بنك القاهرة عمّان
CairoAmmanBank

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٣١ آذار ٢٠١٩
الرقم المتسلسل: 1694
رقم الملف: 11021
الجهة المختصة: 2 ﺍﻟ 016ﻟﻴ

To: Jordan Securities Commission Amman Stock Exchange Date: 31/03/2019 Subject: Annual Report for the fiscal year ended 31/12/2018	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2019/03/31 الموضوع : التقرير السنوي للسنة المنتهية في 2018/12/31
Attached the Annual Report of (Cairo Amman Bank) for the fiscal year ended at 31/12/2018. Note that the financial statements are still subject to the approval of the Central Bank of Jordan you will be informed upon the approval of CBJ. You will be provided with hard copies of the report once the report is finished.	مرفق طيه التقرير السنوي لشركة (بنك القاهرة عمان) عن السنة المالية المنتهية في 2018/12/31م علما بان البيانات المالية ما زالت خاضعة لموافقة البنك المركزي الاردني وسيتم اعلامكم حال موافقة البنك المركزي الاردني. وسيتم تزويدكم بنسخ مطبوعة من التقرير حال الانتهاء من طباعة التقرير.
Kindly accept our highly appreciation and respect Cairo Amman Bank Head of Finance	وتفضلوا بقبول فائق الاحترام،،،، بنك القاهرة عمان رئيس الادارة المالية

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2018
TOGETHER WITH THE AUDITOR'S INDEPENDENT REPORT

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2018

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Deloitte.

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Independent Auditor's Report

AM/009489

To the Shareholders of
Cairo Amman Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cairo Amman Bank (a public shareholding limited company) (the Bank) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2018, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and 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 Cairo Amman Bank as of December 31, 2018, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended. These matters were addressed in the context of our audit of the 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 Paragraph" relating to the audit of the consolidated financial statements section of our report, in addition to all other related matters. Accordingly, our audit includes performing the procedures designed to respond to our assessment of the risks regarding the material errors in 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.

Description of the manner of examine of each item below is provided within the audit procedures:

Key Audit Matters	Scope of Audit to Address the Risks
1. Adequate Provision for Credit Losses on Credit Facilities	
Credit facilities are a major part of the Bank's assets. Due to the importance of the judgments used in the classification of credit facilities at the various stages set forth in International Financial Reporting Standard (9) and the related provision requirements, they have been considered as key audit risks. The Bank's management exercises significant judgment and uses assumptions to determine both the timing and amount of provision to be recorded as expected credit losses. The Bank's total direct credit facilities amounted to about JD 1.721 million, and the related provision for expected credit losses amounted to JD 62 million as of December 31, 2018.	We have understood the Bank's key credit operations that include granting, certifying, controlling and allocating provisions and reviewing the internal control system on these operations. We have also read out the Bank's expected credit loss provisioning policy in relation to International Financial Reporting Standard (9) and the regulatory directives. Furthermore, we have understood the methodology used by the Bank to determine the provisions against exposures classified as in (stages 1,2 and 3). The reasonableness of the underlying assumptions, the adequacy of the data used by the Bank, and the use of experts were appropriate to satisfy ourselves about these data. We have selected a sample of credit facilities to review the following: The completeness of credit facilities included in the calculation process of expected credit loss.

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Key Audit Matters	Scope of Audit to Address the Risks
	The appropriateness of the Bank's determination of the significant increase in credit risk and the basis for the classification of exposures into different stages. The appropriateness of determining exposure when default occurs and the probability of default and loss in the event of default in the calculation of the expected credit loss of a sample of exposures. Credit facilities whose impairment has been determined individually and classified as in stage 3. Management's estimate of future cash flows, their reasonableness, and outcome of the calculation of provisions. The significant accounting policies, accounting estimates, and credit risk management disclosures are presented in notes (2), (3), (4), (12) and (41) to the consolidated financial statements.
2. Application of the International Financial Reporting Standard Number (9)	
The International Accounting Standards Board issued International Financial Reporting Standard (9) "Financial Instruments", which replaces International Accounting Standard (39). Effective January 1, 2018, the Bank has adopted IFRS (9) retrospectively without restating the comparative figures. The differences between the previously reported carrying amounts and new carrying amounts of the financial instruments around of JD 8 Million have been recognized in the retained earnings opening balance.	We have gained an understanding of the Bank's policy on the classification and measurement of financial assets and liabilities in accordance with IFRS (9), and compared the policy to IFRS (9) regulatory requirements. We have also understood the Bank's expected credit loss methodology through using specialists, wherever appropriate, to satisfy ourselves about the integrity of the data which includes several items as follows: Observing the Bank's expected credit loss policy in accordance with IFRS (9).

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Key Audit Matters	Scope of Audit to Address the Risks
The key changes arising from the early adoption of IFRS (9) represent the fact that the Bank's credit losses are now based on the expected losses rather than an incurred loss model, and the change in the classification and measurement of the Bank's financial assets and liabilities, details were addressed in note (3) to the consolidated financial statements. The significant accounting policies, accounting estimates and credit risk management disclosures are set out in notes (2), (3) and (41) to the consolidated financial statements.	Determining the significant increase in credit risk. Classifying exposures into various stages through testing a sample of the Bank's granted credit facilities. Understanding the key data sources and data assumptions used in the expected credit loss models to determine the expected credit loss provisions; as well as the forecast assumptions used in calculating the related expected credit loss. • Reviewing the probability of default in the calculation of expected credit loss calculated based on several economic cycles with the information declared and appropriate, and turning it into the probability of default in accordance with a specific economic cycle. • Reviewing the calculation of expected credit loss in case of default in use, including the adequacy of collateral and consequential calculations. • Reviewing the completion of credit facilities, investment securities and deposits used in the calculation of expected credit loss as of January 1, 2018. • Reviewing the credit facilities completeness and investments instruments and deposits of the expected credit losses as of January 1,2018 We have evaluated the IFRS 9 related financial statements disclosure, in order to determine if the disclosures are in compliance with standard and the central bank of Jordan instructions.

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3. Suspension of interest on non-performing loans	Scope of Audit to Address the Risk
In accordance with Central Bank of Jordan regulations, Interest is suspended after 90 days from impairment event (default date). Judgment is applied as to determine when the default date occurred which affects the amount of interest to be suspended. Disclosures of interest in suspense are detailed in note 12 to the consolidated financial statements.	Our audit procedures included evaluating of the used methodology and the appropriateness of the used inputs and for valuation of the non-current assets. Also, we have reviewed the reasonableness of the significant inputs for the valuation of the projected cash flows and the related discount rate, along with comparing with market rates.

Other Matter

The accompanying consolidated financial statement are a translation of the original consolidation financial statement which are in Arabic language, to which reference should be made. The annuals reports are expected to be made available to us after the date of this audit report. Our opinion on the consolidated financial statement does not cover 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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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 procedures.

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

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of accounts which are in agreement with the consolidated financial statements and we recommend that the General Assembly of the Shareholders to approve these consolidated financial statements.

