposits of the Bank's clients and other banks' deposits at our bank, extensive deposit withdrawals, and changes in JD prices against foreign currencies. The effect of these risk scenarios is factored into the calculation of the legal liquidity ratio and liquidity according to the accrual base.

5. Measuring the effect of stress on the Bank's operating risks. The impact of this risk scenario is calculated in the capital adequacy ratio.

6. Measuring the effects of stress resulting from cyber-attacks on capital adequacy ratios and Profits.

Based on the results of these tests, contingency plans are prepared to face financial and economic crises, and policies are set up for determining the concentration of facilities and investments, in addition to the policies for facing the Bank's assets and liabilities. Furthermore, risk mitigation tools are implemented, such as hedging and offsetting of on-balance sheet items and accepted guarantees, in accordance with the stress testing results.

Governance of the Application of Stress-testing Situations:
The Board of Directors is responsible for:

1. Reviewing stress testing results semi-annually (every 6 months), to take decisions that suit these results, and therefore, ensure the Bank's safety in case it is exposed to any of these scenarios.

2. Ensuring that Executive Management complies with the prepared plans and policies to face any stress scenarios to which the Bank might be exposed.

3. Verifying that the Risk Management Department is performing stress testing periodically. The Board shall have a pivotal role in approving the scenarios and assumptions used, analyzing the test results, and approving the right procedures to be taken based on these results.

Executive Management's Responsibility
Executive Management is responsible for:

1. Making the right recommendations, based on the stress-testing results, and reporting them to the Board of Directors.

2. Implementing the decisions of the Board of Directors related to the Bank's stress testing results, in addition to informing the Board about these results.

3. Implementing and controlling stress testing, in compliance with the methodology approved by the Board of Directors.

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

5. Ensuring full cooperation among the Bank's different departments through coordianting with the Risk Management Department to come up with the closest real world stress testing results that the Bank might be prone to as a result of the local and international financial and economic circumstances.

The Bank's Definition for Applying Default and the Mechanism for Processing Default:
The is in line with the regulatory bodies' instructions and banking sector best practices related to the application of defaults and mechanism for processing troubled debts.

The following is a brief description on these degrees:

- **Watch List:** borrower with no assured profits and extremely unstable operational revenues. His assets are witnessing a decrease in their value, coupled with an increase in doubtful debts without sufficient guarantees. Meanwhile, his exposure is constantly increasing and is greater than the accepted standards in his sector. In addition, his management and controls are weak. Debts classified as watch list will remain as such for a period of time, so that they can be controlled to improve their credit classification in case the given facts lead to their classification under the watch list category or a decrease in their credit classification.

- **Substandard:** Borrower is considered non-performing. Where the maturity of the credit facilities or of one of its installments, irregularity of repaying of principal and/or interest of credit facilities and / or dormant overdraft have been past due for 90-180 days. Recovering the granted credit facilities based on the client's operational revenues is questionable, and their assets are not protected at an acceptable degree by net equity. In addition, his ability to commit to debts or provide additional guarantees is weak. The facilities classified under this level of risks require a special provision according to the instructions of the Central Bank of Jordan.

- **Doubtful:** Borrower is considered non-performing Where the maturity of the credit facilities or of one of its installments, irregularity of repaying of principal and/or interest of credit facilities and / or dormant overdraft have been past due for 180 – 365 days. The Bank's chances of recovering the debts granted to the borrower is doubtful, and part of the principal is likely to be lost under the given circumstances that demonstrate the borrower's inability to fulfill his obligations towards the Bank. The facilities classified under this level of risks require a special provision according to the instructions of the Central Bank of Jordan.

- **Loss:** It is probable that part of the granted amount will be recovered in the future, and the Bank is still not fully convinced that collectivity is unlikely. This matter does not encourage the Bank to irrevocably write off the debts, leave them, and stop claiming them. The facilities classified under this level of risks require a special provision according to the instructions of the Central Bank of Jordan.

General Rules to be Followed When Dealing with Defaults:

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

- While scheduling debt repayment, a study of the borrower's cash flows must be conducted, especially if the borrower has liabilities towards creditors other than the Bank. This entails studying the borrower's cash flows, current guarantees, and any other extra assets that can be liquidated as an extra source for the repayment, or as an additional guarantee to mitigate the client's credit risk. Other aspects of the client are also studied, including his ability to manage the facilities, and validity of the legal documents and contracts in the Bank's possession, to ensure that they maintain the Bank's rights in case legal actions are taken against the borrower.

- In case the client commits to his repayment schedule for a period of not less than 3 months, then his account's classification is improved to a performing debt.

Internal Credit Classification System:

The Bank adopts Moody's system to calculate the Risk Rating of Corporate and SMEs clients. The aim of this system is to asses credit risks at the level of the client and facilities granted, so that each client with granted facilities is given a rank from 1-10, where level (1) is the least risk. In this respect, the classification of clients is the Credit Department's responsibility.

Internal Risk classification of exposures, allows the bank to:

- Ability to maintain a high quality for the Bank's credit portfolio, monitor the portfolio's quality, and determine the effective plans and strategies for the future management of credit risks.

- Implement a Risk Based Pricing framework.

- Determining the party responsible for granting and/or renewing the facilities.

The following table clarifies the standards with different weights for the classification of clients:

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

In order to calculate the Risk Rating, financial statements for 3 years and information about the economic sectors performance should be made available, thus clients with granted facilities are classified according to the following table:

Risk level	Risk rank
Excellent	1
Strong	2
Good	3
Satisfactory	4
Adequate	5
Marginal	6
Watch List	7
Non-performing	8

Mechanism Used to Calculate the Expected Credit Losses on the Financial Instruments for Each Item Separately

Expected credit losses are calculated on an individual basis on the system that is implemented by the Bank based on the models and methodologies adopted by the Board of Directors and approved by the external auditor in the preparation of interim and year-end financial statements.

a. Probability of Default (PD):

The probability of default is measured for the purpose of calculating the expected credit losses in accordance with IFRS9 through using statistical models based on historical default data, credit exposure classification, and stress forecasted macroeconomic trends of corporates and SME's facilities portfolio. As for the retail facilities portfolio, statistical models have been adopted based on the product characteristics and the client's credit behavior.

Under IFRS (9) all credit exposures and debt instruments that are listed under stage (1), are assigned 1-year Probability of defaults. As for the credit exposures under Stage 2, the probability of default on a credit exposure is taken into consideration over the lifetime of the exposure.

b. Loss Given Default:

When calculating the loss given default (LGD), the collaterals pledged against granting the credit exposure are evaluated. Moreover, only collaterals classified as risk mitigants are taken into account (legally documented within credit contracts, while nothing precludes the Bank from reaching the collateral) for the purpose of calculating the repayable amount of the credit exposure after applying haircuts as stipulated in CBJ Debt Classification Instructions No. (47/2009). In addition, LGDs are applied on the uncovered portion of the credit exposure. These estimates are based on historical data related to recoveries upon liquidation and or and cash collection from borrowers or guarantors.

c. Exposure at Default:

When calculating Exposure at Default (EAD), the outstanding amount and type of debt instrument will be taken into consideration for when arriving to the EAD. EAD coefficients are applied to EADs. The EAD coefficient is defined as the expected decrease in current outstanding exposure (of non-revolving loans) between the observation date (reporting date) and time of default (within the next 12 months). It is estimated by analyzing the historical nonperforming accounts' exposure against their exposure 12 months prior to default.

Furthermore, indirect credit exposures (non-financed) are considered on-balance credit exposures on which expected credit loss is calculated. Their probability of default is calculated as well based on historical default dates.

d. Time Value of Money:

The expected credit loss is calculated by using the time value and Effective interest rate (EIR) as a discounting factor.

