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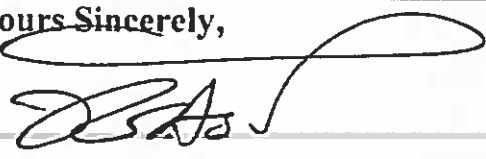
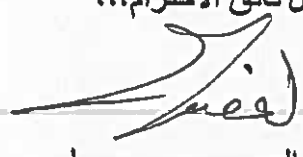
الرقم: درم/152/2020
التاريخ: 2020/8/6

Messer's Jordan Securities Commission
Messer's Amman Stock Exchange

السادة هيئة الأوراق المالية المحترمين
السادة بورصة عمان المحترمين

Subject: Semi- Annual Report as of
30/6/2020

الموضوع : التقرير نصف السنوي كما في
2020/6/30

Attached the Semi-Annual Report for Islamic International Arab Bank plc. (in English) as of 30/6/2020. Reviewed by the Bank's external auditors.	مرفق طيه نسخة من البيانات المالية نصف السنوية لشركة البنك العربي الإسلامي الدولي باللغة الإنجليزية كما هي بتاريخ 2020/6/30، مراجعة من قبل مدققي حسابات البنك.
Yours Sincerely,  Iyad Asali General Manager	وتفضلوا بقبول فائق الاحترام،،،  إياد العسلي المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان

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ISLAMIC INTERNATIONAL ARAB BANK

**INTERIM CONDENSED FINANCIAL STATEMENTS (REVIEWED
UNAUDITED)**

FOR THE PERIOD ENDED 30 JUNE 2020



Building a better
working world

Ernst & Young Jordan

P.O.Box 1140

Amman 11118

Jordan

Tel : 00 962 6580 0777/00 962 6552 6111

Fax: 00 962 6553 8300

www.ey.com/me

**REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ISLAMIC INTERNATIONAL ARAB BANK
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of **ISLAMIC INTERNATIONAL ARAB BANK** (Public Shareholding Company) as at 30 June 2020, comprising of interim condensed statement of financial position as at 30 June 2020 and the related interim condensed income statement, interim condensed comprehensive income, interim condensed changes in shareholders' equity, interim condensed cash flows, and interim condensed sources and uses of funds of Al Qard Al Hasan Fund for the six months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies described in Note (2) to the interim condensed financial statements. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies described in Note (2) to the interim condensed financial statements.

Amman – Jordan
27 July 2020

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As At 30 June 2020 (UNAUDITED)

	Notes	30 June 2020 JD (Unaudited)	31 December 2019 JD (Audited)
ASSETS			
Cash and balances with Central Bank of Jordan	4	662,748,394	699,887,946
Balances with banks and financial institutions	5	19,031,543	18,802,906
Deferred sales receivables and other receivables – Net	6	793,471,910	751,650,832
Deferred sales receivables through income statement	7	-	-
Ijara Muntahia Bittamleek assets – Net	8	692,617,576	682,859,790
Financial assets at fair value through shareholders' equity – Self financed	9	5,318,406	5,616,930
Financial assets at fair value through joint investment accounts holders' equity	10	2,611,390	2,662,444
Financial assets at amortized cost – Net	11	38,378,887	33,342,745
Investments in real estates	12	33,718,679	23,177,139
Al-Qard Al-Hasan loans – Net		49,070,943	48,098,103
Property and equipment – Net		16,377,860	16,394,117
Intangible assets – Net		960,672	1,109,708
Right of use assets		6,075,087	5,708,265
Deferred tax assets	15/c	3,006,529	2,960,558
Other assets	13	12,547,598	8,117,328
TOTAL ASSETS		2,335,935,474	2,300,388,811
LIABILITIES			
Banks and financial institutions' accounts		3,230,726	2,103,089
Customers' current accounts	14	694,784,506	677,546,280
Cash margin		29,774,303	31,372,032
Other provisions		3,411,696	3,248,220
Provision for income tax	15/a	7,498,169	10,737,299
Deferred tax liabilities	15/c	178,112	291,552
Lease liability / long term		5,062,529	4,800,214
Other liabilities	16	43,453,173	41,452,567
TOTAL LIABILITIES		787,393,214	771,551,253
Joint Investment Accounts Holders' Equity			
Unrestricted investment accounts	17	1,310,464,831	1,301,329,325
Fair value reserve- net	19	(204,821)	(153,767)
Total Joint Investment Accounts Holders' Equity		1,310,260,010	1,301,175,558
Provision for future expected investment risks	18/a	8,935,744	13,079,838
Provision for income tax on investment risk fund	18/b	-	384,283
		8,935,744	13,464,121
SHAREHOLDERS' EQUITY			
Paid-in capital		100,000,000	100,000,000
Statutory reserve		35,260,929	35,260,929
Voluntary reserve		4,262,322	4,262,322
Fair value reserve - net	19	290,603	475,688
Retained earnings	20	74,198,940	74,198,940
Profit for the period		15,333,712	-
Total Shareholders' Equity		229,346,506	214,197,879
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		2,335,935,474	2,300,388,811
Restricted investments		292,646,687	294,970,929
Wakalah investments		33,288,106	33,842,397

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (34) CONSTITUTE AN INTEGRAL PART OF THESE
INTERIM CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		JD	JD	JD	JD
Deferred sales revenues	21	11,014,972	13,240,951	23,573,739	25,674,637
Revenues from financial assets at amortized cost		322,057	326,971	641,009	652,335
Net income (expenses) from Investment in Real Estates	22	17,444	225,457	17,288	(27,089)
Revenues from Ijara Muntahia Bittamleek assets		12,442,388	13,252,875	25,676,756	26,683,038
Ju'alah commissions		126,222	156,098	257,506	361,924
Recoveries from expected credit loss provision - Joint		177,622	-	467,622	-
Total Revenues from Joint Investments Accounts		24,100,705	27,202,352	50,633,920	53,344,845
Unrestricted investment accounts holders share	23	(6,201,930)	(8,142,422)	(12,969,911)	(14,289,853)
Deposit insurance fees on Joint investment accounts		(562,839)	-	(1,185,846)	-
Investment risk fund share		-	(898,568)	-	(3,512,818)
Bank's share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)	24	17,335,936	18,161,362	36,478,163	35,542,174
Bank's self-financed revenues	25	27,557	20,511	33,257	32,188
Bank's share in restricted investment revenues as Mudarib		50,698	267,787	255,111	516,780
Bank's share in restricted investment revenues as agent (Wakeel)		59,992	104,322	136,045	251,092
Gains from foreign currencies		336,276	453,680	686,924	818,978
Banking services revenues		2,163,392	2,784,162	5,232,206	5,553,209
Other revenues		70,331	92,997	142,219	192,761
Deposit insurance fees on current accounts		(498,279)	-	(996,566)	-
Gross Income		19,545,903	21,884,821	41,967,359	42,907,182
Expenses					
Employees' expenses		6,099,234	5,818,557	12,422,117	11,554,164
Depreciation and amortization		616,511	888,647	1,269,647	1,561,426
Other expenses		2,042,190	2,294,907	4,309,881	4,461,737
Depreciation of Ijara Muntahia Bittamleek assets		2,026	5,708	8,031	11,360
Amortization of right of use assets		288,267	264,251	576,187	527,800
Lease liabilities discount / Finance costs		33,142	35,282	65,881	71,904
Rental expenses		77,466	67,922	151,836	138,703
Provision for expected credit loss – self	6	33,125	30,000	33,125	30,000
Other provisions		125,579	119,261	238,608	220,753
Total expenses		9,317,540	9,524,535	19,075,313	18,577,847
Profit for the period before income tax		10,228,363	12,360,286	22,892,046	24,329,335
Income tax expense	15/b	(3,379,319)	(4,229,528)	(7,558,334)	(8,325,179)
Profit for the period		6,849,044	8,130,758	15,333,712	16,004,156
Earnings per Share - Basic / Diluted	30	0,068	0,081	0,153	0,160