Deloitte & Touche

Amman – Jordan
February 28, 2019

Deloitte & Touche (M.E) - Jordan

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010101

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2018	December 31, 2017
Assets		JD	JD
Cash and balances at Central Banks	5	333,370,286	519,193,270
Balances at banks and financial institutions	6	117,852,700	153,418,551
Deposits at banks and financial institutions	7	89,579,213	94,494,903
Financial assets at fair value through profit or loss	8	11,503,790	22,275,220
Financial assets at fair value through other comprehensive income	9	52,322,447	32,789,902
Financial assets at amortized cost-net	10	539,067,213	325,364,198
Financial assets pledged as collateral	11	24,562,000	4,589,000
Direct credit facilities-net	12	1,649,570,401	1,537,936,749
Property and equipment-net	13	43,232,345	41,393,821
Intangible assets - net	14	8,120,517	9,945,324
Deferred tax assets	21	8,699,628	5,743,006
Other assets	15	57,533,265	47,202,803
Total Assets		2,935,413,805	2,794,346,747
Liabilities And Owners' Equity			
Liabilities:			
Banks and financial institutions' deposits	16	378,802,862	447,289,678
Customers' deposits	17	1,913,902,093	1,749,864,846
Margin accounts	18	49,580,969	51,267,717
Borrowed funds	19	162,109,306	114,906,448
Sundry provisions	20	15,403,533	17,168,406
Income tax provision	21	15,202,732	17,321,461
Deferred tax liabilities	21	883,100	770,068
Other liabilities	22	53,189,141	48,705,163
Total Liabilities		2,589,073,736	2,447,293,787
Owners' Equity			
BANK'S SHAREHOLDERS' EQUITY			
Authorized and paid-up capital	23	180,000,000	180,000,000
Statutory reserve	24	74,578,456	69,955,203
General banking risk reserve	24	3,230,765	16,597,081
Cyclical fluctuations reserve	24	10,891,362	7,756,997
Fair value reserve-net	26	(9,789,482)	(9,005,364)
Retained earnings	27	77,486,036	71,279,760
Total Bank's Shareholders' Equity		336,397,137	336,583,677
Non-controlling interests		9,942,932	10,469,283
Total Owners' Equity		346,340,069	347,052,960
Total Liabilities and Owners' Equity		2,935,413,805	2,794,346,747

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Chairman of Board of Directors | General Manager

CAIRO AMMAN BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Notes	For the Year Ended December 31, 2018	2017
		JD	JD
Interest income	28	164,963,345	143,048,291
Less: Interest expense	29	(66,660,284)	(50,199,195)
Net interest income		**98,303,061**	**92,849,096**
Net commission income	30	19,338,923	20,059,886
Net interest and commission income		**117,641,984**	**112,908,982**
Gain from foreign currencies	31	4,760,073	3,826,717
(Loss) Gain from financial assets at fair value through profit or loss	32	(343,437)	99,396
Dividends from financial assets at fair value through other comprehensive income	9 & 33	3,903,996	1,106,046
Other income	34	7,741,438	8,030,748
Gross profit		**133,704,054**	**125,971,889**
Employees' expenses	35	41,125,875	40,150,410
Depreciation and amortization	13 & 14	9,560,877	9,176,099
Other expenses	36	31,140,418	28,929,289
Provision for expected credit loss	37	8,979,483	3,792,546
(Reversed from) provision on repossessed assets	15	-	(1,000,000)
Sundry provisions	20	912,927	3,028,341
Total expenses		**91,719,580**	**84,076,685**
Profit before tax		41,984,474	41,895,204
Income tax expense	21	(12,277,739)	(11,927,424)
Profit for the year		**29,706,735**	**29,967,780**
Allocated to:			
Bank's shareholders		30,126,670	30,336,470
Non-controlling interests		(419,935)	(368,690)
Profit for the year		**29,706,735**	**29,967,780**
		JD/ Fils	JD/ Fils
Basic and diluted earnings per share (Bank's shareholders)	38	0.167	0.169

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

Chairman of Board of Directors

General Manager

CAIRO AMMAN BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Profit for the year	29,706,735	29,967,780
Add: Other comprehensive income items after tax which will not be reclassified subsequently to the consolidated statement of income:		
Net change in fair value reserve	(777,618)	1,395,253
Total Comprehensive income for the year	28,929,117	31,363,033
Total Comprehensive income for the year attributable to:		
Bank's shareholders	29,349,052	31,731,723
Non-controlling interests	(419,935)	(368,690)
Total Comprehensive income for the year	28,929,117	31,363,033

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

Chairman of Board of Directors

General Manager

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Authorized and Paid up Capital	Statutory Reserve	General Banking Risk Reserve *	Cyclical Fluctuations Reserve	Fair Value Reserve - Net	Retained Earnings	Total Shareholders' Equity	Non-controlling Interests	Total Owners' Equity
For the Year Ended December 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at January 1, 2018	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	71,279,760	336,583,677	10,469,283	347,052,960
Effect of implementing IFRS (9) Reclassification	-	-	-	-	-	174,331	174,331	-	174,331
Effect of implementing IFRS (9)	-	-	(12,554,111)	-	-	4,446,778	(8,107,333)	(106,416)	(8,213,749)
Adjusted balance at January 1, 2018	180,000,000	69,955,203	4,042,970	7,756,997	(9,005,364)	75,900,869	328,650,675	10,362,867	339,013,542
Total comprehensive income for the year	-	-	-	-	(777,618)	30,126,670	29,349,052	(419,935)	28,929,117
Transferred from reserves	-	4,623,253	(812,205)	3,134,365	-	(6,945,413)	-	-	-
Capital increase related expenses	-	-	-	-	-	(2,590)	(2,590)	-	(2,590)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(6,500)	6,500	-	-	-
Cash Dividends distributed **	-	-	-	-	-	(21,600,000)	(21,600,000)	-	(21,600,000)
Balance at December 31, 2018	180,000,000	74,578,456	3,230,765	10,891,362	(9,789,482)	77,486,036	336,397,137	9,942,932	346,340,069
For the Year Ended December 31, 2017									
Balance at January 1, 2017	180,000,000	65,836,075	13,982,002	6,816,916	(10,347,484)	70,184,530	326,472,039	10,837,973	337,310,012
Total comprehensive income for the year	-	-	-	-	1,395,253	30,336,470	31,731,723	(368,690)	31,363,033
Transferred from reserves	-	4,119,128	2,615,079	940,081	-	(7,674,288)	-	-	-
Capital increase related expenses	-	-	-	-	-	(20,085)	(20,085)	-	(20,085)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(53,133)	53,133	-	-	-
Cash Dividends distributed **	-	-	-	-	-	(21,600,000)	(21,600,000)	-	(21,600,000)
Balance at December 31, 2017	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	71,279,760	336,583,677	10,469,283	347,052,960

* The general banking risk reserve and the negative balance of the fiair value reserve are restricted from use without a prior approval from the Central Bank of Jordan.

** In accordance with the Ordinary General Assembly meeting held on April 24, 2018, 12% of the bank's capital has been decided to be distributed in cash to shareholders which is equivalent to JD 21,600,000 (12% of the bank's capital in cash to shareholders equivalent to JD 21,600,000 in accordance with the Ordinary General Assembly meeting held on 27 April 2017).

- As of December 31, 2018, the restricted retained earnings balance resulting from the early implementation of IFRS 9 amounted to JD 14,412,080.
- The retained earnings balance includes deferred tax assets amounting to JD 8,699,628 and is restricted from use in accordance with the Instructions of the Central Bank of Jordan.
- The Bank cannot use a restricted amount of JD (9,789,482) which represents the negative fair value for the financial assets through other comprehensive income in accordance with the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.
- The Bank cannot use a restricted amount of JD (1,155,916) which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.
- Distributable profits amounted to JD 43,428,930 as of December 31, 2018.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