ECL is measured in a way to reflect the time value of money. This means that cash shortfalls associated with defaults are required to be discounted back to the balance sheet date. For financial assets, the bank uses the Effective interest rate (EIR) of the deal, which is the same rate that is used to recognize income or an approximation. For EIR calculation, the IFRS9 engine determines the applicable EIR for each deal based on the applied EIR parameterization.

The Board of Directors:

The Board of Directors ("BOD") plays an oversight role in the IFRS9 Policy and Process. The BOD is responsible for overseeing the establishment, approval, implementation and annual review of the IFRS9 Policy. According to CBJ instructions (1359/1/10) the bank's management shall not perform any amendments to the system generated results except according to a policy approved by the Board of Directors, specifying the exceptional and justifiable cases whereby the IFRS9 calculation engine's outputs are amended. To fulfil their responsibilities, the board instruct senior management to develop and maintain appropriate processes, which should be systematic and consistently applied, to determine appropriate provision. The board should also require senior management to report periodically the results of the credit risk assessment and measurement processes, including estimates of its ECL allowances.

Risk Committee

The Risk Committee also plays a supervisory role in the IFRS9 Process. The Risk Committee will continue to supervise the inherit risks of the loan and investment portfolio. The risk committee shall insure that:

- The business pricing strategy is commensurate with the costs of impairment from IFRS9.
- Provisioning sufficiently covers the expected credit losses.
- Capital is maintained above the threshold levels and remediation plans are in place

Audit Committee

The provision calculation results according to the international standard are submitted to the Audit Committee, which verifies the adequacy of the Bank's coverage of the expected credit loss in all of the Bank's financial statements.

Executive Management

Senior management should be able to demonstrate an understanding of the inherit risks when pricing exposures and managing Client Relationships. Pricing should to a certain extent reflect the inherit risk in transactions and compensate for booked ECL.

Senior management is is also responsible for implementing the credit risk strategy approved by the board and developing the aforementioned policies and processes.
Furthermore, Executive Management is responsible for implementing the reliable credit risk strategies approved by the Board of Directors and for developing the policies and procedures stated above.

Risk Management Department

As owners or the IFRS9 policy and process and admins to the IFRS9 calculation engine, the Risk Management department is responsible to:

1. Ensure that Credit exposures are sufficiently provisioned for.

2. Continually Validate output from the IFRS9 calculation engine.

3. Exert expert judgment on attributes when necessary.

4. Report periodically the results to senior management,CEO and Risk Management Committee.

5. Establish, implement and update suitable policies and procedures to relevant areas across the bank that complement the IFRS (9) process.

6. Ensure that relevant data is available and captured. Also, relevant systems continually adapt as credit and business practices evolve over time.

Rescheduled Loans:

These represent loans previously classified under within Stage (3) according to proper rescheduling. These loans amounted to JD 55,449,888 as of December 31, 2019 (JD 12,422,821 as of December 31, 2018).

Restructured Loans:

Restructuring means rearranging credit facilities in terms of adjusting installments, extending the life of credit facilities, postponing some installments, or extending the grace period. These loans amounted to JD 186,968,155 during the year 2019 (JD 109,125,670 during the year 2018).

Debt Securities and Treasury Bills

The Schedule below shows the distribution of bonds and bills according to the foreign agencies classification:

Rating grade	Rating Institution	Within financial assets at fair value through P&L 2019	Within financial assets amortized cost 2019	Total 2019	Total 2018
		JD	JD	JD	JD
AAA	S&P	-	2,067,415	2,067,415	-
AA+	S&P	-	23,333,825	23,333,825	40,179,840
AA	S&P	-	-	-	-
AA-	S&P	-	5,631,351	5,631,351	2,126,763
A+	S&P	-	3,111,225	3,111,225	4,409,155
A	S&P	-	7,861,781	7,861,781	9,514,101
A-	S&P	3,536,138	13,170,238	16,706,376	7,181,497
BBB+	S&P	-	7,476,330	7,476,330	13,669,029
BBB	S&P	-	1,512,680	1,512,680	5,363,679
BBB-	S&P	-	11,174,092	11,174,092	4,977,758
BB+	S&P	-	4,263,321	4,263,321	4,126,581
BB	S&P	-	-	-	2,097,981
BB-	S&P	-	-	-	3,867,347
B+	S&P	74,800	11,440,201	11,515,001	9,697,990
B-	S&P	-	611,756	611,756	-
Un-rated	S&P	-	41,031,127	41,031,127	44,970,259
Governmental	S&P	-	632,888,591	632,888,591	614,264,340
Total		3,610,938	765,573,933	769,184,871	766,446,320

1 - Credit Exposures Distributions

Internal Rating for the Bank	Category Classification According to (47/2009)	Total Exposure Value	Expected Credit Loss	Probability of Default	Exposure when Default (in Millions)	Average Loss on Default
Performing exposures		JD	JD	%	JD	%
1	Performing	64,152,627	7,514	1.72 - 0.76	53	0.9%
2	Performing	197,191,957	251,585	71.87 -0.40	138	46.8%
3	Performing	377,548,274	1,026,823	78.09 - 0.76	202	46.5%
4	Performing	603,338,451	1,978,189	78.09 - 0.76	375	52.1%
5	Performing	582,654,630	3,577,416	78.09 - 0.76	411	50.0%
6	Performing	295,706,771	2,511,019	78.09 - 0.76	158	47.5%
7	Performing	234,150,186	10,212,396	78.09 - 1.17	109	51.8%
Unclassified	Performing	2,881,601,670	6,664,691	78.09 - 0.15	1,782	61.8%
Total		5,236,344,566	26,229,633		3,228	
Nonperforming exposures						
8	Non - performing	48,962,186	28,589,954	100%	20	74.9%
Unclassified	Non - performing	68,950,216	45,564,977	100%	35	72.6%
Total		117,912,402	74,154,931		55	
Grand Total		5,354,256,968	100,384,564		3,283	

2. Credit risk according to economic sectors:

a. Distributions according to financial instruments exposure:

	Financial	Industrial	Trading	Real Estate	Agriculture	Shares	Individuals	Government and Public	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash at central banks	503,730,148	-	-	-	-	-	-	-	-	503,730,148
Balances at banks and financial institutions	330,805,729	-	-	-	-	-	-	-	-	330,805,729
Deposits at banks and financial institutions	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Direct credit facilities and financing	9,204,805	310,596,410	465,162,464	721,045,576	34,101,832	79,846,229	474,313,246	106,700,444	434,880,365	2,635,851,371
Treasury, bills and Bonds and as follows:	82,872,602	5,439,916	15,232,527	-	-	-	-	664,457,080	1,182,746	769,184,871
Within: Financial assets at fair value through statement of profit and loss	3,536,138	-	-	-	-	-	-	74,800	-	3,610,938
Within: Financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	79,336,464	5,439,916	15,232,527	-	-	-	-	664,382,280	1,182,746	765,573,933
Other Assets	2,705,964	4,099,926	8,585,949	2,860,171	7,819,381	17,037	610,813	7,421,518	17,032,600	51,153,359
Total	932,319,248	320,136,252	488,980,940	723,905,747	41,921,213	79,863,266	474,924,059	778,579,042	453,095,711	4,293,725,478
Financial guarantees	29,990,469	17,697,955	42,562,423	4,856,357	458,086	4,310,699	14,584,239	-	98,352,531	212,812,759
Letter of credit and acceptances	20,997,158	53,376,221	96,547,950	-	42,246,178	666,183	31,577,041	-	35,388,297	280,799,028
Other Liabilities	1,829,101	86,003,764	124,251,209	236,827	13,874,434	6,947	52,038,511	152,667	171,458,638	449,852,098
Grand Total 2019	985,135,976	477,214,192	752,342,522	728,998,931	98,499,911	84,847,095	573,123,850	778,731,709	758,295,177	5,237,189,363
Grand Total 2018	608,991,989	336,228,836	879,106,360	669,463,317	79,943,192	52,150,526	463,848,888	806,045,587	555,550,883	4,451,329,578