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (34) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	JD	JD	JD	JD
Profit for the period	6,849,044	8,130,758	15,333,712	16,004,156
Comprehensive income items: items will not be reclassified subsequently to income statement				
Net change in the fair value reserve	(182,657)	64,582	(185,085)	127,926
Total other comprehensive income for the period	6,666,387	8,195,340	15,148,627	16,132,082

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (34) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM
CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Reserves						Total		
	Paid-in capital	Statutory		Voluntary		Fair value reserve - Net (self)		Retained earnings*	Profit for the period
		JD	JD	JD	JD				
For the six months ended 30 June 2020									
Balance at beginning of the period	100,000,000		35,260,929		4,262,322	475,688	74,198,940	-	214,197,879
Profit for the period	-		-		-	-	-	15,333,712	15,333,712
Net change in fair value reserve, net of tax	-		-		-	(185,085)	-	-	(185,085)
Total comprehensive income for the period	-		-		-	(185,085)	-	15,333,712	15,148,627
Balance at the end of the period	100,000,000		35,260,929		4,262,322	290,603	74,198,940	15,333,712	229,346,506
For the six months ended 30 June 2019									
Balance at beginning of the period	100,000,000		30,412,149		4,262,322	294,566	58,922,083	-	193,891,120
The effect of IFRS (16) adoption	-		-		-	-	(258,464)	-	(258,464)
Balance at the beginning of the period (adjusted)	100,000,000		30,412,149		4,262,322	294,566	58,663,619	-	193,632,656
Profit for the period	-		-		-	-	-	16,004,156	16,004,156
Net change in the fair value reserve – Net of tax	-		-		-	127,926	-	-	127,926
Total comprehensive income for the period	-		-		-	127,926	-	16,004,156	16,132,082
Distributed profits	-		-		-	-	(14,000,000)	-	(14,000,000)
Balance at the end of the period	100,000,000		30,412,149		4,262,322	422,492	44,663,619	16,004,156	195,764,738

* Retained earnings include an amount of JD 3,006,529 as of 30 June 2020 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets related to the Bank's self-financed operations (JD 2,960,558 as of 31 December 2019) retained earnings include a restricted amount of JD 181,121 represents a surplus of general banking risk balance, resulted in IFRS 9 application.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

		For the six months ended 30 June	
	Notes	2020	2019
		JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Profit for the period before income tax		22,892,046	24,329,335
<u>Adjustments to non- cash Items:</u>			
Depreciation and amortization		1,269,647	1,561,426
Depreciation of investment in real estate		108,878	99,251
Depreciation of Ijara Muntahia Bittamleek assets		29,943,141	31,169,538
Recoveries from expected credit loss provision – joint	18/b	(467,622)	-
Expected credit loss provision of deferred sales receivables and self-transfers	6	33,125	30,000
Investment risk fund		-	3,512,818
Other provisions		238,608	220,753
Amortization of right of use assets		576,187	-
Lease obligations / finance costs		65,881	-
Effect of exchange rate fluctuations on cash and cash equivalents		(6,513)	(4,815)
Net cash flows from operating activities before change in the working capital		54,653,378	60,918,306
<u>Change in working capital Items</u>			
(Increase) decrease in deferred sales receivables and other receivables		(44,755,961)	34,545,737
Increase in Ijara Muntahia Bittamleek assets		(49,295,688)	(36,161,877)
Increase in other assets		(5,340,895)	(9,642,823)
Increase in Al- Qard Al - Hasan		(972,840)	(3,589,587)
Increase (decrease) in customers' current accounts		17,238,226	(3,858,770)
Decrease in cash margins		(1,597,729)	(703,466)
Increase in other liabilities		2,606,599	7,526,839
Net cash flows (used in) from operating Activities before Tax and Provisions paid		(27,464,910)	49,034,359
Tax paid		(12,263,852)	(16,551,560)
Provisions paid		(75,132)	(24,893)
Net cash flows (used in) from operating Activities		(39,803,894)	32,457,906
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Purchase of financial assets at amortized costs – Net		(5,783,352)	(2,492,545)
Sale of investment in real estate		(1,083,161)	-
Purchase of property and equipment		(1,092,143)	(1,030,660)
Purchase of intangible assets		(44,596)	(152,654)
Net cash flows used in investing activities		(8,003,252)	(3,675,859)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Increase in joint investment accounts holders' equity		9,135,506	31,534,285
Settled from lease obligations		626,575	-
Distributed dividends		-	(14,000,000)
Net cash flows from Financing Activities		9,762,081	17,534,285
Effect of exchange rate fluctuations on cash and cash equivalents		6,513	4,815
Net (decrease) increase in cash and cash equivalents		(38,038,552)	46,321,147
Cash and Cash Equivalents - beginning of the period		716,587,763	591,909,620
Cash and cash equivalents - end of the period	27	678,549,211	638,230,767

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (34) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF SOURCES AND USES OF AL – QARD AL – HASAN FUND
As at 30 JUNE 2020 (UNAUDITED)

	30 June 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period / year	47,766,495	40,140,627
<u>Sources of the fund:</u>		
Shareholders' equity	(27,890,160)	(54,819,614)
Total sources of funds assets during the period / year	(27,890,160)	(54,819,614)
<u>Uses of the fund:</u>		
Personal advances	2,061,828	4,538,719
Revolving cards	26,509,098	57,906,763
Total uses during the period / year	28,570,926	62,445,482
Balance at the end of the period / year	48,447,261	47,766,495
Current and overdrawn accounts	1,404,183	1,030,239
<u>Less:</u> Expected credit losses provision for the period / year	(780,501)	(698,631)
Balance at the end of the period / year – Net	49,070,943	48,098,103

1. General

Islamic International Arab Bank ("the Bank") was established as a Public Shareholding Limited Company on 30 March 1997 pursuant to the provisions of the company's law No. (22) of 1997. The bank's headquarter is located in Amman – the Hashemite Kingdom of Jordan

The Bank provides all banking, financial, and investment activities that comply with Islamic Shari'a standards through its headquarters and its 45 branches inside the Kingdom. The Bank's transactions are governed by the applicable Bank's Law.

The Islamic International Arab Bank is wholly owned by the Arab Bank.

The interim condensed financial statements have been approved by Sharia Supervisory Board in its meeting held on 26 July 2020.

The interim condensed financial statements have been approved by the Bank's Board of Directors in their meeting No. (4) held on 26 July 2020.

2. Significant Accounting Policies

Basis of Preparation of the Interim Condensed Financial Statements:

The accompanying interim condensed financial statements of the Bank have been prepared in accordance with the Financial Accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and in conformity with the applicable laws and regulations of the Central Bank of Jordan, In the absence of Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions relating to financial statements items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari'a standards, pending the promulgation of Islamic Standards therefor.

The interim condensed financial statements have been prepared on the historical cost basis except for financial assets at the fair value through shareholders' equity and sales receivables through the income statement, which are recognized at fair value at the date of the interim condensed financial statements.

The interim condensed financial statements have been presented in Jordanian Dinars (JD), which is the functional currency of the Bank.

The Bank applies the principle of mixing shareholders equity with the joint investment accounts holder's equity starting from May 2013, while retaining the investments financed by the shareholders equity (self) until maturity.

The interim condensed financial statements do not contain all information and disclosures for annual financial statements prepared in accordance with Sharia' rules and principles determined by the Bank's Sharia Supervisory Board and in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and it shall be read in conjunction with the Bank's annual report as of 31 December 2019. In addition, the results for the six months period ended 30 June 2020 do not necessarily indicate the expected results for the year ended 31 December 2020 and no appropriation was made on the six months period ended 30 June 2020 profit since it is made at year-end.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, except for the adoption of the following new standard effective as of 1 January 2020:

FAS 30 Impairment Credit Losses and Onerous Commitments:

This standard defines the accounting principles and reporting requirements for impairment and credit losses of financial assets (including future expected credit losses) for the different facilities, investments, and assets that is owned by the Islamic financial institutions and the related provisions in accordance with the best international practices.