Chairman of Board of Directors

General Manager

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the Year Ended December 31, 2018	2017
		JD	JD
Cash Flows from Operating Activities			
Profit before tax for the year		41,984,474	41,895,204
Adjustments for:			
Depreciation and amortization	13 & 14	9,560,877	9,176,099
Provision for expected credit losses	37	8,979,483	3,792,546
(Reversed from) provision on repossessed assets		-	(1,000,000)
Sundry provisions	20	912,927	3,028,341
Unrealized losses from financial assets at fair value through profit or loss	32	568,317	1,791,824
Loss from sale of property and equipment	34	10,422	4,872
(Gain) from sale of repossessed assets	34	(5,520)	(92,942)
Effect of exchange rate changes on cash and cash equivalents		(4,563,226)	(3,633,763)
Cash flow from operating activities before changes in assets		**57,447,754**	**54,962,181**
Restricted balances with Central Banks		(1,276,200)	(1,134,400)
Decrease (Increase) in deposits at banks and financial institutions		4,675,427	(20,951,835)
(Increase) Decrease in financial assets at fair value through profit or loss		(8,315,425)	1,755,540
(Increase) in direct credit facilities		(132,982,140)	(185,450,147)
(Increase) in other assets		(10,324,942)	(9,690,541)
Increase in banks and financial institution deposits (maturing after more than three months)		9,592,529	52,518,291
Increase in customer deposits		164,037,247	202,418,598
(Decrease) in Margin Accounts		(1,686,748)	(30,209,130)
Increase in other liabilities		6,613,958	12,820,481
Net cash flows from operating activities before income tax		**87,781,460**	**77,039,038**
Income tax paid	21	(14,440,422)	(16,468,215)
Sundry provisions paid	20	(2,677,800)	(860,508)
Net cash flows from (used in) operating activities		**70,663,238**	**59,710,315**
Cash Flows from Investing Activities			
(Purchase) of financial assets at fair value through other comprehensive income		(1,190,082)	(318,468)
Sale of financial assets at fair value through other comprehensive income		15,000	643,105
(Purchase) of other financial assets at amortized cost		(370,954,346)	(127,784,750)
Maturity and sale of other financial assets at amortized cost		136,330,854	147,530,847
(Purchase) of property and equipment		(8,092,936)	(4,995,516)
Sale of property and equipment - net		64,240	7,629
(Purchase) of intangible assets		(1,556,320)	(3,149,982)
Net cash flows (used in) from investing activities		**(245,383,590)**	**11,932,865**
Cash Flows from Financing Activities			
Increase in borrowed funds		55,476,736	44,679,146
Borrowed funds settled		(8,273,878)	(21,937,795)
Dividends distributed to shareholders		(21,600,000)	(21,600,000)
Capital increase related expenses		(2,590)	(20,085)
Net cash flows from financing activities		**25,600,268**	**1,121,266**
Effect of exchange rate changes on cash and cash equivalents		4,563,226	3,633,763
Net (Decrease) Increase in cash and cash equivalents		(149,120,084)	72,764,446
Cash and cash equivalents, beginning of the year		304,370,814	227,972,605
Cash and cash equivalents, end of the year	39	**159,813,956**	**304,370,814**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

Chairman of Board of Directors

General Manager

1. General

- Cairo Amman Bank was established as a public shareholding limited company registered and incorporated in Jordan in 1960 in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964. Its registered head office is in Amman, the Hashemite Kingdom of Jordan.

- The Bank provides its banking and financial services through its head office located in Amman and 91 branches located in Jordan, and 21 branches in Palestine and 1 in Bahrain, and its subsidiaries.

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

- The consolidated financial statements were authorized for issue by the bank's Board of Directors in their meeting held on February 24, 2019, and are subject to the approval of the General Assembly of the shareholders.

2. Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statement

- The consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board, and their related interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board, the effective local laws, the effective instructions of countries the bank operates in, and the Central Bank of Jordan.

- The consolidated financial statements are prepared on a historical cost basis except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial derivatives which are stated at fair value as of the date of the consolidated financial statements. Moreover, financial assets and liabilities whose change in fair value has been hedged are stated at fair value.

- The Jordanian Dinar is the reporting currency of the consolidated financial statement, 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, 2017, except for what is stated in Notes (3–a & 3–b).

Basis of Consolidation of Financial Statements

- The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries. All balances, transactions, income and expenses between the Bank and subsidiaries are eliminated.

- The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.

The Bank owns the following subsidiaries as of 31 December 2018:

Company's Name	Paid-up Capital	Ownership Percentage	Nature of Operation	Country of Operation	Ownership Date
	JD	%			
Al-Watanieh Financial Services Company	5,500,000	100	Brokerage and investment management	Jordan	1992
Al-Watanieh Securities Company	1,600,000	100	Brokerage	Palestine	1995
Tamallak for Financial Leasing	5,000,000	100	Finance Leasing	Jordan	2013
Safa Bank	53,175,000	79	Islamic Banking	Palestine	2016
Thimar for Investment Services*	35,450	100	Investment	Palestine	2016

- The important financial information for the subsidiaries as of December 31, 2017 are as follows:

	Al-Watanieh Financial Services Company (Awraq)		Al-Watanieh Securities Company	
	December 31,		December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Assets	15,901,594	20,313,871	2,027,581	2,201,694
Total Liabilities	6,769,974	8,550,254	644,119	658,407
Net Assets	9,131,620	11,763,617	1,383,462	1,543,287

	For the Year Ended December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Revenue	1,272,397	1,883,003	130,687	154,883
Total Expenses	723,514	677,625	290,512	318,683

	Tamallak for Financial Leasing		Safa Bank	
	December 31,		December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Assets	32,904,403	28,550,854	117,722,507	90,455,081
Total Liabilities	26,893,435	22,917,924	70,346,989	40,571,632
Net Assets	6,010,968	5,632,930	47,375,518	49,883,449

	For the Year Ended December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Total Revenue	1,487,717	1,389,888	2,844,268	1,636,981
Total Expenses	865,713	996,906	4,845,152	3,393,695

* Thimar for Investment Services is wholly-owned by the subsidiary Al- Watanieh Securities Company.

- Subsidiaries are fully consolidated in the consolidated Income Statement from the date of their acquisition which is the date on which control is transferred to the Bank. The results of the disposed subsidiaries are consolidated in the consolidated income statement up to date of disposal, which is the date on which the Bank losses control over the subsidiaries.

  Control is achieved when the Bank:

  - has the 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's voting rights become less than the majority of the voting rights of an investee, it has the power to control 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 vote holding 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 made, 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 the transfer difference accumulated 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.

Segmental Reporting

- Business segments represent distinguishable components of an entity that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured in accordance with the reports used by executive directors and the main decision makers at the Banks.

- Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

Net Interest Income
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 statement of income, are recognized in 'Net Interest Income' as 'Interest Income' and 'Interest Expense' in the statement of income using the effective interest method. Interest on financial instruments measured as at fair value through the statement of income is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that 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, the 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), the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Bank's consolidated statement of income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in 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 Bank's consolidated statement of income 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.

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 Income
Net income from other financial instruments at fair value through the statement of income includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through the statement of income except those that are held for trading. The Group has elected to present the full fair value movement of assets and liabilities at fair value through the statement of income 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 are presented in 'Net income from other financial instruments at fair value through the statement of income. 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 income as the 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 income, are presented in the same line as the hedged item that affects the statement of income.

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 the statement of income depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments which are held for trading, dividend income is presented in the statement of income in gain (loss) from financial assets through the statement of income;
- for equity instruments designated at fair value through other comprehensive income, dividend income is presented in dividends 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 income.

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. Loans and advances to customers are recognized when they are recorded in the customer's account.

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, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized immediately in profit or loss.

If the transaction price differs from 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 income on initial recognition (i.e. day 1 profit or loss);

- In all other cases, the 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 income 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 instruments.

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 and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through the statement of income are recognized immediately in the consolidated statement of income.

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 income.

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 income, 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 the 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, which 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 whether the management strategy focuses on obtaining contractual revenues, maintaining specific profit rate matching the profit of financial assets with the period of 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 a 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 Profit and Loss
Financial assets at fair value through the statement of income 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 the statement of income 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;
- For financial assets measured at fair value through the statement of income that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of income either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through profit or loss, if otherwise held at fair value through the statement of income; 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 income statement (fair value option) can 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 cannot be reclassified from the fair value category through the statement of income 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 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 ECL, i.e. lifetime ECL that results 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 ECL, i.e. lifetime ECL that results 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 Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For unutilized ceilings, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank 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 Bank 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.

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 difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;

- The Bank, 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.

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, in cases where the assets impairment is not recognized after 90 days overdue 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 favourable 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 the determination of 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 credit risk below.

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

- The borrower is past due 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 Bank 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 behaviour. 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 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 that are included on a 'watch list'. An exposure is on a watch list 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 than for a financial instrument with a higher PD.