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

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Financial	968,345,261	-	16,790,715	-	-	985,135,976
Industrial	424,539,046	1,673,192	47,780,114	306,016	2,915,824	477,214,192
Trading	659,242,659	7,172,404	78,375,752	2,056,922	5,494,785	752,342,522
Real Estates	352,115,894	261,730,316	86,733,986	18,933,279	9,485,456	728,998,931
Agriculture	84,263,937	-	13,981,883	-	254,091	98,499,911
Shares	21,273,180	58,790,262	4,029,736	282,797	471,120	84,847,095
Individual	446,725,843	107,282,455	11,393,592	6,327,368	1,394,592	573,123,850
Government and public sector	778,731,709	-	-	-	-	778,731,709
Other	667,784,413	6,000,659	74,272,758	3,178,785	7,058,562	758,295,177
Total 2019	4,403,021,942	442,649,288	333,358,536	31,085,167	27,074,430	5,237,189,363
Total 2018	3,745,842,278	382,521,964	280,920,006	9,275,941	32,769,389	4,451,329,578

3. Exposure according to geographical distribution

a. Total exposure distribution according to the geographical regions - net:

	Inside Jordan	Other Middle East Countries	Europe	Asia *	Africa	America	Other Countries	Total
December 31,2019	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at CBJ	503,730,148	-	-	-	-	-	-	503,730,148
Balances at banks and financial institutions	57,499,843	88,077,027	91,370,677	49,136,307	-	44,577,103	144,772	330,805,729
Deposits at banks and financial institutions	3,000,000	-	-	-	-	-	-	3,000,000
Direct credit facilities and financing	2,583,516,019	48,781,888	3,553,464	-	-	-	-	2,635,851,371
Treasury Bills and Bonds are as follows:	656,231,977	40,155,896	26,259,321	11,000,462	-	35,537,215	-	769,184,871
Within: Financial assets at fair value through statement of profit and loss	-	3,536,138	-	-	-	74,800	-	3,610,938
Within: Financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	656,231,977	36,619,758	26,259,321	11,000,462	-	35,462,415	-	765,573,933
Other Assets	51,153,359	-	-	-	-	-	-	51,153,359
Total	3,855,131,346	177,014,811	121,183,462	60,136,769	-	80,114,318	144,772	4,293,725,478
Financial guarantees	212,812,759	-	-	-	-	-	-	212,812,759
Letter of credit and acceptances	260,404,973	20,394,055	-	-	-	-	-	280,799,028
Other Liabilities	449,852,098	-	-	-	-	-	-	449,852,098
Grand Total 2019	4,778,201,176	197,408,866	121,183,462	60,136,769	-	80,114,318	144,772	5,237,189,363
Grand Total 2018	4,091,355,033	108,532,035	114,554,254	40,182,192	-	92,059,883	4,646,181	4,451,329,578

b. Exposure distribution according to staging (IFRS 9)

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
December 31,2019	JD	JD	JD	JD	JD	JD
Inside Jordan	3,944,033,755	442,649,288	333,358,536	31,085,167	27,074,430	4,778,201,176
Other Middle East countries	197,408,866	-	-	-	-	197,408,866
Europe	121,183,462	-	-	-	-	121,183,462
Asia	60,136,769	-	-	-	-	60,136,769
Africa	-	-	-	-	-	-
America	80,114,318	-	-	-	-	80,114,318
Other Countries	144,772	-	-	-	-	144,772
Total 2019	4,403,021,942	442,649,288	333,358,536	31,085,167	27,074,430	5,237,189,363
Total 2018	3,745,842,278	382,521,964	280,920,006	9,275,941	32,769,389	4,451,329,578

4. Credit exposures that have been reclassified

a. Total credit exposures that have been reclassified

	2019					
	Stage (2)		Stage (3)			
	Total Exposure Amount	Exposure that have been Reclassified	Total Exposure Amount	Exposure that have been Reclassified	Total Exposure that have been Reclassified	Percentage of Exposure that have been Reclassified
December 31,2019	JD	JD	JD	JD	JD	%
Cash and balances at central banks	-	-	-	-	-	0.00%
Balances at banks and financial institutions	-	-	-	-	-	0.00%
Deposits at banks and financial institutions	-	-	-	-	-	0.00%
Direct credit facilities and financing	316,508,488	99,494,605	116,450,626	24,023,320	123,517,925	4.49%
Treasury Bills and Bonds are as follows:						
Within: Financial assets at fair value through statement of profit and loss	-	-	-	-	-	0.00%
Within: Financial assets at fair value through statement of other comprehensive income	-	-	250,000	-	-	0.00%
Within: Financial assets at amortized cost	-	-	-	-	-	0.00%
Derivatives	-	-	-	-	-	0.00%
Mortgaged financial assets (debt instruments)	-	-	-	-	-	0.00%
Other Assets	-	-	-	-	-	0.00%
Total	316,508,488	99,494,605	116,700,626	24,023,320	123,517,925	2.76%
Financial guarantees	25,313,564	1,672,310	1,211,776	220,750	1,893,060	0.89%
Letter of credit and acceptances	17,812,647	-	-	-	-	0.00%
Other Liabilities	15,906,784	2,837,169	-	-	2,837,169	0.63%
Grand Total	375,541,483	104,004,084	117,912,402	24,244,070	128,248,154	2.37%

Credit exposures that have been reclassified:

b. Expected credit loss for exposures that have been reclassified

	2019							
	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
	Exposure Reclassified from Stage (2)	Exposure Reclassified from Stage (3)	Total Exposures Reclassified	Stage (2) - Individual	Stage (2) - Collective	Stage (3) - Individual	Stage (3) - Collective	Total
December 31,2019	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities and financing	99,494,605	24,023,320	123,517,925	1,462,669	258,149	281,579	51,860	2,054,257
Treasury Bills and Bonds are as follows:	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through statement of profit and loss	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Mortgaged financial assets (debt instruments)	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
Total	99,494,605	24,023,320	123,517,925	1,462,669	258,149	281,579	51,860	2,054,257
Financial guarantees	1,672,310	220,750	1,893,060	10,030	-	719	-	10,749
Letter of credit and acceptances	-	-	-	-	-	-	-	-
Other Liabilities	2,837,169	-	2,837,169	7,699	-	-	-	7,699
Grand Total	104,004,084	24,244,070	128,248,154	1,480,398	258,149	282,298	51,860	2,072,705

5 - Credit Risk Exposures (after provision for impairment, outstanding interest and returns, and before collateral and other risk mitigators:

	December 31, 2019	December 31, 2018
	JD	JD
Items inside Consolidated Financial Position		
Balances at central banks	503,730,148	241,008,818
Balances at banks and financial institutions	330,805,729	248,264,111
Deposits at banks and financial institutions	3,000,000	4,258,890
Direct Credit Facilities and Financing - Net:		
Individual	546,325,189	435,232,451
Real estate mortgages	721,045,576	666,121,713
Corporates:		
Large corporates	1,112,591,393	905,976,720
SME's	148,998,985	134,292,668
Government and Public Sector	106,890,228	136,294,904
Total	2,635,851,371	2,277,918,456
Treasury Bills and Bonds:		
Within financial assets at fair value through statement of profit and loss	3,610,938	754,130
Within financial assets at amortized cost	765,573,933	765,692,190
Other assets	51,153,359	44,863,733
Total On-Consolidated Financial Position Items	4,293,725,478	3,582,760,328
Off- Consolidated Financial Position Items		
Letter of guarantees	212,812,759	174,893,922
Letter of credits	179,142,122	166,921,650
Acceptances	101,656,906	95,931,968
Un-utilized facilities ceilings	449,852,098	430,821,710
Total Off-Consolidated Financial Position Items	943,463,885	868,569,250
Total On- and Off - Consolidated Financial Position Items	5,237,189,363	4,451,329,578

The above table represents the Bank's maximum credit exposure as of December 31, 2019 and 2018 without taking into account collaterals or other credit risk mitigators.