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the investor and the agent. This standard shall be effective beginning on or after 1 January 2020, with early adoption permitted.

The standard requires the investor to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala Venture.

Pass-through Investment

A pass-through investment is an investment in which the involvement of the Wakeel, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the Wakala Venture approach.

Under this approach, the investor shall initially recognize the assets underlying the Wakala Arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

Wakala Venture Approach

The investor may opt to apply the Wakala Venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

Under this approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share of profit or loss of the The investor may opt to apply the Wakala Venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

From the Wakeel perspective, the standard requires that at inception of the transaction the Wakeel shall recognize an agency arrangement under off-balance sheet approach since the Wakeel does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet.

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard.

3. Uses of Estimates

Preparation of the interim condensed financial statements and application of accounting policies require the Bank's management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's management is required to make significant judgements for estimating the amounts and timing of future cash flows. Moreover, the said assessments are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the interim condensed financial statements are reasonable.

In the opinion of management, the estimates used in the financial statements are reasonable.

A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. The study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

The determination of provision for expected credit losses on financial assets requires the Bank's management to make judgments. The Bank's Management is required to make significant judgements for estimating the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, and to take into account future measurement information for expected credit losses.

As a result of the continuance effect of Corona virus (COVID-19) on the world economy and different business sectors and what accompanied this pandemic from restrictions and procedures which were imposed by the Jordanian government, neighboring countries, and the rest of the world, it's possible that the operating activities might get affected by the world developments which is currently affecting different economic sectors.

Although the extent and period of these effects are not clear yet as it depends on future developments that can't be forecasted precisely in the meantime, the Bank has adjusted the macroeconomics factors based on the latest issuance of the International Monetary Fund, which negatively affected the calculation of expected credit loss (ECL).

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

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

- **Assessment of Significant Increase in Credit Risk**

To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 (Financial Instruments) includes an assumption of a significant increase in the credit risk of financial instruments that have defaulted and matured for more than 30 days. Within the instructions of the Central Bank of Jordan, it is assumed that there is a significant increase in the credit risk of financial instruments that have defaulted and are due for more than 30 days.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as mentioned in the “Definition of default” below.

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

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

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

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

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

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Due to the recent developments and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the period ended 31 March 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the period ended 30 June 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weight to the downside scenarios.

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

Definition of default

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

The Group has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

- **Expected Life**

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

The financial period is charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards; and the necessary tax provision is calculated.

Management carries out a periodical review of financial assets recorded at cost to estimate any impairment in their value. This impairment (if any) is recorded in the income statement for the year.

Fair value measurement: The standard requires determination and disclosure of the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Useful lives of tangible and intangible assets:

Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general condition of those assets and estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the income statement.

The factors that affect the estimated useful lives of tangible and intangible assets include Management's estimates for the period in which the Bank is expected to use these assets as well as technological development and obsolescence.

The difference between the useful lives of tangible and intangible assets and Management's estimates significantly affect the depreciation expense and the gain/ loss arising from their disposal.

Management periodically revaluates the real estate within the investments in real estate portfolio, and a provision is taken for any impairment in their value within the investment risks Fund. Moreover, the portfolio is within the joint investment whereby building within such portfolio are depreciated at 2% per annum.

Significant estimates related to determining the duration of the lease contract for contracts that include the option to renew the contract.

The Bank determines the duration of the lease contract as the non-cancellable period, considering the periods covered by the option to extend the lease if this option is certain to be exercised, or any periods related to the option to terminate the lease, if it is certain that the bank does not exercise this option.

Under some lease contracts, the Bank has the right to lease the assets for additional periods. The Bank makes some estimates when assessing whether it is certain to exercise the renewal option.

This means that the Bank considers all relevant factors that constitute an economic incentive to exercise the option of renewal. Subsequently, the Bank reassesses the term of the lease in the event of a significant event or change in the conditions under its control, which may affect its ability to exercise (or not exercise) the renewal option (for example, a change in the business strategy).

The Bank has included the renewal period as part of the lease duration due to the importance of these assets in its operating operations. The contract term that is not subject to termination for some of these assets is relatively short and, in the event, that these contracts are canceled, the operational process will be negatively affected in the absence of alternatives to these assets.

4. Cash and balances with Central Bank

The details of this item are as follows:

	30 June 2020 (Unaudited) JD	31 December 2019 (Audited) JD
Cash in vaults	39,343,510	34,257,420
Balances with Central Bank		
Current and call accounts	524,821,598	544,107,025
Statutory Cash Reserve	98,583,286	121,523,501
Total	<u>662,748,394</u>	<u>699,887,946</u>

Except for the statutory cash reserve as of 30 June 2020 and 31 December 2019, there are no restricted cash balances.

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5. Balances with banks and financial institutions

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Current and call accounts	15,356,060	17,624,133	3,675,483	1,178,773	19,031,543	18,802,906
	<u>15,356,060</u>	<u>17,624,133</u>	<u>3,675,483</u>	<u>1,178,773</u>	<u>19,031,543</u>	<u>18,802,906</u>

- There are no restricted cash balances as of 30 June 2020 and 31 December 2019.

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6. Deferred Sales Receivables and other Receivables - Net

This item consists of the following:

	Joint		Self-financed		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	30 December 2019
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Retail						
Murabaha to purchase order	290,177,945	259,292,411	-	-	290,177,945	259,292,411
Ju'alah guarantees	6,183,358	6,497,115	-	-	6,183,358	6,497,115
Receivables – Ijara Muntahia Bittamleek	1,621,947	1,533,603	-	-	1,621,947	1,533,603
Real estate financing	143,403,042	149,686,987	-	-	143,403,042	149,686,987
Corporates						
International Murabaha	118,804,219	140,271,609	451,521	458,372	119,255,740	140,729,981
Murabaha to purchase order	239,283,643	222,036,262	3,059,148	3,103,330	242,342,791	225,139,592
Receivables – Ijara Muntahia Bittamleek	2,393,734	2,101,727	-	-	2,393,734	2,101,727
Ju'alah guarantees	765	-	-	-	765	-
Small and Medium Enterprises						
Murabaha to purchase order	83,234,486	63,253,216	43,900	-	83,278,386	63,253,216
Ju'alah guarantees	14,585	12,487	-	-	14,585	12,487
Receivables – Ijara Muntahia Bittamleek	990,297	741,487	933	11,001	991,230	752,488
Total	886,108,021	845,426,904	3,555,502	3,572,703	889,663,523	848,999,607
Less: deferred revenues	59,517,649	63,690,469	242	301	59,517,891	63,690,770
Provision for expected credit losses	31,082,266	28,182,036	3,494,874	3,465,205	34,577,140	31,647,241
Revenues in suspense	2,079,554	1,987,729	17,028	23,035	2,096,582	2,010,764
Net Deferred Sales Receivables and Other Receivables	793,428,552	751,566,670	43,358	84,162	793,471,910	751,650,832

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Expected credit loss Provision for Deferred Sales Receivables, Ijara Muntahia Bittamleek Al-Qard Al-Hasan - Self

The following are the movements on the expected credit losses:

30 June 2020 (Unaudited)	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the period	608,747	3,341,488	213,601	4,163,836
Deducted from the profits	-	33,125	-	33,125
Settlements during the period	68,296	(17,894)	28,012	78,414
Balance at the end of the period	677,043	3,356,719	241,613	4,275,375
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	587,179	3,317,997	224,555	4,129,731
Expected credit losses on watch list receivables- stage 2 on individual customer basis	3,755	24,099	6,354	34,208
Expected credit losses on performing receivables- stage 1 on individual customer basis	86,109	14,623	10,704	111,436
Balance at the end of the period	677,043	3,356,719	241,613	4,275,375
31 December 2019 (Audited)				
Balance at the beginning of the year	345,613	3,213,789	202,499	3,761,901
Deducted from the profits	-	195,000	-	195,000
Settlements during the year	263,134	(67,301)	11,102	206,935
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	531,532	3,339,732	213,467	4,084,731
Expected credit losses on watch list receivables- stage 2 on individual customer basis	1,085	1,429	40	2,554
Expected credit losses on performing receivables- stage 1 on individual customer basis	76,130	327	94	76,551
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836

- The provision for expected credit losses is calculated on an individual customer basis.
- Provisions that are no longer required due to settlements or re-payment of debts and transferred against receivables and other financing amounted to JD 19,679 as at 30 June 2020 (JD 120,072 as at 31 December 2019).