As a backstop 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, 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 which has not been reduced by the modification. The Bank monitors 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 behavioural 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 behaviour 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 calculating 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 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 the statement of income.

Write-off

Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset. 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of Allowance for ECL in the Consolidated 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 as either 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 potentially unfavourable 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 statement of income on the purchase, sale, issue or cancellation of the Bank 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 there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an amortised 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 income 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 income 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 income are stated at fair value, with any gains/losses arising on re-measurement recognized in the statement of income to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in the statement of income 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 income line item in the statement of income.

However, for non-derivative financial liabilities designated as at fair value through profit or loss, 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 the statement of income. The remaining amount of change in the fair value of liability is recognized in the statement of income. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to statement of income; 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 profit or loss, all gains and losses are recognized in statement of income.

In making the determination of 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 statement of income by a change in the fair value of another financial instrument measured at fair value through the statement of income.

<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 percent 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 its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Held derivatives 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 either hedges of the fair value of recognized assets, 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, the 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 the statement of income, 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, the 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 the statement of income 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 the statement of income.

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 similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward contract 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 the statement of income 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 the statement of income, 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 the statement of income in the same way as exchange differences relating to the foreign operation as described above.

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.

Fiduciary Assets
Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administrating such assets are recognized in the income statement. A provision is recognized for the decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

Management fees and commission are shown in the statements of income.

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 consider these factors at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to 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. These 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: are 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.

End-of-Service Indemnity
The basis for the computation of the provision for end of service indemnity is one month for each year of service for employees not covered by social security law regulations.

Compensation to employees is recorded in the provision for end of service indemnity when paid, and the obligation provision incurred by the Bank for the end of service indemnity for employees is recorded in the consolidated statement of income.

Income Tax
- Tax expense comprises accrued tax and deferred taxes.

- Accrued 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 accumulated 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.

- The Bank calculated deferred taxes according to the requirements of IFRS (12).

Assets Seized by the Bank
Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "other assets" at the lower of their carrying value or fair value. These assets are revalued at the date of the consolidated financial statements on an individual basis, and losses from impairment are transferred directly to the consolidated income statement, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment been charged to the consolidated income statement and loss been recognized for the asset in prior years.

A provision is booked against repossessed assets which are being held for more than four years in accordance to the Central Bank of Jordan circular number 10/1/4076 dated March 27, 2014. In light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the bank, it was decided to stop the Circular rules mentioned above until the end of the year 2019 and continue on booking provisions in the year 2020 in accordance to the Central Bank of Jordan circular number 10/1/13967 dated October 25, 2018.

Mortgaged Financial Assets
These financial assets are mortgaged to third parties with the right to sell or re-mortgage. These financial assets are revalued according to the accounting policies at the date of initial classification.

Repurchase and Resale Agreements
Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements.This is due to the Bank's continuing control of these assets and the fact that exposure to the risks and rewards of these assets remains with the Bank. These assets continue to be evaluated in accordance with the applied accounting policies (where the buyer has the right to use these assets (sell or re-lien), they are reclassified as liened financial assets). 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 (reverse repos) 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 the purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

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
Equipment, furniture and fixtures	9-15
Vehicles	15
Computers	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 income statement.

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.

Intangible Assets

Intangible assets acquired through a business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets are classified on the basis of their useful life as definite and indefinite useful lives. Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20%.

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 was determined. Non-monetary items measured at historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of income 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 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 converted to 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 and collected in a separate line item of equity.

When foreign operations are disposed of (i.e. disposal of the Bank's entire share from foreign operations, or resulting from the 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 owners are reclassified to the consolidated statement of income.

In addition, 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 income.

Leases

Leases are classified as finance leases when the terms of the lease provide for substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

As a lessor

Operating lease income is recognized using the straight-line method over the life of the lease. The initial direct costs incurred in the discussion and arrangement of the operating contract are added to the carrying amount of the leased assets and recognized in accordance with the straight-line method over the lease term.

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. Financial leasing liabilities are recorded at the same value. The lease payments are distributed between the financing expenses and the amortization of the financial 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.

Operating lease payments are recognized as an expense on a straight-line basis over the life of the lease.

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 New and Amended International Financial Reporting Standards

A) Amendments that did not have a material impact on the Bank's consolidated financial statements:

The following new and revised IFRSs, which are effective for annual periods beginning on or after January 1, 2018 or later, have been adopted in the preparation of the Bank's consolidated financial statements. These new and revised IFRSs have not materially affected the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs issued between 2014 and 2016.	The improvements include amendments to IFRS 1, "Application of International Standards for the First Time" and IAS 28 "Investments in Associates and Joint Ventures (2011)". The amendments clarify that the option of investment and other similar enterprises to measure investments in associates and joint ventures at fair value through the income statement is available separately for each associate or joint venture and that the selection should be made at initial recognition. As for the option of an entity, which is not an investment property, the fair value measurement applied by the associate, and the joint venture that is an investment property shall be maintained when applying the equity method. The amendments provide a similar clarification that this option is available to each associate of an investment nature or a joint venture with an investment nature.
IFRIC 22: "Foreign currency transactions and advances".	This interpretation deals with how to determine the "date of the transaction" for determining the exchange rate to be used when initial recognition, expense or income is recognized when the item is paid or received in advance by a foreign operation that results in recognition of non-monetary assets or non-monetary liabilities. The interpretation determines that the transaction date is the date on which the non-monetary assets or non-monetary liabilities arising from the payment or receipt of payments are recognized in advance. If there are multiple payments or receipts received in advance, the interpretation requires the bank to specify the transaction date for each payment or receive the cash receipt in advance. This interpretation relates to transactions made in foreign currency or parts of such transactions in the event that: • Existence in foreign currency or in foreign currency; • An entity recognizes an asset that has been paid in advance or deferred income liabilities related to that consideration on a date prior to recognition of the relevant assets, income or expenses; • Prepaid assets or deferred income liabilities are not cash.

New and revised standards	Amendments to new and revised IFRSs
Amendments to IAS 40: "Investment properties".	The amendments indicate that transfers to or from real estate investments require an assessment of whether the properties meet or no longer meet the definition of real estate investments and are backed up by observable evidence of a change in use. The amendments also indicate that the cases included in the standard are not comprehensive and that a change in use can be made with respect to the properties under construction (i.e. the change in use is not limited to completed properties).
Amendments to IFRS 2 "Share-based Payment".	These amendments relate to the classification and measurement of payment transactions on an equity basis. These amendments clarify the following: 1. When estimating the fair value of a payment based on shares paid in cash, accounting for the effects of the accrual and non-accrual provisions should be accounted for by the same approach to payments based on shares paid from owners' equity. 2. If the tax code / laws require the company to keep a certain number of equity instruments equal to the monetary value of the employee's tax liability to meet his tax obligations and then to the tax authority (usually cash), that is, the share-based payment arrangement has the "feature of net settlement", then the entire arrangement should be classified as a payment of equity, provided that the share-based payment could have been classified as a payment from equity even if it did not include the net settlement feature. 3. The accounting treatment of the payment adjustment on the equity basis that modifies the transaction from cash payment to payment of equity shall be made as follows: A. Derecognizing the original obligation; B. Recognizing the share-based payment at the date of adjusting the fair value of the granted equity instrument to the extent that the services have been performed up to the date of the adjustment; C. Recognizing any difference between the present value of the liability at the date of the adjustment and the amount recognized in equity in the statement of income.
Amendments to IFRS 4: "Insurance contracts".	These amendments relate to the difference between the effective date of IFRS (9) and the new standard for insurance contracts.