6. Expected Credit Losses as of December 31, 2019:

Description	Stage (1) - Individual	Stage (1) - Collective	Stage (2) - Individual	Stage (2) - Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	-	-	-	-	-	-
Balances and deposits at banks and financial institutions	211,356	-	-	-	-	211,356
Direct credit facilities and financing	12,061,543	288,324	10,513,762	311,412	73,841,760	97,016,801
Debt instruments within portfolio of the financial assets at amortized costs	528,640	-	-	-	250,000	778,640
Debt instruments within financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-
Financial guarantees	285,113	-	91,012	-	63,171	439,296
Un-utilized facilities ceilings	1,370,441	-	150,754	-	-	1,521,195
Letter of credit and acceptances	386,436	-	30,840	-	-	417,276
Expected Credit Losses as of December 31, 2018						
Cash and balances at central banks	-	-	-	-	-	-
Balances and deposits at banks and financial institutions	142,530	-	-	-	-	142,530
Direct credit facilities and financing	12,532,691	280,642	4,676,176	133,509	70,025,163	87,648,181
Debt instruments within portfolio of the financial assets at amortized costs	618,668	-	-	-	250,000	868,668
Debt instruments within financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Financial guarantees	435,108	-	78,231	-	727,225	1,240,564
Un-utilized facilities ceilings	1,521,294	-	96,916	-	-	1,618,210
Letter of credit and acceptances	410,648	-	25,482	-	-	436,130

45. Sectoral Analysis

A. Bank Activities Information:

For management purposes, the Bank is organized into the following major business sectors based on the reports used by the chief operating decision maker:

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

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

- Large Companies' Accounts: This item includes following up on the client's deposits and credit facilities. Moreover, these clients are classified based on the volume of the granted deposits and facilities according to the Bank's instructions and principles and in compliance with the regulatory bodies' instructions.

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

- Investments and Foreign Currencies Management: This item includes the Bank's local and foreign investments which are recorded at fair value, in addition to the foreign currencies trading\ services.

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

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

					Total	
					For the Year Ended December 31,	
	Individual	Corporates	Treasury	Other	2019	2018
Description	JD	JD	JD	JD	JD	JD
Total Income	100,113,021	135,735,767	52376987	1,274,414	289,500,189	247,320,014
(Provision) for direct customers' credit facilities and financing loss	(5,052,957)	(4,953,131)	187,375	(7,487,620)	(17,306,333)	(10,935,812)
Assets losses provisions (IFRS (9))						
Segments' results	33,102,383	74,554,877	47,827,148	(578,117)	154,906,291	146,624,171
Unallocated expenses					(93,547,607)	(84,102,319)
Operating income before tax					61,358,684	62,521,852
Bank's share of profit from investments in associates					(12,596)	8,356
Income before tax					61,346,088	62,530,208
Income tax					(23,329,865)	(21,444,297)
Income for the Year					38,016,223	41,085,911
Capital Expenditures					13,466,932	16,508,286
Depreciation and Amortization					12,620,578	11,025,351
					December 31,	
					2019	2018
Other Information					JD	JD
Segment Assets	1,078,999,067	1,551,030,873	1,431,274,216	-	4,061,304,156	3,518,065,104
Undistributed assets	-	-	-	518,371,829	518,371,829	350,004,028
Total Assets	1,078,999,067	1,551,030,873	1,431,274,216	518,371,829	4,579,675,985	3,868,069,132
Segment Liabilities	2,518,967,885	1,088,724,734	356,058,167	-	3,963,750,786	3,291,637,791
Undistributed liabilities	-	-	-	136,681,086	136,681,086	109,184,197
Total Liabilities	2,518,967,885	1,088,724,734	356,058,167	136,681,086	4,100,431,872	3,400,821,988

B. Geographical Information

This sector represents the geographical distribution of the Banks' operations. The Bank performs its operations mainly inside the Kingdom, and these operations represent the local operations.

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

	Inside Jordan		Outside Jordan		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total Income	282,092,148	242,067,364	7,408,041	5,252,650	289,500,189	247,320,014
Capital Expenditure	13466932	16,508,286	-	-	13,466,932	16,508,286

	Inside Jordan		Outside Jordan		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
Total Assets	4,141,081,853	3,508,094,587	438,594,132	359,974,545	4,579,675,985	3,868,069,132

The distribution of the collaterals' fair value against the total credit exposures is as follows:

		Collaterals' Fair Value								
Description	Total Exposure	Cash Margin	Trading Shares	Accepted Bank Guarantees	Real Estates	Vehicles and Equipment	Other	Total Collaterals	Net Exposures after the Collaterals	Expected Credit Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018										
Balances at central banks	503,730,148	-	-	-	-	-	-	-	503,730,148	-
Balances at banks and financial institutions	331,017,085	-	-	-	-	-	-	-	331,017,085	211,356
Deposits at banks and financial institutions	3,000,000	-	-	-	-	-	3,000,000	3,000,000	-	-
Credit and Financing Facilities :										
Individual	566,371,619	16,765,789	809,448	-	27,968,656	154,915,270	122,664	200,581,827	365,789,792	16,806,351
Real estate mortgages	731,907,486	16,224,662	-	-	611,920,404	50,072,909	2,979,150	681,197,125	50,710,361	8,438,426
Large corporates	1,183,967,589	34,012,940	7,010,383	280,100	305,654,303	10,938,346	98,835,617	456,731,689	727,235,900	61,873,990
SME's	160,414,291	21,588,123	745,913	397,430	80,750,442	5,570,808	27,511,432	136,564,148	23,850,143	9,708,250
Government and Public Sector	106,890,228	-	-	-	-	-	-	-	106,890,228	189,784
Treasury Bills and Bonds are as follows:										
Within Financial assets at fair value through statement of profit and loss	3,610,938	-	-	-	-	-	-	-	3,610,938	-
Within financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	766,352,573	-	-	-	-	-	-	-	766,352,573	778,640
Other assets	51,153,359	-	-	-	-	-	-	-	51,153,359	-
Total	4,408,415,316	88,591,514	8,565,744	677,530	1,026,293,805	221,497,333	132,448,863	1,478,074,789	2,930,340,527	98,006,797
Financial guarantees	213,252,055	9,734,322	-	-	19,905,440	3,231,650	3,395,213	36,266,625	176,985,430	439,296
Letter of credit and acceptances	281,216,304	36,698,761	-	2,092,738	4,897,988	2,800	14,223,167	57,915,454	223,300,850	417,276
Other liabilities	451,373,293	100,000	-	-	555,000	-	477,000	1,132,000	450,241,293	1,521,195
Grand Total	5,354,256,968	135,124,597	8,565,744	2,770,268	1,051,652,232	224,731,783	150,544,244	1,573,388,868	3,780,868,100	100,384,564