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The following is the movement on expected credit losses as of 30 June 2020 (Unaudited):

Item	Joint			Self			Total					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the period	2,393,759	1,494,835	24,293,442	28,182,036	76,551	2,554	4,084,731	4,163,836	2,470,310	1,497,389	28,378,173	32,345,872
Deducted from profits / ECL	-	-	-	-	-	-	33,125	33,125	-	-	33,125	33,125
Recoveries to profits / ECL	-	-	(467,622)	(467,622)	-	-	-	-	-	-	(467,622)	(467,622)
Transferred to stage 1	360,371	(295,813)	(64,558)	-	20,848	(977)	(19,871)	-	381,219	(296,790)	(84,429)	-
Transferred to stage 2	(143,939)	155,187	(11,248)	-	(46)	252	(206)	-	(143,985)	155,439	(11,454)	-
Transferred to stage 3	(7,271)	(67,317)	74,588	-	(131)	(342)	473	-	(7,402)	(67,659)	75,061	-
Adjustments during the period	342,327	969,051	2,056,474	3,367,852	14,214	32,721	31,479	78,414	356,541	1,001,772	2,087,953	3,446,266
Total balance at the end of period	2,945,247	2,255,943	25,881,076	31,082,266	111,436	34,208	4,129,731	4,275,375	3,056,683	2,290,151	30,010,807	35,357,641

The following is the movement on expected credit losses as of 31 December 2019 (Audited):

Item	Joint			Self			Total					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	1,029,006	883,649	17,827,505	19,740,160	16,068	7,813	3,738,020	3,761,901	1,045,074	891,462	21,565,525	23,502,061
Deducted from profits / ECL	-	-	-	-	-	-	195,000	195,000	-	-	195,000	195,000
Recoveries from profits / ECL	(633,922)	(335,217)	(2,563,435)	(3,532,574)	-	-	-	-	(633,922)	(335,217)	(2,563,435)	(3,532,574)
Transferred to stage 1	259,944	(135,242)	(124,702)	-	546	(546)	-	-	260,490	(135,788)	(124,702)	-
Transferred to stage 2	(17,690)	916,792	(899,102)	-	(36)	36	-	-	(17,726)	916,828	(899,102)	-
Transferred to stage 3	(5,772)	(130,770)	136,542	-	(35)	(757)	792	-	(5,807)	(131,527)	137,334	-
Adjustments during the year	1,762,193	295,623	9,916,634	11,974,450	60,008	(3,992)	150,919	206,935	1,822,201	291,631	10,067,553	12,181,385
Total balance at the end of year	2,393,759	1,494,835	24,293,442	28,182,036	76,551	2,554	4,084,731	4,163,836	2,470,310	1,497,389	28,378,173	32,345,872

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Revenue in Suspense

The following is the movement on revenues in suspense:

	Self					
	Small & Medium Enterprises		Corporates		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	6,067	-	16,968	16,862	23,035	16,862
Add: Revenue in suspense during the period/ year	21,258	9,610	60	106	21,318	9,716
Less: revenue in suspense transferred to income	(27,325)	(3,543)	-	-	(27,325)	(3,543)
Balance at the end of the period/ year	-	6,067	17,028	16,968	17,028	23,035

	Joint				
	Retail	Real Estate Financing	Corporates	Small & Medium Enterprises	Total
	JD	JD	JD	JD	JD
<u>30 June 2020 (Unaudited)</u>					
Balance at the beginning of the period	287,178	158,260	1,132,256	410,035	1,987,729
Add: Revenue in suspense during the period	169,320	210,726	324,611	181,068	885,725
Less: Revenue in suspense transferred to income	(48,481)	(90,789)	(572,640)	(81,990)	(793,900)
Settlements during the period	(601)	(869)	(832)	2,302	-
Balance at the end of the period	407,416	277,328	883,395	511,415	2,079,554

31 December 2019 (Audited)

Balance at the beginning of the year	213,705	79,036	634,305	404,485	1,331,531
Add: Revenue in suspense during the year	219,481	141,433	1,134,598	181,474	1,676,986
Less: Revenue in suspense transferred to income	(125,052)	(62,028)	(650,749)	(183,379)	(1,021,208)
Settlements during the year	(20,956)	(181)	14,102	7,455	420
Balance at the end of the year	287,178	158,260	1,132,256	410,035	1,987,729

- Non-performing deferred sales receivables, other receivables and Al- Qard Al - Hasan amounted to JD 31,151,956 representing 3,3% of the balance of deferred sales receivables, other receivables, finances and Al- Qard Al – Hasan as at 30 June 2020 (JD 30,914,813 representing 3,4% as at 31 December 2019).
- Non-performing deferred sales receivables, other receivables and Al- Qard Al - Hasan after deducting revenues in suspense amounted to JD 29,067,896 representing 3.1% of the balance of deferred sales receivables, other receivables, finances and Al- Qard Al - Hasan before deducting revenues in suspense and expected credit losses as at 30 June 2020 (JD 28,906,530 representing 3,2% as at 31 December 2019).

7. Deferred Sales Receivables through Income Statement

Deferred sales receivables through income statement – self amounted to JD 6,513,267.
The Bank has booked a provision for expected credit losses amounted to JD 6,513,267.

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8. Ijara Muntahia Bittamleek Assets - Net

This item consists of the following:

	Joint			Self			Total		
	Accumulated		Net Value	Accumulated		Net Value	Accumulated		Net Value
	Cost	Depreciation		Cost	Depreciation		Cost	Depreciation	
30 June 2020 (Unaudited)	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek assets-- Real Estate	895,320,957	(211,883,955)	683,437,002	322,882	-	322,882	895,643,839	(211,883,955)	683,759,884
Ijara Muntahia Bittamleek assets-- Machinery	9,300,272	(442,580)	8,857,692	-	-	-	9,300,272	(442,580)	8,857,692
Total	904,621,229	(212,326,535)	692,294,694	322,882	-	322,882	904,944,111	(212,326,535)	692,617,576

31 December 2019 (Audited)

Ijara Muntahia Bittamleek assets--Real Estate	879,470,920	(205,835,649)	673,635,271	1,338,000	(1,019,061)	318,939	880,808,920	(206,854,710)	673,954,210
Ijara Muntahia Bittamleek assets-- Machinery	9,300,272	(394,692)	8,905,580	-	-	-	9,300,272	(394,692)	8,905,580
Ijara Muntahia Bittamleek assets -- Vehicles	18,500	(18,500)	-	-	-	-	18,500	(18,500)	-
Total	888,789,692	(206,248,841)	682,540,851	1,338,000	(1,019,061)	318,939	890,127,692	(207,267,902)	682,859,790

- Total due Ijara instalments amounted to JD 5,006,911 as at 30 June 2020 (JD 4,387,818 as at 31 December 2019). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

- Non-performing Ijara Muntahia Bittamleek amounted to JD 2,893,939 representing 0.42% of the balance of Ijara Muntahia Bittamleek as at 30 June 2020 (JD 1,578,660 representing 0.23% as at 31 December 2019).