New and revised standards	Amendments to new and revised IFRSs
IFRS 15 Revenue from Contracts with Customers.	IFRS 15 was issued in May 2014, which established a comprehensive model for enterprises to be used in accounting for revenue generated from contracts with customers. This standard will replace current income recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The basic principle of this standard is that an entity must recognize revenue to indicate the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive for such goods or services. In particular, the standard provides a five-step approach to revenue recognition: Step 1: Determining the contract (s) concluded with the client. Step 2: Defining performance obligations in the contract. Step 3: Determining the selling price. Step 4: Assigning a sale price to the performance obligations in the contract. Step 5: Recognizing revenue when the entity meets (or fulfills) an obligation to perform. Under this Standard, an entity recognizes revenue when (or at the time) it fulfills its performance obligation, that is, when control over the goods or services underlying the performance obligation is transferred to the customer. More mandatory guidelines have been added to the Standard to deal with specific scenarios. In addition, the standard requires comprehensive disclosures.
Amendments to IFRS 15 Revenue from Contracts with Customers.	These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

B) Amendments Affecting the Bank's Consolidated Financial Statements:
IFRS (9) "Financial Instruments"

IFRS (9) was issued in November 2009, and new requirements for the classification and measurement of financial assets were introduced. Subsequently, the Standard was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition of financial liabilities. The Standard was amended in November 2013 to include new requirements for general hedge accounting. An amended version of the Standard was issued in July 2014 to include: (a) the requirements for impairment of financial assets; and (b) limited adjustments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" category of some simple debt instruments.

IFRS (9) *"Financial Instruments"* issued by the International Accounting Standards Board (IASB) was adopted in July 2014. The initial date of implementation of this standard was December 1, 2018. The application of IFRS (9) has led to changes in the accounting policies and amendments to the amounts previously recognized in the consolidated financial statements. Moreover, the Bank has early adopted IFRS 9 (first phase) of 2009, regarding the classification and measurement of financial assets since the beginning of 2010.

As required by the transitional provisions of IFRS (9), the Bank has not restated the comparative figures. Any changes in the carrying amounts of financial assets and liabilities have been recognized on the date of transition in the opening balances of retained earnings and non-controlling interests for the current period. The Bank has also chosen to continue to apply the accounting requirements of IAS (39) *"Financial Instruments: Recognition and Measurement"*, on the application of IFRS (9).

IFRS (9) has resulted in changes in the accounting policies for the identification, classification, and measurement of financial assets and liabilities and the impairment in value of financial assets. IFRS (9) also modifies other standards that address financial instruments such as IFRS (7) *"Financial Instruments: Disclosures"*

The final version of IFRS (9) contains the accounting requirements for financial instruments and supersedes IAS (39) *"Recognition and Measurement"*. The new version of the standard includes the following requirements:

Classification and Measurement:
Financial assets are classified based on the business model and contractual cash flow characteristics. The 2014 version provided a new classification of certain debt instruments that could be classified as "financial assets at fair value through other comprehensive income". The financial liabilities are classified similarly to IAS 39, but there are differences in the requirements applied to the measurement of credit risk relating to the entity.

Impairment:
The 2014 version provided the "expected credit losses" model to measure the impairment loss of financial assets, and therefore, it is not necessary to increase the credit risk before recognizing the credit loss.

Hedge accounting:
The 2014 version provided a new model for hedge accounting designed to be more appropriate with how an entity manages risk when exposed to financial and non-financial hedging risks.

Derecognition:
The requirements for derecognition of financial assets and financial liabilities have been followed in accordance with International Accounting Standard (IAS) (39).

The Bank has implemented IFRS (9) stage 1 issued in 2009 pertaining to the classification and measurement of financial assets as of January 1, 2010. The Bank has implement the final version of IFRS (9) as of January, 2018 with a retrospective effect in accordance with the requirements of the standard. The Bank has not adjusted comparative figures and the cumulative effect was recognized in a net amount after tax of JD 8,107,333 as an adjustment of the beginning balance of retained earnings and an amount of JD 106,416 as an adjustment of the beginning balance of non-controlling owners' equity as of January 1, 2018 as follows:

	Balance as of December 31, 2017	Reclassified Amounts	Excepted Credit Loss*	Balance as of January 1, 2018 after Implementation	Effect of Implementation
	JD	JD	JD	JD	JD
Cash and balances at Central Banks	519,193,270	-	(1,094)	519,192,176	-
Balances at banks and financial institutions	153,418,551	-	(62.193)	153.356.358	-
Deposits at banks and financial institutions	94,494,903	-	(332.570)	94.162.333	174,331
Financial assets at fair value through the statement of income	22,275,220	(18,237,359)	-	4,037,861	-
Financial assets at fair value through other comprehensive income	32,789,902	18,237,359	-	51,027,261	-
Direct credit facilities:	1,537,936,749	-	(8,826,805)	1,529,109,944	-
Financial assets at amortized cost	329,953,198	-	(745,183)	329,208,015	-
Letter of guarantee **	51,150,670	-	(386,174)	50,764,496	-
Un-utilized ceilings **	116,648,187	-	(1,082,415)	115,565,772	-
Letters of credit **	50,810,439	-	(87,643)	50,722,796	-
Deferred tax assets	5,743,006	3,310,327	-	9,053,333	-
Deferred tax liabilities	770,068	106,848	-	876,916	-
General banking risk reserve	16,597,081	(12,554,111)	-	4,042,970	-
Retained earnings	71,279,760	4,621,109	-	75,900,869	

* Expected credit loss is calculated for items after classification.

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

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

	Balance as of December 31, 2017	Expected Credit Loss	Balance as of January 1, 2018
	JD	JD	JD
Balances at Central Banks	-	1,094	1,094
Balances at banks and financial institutions	-	62.193	62.193
Deposits at banks and financial institutions	-	332.570	332.570
Direct credit facilities	48,663,030	8,826,805	57,489,835
Financial assets at amortized cost	-	745,183	745,183
Letter of grantee	-	386,174	386,174
Unutilized ceilings	-	1,082,415	1,082,415
Letters of credit	-	87,643	87,643

The following represents the provision for expected credit loss for the year as of December 31, 2018:

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balances at Central Banks	1,582	-	-	-	-	1,582
Balances at banks and financial institutions	27,250	-	-	-	-	27,250
Deposits at banks and financial institutions	240,263	-	-	-	-	240,263
Direct credit facilities	1,040,102	6,373,389	2,894,184	804,094	50,403,978	61,515,747
Financial assets at amortized cost	947,477	-	-	-	-	947,477
Letter of grantee	105,560	-	145,021	-	95,519	346,100
Unutilized ceilings	152,939	622,698	954,360	9,800	2,208	1,742,005
Letters of credit	22,321	-	19,554	-	-	41,875
Total	2,537,494	6,996,087	4,013,119	813,894	50,501,705	64,862,299

C) New and Revised IFRSs Issued and Not Yet Effective:

The Bank has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the consolidated financial statements. The details are as follows:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs issued between 2015 and 2017 **(Effective January 1, 2019)**	Improvements include amendments to IFRS (3) Business Combinations, (11) Joint Arrangements, International Accounting Standards (12), Income Taxes and (23) Borrowing Costs.
IFRIC (23) Uncertainty on the Treatment of Income Tax **(Effective January 1, 2019).**	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 specifically addresses: • whether the tax treatment should be considered in aggregate; • assumptions regarding the procedures for the examination of tax authorities; • determination of taxable profit (tax loss), tax basis, unused tax losses, unused tax breaks, and tax rates; • The impact of changes in facts and circumstances.
Amendments to IFRS 9 Financial Instruments. **(Effective January 1, 2019).**	These amendments relate to the advantages of prepayment with negative compensation, where the current requirements of IFRS (9) regarding termination rights have been amended to allow for the measurement at amortized cost (or on the business model at fair value through other comprehensive income) status of negative compensation payments.
Amendments to IAS (28) "Investment in Associates and Joint Ventures". **(Effective January 1, 2019).**	These amendments relate to long-term shares in allied enterprises and joint ventures. These amendments clarify that an entity applies IFRS (9) *"Financial Instruments"* to long-term interests in an associate or joint venture that forms part of the net investment in an associate or joint venture if the equity method has not been applied to it.
Amendments to IAS 19 Employee Benefits. **(Effective January 1, 2019).**	These amendments relate to adjustments to plans, reductions, or settlements.
Amendments to IAS 1 Presentation of Financial Statements. **(Effective January 2020).**	These amendments relate to the definition of materiality.