The distribution of the collaterals' fair value against the total credit exposures is as follows:

Description	Total Exposure	Collaterals' Fair Value							Net Exposures after the Collaterals	Expected Credit Loss
		Cash Margin	Trading Shares	Accepted Bank Guarantees	Real Estates	Vehicles and Equipment	Other	Total Collaterals		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018										
Balances at central banks	241,008,818	-	-	-	-	-	-	-	241,008,818	-
Balances at banks and financial institutions	248,406,070	-	-	-	-	-	-	-	248,406,070	141,959
Deposits at banks and financial institutions	4,259,461	-	-	-	-	-	3,000,000	3,000,000	1,259,461	571
Credit and Financing Facilities :										
Individual	449,369,737	19,100,834	865,600	-	22,756,429	134,534,318	79,200	177,336,381	272,033,356	11,753,092
Real estate mortgages	676,724,409	662,539	486,480	-	573,700,706	43,367,084	1,270,500	619,487,309	57,237,100	6,826,408
Large corporates	977,174,855	20,987,458	38,967,600	-	297,166,730	4,993,397	49,099,090	411,214,275	565,960,580	61,932,663
SME's	142,200,900	14,009,510	1,660,433	-	80,756,745	10,177,637	4,847,609	111,451,934	30,748,966	6,788,777
Government and Public Sector	136,294,904	-	-	-	-	-	-	-	136,294,904	347,241
Treasury Bills and Bonds are as follows:										
Within Financial assets at fair value through statement of profit and loss	754,130	-	-	-	-	-	-	-	754,130	-
Within financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	766,560,858	-	-	-	-	-	-	-	766,560,858	868,668
Other assets	44,863,733	-	-	-	-	-	-	-	44,863,733	-
Total	3,687,617,875	54,760,341	41,980,113	-	974,380,610	193,072,436	58,296,399	1,322,489,899	2,365,127,976	88,659,379
Financial guarantees	176,134,486	16,769,882	-	-	-	-	-	16,769,882	159,364,604	1,240,564
Letter of credit and acceptances	263,289,748	16,917,783	-	-	-	-	-	16,917,783	246,371,965	436,130
Other liabilities	432,439,920	-	-	-	-	-	-	-	432,439,920	1,618,210
Grand Total	4,559,482,029	88,448,006	41,980,113	-	974,380,610	193,072,436	58,296,399	1,356,177,564	3,203,304,465	91,954,283

The distribution of the collaterals' fair value against the total credit exposures within stage (3) is as follows:

		Collaterals' Fair Value								
Description	Total Exposure	Cash Margin	Trading Shares	Accepted Bank Guarantees	Real Estates	Vehicles and Equipment	Other	Total Collaterals	Net Exposures after the Collaterals	Expected Credit Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2019										
Balances at central banks	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Direct Credit Facilities and Financing	-	-	-	-	-	-	-	-	-	-
Individual	20,328,578	45,876	-	-	2,619,001	4,619,901	25,000	7,309,778	13,018,800	14,786,867
Real estate mortgages	17,042,952	175,803	-	-	6,056,438	-	240,300	6,472,541	10,570,411	5,134,012
Large corporates	61,610,235	106,018	-	-	10,263,766	29,100	4,193,465	14,592,349	47,017,886	45,459,194
SME's	17,468,861	802,746	-	-	5,398,040	347,950	3,806,864	10,355,600	7,113,261	8,461,687
Government and Public Sector	-	-	-	-	-	-	-	-	-	-
Treasury Bills and Bonds are as follows:									-	
Within financial assets at fair value through statement profit of and loss	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through statement of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	250,000	-	-	-	-	-	-	-	250,000	250,000
Other assets	-	-	-	-	-	-	-	-	-	-
Total	116,700,626	1,130,443	-	-	24,337,245	4,996,951	8,265,629	38,730,268	77,970,358	74,091,760
Financial guarantees	1,211,776	-	-	-	-	-	-	-	1,211,776	63,171
Letter of credit and acceptances	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Grand Total	117,912,402	1,130,443	-	-	24,337,245	4,996,951	8,265,629	38,730,268	79,182,134	74,154,931

The distribution of the collaterals' fair value against the total credit exposures within stage (3) is as follows:

Description	Total Exposure	Collaterals' Fair Value: Cash Margin	Trading Shares	Accepted Bank Guarantees	Real Estates	Vehicles and Equipment	Other	Total Collaterals	Net Exposures after the Collaterals	Expected Credit Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018										
Balances at central banks	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Direct Credit Facilities and Financing	-	-	-	-	-	-	-	-	-	-
Individual	16,359,968	58,827	39,013	12,481	4,910,226	3,117,726	-	8,138,273	8,221,695	10,154,367
Real estate mortgages	17,120,272	-	-	-	9,543,928	-	-	9,543,928	7,576,344	4,175,622
Large corporates	69,750,315	76,853	-	-	20,863,122	6,393,045	90,000	27,423,020	42,327,295	49,479,635
SME's	14,278,334	919,987	-	405,178	7,843,072	393,263	25,136	9,586,636	4,691,698	6,215,539
Government and Public Sector	-	-	-	-	-	-	-	-	-	-
Treasury Bills and Bonds are as follows:										
Within financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	250,000	-	-	-	-	-	-	-	250,000	250,000
Other assets	-	-	-	-	-	-	-	-	-	-
Total	117,758,889	1,055,667	39,013	417,659	43,160,348	9,904,034	115,136	54,691,857	63,067,032	70,275,163
Financial guarantees	2,211,056	-	-	-	-	-	-	-	2,211,056	727,225
Letter of credit and acceptances	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Grand Total	119,969,945	1,055,667	39,013	417,659	43,160,348	9,904,034	115,136	54,691,857	65,278,088	71,002,388

B. Market Risks

Market risks are defined as those risks resulting from price fluctuations in a way that affects the Bank's profit or owners' equity. This definition includes the change in the currencies exchange rates, stocks prices, and interest rates.

The Bank uses a conservative policy ito manage market risk. Moreover, these risks are controlled through the adoption of clear policies in this regard and establishing risk limits for each risk type. Our policy aims to reduce minimize these risks.

1. Interest Rate Risks:

A conservative policy is adopted to manage interest rate risks, whereby most of the Bank's assets and liabilities are re-priced in the short term. This limits the effect of interest rate flucuations on the Bank's profitability and the price of its assets and investments.

Interest rate risks are managed by the Risk Management department. The asset liability management provided with regular gap reports on interest rates re-pricing, in addition to sensitivity reports related to interest rate price changes per currency. These reports show that interest rate risks are within the lowest range.

For the Year 2019

Currency	Increase in Interest Rate	Sensitivity of Net Interest Income (Gains/ Losses) in (Thousands)	Sensitivity on Equity
		JD	JD
Jordanian Dinar	1%	5,126	5,126
US Dollar	1%	1,630	1,630
Euro	1%	146	146
GBP	1%	(2)	(2)
Japanese Yen	1%	341	341
Other Currencies	1%	(18)	(18)

For the Year 2018

Currency	Increase in Interest Rate	Sensitivity of Net Interest Income (Gains/ Losses) in (Thousands)	Sensitivity on Equity
		JD	JD
Jordanian Dinar	1%	3,870	3,870
US Dollar	1%	736	736
Euro	1%	326	326
GBP	1%	(5)	(5)
Japanese Yen	1%	163	163
Other Currencies	1%	200	200

In case of a negative change in the interest rate, then the effect will be the same as the change in the above-mentioned table with an opposite sign.