- Non-performing Ijara Muntahia Bittamleek after deducting revenues in suspense amounted to JD 1,855,859 representing 0.27% of the balance of Ijara Muntahia Bittamleek as at 30 June 2020 (JD 446,104 representing 0.07% as at 31 December 2019).

9. Financial assets at fair value through shareholder's equity / self

The details of this item are as follows:

	Self	
	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Financial assets quoted in the Market		
Investment portfolios managed by third parties *	5,318,406	5,616,930
Total financial assets at fair value through shareholders' equity	5,318,406	5,616,930

* This item represents the investments portfolios managed by AI - Arabi Investment Group Company and include foreign Islamic sukuk and international murabaha.

- There was no transfer to retained earnings under shareholders' equity related to financial assets through shareholders' equity.

10. Financial Assets at Fair Value through joint investment accounts holders Equity

The details of this item are as follows:

	Joint	
	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Financial assets unquoted in the market		
Companies' Shares *	2,611,390	2,662,444
Total financial assets at fair value through shareholders equity	2,611,390	2,662,444

* This item represents Islamic International Arab Bank shares of the establishment of the following:

- Jordan payment and clearing company
- Jordanian Islamic Banks Co. for Investment
- Islamic Banks group Co. for SMEs contribution.

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11. Financial Assets at amortized cost - Net

This item consists of the following:

	Joint	
	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Islamic Sukuk – quoted	34,284,567	27,469,115
Islamic Sukuk – unquoted	4,925,300	5,957,400
Expected credit loss for financial assets	(830,980)	(83,770)
	<u>38,378,887</u>	<u>33,342,745</u>

* The above assets have fixed and determinable payments and mature within the period from 2021 until the end of 2025.

The movement on provision for expected credit loss summarized as of 30 June 2020:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the period	83,770	-	-	83,770
New investments	-	463,324	-	463,324
Transferred to stage 1	-	-	-	-
Transferred to stage 2	(61,140)	61,140	-	-
Transferred to stage 3	-	-	-	-
Settlements	15,376	268,510	-	283,886
Balance at the end of the period	<u>38,006</u>	<u>792,974</u>	<u>-</u>	<u>830,980</u>

12. Investments in Real estate

The details for this item are as follows:

	Joint	
	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Investment in real estate	41,720,098	31,042,176
Accumulated depreciation	(3,141,535)	(3,032,657)
Impairment provision	(4,859,884)	(4,832,380)
	<u>33,718,679</u>	<u>23,177,139</u>

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The movement on the investment in real estate portfolio during the year is as follows:

	Balance at the beginning of the year	Additions / transfers during the year	Sales during the year	Balance at the end of the year
	JD	JD	JD	JD
Investments in real estate	31,042,176	10,735,833	(57,911)	41,720,098
Accumulated depreciation	(3,032,657)	(108,878)	-	(3,141,535)
Total	28,009,519	10,626,955	(57,911)	38,578,563
Real estate impairment provision	(4,832,380)	(27,504)	-	(4,859,884)
Net	23,177,139	10,599,451	(57,911)	33,718,679

Buildings within the above real estate portfolio are depreciated using the straight-line method with 2% depreciation rate.

The fair value of investments in real estate portfolio amounted to JD 37,975,732 as of 30 June 2020 (JD 26,669,851 as of 31 December 2019).

The Bank settled a customer's debt by termination the lease agreement granted to the bank by the value of the debt, noting that the value of real estate was recorded at market value of the real estate investment portfolio (joint).

13. Other Assets

The details of this item are as follows:

	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Prepaid expenses	4,724,246	1,002,227
Accrued revenue	369,196	409,367
Assets seized by the Bank against due debts – Net *	6,683,313	6,014,924
Others	770,843	690,810
Total	12,547,598	8,117,328

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The summary of the movement on the assets seized by the Bank against due debt is as follows:

	30 June 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period / year	6,040,607	2,630,593
Additions	770,239	3,410,014
Disposals	(101,850)	-
Total	6,708,996	6,040,607
Impairment losses in real estate	(25,683)	(25,683)
Balance at the end of the period / year *	<u>6,683,313</u>	<u>6,014,924</u>

- * This balance represents the balance of assets seized by the Bank against distressed settlement of bad debts. The Bank is prohibited from disposing of these assets for one year from the date of registration of the real estate in the Banks name.
- The instructions of the Central Bank of Jordan require the disposal of properties that have been transferred to the Bank within a maximum period of two years from the date of the assignment. In exceptional cases, the Central Bank of Jordan may extend this period for a maximum of two consecutive years.

14. Customers' Current Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 30 June 2020 (Unaudited)	JD	JD	JD	JD	JD
Current accounts	550,552,997	42,804,279	97,086,328	4,340,902	694,784,506
Total	<u>550,552,997</u>	<u>42,804,279</u>	<u>97,086,328</u>	<u>4,340,902</u>	<u>694,784,506</u>

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 31 December 2019 (Audited)	JD	JD	JD	JD	JD
Current accounts	522,905,002	47,614,628	102,065,148	4,961,502	677,546,280
Total	<u>522,905,002</u>	<u>47,614,628</u>	<u>102,065,148</u>	<u>4,961,502</u>	<u>677,546,280</u>

- Government of Jordan and public sector deposits inside the Kingdom amounted to JD 4,340,902 as at 30 June 2020 representing 0.62% of the total customers' current accounts (JD 4,961,502 as at 31 December 2019 representing 0.73%).
- Restricted deposits amounted to JD 4,365,041 as at 30 June 2020 representing 0.63% of the total customers' current accounts (JD 4,478,527 as at 31 December 2019 representing 0.66%).
- Dormant accounts amounted to JD 5,985,200 as at 30 June 2020 (JD 5,796,937 as at 31 December 2019).

15. Income Tax

a. Provision for Income Tax

The movement on the provision for income tax is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	10,737,299	12,124,837
Income tax paid during the period / year	(10,843,435)	(15,400,004)
Income tax paid for previous years	-	(153,963)
Provision for income tax expense for the current period / year	7,604,305	14,166,429
Balance at the End of the period / year	7,498,169	10,737,299

b. The income tax balance presented in the interim condensed income statement consists of the following:

	30 June 2020	30 June 2019
	JD (Unaudited)	JD (Unaudited)
Income tax for the period	7,604,305	8,401,965
Deferred tax assets for the period	(90,671)	(131,385)
Amortization of deferred tax assets	44,700	54,599
	7,558,334	8,325,179

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for 2019 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The accrued income tax for the period ended 30 June 2019 was calculated in accordance with the current Income Tax Law no.
- In the opinion of Management and the tax advisor, the allocations taken are sufficient to meet tax obligations as at 30 June 2020.

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c. Deferred tax assets and liabilities – Self:

	30 June 2020 (Unaudited)					31 December 2019 (Audited)
	Beginning balance	Released amounts	Added amounts	Ending balance	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
1- Deferred Tax Assets – Self						
Provision for end-of-service indemnity	3,230,953	(75,132)	238,608	3,394,429	1,289,883	1,227,762
Impairment provision for self-financing	1,071,649	-	-	1,071,649	407,227	407,227
Provision for fees for lawsuits against the Bank	17,267	-	-	17,267	6,561	6,561
Impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	1,036,559	1,036,559
Deferred and unacceptable expenses	42,500	(42,500)	-	-	-	16,150
Effect of IFRS (9) adoption	700,788	-	-	700,788	266,299	266,299
Grand Total	7,790,943	(117,632)	238,608	7,911,919	3,006,529	2,960,558

Self-financed deferred tax assets amounted to JD 3,006,529 as of 30 June 2020 resulted from time differences of the provision for end of service indemnity, provision for impairment in self – financing, provision for fees on lawsuits against the Bank, impairment in financial assets, deferred and unacceptable expense for the following years. These deferred tax assets were calculated at a tax rate of 35% in addition to 3% national contribution tax, with a total income tax 38%. In the Management's opinion, these tax benefits from profits will be utilized in the future.