New and revised standards	Amendments to new and revised IFRSs
Amendments to IFRS 3 Business Combinations **(Effective January 2020.)**	These amendments clarify the definition of business as the International Accounting Standards Board published the Revised 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), (34), (37) and (38)) and IFRIC (12), Interpretation (19), Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards Number (32) in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework.
IFRS 17 "Insurance Contracts" **(Effective January 1, 2022.)**	Provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS (17) replaces IFRS (4) *Insurance Contracts.* IFRS (17) requires measurement of insurance liabilities at present value to meet.
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)" **(The start date has been postponed indefinitely, and the application is still permitted)**	These amendments relate to the treatment of the sale or contribution of the assets of the investor in the associate or joint venture.

Management expects to apply these new standards, interpretations, and amendments to the consolidated financial statements of the Bank when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Bank's consolidated financial statements in the initial application period except for the effect of the adoption of IFRS (16), as shown below:

Effect of Application of IFRS 16 "Leases"

The Standard provides a comprehensive model for determining and treating lease arrangements in the consolidated financial statements of both lessors and lessees. It will also replace IAS (17) "Leases" and related interpretations when they become effective for financial periods beginning on or after January 1, 2019.

As permitted by the transitional provisions of IFRS (16), the Bank has not restated the comparative figures. Any changes in the carrying amounts of assets and liabilities have been recognized on the transition date in the opening balances of the related balances.

There is no material difference between the accounting treatment in the lessor's books and IFRS (16) and IAS (17).

The change in the definition of the lease relates mainly to the concept of control. IFRS (16) distinguishes between leases and service contracts based on whether the customer controls the use of a specific asset, and the control is present if the customer has:

- The right to a substantial degree of all economic benefits arising from the use of specific assets; and
- The right to direct the use of this asset.

Effect on Accounting Treatment in the Lessee's Records

Operating leases

Under IAS 16, the accounting treatment of leases previously classified as operating leases in accordance with IAS 17 has been changed. They used to be classified as off-balance sheet items in the consolidated statement of financial position.

In the initial application of IFRS 16 (except as referred to below), the Bank will undertake the following for all leases:

A- Recognition of "right of use" assets and lease commitments in the consolidated statement of financial position, initially measured on the basis of the present value of future cash flows paid.

B- Recognition of the depreciation of "right of use" assets and interest on lease commitments in the consolidated statement of income.

C- Separation of the total amount of cash paid into a principal portion (shown under financing activities) and interest (presented under operating activities) in the consolidated statement of cash flows.

For short-term leases (12 months or less) and low-value asset leases (such as personal computers and office furniture), the Bank will choose to recognize rental expenses on a straight-line basis as permitted by IFRS (16).

As of December 31,2018, there are operating leases under the scope of the international financial reporting standerd (16) of JD 4.1 million except for short-term operating leases and assets with low value. Accordingly, the Bank will record an asset usage value of JD 24.6 million and corresponding operating lease commitments of JD 23.5 million. The impact on the income statement represents a decrease in rent expense of JD 4.1 million, an increase in depreciation expense of JD 3.4 million, and an increase in interest expense of JD 1 million.

The impact illustrated above will take effect on financial statements issued for periods on or after January 1, 2019, in accordance with the requirements of IFRS (16).

The leases provision prescribed by IAS (17) will be derecognized.

Recognition of lease obligation incentives previously recognized in respect of operating leases will be derecognized, and the amount will be factored into the measurement of the leasehold assets and liabilities.

Under IAS (17), all lease payments relating to operating leases are recognized as part of the cash flows from operating activities. The effect of the changes under IFRS (16) will be to reduce cash generated from operating activities and increase the net cash used in financing activities with the same amount.

Finance Leases
The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognize as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application, the Company will present the related asset previously included in the financial statements within the line item for right-of-use assets, and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on analysis of the Bank's finance leases as at December 31, 2018 in light of the facts and circumstances existing at that date, the Bank's Board of Directors and Management deem that this change will not affect the amounts recognized in the Bank's financial statements.

Impact on Lessor Accounting
Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular, regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Bank will reclassify certain sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in finance income).

The Bank's management expects that IFRS 16 will be adopted in the Bank's consolidated financial statements in the period starting on January 1, 2019.

4. Significant Accounting Judgments and Key Sources of Uncertainty Estimates

Preparation of the consolidated financial statements and application of the 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, provisions, in general, expected credit losses, as well as 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 repossessed assets
Impairment in 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.

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 income for the year.

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

Provision for legal cases
A provision is made to meet any potential legal liabilities based on a legal study prepared by the Bank's legal counsel. This study identifies potential future risks 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 periodically reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of income 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 risks 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).

Evaluation of business model
The classification and measurement of financial assets depend 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, the risks that affect the performance of assets and 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 inappropriate 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 used by the Bank's management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in details in note (44).

Establish 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 12-month period or a lifetime, but the amount of the expected credit loss changes 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 an equity instrument 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 and reassess such determination, if possible and appropriate, at each date of the consolidated statement of financial position.

When measuring financial assets and liabilities, certain assets and liabilities of the Bank 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. 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 entered data for those models will be extracted from the 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 Management 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 Management's judgment may be required where the counterparty's ability to repay the instrument in accordance with contractual terms is in doubt; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rate 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.

Key Sources of Uncertainty Estimates
The 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, 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 drivers and the manner in which they 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 given 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.

5. Cash and Balances at Central Banks

	December 31,	
	2018	2017
	JD	JD
Cash on hand	113,091,651	78,685,027
Balances at Central Banks:		
Current and demand accounts	53,401,903	121,091,791
Time and notice deposits	10,635,000	143,358,800
Statutory cash reserve	100,843,314	93,057,652
Certificate of deposits	55,400,000	83,000,000
	333,371,868	519,193,270
Provision for expected credit losses (central banks)	(1,582)	-
Total	333,370,286	519,193,270

- Restricted balances amounted to JD 10,635,000 as of December 31, 2018 (JD 9,358,800 as of December 31, 2017). In addition to the statutory cash reserve as stated above.

- There are no balances that mature in a period more than three months as of December 31, 2018 and 2017.

- All balances at the Central Bank of Jordan are classified within stage 1 in accordance with the requirements of IFRS (9) and there are no transfers between stages 1, 2, and 3 or any written of balances as of December 31, 2018.

Disclosure of the allocation of total balances at central banks according to the Bank's internal credit rating categories is as follows:

	2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
From (Aaa) to (Baa3)	220,280,217	-	-	220,280,217
From (Ba1) to (Caa3)	-	-	-	-
Total	220,280,217	-	-	220,280,217

The movement on balances at central banks is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Total balance at the beginning of the year	440,508,243	-	-	440,508,243
New balances during the year	8,522,712	-	-	8,522,712
Paid balances	(228,750,738)	-	-	(228,750,738)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off balances	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Total balance at the end of the year	220,280,217	-	-	220,280,217

Movement on the provision for expected credit losses:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	1,094	-	-	1,094
New balances during the year	10,106	-	-	10,106
Paid balances	(9,618)	-	-	(9,618)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off balances	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Total Balance at the End of the Year	1,582	-	-	1,582

6. Balances at Banks and Financial Institutions

	December 31, 2018	December 31, 2017
	JD	JD
Local Banks and Financial Institutions:		
Current and demand accounts	1,043,055	864,923
Deposits maturing within 3 months or less	24,642,428	69,887,100
Total	25,685,483	70,752,023
Foreign Banks and Financial Institutions:		
Current and demand accounts	36,406,594	17,570,330
Deposits maturing within 3 months or less	55,787,873	65,096,198
Total	92,194,467	82,666,528
	117,879,950	153,418,551
Less: provision for expected credit losses (balances at banks)	(27,250)	-
Total	117,852,700	153,418,551

- Non-interest bearing balances at banks and financial institutions amounted to JD 37,449,649 as of December 31, 2018 (JD 18,435,253 as of December 31, 2017).