2. Currency Risks:

The Bank's policy is to fully hedge the currency risk by limiting open positions in foreign currencies only within the limits set and according to a clear policy which reduces the sensitivity of the Bank's profitability to currency price changes. Ceilings are placed for open positions for each currency and total currencies, and daily evaluations of these positions are made to reduce the risks of currency exchange rates to the minimum.

Currency	change in Currency Exchange Rate	Effect on Profits and Losses	Effect on Equity
For the Year 2019		JD	JD
US Dollar	1%	265,506	47,348
Euro	1%	(115,506)	-
GBP	1%	(49,483)	-
Japanese Yen	1%	274,953	-
Other Currencies	1%	(112,598)	-
For the Year 2018			
US Dollar	1%	(132,248)	28,199
Euro	1%	(159,740)	-
GBP	1%	(88,260)	-
Japanese Yen	1%	118,395	-
Other Currencies	1%	247,420	-

In case of a 1% decrease in the currency exchange rate, the effect will be the same as the financial effect mentioned in the tables above with an opposite sign.

3. Change in Stock Price Risks:

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

Determining the different investments ceilings
Determining limits to stop losses per investment coupled with daily monitoring
Regularly assessing the investment portfolio by an independent body (intermediary office)
Performing sensitivity analysis to measure the extent to which these investments may be impacted in case the markets invested in drop, so as to maintain risks within levels acceptable to the Bank

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

Market	Change in Market Index	Effect on profits and losses	Effect on Equity
		JD	JD
For the Year 2019:			
Amman Stock Exchange	5%	280,584	357,781
Al-Quds Stock Exchange (Palestine)	5%	-	788,722
FTSE 100	5%	-	-
Hang Seng Index	5%	-	-
Borsa Italian	5%	-	-
Swiss Market index (SMI)	5%	-	-
For the Year 2018:			
Amman Stock Exchange	5%	271,041	379,061
Al-Quds Stock Exchange (Palestine)	5%	-	722,865
FTSE 100	5%	4,765	-
Hang Seng Index	5%	7,023	-
Borsa Italian	5%	401	-
Swiss Market index (SMI)	5%	7,557	-

C. Liquidity Risks

The bank has a liquidity strategy to manage liquidity risk in accordance with the risk tolerance and to ensure that the bank maintains sufficient liquidity all times and in times of stress. The Bank continuously expands its depositors' base and diversifies the sources of its funds with the aim of maintaining its stability. In this respect, the Bank maintains its liquidity level within risk appetite limits.

Bank's liquidity risk management policy ensures that the bank maintains liquidity limits at the corresponding banks to ensure easy access to high quality liquid assets at can be liquidated at reasonable cost and time in case of an unexpected demand.

To measure the Bank's liquidity levels, a schedule is prepared periodically to verify that liquidity is within the acceptable levels. In addition, the Legal liquidity ratio is calculated on daily basis to ensure compliance with the regulatory requirements and internal policies.

Various stress scenarios' identified and measured to ensure the Bank's ability to withstand any changes that might take place in the financial markets.

The Treasury Department manages funds in line with the Bank's liquidity policy endorsed by the Assets and Liabilities Management Committee and submits regular reports to the Committee. Moreover, the Risk Management Department monitors the liquidity levels and ensures adherence to the Bank's internal policies.

(44/c) Liquidity Risks:

The following table illustrates the distribution of the liabilities (un-discounted) on the basis of the remaining period from the date of the consolidated financial statements until the date of contractual maturity.

rates to the minimum.	Less than a Month	1-3 Months	3-6 Months	More than 6 Months	1-3 Years	More than 3 Years	No Specific Maturity	Total
As of December 31, 2019:	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Banks and financial institution deposits	85,184,014	41,604,084	1,000,000	6,610,146	16,125,000	-	-	150,523,244
Customers' deposits	1,119,552,449	663,993,336	649,739,788	882,935,963	306,832,799	-	-	3,623,054,335
Margin accounts	42,314,149	9,820,712	16,266,853	12,880,583	25,670,757	85,752,828	-	192,705,882
Borrowed Funds	12,318,385	6,774	12,422,069	11,675,656	13,049,471	18,094,607	-	67,566,962
Sundry provisions	-	-	-	-	-	-	930,224	930,224
Income tax liabilities	-	-	-	-	-	-	20,634,229	20,634,229
Leasing liabilities	407,129	331,861	561,672	964,480	6,960,120	21,588,470	-	30,813,732
Other liabilities	-	-	-	-	-	-	76,583,458	76,583,458
Total	1,259,776,126	715,756,767	679,990,382	915,066,828	368,638,147	125,435,905	98,147,911	4,162,812,066
Total assets (according to expected maturities)	1,024,534,478	220,749,470	308,198,654	311,388,786	820,445,710	1,642,735,773	251,623,114	4,579,675,985
As of December 31, 2018:								
Liabilities:								
Banks and financial institution deposits	75,922,249	8,069,041	3,300,000	1,500,000	8,500,000	-	-	97,291,290
Customers' deposits	1,029,398,623	592,960,395	487,544,200	650,723,577	261,135,115	-	-	3,021,761,910
Margin accounts	25,757,707	12,014,184	8,725,025	10,327,847	18,996,265	70,855,843	-	146,676,871
Trading portfolio risk management depends on a policy that is based on diversification of investments, where investments are distributed on a	-	67,917	10,225,081	11,656,953	37,064,002	32,229,995	-	91,243,948
sectoral basis, within the most stable sectors, and across several financial markets to reduce risks to acceptable levels.	-	-	-	-	-	-	1,232,609	1,232,609
Income tax liabilities	-	-	-	-	-	-	18,199,119	18,199,119
Other liabilities	-	-	-	-	-	-	68,702,089	68,702,089
Total	1,131,078,579	613,111,537	509,794,306	674,208,377	325,695,382	103,085,838	88,133,817	3,445,107,836
Total assets (according to expected maturities)	872,874,498	258,193,077	269,040,269	272,318,727	631,761,064	1,373,670,849	190,210,648	3,868,069,132

Interest Rate Re-Pricing Gap:

Classification is based on interest re-pricing or maturing, whichever is closer.

Interests rates sensitivity is as follows:

As of December 31, 2019	Less than 1 Month	From 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	From 1-3 Years	More than 3 Years	Non-interest Bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Balances at central banks	86,700,000	-	-	-	-	-	477,167,223	563,867,223
Balances at banks and financial institutions	305,308,055	8,709,607	-	-	-	-	16,788,067	330,805,729
Deposits at banks and financial institutions	-	-	-	3,000,000	-	-	-	3,000,000
Financial assets at fair value through statement of profit and loss	-	-	-	-	-	3,610,938	12,924,680	16,535,618
Direct credit facilities and financing - net	24,693,095	92,713,421	1,781,304,913	108,631,931	267,566,776	358,190,451	2,750,784	2,635,851,371
Financial assets at fair value through statement other comprehensive income	-	-	-	-	-	-	32,313,468	32,313,468
Financial assets at amortized cost	17,836,322	14,159,469	20,278,850	53,342,771	350,026,533	310,708,628	(778,640)	765,573,933
Investments in associates	-	-	-	-	-	-	354,022	354,022
Right of use assets	-	-	-	-	-	-	26,517,873	26,517,873
Property and equipment	-	-	-	-	-	-	72,138,592	72,138,592
Intangible assets	-	-	-	-	-	-	24,409,882	24,409,882
Deferred tax assets	-	-	-	-	-	-	12,891,744	12,891,744
Other assets	4,470,202	10,571,616	6,951,890	2,315,507	125,601	-	70,981,714	95,416,530
Total Assets	439,007,674	126,154,113	1,808,535,653	167,290,209	617,718,910	672,510,017	748,459,409	4,579,675,985
Liabilities								
Banks and financial institution deposits	28,722,728	41,480,000	1,000,000	6,500,000	16,125,000	-	56,169,342	149,997,070
Customers' deposits	1,120,684,478	491,994,965	502,072,083	725,083,386	90,282,924	-	645,849,625	3,575,967,461
Margin accounts	116,574,538	-	1,750,000	1,000,767	-	-	66,372,719	185,698,024
Borrowed Funds	12,300,098	6,736	12,263,274	11,377,725	12,275,465	16,946,607	-	65,169,905
Sundry provisions	-	-	-	-	-	-	930,224	930,224
Income tax provision	-	-	-	-	-	-	20,634,229	20,634,229
Leasing liabilities	-	-	-	-	-	-	25,451,501	25,451,501
Other liabilities	-	-	-	-	-	-	76,583,458	76,583,458
Total Liabilities	1,278,281,842	533,481,701	517,085,357	743,961,878	118,683,389	16,946,607	891,991,098	4,100,431,872
Interest Rate Re- Pricing Gap	(839,274,168)	(407,327,588)	1,291,450,296	(576,671,669)	499,035,521	655,563,410	(143,531,689)	479,244,113
As of December 31, 2018								
Total Assets	283,431,028	146,340,185	1,657,217,342	150,012,480	410,235,492	613,892,133	606,940,472	3,868,069,132
Total Liabilities	1,155,304,338	438,532,049	362,595,485	530,397,152	102,203,703	29,103,169	782,686,092	3,400,821,988
Interest Rate Re- Pricing Gap	(871,873,310)	(292,191,864)	1,294,621,857	(380,384,672)	308,031,789	584,788,964	(175,745,620)	467,247,144

Concentration in currency risk:

As of December 31, 2019	US Dollar	Euro	GBP	Japanese Yen	Other	Total
	JD	JD	JD	JD	JD	JD
Assets						
Balances at CBJ	92,797,620	22,997,743	524,306	-	3,292,590	119,612,259
Balances at banks and financial institutions	281,832,617	23,559,177	8,102,419	891,737	11,527,107	325,913,057
Deposits at banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through statement of profit and loss	7,638,047	3,285,885	-	-	-	10,923,932
Direct credit and financing facilities- net	251,901,235	331,231	1,734,880	41,635,679	285,628	295,888,653
Financial assets at fair value through other comprehensive income	11,167,320	-	-	-	-	11,167,320
Financial assets at amortized cost	203,104,979	23,567,320	938,940	-	-	227,611,239
Other assets	10,493,645	478,091	29,690	6,254	9,480	11,017,160
Total Assets	858,935,463	74,219,447	11,330,235	42,533,670	15,114,805	1,002,133,620
Liabilities						
Banks and financial institution deposits	55,971,487	5,440,269	35,145	14,614,560	6,483,078	82,544,539
Customers' deposits	725,848,075	72,914,871	15,094,567	396,744	18,136,172	832,390,429
Margin accounts	50,547,456	5,033,266	1,074,125	-	1,592,174	58,247,021
Other liabilities	17,888	2,381,669	74,741	27,063	163,195	2,664,556
Total Liabilities	832,384,906	85,770,075	16,278,578	15,038,367	26,374,619	975,846,545
Net concentration in the Consolidated Statement of Financial Position	26,550,557	(11,550,628)	(4,948,343)	27,495,303	(11,259,814)	26,287,075
Contingent Liabilities Off - Consolidated Statement of Financial Position	358,523,278	69,801,818	779,701	6,026,870	30,846,472	492,978,139
As of December 31, 2018						
Total Assets	694,637,416	71,148,356	11,225,088	23,209,922	77,573,640	877,794,422
Total Liabilities	707,862,218	87,122,375	20,051,044	11,370,385	52,831,684	879,237,706
Net concentration in the Consolidated Statement of Financial Position	(13,224,802)	(15,974,019)	(8,825,956)	11,839,537	24,741,956	(1,443,284)
Contingent Liabilities Off - Consolidated Statement of Financial Position	406,115,845	38,264,533	300,089	20,753,884	27,229,349	492,663,700

Secondly: Off- Consolidated of Financial Position Items:

	Up to 1 Year	1 - 5 Years	Over 5 Years	Total
As of December 31, 2019	JD	JD	JD	JD
Letters of credit and acceptances	304,804,181	5,780,416	-	310,584,597
Un-utilized ceilings	451,373,293	-	-	451,373,293
Letters of guarantee	178,495,386	34,503,257	253,412	213,252,055
Total	934,672,860	40,283,673	253,412	975,209,945
As of December 31, 2018				
Letters of credit and acceptances	301,642,587	13,721,357	-	315,363,944
Un-utilized ceilings	432,439,920	-	-	432,439,920
Letters of guarantee	163,093,948	12,749,315	291,223	176,134,486
Total	897,176,455	26,470,672	291,223	923,938,350

46. Capital Management

a. The capital adequacy ratio as of December 31, 2018 and 2017 was calculated based on Basel III Instructions, and the Bank's regulatory capital consists of a primary capital representing ordinary shares (CET1) and a supplementary capital, in addition to Tier 2.

b. The regulatory bodies' requirements related to the ordinary shares capital

The Central Bank of Jordan's instructions require that minimum regulatory capital be (12%) of assets and off-balance sheet items weighted by risks, market risks, and operational risks. This percentage represents the minimum, as the Bank adheres to maintaining, at all times, an adequate ratio that exceeds the minimum by an appropriate margin in line with Basel III requirements.

c. Manner of achieving capital management objectives

Capital management represents the optimal employment of the sources of funds to achieve the highest return on capital within the acceptable risk limits approved by the Board of Directors. In addition, capital management endeavors to maintain the minimum capital prescribed by the laws and regulations in force. In this regard, the Bank adopts a policy that aims to minimize the costs of funds as much as possible through obtaining funds from low-cost sources, expanding the customers' base, and optimally employing these sources within acceptable risk limits to achieve the highest possible return on capital.

d. Capital Adequacy

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

The Bank is committed to applying the requirements set forth by regulators concerning capital, as follows:

1- The Central Bank of Jordan's instructions that capital adequacy ratio should not go below 12%.
2- Compliance with the minimum limit set for the paid capital of Jordanian Banks, which is JD 100 million.
3- The Bank's investments in stocks and shares should not exceed 50% of subscribed capital.
4-The ratio of credit limits (credit concentration) to regulatory capital.
5- Banks and Companies' laws related to the deduction of the legal reserve at a rate of 10% of the Bank's profit before tax.

	December 31,	
	2019	2018
	JD	JD
Common Equity Shareholders Rights		
Paid-up capital	160,000,000	160,000,000
Retained earnings after deduction of the expected distributions	35,596,833	31,166,049
The cumulative change in fair value	372,413	(727,049)
Share premium	80,213,173	80,213,173
Statuary reserve	56,257,522	49,410,187
Voluntary reserve	38,833,125	34,279,172
Recognizable non controlling shareholders	38,036,041	28,576,821
Interim profit (losses) after tax and deduction of the expected distributions	-	-
Total Common Equity Tire 1 before regulatory adjustments	**409,309,107**	**382,918,353**
Regulatory Adjustments (Propositions of the Capital)		
Goodwill and intangible assets	(24,409,882)	(22,186,281)
Deferred tax assets resulting from investments within Tier 1 (10%)	(12,891,744)	(11,957,746)
Total Tier 1 capital	**372,007,481**	**348,774,326**
Additional capital		
Recognizable minority rights	6,712,243	5,042,968
Total Capital (Tier 1)	**378,719,724**	**353,817,294**
Tier 2 Capital		
General Banking risk reserve	-	-
Provision for debts tools listed in Tier 1	12,593,424	14,095,732
Recognizable non-controlling shareholders	8,949,657	6,723,958
Total Supporting Capital	**21,543,081**	**20,819,690**
Total Regulatory Capital	**400,262,805**	**374,636,984**
Total Risk Weighted Assets	**2,975,004,022**	**2,653,984,734**
Capital Adequacy Ratio (CET 1) (%)	%13.45	%14.12
Primary Capital Ratio (%)	%12.50	%13.14
Supporting Capital Ratio (%)	%0.72	%0.78

	2019	2018
	JD	JD
Financial leverage rate		
Tier 1 Capital	378,719,724	353,817,294
Total assets in and out of the financial positons after removing deductible items from Tier 1	5,124,324,785	4,463,642,028
Financial leverage rate	7.39%	7.93%

Capital adequacy was calculated on December 31, 2019 and December 31, 2018 based on the instruction of Basel Committee III.