2- Deferred tax liabilities - self

	30 June 2020 (Unaudited)					31 December 2019 (Audited)
	Beginning balance for the period	Released amounts	Added amounts	Ending balance for the period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Financial assets at fair value through shareholders' equity						
	767,241	(298,526)	-	468,715	178,112	291,552
	<u>767,241</u>	<u>(298,526)</u>	<u>-</u>	<u>468,715</u>	<u>178,112</u>	<u>291,552</u>

- The deferred tax liabilities amounted to JD 178,112 as of 30 June 2020 (JD 291,552 as of 31 December 2019) resulted from gains from valuation of financial assets presented within the fair value reserve of shareholders' equity.

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The movement on the deferred tax assets and liabilities – Self are as follows:

	30 June 2020		31 December 2019	
	(Unaudited)		(Audited)	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period / year	2,960,558	291,552	2,897,830	180,541
Additions during the period / year	90,671	-	176,704	111,011
Amortized during the period / year	(44,700)	(113,440)	(113,976)	-
Balance at the end of the period / year	3,006,529	178,112	2,960,558	291,552

d. Summary of the Reconciliation between Accounting Income with Taxable Income:

	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Accounting Income	22,892,046	48,487,803
Add: Unacceptable tax expenses	3,009,399	9,824,654
Tax-exempt Income	(3,118,663)	(10,995,194)
Other adjustments	(1,210,661)	(4,305,107)
Taxable Income	21,572,121	43,012,156
Statutory income tax rate	38%	38%
Income Tax Provision - Net	8,197,406	16,344,619
Effective income tax rate	36%	34%
Attributable to:		
Declared provision – Bank	7,604,305	14,166,429
Declared provision – Investment Risks Fund	-	946,812
Declared provision – Mutual insurance fund *	593,101	1,231,378
	8,197,406	16,344,619

- * The mutual insurance fund has been established to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

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16. Other Liabilities

The details of this item are as follows:

	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Certified cheques	10,999,163	8,602,472
Promissory notes, bills of collection and inward transfers	6,563,968	8,452,993
Accrued and unpaid expenses	471,005	40,094
Customers' share of revenues from joint investments (saving and term deposits)	7,767,571	9,016,974
Customers' share of revenues from joint investments (cash margin)	110,180	187,736
Commissions received in advance	331,590	429,952
Temporary deposit's and others *	16,119,558	13,099,789
Expected credit loss provision (off balance sheet items) self (note 31)	355,945	434,359
Expected credit loss provision (off balance sheet items) joint (note 31)	128,592	127,064
Tax of mutual insurance fund	593,101	1,036,134
Board of Directors' remunerations	12,500	25,000
	<u>43,453,173</u>	<u>41,452,567</u>

- * Includes intermediate accounts amounted to JD 9,974,242 as of 30 June 2020 (JD 10,142,676 as of 31 December 2019) representing accepted Letters of Credit and deferred bills from customers and transferred to deferred sales receivables. This amount will be paid at the maturity date.

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17. Unrestricted Investment Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Central Bank Deposits**	Total
	JD	JD	JD	JD	JD	JD
30 June 2020 (Unaudited)						
Saving accounts	220,682,140	220,518	1,810,481	424	15,829,332	238,542,895
Term deposits*	716,444,033	98,712,856	69,536,475	158,558,408	14,669,814	1,057,921,586
Total	937,126,173	98,933,374	71,346,956	158,558,832	30,499,146	1,296,464,481
Depositors' share of the investment returns	10,410,838	1,043,759	1,083,084	1,462,669	-	14,000,350
Total Joint Investment Accounts	947,537,011	99,977,133	72,430,040	160,021,501	30,499,146	1,310,464,831
31 December 2019 (Audited)						
Saving accounts	219,247,231	232,404	1,497,000	1,381	7,404,192	228,382,208
Term deposits*	714,591,986	88,892,153	66,936,360	159,992,588	12,413,554	1,042,826,641
Total	933,839,217	89,124,557	68,433,360	159,993,969	19,817,746	1,271,208,849
Depositors' share of the investment returns	22,158,829	3,308,788	2,112,042	2,118,102	422,715	30,120,476
Total Joint Investment Accounts	955,998,046	92,433,345	70,545,402	162,112,071	20,240,461	1,301,329,325

* Term deposits include amount of JD 16,431,538 as of 30 June 2020 (JD 15,530,258 as of 31 December 2019) (net of tax). the balance of the Mutual Insurance Fund which was established, during the year 2013, to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

** Two investment agreements have been signed with the Central Bank of Jordan on 21 February 2019 whereby the Bank will open two accounts, saving account and time deposit with agreed contribution rate, these amounts are granted as a loans to specific sectors and with a special revenue rates under the approval of the Central Bank of Jordan, and within the limit mentioned in agreement.

Unrestricted investment accounts share of profit is calculated as follows:

- 30% of the monthly balance of saving accounts.
- 90% of the minimum balance of term deposits.
- The restricted accounts amounted to JD 1,369,165 as at 30 June 2020 (JD 1,409,953 as at 31 December 2019).
- The joint investment accounts of the Government of Jordan and the Public Sector inside the Kingdom amounted to JD 160,021,501 as at 30 June 2020 representing 12% of the total joint investment accounts (JD 162,112,071 as at 31 December 2019 representing 12%).
- Dormant accounts amounted to JD 3,898,240 as of 30 June 2020 (JD 4,354,469 as at 31 December 2019).

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18. Provision for Future Expected Credit Losses

a. The movement on the provision for future expected credit losses is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	13,079,838	-
Add : Transferred from the Investment Risk as of May, 2019 in accordance with the instructions of the Central Bank	-	18,930,956
Less : released from provisions for expected credit losses	(4,144,094)	(5,851,118)
Balance at the end of the year	8,935,744	13,079,838

b. The movement on a provision for expected losses is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	33,250,932	-
Transferred from the Investment Risk Fund on May 1, 2019 in accordance with the instructions of the Central Bank:		
Provision for expected losses – stage 1	-	1,492,769
Provision for expected losses – stage 2	-	1,475,620
Provision for expected losses – stage 3	-	23,769,483
Impairment provision - real estate investment portfolio	-	4,539,248
Impairment provision – Seized Assets due debts	-	36,901
Adjusted balance	33,250,932	31,314,021
<u>Less : liberated from provisions against expected credit losses ceased to be required</u>	(467,622)	(3,914,207)
<u>Add :-</u>		
Provision for expected losses – stage 1	629,362	1,747,873
Provision for expected losses – stage 2	919,050	690,352
Provision for expected losses – stage 3	2,568,178	3,119,761
Impairment provision - real estate investment portfolio	27,504	293,132
Total of summation	4,144,094	5,851,118
Total	36,927,404	33,250,932

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The movement on the income tax provision for the Investment Risk Fund is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	384,283	2,924,470
Less: Income tax paid during the period / year	(384,283)	(3,486,999)
Add: Accrued income tax for the period / year	-	946,812
Balance at the end of the period / year	-	384,283

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for the year 2019 and they were not reviewed by the Income and Sales Tax Department as of the date of the interim condensed financial statements.

- Mutual Insurance Fund

- The movement on the mutual insurance fund is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	15,530,258	13,201,380
Add: Fund investment profits for the period / year	-	578,847
Insurance installments received during the period / year	1,616,206	3,536,976
Less: Fund's income tax for the period / year	(593,101)	(1,231,378)
Administrative Expenses	-	(1,800)
Subscribers' compensation during the period / year	(100,874)	(518,340)
Financial stamp's expenses during the period / year	(20,951)	(35,427)
Balance at the end of the period / year	16,431,538	15,530,258

- The movement on the tax of the mutual Insurance Fund is as follows:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	1,036,134	741,753
Less: Paid Income tax	(1,036,134)	(936,997)
Add: Accrued income tax for the period / year	593,101	1,231,378
Balance at the end of period / year *	593,101	1,036,134

- * The Balance of Income tax of Mutual Insurance Fund is included in other liabilities (Note 16).