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

Disclosure of the allocation of total balances at banks and financial institutions according to the bank's internal rating categories:

	2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
From (Aaa) to (Baa3)	58,211,502	-	-	58,211,502
From (Ba1) to (Caa3)	32,158,770	-	-	32,158,770
From (Ca) to (C)	14,966,519	-	-	14,966,519
From (1) to (6)	12,543,159	-	-	12,543,159
Total	117,879,950	-	-	117,879,950

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

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	JD	JD	JD	JD
Balance at the beginning of the year	152,650,750	767,801	-	153,418,551
New balances during the year	107,292,500	-	-	107,292,500
Accrued balances	(142,831,101)	-	-	(142,831,101)
Change in fair value	-	-	-	-
Transferred to stage 1	767,801	(767,801)	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off investments	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Total Balance at the End of the Year	117,879,950	-	-	117,879,950

Disclosure of the movement on the provision for expected credit losses:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	62,086	107	-	62,193
Credit losses on new balances and deposits during the year	27,107	-	-	27,107
Reversed from credit loss on balances	(62,072)	-	-	(62,072)
Transferred to stage 1	107	(107)	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	22	-	-	22
Changes resulting from adjustments	-	-	-	-
Written off balances	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Balance at the End of the Year	27,250	-	-	27,250

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Deposit maturing within:		
More than 3 to 6 months	-	3,545,000
More than 6 to 9 months	612,376	34,438,353
More than 9 to 12 months	28,000,000	-
More than 12 months	61,207,100	56,511,550
Total	89,819,476	94,494,903
Less: provision for expected credit losses		
(deposits at banks)	(240,263)	-
Total	89,579,213	94,494,903

- There are no restricted deposits as of December 31, 2018 and 2017.

Disclosure of the allocation of total deposits at banks and financial institutions according to the bank's internal rating categories:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
From (Aaa) to (Baa3)	64,819,476	-	-	64,819,476
From (Ba1) to (Caa3)	25,000,000	-	-	25,000,000
Total	89,819,476	-	-	89,819,476

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

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	JD	JD	JD	JD
Balance at the beginning of the year	94,494,903	-	-	94,494,903
New deposits during the year	86,819,476	-	-	86,819,476
Accrued deposits	(91,494,903)	-	-	(91,494,903)
Change in fair value	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off investments	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Total Balance at the End of the Year	89,819,476	-	-	89,819,476

Movement on the provision for expected credit losses:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	332,570	-	-	332,570
Credit losses on new balances and deposits during the year	239,138	-	-	239,138
Reversed from credit loss on deposits	(326,274)	-	-	(326,274)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	-	-	-
Changes resulting from adjustments	(5,171)	-	-	(5,171)
Written off balances	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Balance at the End of the Year	240,263	-	-	240,263

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Corporate shares	11,503,790	22,275,220
	11,503,790	22,275,220

9. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted shares	48,264,787	30,356,340
* Unquoted Shares	4,057,660	2,433,562
	52,322,447	32,789,902

- Dividends on investments amounted to JD 3,903,996 for the year ended December 31, 2018 (JD 1,1,06,046 as of December 31, 2017).

* Fair value calculation for unquoted investments are based on the most recent financial data available.

10. Financial Assets at Amortized Cost - Net

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted Investments		
Foreign government treasury bonds	12,012,326	3,921,210
Corporate debt securities	17,410,154	17,272,992
Total quoted investments	29,422,480	21,194,202
Unquoted Investments		
Treasury bills	44,057,267	59,869,256
Government treasury bonds	410,312,489	213,360,406
Governmental debt securities	1,938,854	656,734
Corporate debt securities	54,283,600	30,283,600
Total unquoted investments	510,592,210	304,169,996
Total	540,014,690	325,364,198
Less: Provision for expected credit losses (financial assets at amortized cost)	(947,477)	-
Floating rate	539,067,213	325,364,198
Analysis of bonds and treasury bills		
Fixed rate	540,014,690	325,364,198
Floating rate	-	-
Total	540,014,690	325,364,198

Disclosure of the allocation of total financial assets at amortized cost according to the bank's internal rating categories:

	2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
From (Aaa) to (Baa3)	19,159,619	-	-	19,159,619
From (Ba1) to (Caa3)	466,855,071	-	-	466,855,071
From (1) to (6)	54,000,000	-	-	54,000,000
Total	540,014,690	-	-	540,014,690

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

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	JD	JD	JD	JD
Fair value at the beginning of the year	324,648,522	715,676	-	325,364,198
New investments during the year	394,504,356	-	-	394,504,356
Accrued investments	(179,138,188)	(715,676)	-	(179,853,864)
Change in fair value	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off investments	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Total Balance at the End of the Year	540,014,690	-	-	540,014,690

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

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	735,398	9,785	-	745,183
Credit losses on new investments during the year	851,211	-	-	851,211
Reversed from credit loss on deposits	(649,106)	(9,785)	-	(658,891)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	-	-	-
Changes resulting from adjustments	9,974	-	-	9,974
Written off balances	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Balance at the End of the Year	947,477	-	-	947,477

11. Financial Assets Pledged as Collateral

The details of this item are as follows:

	December 31, 2018		December 31, 2017	
	Financial assets pledged as collateral	Related financial liabilities	Financial assets pledged as collateral	Related financial liabilities
	JD	JD	JD	JD
Financial assets at amortized cost	24,562,000	24,562,000	4,589,000	4,589,000

These bonds were collateralized against the borrowed funds obtained from the Central Bank of Jordan for financing industrial loans and SMEs.

12. Direct Credit Facilities - Net

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Consumer lending		
Overdrafts	8,440,709	12,661,333
Loans and bills *	655,572,767	666,823,702
Credit cards	15,259,761	12,105,757
Others	6,434,899	6,414,174
Residential mortgages	212,744,385	199,491,240
Corporate lending		
Overdrafts	103,296,280	91,650,622
Loans and bills *	357,055,703	269,052,829
Small and medium enterprises lending "SMEs"		
Overdrafts	22,273,715	18,052,190
Loans and bills *	119,181,918	92,807,028
Lending to governmental sectors	221,114,559	228,071,091
Total	1,721,374,696	1,597,129,966
Less: Suspended interest	(10,288,548)	(10,530,187)
Less: Provision for expected credit loss	(61,515,747)	(48,663,030)
	1,649,570,401	1,537,936,749

* Net of interest and commissions received in advance amounting to JD 10,639,644 as of December 31, 2018 (JD 5,120,656 as of December 31, 2017).

- Non-performing credit facilities, in accordance with the instructions of the Central Bank of Jordan, amounted to JD 82,778,735 as of December 31, 2018 (JD 71,150,725 as of December 31, 2017), representing 4.81% (2017: 4.45%) of gross direct credit facilities granted.

- Non-performing credit facilities, net of suspended interest, amounted to JD 72,561,170 as of December 31, 2018 (JD 60,662,281 as of December 31, 2017), representing 4.24% (2017: 3.82%) of gross direct credit facilities granted after excluding the suspended interest.

- Credit facilities granted to the Government of Jordan amounted to JD 77,511,279 as of December 31, 2018 (JD 90,637,784 as of December 31, 2017), representing 4.50% (2017: 5.68%) of gross direct credit facilities granted.

- Credit facilities granted to the public sector in Palestine amounted to JD 55,351,850 as of December 31, 2018 (JD 63,669,699 as of December 31, 2017), representing 3.22% (2017: 3.99%) of gross direct credit facilities granted.