47. Analysis of the Maturities of Assets and Liabilities

The following table illustrates the assets and liabilities according to the expected maturity periods:

December 31, 2019	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
Assets			
Cash and balances at CBJ	563,867,223	-	563,867,223
Balances at banks and financial institutions	330,805,729	-	330,805,729
Deposits at banks and financial institutions	3,000,000	-	3,000,000
Direct credit facilities and financing - net	-	-	-
Financial assets at fair value through statement of profit or loss	844,227,278	1,791,624,093	2,635,851,371
Financial assets at fair value through statement of other comprehensive income	16,535,618	-	16,535,618
Financial assets for trade	-	32,313,468	32,313,468
Financial assets at amortized cost	107,761,733	657,812,200	765,573,933
Right of use assets	3,356,546	23,161,327	26,517,873
Investments in associates	354,022	-	354,022
Property and equipment	-	72,138,592	72,138,592
Intangible assets	-	24,409,882	24,409,882
Deferred tax assets	12,891,744	-	12,891,744
Other assets\	95,290,569	125,961	95,416,530
Total Assets	1,978,090,462	2,601,585,523	4,579,675,985
Liabilities:			
Banks and financial institutions deposits	149,997,070	-	149,997,070
Customers' deposits	3,495,107,638	80,859,823	3,575,967,461
Margin accounts	77,624,162	108,073,862	185,698,024
Borrowed funds	35,947,833	29,222,072	65,169,905
Sundry provisions	930,224	-	930,224
Income tax provision	20,634,229	-	20,634,229
Leasing liabilities	1,652,520	23,798,981	25,451,501
Other liabilities	74,039,906	2,543,552	76,583,458
Total Liabilities	3,855,933,582	244,498,290	4,100,431,872
Net	(1,877,843,120)	2,357,087,233	479,244,113

December 31, 2018	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
Assets			
Cash and balances at central banks	333,205,500	-	333,205,500
Balances at banks and financial institutions	248,264,111	-	248,264,111
Deposits at banks and financial institutions	4,258,890	-	4,258,890
Direct credit facilities and financing - net	854,170,590	1,423,747,866	2,277,918,456
Financial assets at fair value through profit or loss	13,478,492	-	13,478,492
Financial assets at fair value through other comprehensive income	-	28,530,920	28,530,920
Financial assets at amortized cost	186,273,320	579,418,870	765,692,190
Investments in associates	376,618	-	376,618
Property and equipment	-	74,486,185	74,486,185
Intangible assets	-	22,186,281	22,186,281
Deferred tax assets	11,957,746	-	11,957,746
Other assets\	86,133,875	1,579,868	87,713,743
Total Assets	1,738,119,142	2,129,949,990	3,868,069,132
Liabilities:			
Banks and financial institutions deposits	96,687,828	-	96,687,828
Customers' deposits	2,920,589,768	68,359,777	2,988,949,545
Margin accounts	56,484,374	85,330,162	141,814,536
Borrowed funds	21,501,112	63,735,150	85,236,262
Sundry provisions	1,232,609	-	1,232,609
Income tax provision	18,199,119	-	18,199,119
Other liabilities	66,913,546	1,788,543	68,702,089
Total Liabilities	3,181,608,356	219,213,632	3,400,821,988
Net	(1,443,489,214)	1,910,736,358	467,247,144

48. Contingent Liabilites and Commitments

a. Credit liabilities and commitments:

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Letters of credit	208,781,007	219,253,863
Acceptances	101,803,590	96,110,081
Letters of guarantee:		
- Payments	53,600,584	43,473,574
- Performance	85,107,403	67,548,002
- Other	74,544,068	65,112,910
Unused Limits of Credit Facilities and Financing	451,373,293	432,439,920
Total	975,209,945	923,938,350

b. Contractual Obligations:

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Property and equipment purchase contracts	1,501,970	486,338
Intangible assets purchase contracts	1,003,102	1,418,008

49. Lawsuits against the Bank

Lawsuits against the Bank amounted to JD 1,403,344 as of December 31, 2019 (JD 3,916,023 as of December 31, 2018), and the related provisions to JD 535,159 as of December 31, 2019 (JD 912,609 as of December 31, 2018). In the opinion of the Bank’s management and its legal counsel, the said provisions are adequate.

50. Fair Value Hierarchy

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

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

Financial Assets	Fair Value December 31, 2019	Fair Value December 31, 2018	The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value through statement of Profit or Loss:						
Government bonds listed on financial markets	74,800	65,641	Level 1	Quoted prices in financial markets	N/A	N/A
Companies bonds listed on financial markets	3,536,138	688,489	Level 1	Quoted prices in financial markets	N/A	N/A
Companies shares listed on financial market	5,611,686	5,815,710	Level 1	Quoted prices in financial markets	N/A	N/A
Investments Funds	7,312,994	6,908,652	Level 2	The treasury manager evaluation of fair value	N/A	N/A
	16,535,618	**13,478,492**				
Financial Assets at Fair Value through Other Comprehensive Income:						
Quoted Shares in active markets	22,930,050	22,038,515	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted Shares in active markets	9,383,418	6,492,405	Level 3	Through using equity method and based on the latest available financial information	N/A	N/A
Total	**32,313,468**	**28,530,920**				
Total Financial Assets at Fair Value	**48,849,086**	**42,009,412**				

There were no transfers between level 1 and level 2 during the year ended December 31, 2019.

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

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

	December 31, 2019		December 31, 2018		The level of
	Book value	Fair value	Book value	Fair value	Fair Value
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Term deposits, and certificate of deposits at the Central Bank	86,700,000	86,705,118	-	-	Level 2
Current accounts, and balances at Banks and Financial Institutions	333,805,729	334,007,648	252,523,001	252,846,007	Level 2
Direct credit facilities at amortized costs	2,635,851,371	2,641,471,297	2,277,918,456	2,281,749,449	Level 2
Other financial assets at amortized costs	765,573,933	775,252,780	765,692,190	774,304,399	Level 1 and 2
Total Financial Assets of Non-specified Fair Value	3,821,931,033	3,837,436,843	3,296,133,647	3,308,899,855	
Financial Liabilities of Non-specified Fair Value					
Banks' and Financial Institutions' deposits	149,997,070	150,319,722	96,687,828	97,040,430	Level 2
Customers' deposits	3,575,967,461	3,610,746,013	2,988,949,545	3,015,013,034	Level 2
Cash margin	185,698,024	185,779,644	141,814,536	141,875,100	Level 2
Borrowed funds	65,169,905	65,728,525	85,236,262	86,115,199	Level 2
Total Financial Liabilities of Non-specified Fair Value	3,976,832,460	4,012,573,904	3,312,688,171	3,340,043,763	

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