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- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for the year 2019 and they were not reviewed by the Income and Sales Tax Department as of the date of the interim condensed financial statements.

19. Fair value reserve – Net

The details of this item are as follows:

	Joint		Self	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	JD	JD	JD	JD
Financial assets at fair value	(204,821)	(153,767)	290,603	475,688
Balance at the End of the Year	(204,821)	(153,767)	290,603	475,688

The movement on the fair value reserve is as follows:

	Joint		Self	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	(153,767)	-	475,688	294,566
Unrealized (losses) gain	(51,054)	(153,767)	(298,525)	292,132
Deferred tax liabilities	-	-	113,440	(111,010)
Balance at the End of the period / Year	(204,821)	(153,767)	290,603	475,688

- The fair value reserve is stated at net (after deducting deferred tax liabilities-self) of JD 290,603 as of 30 June 2020 (JD 475,688 as of 31 December 2019).
- The fair value reserve for financial assets at fair value is shown through the rights of joint investment account holders in the amount of JD 204,821 as of June 30, 2020 (JD 153,761 as of December 31, 2019).

20. Retained earnings

The movement of Retained earnings is as follows:

	30 June 2020 JD (Unaudited)	31 December 2019 JD (Audited)
the beginning of the period / year	74,198,940	58,922,083
The effect of implementing IFRS 16	-	(258,464)
Adjusted retained earning balance as of 1 January	74,198,940	58,663,619
The profit for the period / year	-	34,384,101
(Transferred) to the statutory reserve	-	(4,848,780)
Distributed profits *	-	(14,000,000)
The balance at the end of period / year	74,198,940	74,198,940

* During its meeting Session No. (1) dated January 28, 2020. the Board of Directors recommended the distribution of JD 16,000,000 to the sole shareholder (Arab Bank), equivalent to 16% of authorized and paid-up capital from distributable retained earnings, subject to the approval of the Shareholders' General Assembly.

However, based on the circumstances in the Kingdom, the Central Bank decided, in accordance with its circular to operating banks in the Kingdom No. 1/1/4693 on April 9, 2020, to postpone the licensed Jordanian banks' distribution of dividends to shareholders for the year 2019 to be distributed with the final data for 2020.

21. Deferred Sales Revenues

The details of this item are as follows:

	Joint		Self		Total	
	For the six-months period ended 30 June		For the six-months period ended 30 June		For the six-months period ended 30 June	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Individuals (retail):						
Murabaha to purchase order	7,582,799	9,596,745	-	-	7,582,799	9,596,745
real estate financing	5,017,647	5,114,936	-	-	5,017,647	5,114,936
Large Companies:						
International murabaha	769,856	1,884,420	-	-	769,856	1,884,420
Murabaha to purchase order	7,313,342	7,104,319	-	-	7,313,342	7,104,319
Small and medium size enterprises:						
Murabaha to purchase order	2,890,095	1,974,217	-	-	2,890,095	1,974,217
Total	23,573,739	25,674,637	-	-	23,573,739	25,674,637

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22. Real estate net (expenses)

The details of this item are as follows:

	Joint	
	For the six-months period ended 30 June	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Real estate rents	218,049	180,957
Depreciation of buildings	(108,878)	(99,251)
Other expenses	(91,883)	(108,795)
	<u>17,288</u>	<u>(27,089)</u>

23. Unrestricted investment accounts holders share

The details of this item are as follows:

	For the six-months period ended 30 June	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Customers:		
Revenue of investments saving	518,850	843,655
Revenue of investments time deposits accounts	12,232,097	13,229,184
Revenue of investments cash margin accounts	218,964	217,014
Total	<u>12,969,911</u>	<u>14,289,853</u>

24. Bank's share in income from joint investment as Mudarib and Fund Owner (Rab Al-Mal)

The details of this item are as follows:

	For the six-months period ended 30 June	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Bank's share as Mudarib	18,949,762	16,711,659
Bank's share as Fund Owner (Rab Al-Mal)	17,528,401	18,830,515
Total	<u>36,478,163</u>	<u>35,542,174</u>

25. Bank's self-financed revenues

The details of this item are as follows:

	For the six-months period ended 30 June	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Revenue from Ijara Muntahia Bittamleek assets	22,004	20,938
Shares dividends	11,253	11,250
Total	33,257	32,188

26. Capital Management

The Bank's Management takes into consideration the requirements of the Central Bank. These requirements necessitate making available sufficient self-funds to cover a specific rate of the risk-weighted assets consistent with the nature of the granted financing and direct investment for this purpose. Moreover, capital consists of what the Central Bank has determined as regulatory capital (being the primary capital and the supplementary capital).

The capital's Management aims at investing the funds in financial instruments with various risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio of 12% required by the Central Bank.

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Capital adequacy ratio is calculated according to the Central Bank of Jordan regulations based on the Islamic Financial Services Board Regulations. The capital adequacy ratio compared with previous period:

	30 June 2020	31 December 2019*
	JD (Unaudited)	JD (Audited)
Common Equity Tier 1 – net (CETI)	216,263	210,164
Common equity holders CET1	229,233	214,124
Authorized and paid up capital	100,000	100,000
Statutory reserve	35,261	35,261
Voluntary reserve	4,262	4,262
The profit for the period (after tax)	15,334	-
Retained earnings	74,199	74,199
Fair value reserve	291	476
Bank's share from fair value reserve – joint	(114)	(74)
Less:		
Intangible assets	(961)	(1,110)
Profit proposed for distribution	(9,000)	-
Retained earnings restricted to use	(181)	(181)
Deferred tax assets – self and bank share - joint	(2,828)	(2,669)
Tier 2	2,052	1,615
Expected credit losses provisions against of direct and indirect facilities, self and the bank's share from joint	2,052	1,615
Total regulatory capital	218,315	211,779
Total risk-weighted assets	987,772	960,720
Capital adequacy ratio (%)	22.1%	22.04%
CET1 (%)	21.89%	21.88%
Tier1 (%)	21.89%	21.88%
Tier2 (%)	0.21%	0.17%
Leverage Ratio (%)	16.13%	15.43%

* Comparative figures have been adjusted in accordance with Central Bank of Jordan circular No. (1/1/4693) of 9 April 2020, which requested banks to retain the profits to be distributed in the regulatory capital.

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27. Cash and Cash Equivalent

This details for this item are as follows:

	For the six months ended	
	30 June 2020	30 June 2019
	JD (Unaudited)	JD (Unaudited)
Cash and balances with the Central Bank maturing within three months	662,748,394	622,867,887
<u>Add:</u> Balances with banks and financial institutions maturing within three months	19,031,543	17,795,312
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(3,230,726)	(2,432,432)
	<u>678,549,211</u>	<u>638,230,767</u>

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28. Transactions with Related Parties

The Bank regularly enters into transactions with the shareholders, members of the Board of Directors, Executive Management, and Sister Companies using the Murabaha and commercial commissions rates.

Below is a summary of the transactions with related parties:

	Total					
	Arab Bank (Parent Company)	Board Members	Parent Company's subsidiaries	Shari'a Supervisory, board members	Executive Management	31 December 2019 JD (Audited)
Statement of Financial Position Items:	JD	JD	JD	JD	JD (Unaudited)	30 June 2020 JD (Unaudited)
Balances with banks and financial institutions	15,978,903	-	-	-	-	15,978,903
International Murabaha (investment in commodities)	92,571,220	-	-	-	-	92,571,220
Banks' and financial institutions accounts	697,954	-	-	-	-	697,954
Joint investment accounts and current accounts	-	19,617	-	141,263	1,958,846	2,119,726
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,318,406	-	-	5,318,406
Sales receivables and Ijara assets	-	585,250	-	-	2,180,879	2,766,129
Off balance sheet items	-	-	-	-	-	-
Guarantees	10,000	-	-	-	-	10,000
International Murabaha (Investment in Commodity)	255,468,061	-	-	-	-	255,468,061
						For the six months ended 30 June 2019
Income Statement Items:					2020	2019
					JD (Unaudited)	JD (Unaudited)
Distributed profit – deposits' accounts	-	-	-	399	10,836	11,235
Received profit – receivables	-	24,737	-	-	41,895	58,032
Share's dividends revenue	-	-	11,253	-	-	11,250
Received commissions-off balance sheet items	-	-	-	-	-	47,007
Salaries and remunerations *	-	12,500	-	42,000	1,253,380	1,228,105
Transportation – committees' membership	-	58,200	-	-	-	58,200

- The lowest Murabaha rate that the Bank received was (3%), and the highest Murabaha rate was (5.9%). Meanwhile, the dividends distribution rate in JD was from 1.75% to 4.31% as declared slides.
- All financings granted to related parties are performing, and consequently, no related provisions have been booked.
- * The Bank has implemented the Central Bank of Jordan Circular No. 4676/2/10 regarding the definition of Executive Management.

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29. Segment information

Information about Bank's Activities

The Bank is organized for administrative purposes based on the reports submitted to the General Manager and the chief decision maker into three main business sectors:

Retail

These encompass following up on the unrestricted investment accounts, deferred sales receivables and other financing and banking services related to individuals.

Corporate Accounts

These encompass following up on the unrestricted investment accounts, deferred sales receivables and other financing and banking services related to the corporates.

Treasury

This segment includes trading services and managing the Bank's funds.

Below is the information about the Bank's business segments (amounts in thousands JD):

	Retail JD	Corporates JD	Treasury JD	Others JD	Total for the six months ended 30 June	
					2020	2019
					JD (Unaudited)	JD (Unaudited)
Gross income (Joint and Self)	25,654	13,285	3,026	2	41,967	46,420
Provision for future expected credit losses share	-	-	-	-	-	(3,513)
Expected credit loss of sales receivables value and other receivables - self	-	(33)	-	-	(33)	(30)
Result of operations of segments	25,654	13,252	3,026	2	41,934	42,877
Undistributed expenses	(7,437)	(1,990)	(154)	(9,461)	(19,042)	(18,548)
Profit for the period before tax	18,217	11,262	2,872	(9,459)	22,892	24,329
Income tax	(6,012)	(3,716)	(948)	3,118	(7,558)	(8,325)
Profit for the period	12,205	7,546	1,924	(6,341)	15,334	16,004
Segment's assets	995,635	459,613	808,001	-	2,263,249	2,242,928
Undistributed assets to the segments	-	-	-	72,686	72,686	57,461
Total segment's assets	995,635	459,613	808,001	72,686	2,335,935	2,300,389
Segment's liabilities, joint investment equity and provision for future expected credit losses	1,504,918	538,836	3,231	-	2,046,985	2,025,431
Undistributed liabilities to segments, joint investment equity and provision for future expected credit losses	-	-	-	59,604	59,604	60,760
Total segment's liabilities, joint investment account and provision for future expected credit losses	1,504,918	538,836	3,231	59,604	2,106,589	2,086,191

	For the six months ended 30 June	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Capital expenditures	-	1,137
Depreciation and amortization	783	1,270
	2	1,561
	1	
	484	

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30. Earnings per share

The details of this item are as follows:

	For the six-months period ended 30 June	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Income for the period	15,333,712	16,004,156
Weighted-average number of shares	100,000,000	100,000,000
Earnings per share for the period - basic diluted	0.153	0.160

31. Commitments and Contingent Liabilities (Off – Balance sheet)

Credit contingent and commitment:

	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Letters of credit	19,627,877	30,964,960
Acceptances	12,084,984	13,200,009
Letters of Guarantee:		
Payment	15,939,917	14,629,603
Performance	13,710,192	14,481,465
Others	9,504,620	10,143,530
Unutilized limits – self	58,719,100	53,557,095
Unutilized limits – joint	135,589,967	122,854,751
Total	265,176,657	259,831,413

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The movement on expected credit losses for indirect facilities and unutilized limits as at the end of the period / self is as follows:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at beginning of the period	305,605	44,464	84,290	434,359
Transferred to stage 1	7,626	(7,626)	-	-
Transferred to stage 2	(12,381)	17,235	(4,854)	-
Transferred to stage 3	-	-	-	-
Adjustments during the period	(65,346)	(14,527)	1,459	(78,414)
Balance at the end of the period	235,504	39,546	80,895	355,945

The movement on expected credit losses for unutilized limits/ joint is as follows:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at beginning of the period	89,986	37,078	-	127,064
Transferred to stage 1	160	(160)	-	-
Transferred to stage 2	(6,267)	6,267	-	-
Transferred to stage 3	-	-	-	-
Adjustments during the period	100	1,428	-	1,528
Balance at the end of the period	83,979	44,613	-	128,592

The expected credit loss provision for the off balance sheet- self and joint included in the other liabilities.

32. Lawsuits against the Bank

The lawsuits filed against the Bank amounted JD 278,000 as at 30 June 2020 with a provision of JD 17,267 (JD 289,022 as at 31 December 2019 with a provision of JD 17,267). Based on the opinion of the legal advisor, no additional amounts will be claimed from the Bank in respect of those lawsuits.

33. Statutory Reserves

The Bank didn't take any legal reserve as per the instruction of the Company's law since these financial statements are condensed interim. a provision will be taken at the end of the year.

34. Fair Value Measurement

The standard requires determining the level and disclosure of the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

- a. The Bank's Fair Value of Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis:

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each financial period. The following table gives information about the method of determining the fair value of such financial assets and financial liabilities (valuation techniques and key inputs)

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant unobservable Inputs	Relationship between Unobservable Inputs and Fair Value
	30 June 2020	31 December 2019				
	JD	JD				
	(Unaudited)	(Audited)				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity – self						
Quoted shares	5,318,406	5,616,930	Level 1	Quoted prices in the Financial Markets	Not Applicable	Not Applicable
Financial Assets at Fair Value through joint investment account						
Unquoted shares	2,611,390	2,662,444				
Total	7,929,796	8,279,374				

There were no transfers between Level (1) and Level (2) during the 6 months period ended at 30 June 2020, and 2019.

- b. The Bank's Fair Value of Financial Assets and Financial Liabilities not Measured at Fair Value on a Recurring Basis:

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Except for what is detailed in the table below, we believe that the carrying amounts of the financial assets and financial liabilities presented in the Bank's financial statements approximate their fair values:

	30 June 2020		31 December 2019		Level
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
Financial Assets not measured at Fair Value	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
Deferred sales receivables	793,471,910	793,515,060	751,650,832	751,777,070	Level 2
Investments in real estate	33,718,679	37,975,732	23,177,139	26,669,851	Level 2
Financial assets at amortized cost	33,453,587	33,755,240	27,385,345	27,637,917	Level 1
Financial assets at amortized cost – unquoted	4,925,300	4,949,693	5,957,400	5,987,957	Level 2
Total financial assets not measured at fair value	865,569,476	870,195,725	808,170,716	812,072,795	
Financial Liabilities not measured at Fair Value					
Customers' current and unrestricted accounts	2,005,249,337	2,013,016,908	1,978,875,605	1,987,892,579	Level 2
Cash margins	29,774,303	29,884,483	31,372,032	31,559,768	Level 2
Total Financial Liabilities not measured at Fair Value	2,035,023,640	2,042,901,391	2,010,247,637	2,019,452,347	

Regarding the items described above, the fair value of the financial assets and liabilities has been determined for Levels (2) and (3) in accordance with the generally accepted pricing models which reflect the credit risk with the parties dealt with.