Disclosure on the movement of facilities at a collective level at the end of the year:

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	535,663,928	834,863,951	137,245,927	30,291,797	59,064,363	1,597,129,966
New facilities during the year	237,415,902	140,029,475	42,641,732	4,376,017	13,892,322	438,355,448
Settled facilities	(143,177,490)	(128,400,836)	(21,594,312)	(6,748,660)	(9,850,612)	(309,771,910)
Transferred to stage 1	94,565,489	17,736,561	(90,232,658)	(14,613,477)	(7,455,915)	-
Transferred to stage 2	(41,711,854)	(22,456,421)	45,661,974	24,052,084	(5,545,783)	-
Transferred to stage 3	(5,163,871)	(20,009,539)	(8,341,963)	(6,512,961)	40,028,334	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	(4,338,808)	(4,338,808)
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	677,592,104	821,763,191	105,380,700	30,844,800	85,793,901	1,721,374,696

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

	Consumer	Residential Loans	Corporates	SMEs	Government and Public Sector	Total
For the year ended December 31, 2018	JD	JD	JD	JD	JD	JD
Balance as of January 1, 2018 (adjusted)	42,536,594	4,085,511	5,079,507	5,295,164	493,059	57,489,835
Credit loss on new facilities during the year	1,563,404	973,160	2,250,008	2,438,422	114,310	7,339,304
Reversed from credit losses on settled facilities	(4,942,698)	(788,362)	(283,527)	(801,828)	(6,672)	(6,823,087)
Transferred to stage 1	1,118,978	244,379	550,817	758,117	438,738	3,111,029
Transferred to stage 2	465,286	(199,513)	(435,822)	(14,127)	(438,738)	(622,914)
Transferred to stage 3	(1,584,265)	(44,866)	(114,995)	(743,990)	-	(2,488,116)
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	7,839,227	1,065,657	1,681,817	1,257,255	943,916	12,787,872
Changes resulting from adjustments	(5,012,628)	(215,369)	(720,929)	(1,305,414)	134,857	(7,119,483)
Written off facilities	(1,184,246)	-	(974,447)	-	-	(2,158,693)
Valuation differences	-	-	-	-	-	-
Balance at the End of the Year	40,799,652	5,120,597	7,032,429	6,883,599	1,679,470	61,515,747
For the year ended December 31, 2017						
Balance at the beginning of the year	29,543,906	1,992,190	8,898,201	7,241,039	-	47,675,336
Transferred to revenue during the year	5,527,536	268,457	(387,927)	(1,615,520)	-	3,792,546
Reversed from the provision during the year (written off debt)	(1,958,971)	-	(1,019,292)	(5,406)	-	(2,983,669)
Valuation differences	81,915	22,100	45,852	28,950	-	178,817
Balance at the End of the Year	33,194,386	2,282,747	7,536,834	5,649,063	-	48,663,030
Provision on a one client basis:						
Nonperforming facilities	27,504,672	2,243,640	7,488,825	5,530,338	-	42,767,475
Watchlist facilities	1,272,116	39,107	48,009	118,725	-	1,477,957
Provision on the nonperforming facilities portfolio	4,417,598	-	-	-	-	4,417,598
Total	33,194,386	2,282,747	7,536,834	5,649,063	-	48,663,030

* The Bank has implemented the instructions of the Central Bank of Jordan relating to the implementation of IFRS (9) as of January 1, 2018 with a retrospective effect.

The accumulated effect of the implementation of the expected credit losses amounting to JD 8,826,805 before tax has been recognized as an adjustment to the beginning balance of the provision for expected credit losses as of January 1, 2018.

Suspended Interest

The movement on suspended interest is as follows:

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	17,070	79,454	136,089	1,894	10,295,680	10,530,187
Suspended interest on new exposures during the year	10,369	2,369	1,605	30,898	1,097,677	1,142,918
Suspended interest on settled exposures transferred to revenue during the year	(43,845)	(34,599)	(130,012)	(10,955)	(5,627,465)	(5,846,876)
Transferred to stage 1	41,879	24,185	(41,840)	(259)	(23,965)	-
Transferred to stage 2	-	(383)	36,252	10,717	(46,586)	-
Transferred to stage 3	(947)	(62,231)	(5)	(1,241)	64,424	-
Effect on suspended revenue at the end of the year - resulting from the reclassification between the three stages at the at the end of the year	41,265	20,230	(5,593)	9,217	(64,786)	333
Changes resulting from adjustments	-	-	-	-	4,836,669	4,836,669
Suspended interest on written off exposures	-	-	-	-	(374,350)	(374,350)
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	24,526	8,795	2,089	31,054	10,222,084	10,288,548

The movement on suspended interest is as follows:

	Consumer	Residential Loans	Corporates	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
For the year ended December 31, 2018						
Balance at the beginning of the year	7,095,997	158,438	2,000,892	1,274,837	23	10,530,187
Suspended interest on new exposures during the year	562,232	125,292	39,169	127,368	288,857	1,142,918
Suspended interest on settled exposures transferred to revenue during the year	(833,064)	(5,664)	(83,275)	(115,882)	(23)	(1,037,908)
Transferred to stage 1	(38,690)	261	41,855	(924)	-	2,502
Transferred to stage 2	8,409	808	(5,599)	6	-	3,624
Transferred to stage 3	30,280	(1,069)	(36,256)	918	-	(6,127)
Effect on suspended revenue at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	-	-	-	-	-
Effect on suspended interest resulting from adjustments	(4,808,967)	-	4,808,967	27,702	-	27,702
Suspended interest on written off exposures	(19,712)	-	(354,638)	-	-	(374,350)
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Balance at the End of the Year	1,996,485	278,066	6,411,115	1,314,025	288,857	10,288,548
For the year ended December 31, 2017						
Balance at the beginning of the year	1,413,098	101,012	7,332,991	1,947,824	-	10,794,925
Add: suspended interest during the year	5,865,504	72,495	(4,594,083)	(70,036)	23	1,273,903
Less: interest transferred to revenue	(166,515)	(15,069)	(137,292)	(582,606)	-	(901,482)
Written off suspended interest	(16,090)	-	(600,724)	(20,345)	-	(637,159)
Balance at the End of the Year	7,095,997	158,438	2,000,892	1,274,837	23	10,530,187

Credit exposures according to IFRS (9) are as follows:

As of December 31, 2018

	According to IFRS (9)											
	Stage 1			Stage 2			Stage 3			Total		
	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Individuals	626,439,199	4,926,872	8,713	18,983,515	415,429	31,054	40,285,422	35,457,351	1,956,718	685,708,136	40,799,652	1,996,485
Residential loans	192,139,750	1,313,781	82	11,227,630	339,808	-	9,377,005	3,467,008	277,984	212,744,385	5,120,597	278,066
Corporates	375,316,665	591,440	24,524	67,393,464	1,891,626	1,603	17,641,854	4,549,363	6,384,988	460,351,983	7,032,429	6,411,115
SMEs	99,640,658	399,436	2	26,307,249	900,426	486	15,507,726	5,583,737	1,313,537	141,455,633	6,883,599	1,314,025
Government and Public Sector	205,819,023	181,962	-	12,313,642	150,989	-	2,981,894	1,346,519	288,857	221,114,559	1,679,470	288,857
	1,499,355,295	7,413,491	33,321	136,225,500	3,698,278	33,143	85,793,901	50,403,978	10,222,084	1,721,374,696	61,515,747	10,288,548

As of January 1, 2018

	According to IFRS (9)											
	Stage 1			Stage 2			Stage 3			Total		
	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest	Total	Expected Credit Losses	Suspended Interest
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Individuals	654,040,763	5,415,120	79,402	14,623,252	298,846	1,866	29,340,951	36,822,628	7,014,729	698,004,966	42,536,594	7,095,997
Residential loans	178,847,372	1,370,588	52	15,496,181	150,109	28	5,147,687	2,564,814	158,358	199,491,240	4,085,511	158,438
Corporates	287,234,141	255,115	14,164	62,390,074	1,333,099	47,007	11,079,236	3,491,293	1,939,721	360,703,451	5,079,507	2,000,892
SMEs	57,933,990	272,582	2,883	39,429,227	502,870	89,082	13,496,001	4,519,712	1,182,872	110,859,218	5,295,164	1,274,837
Government and Public Sector	192,471,613	53,259	23	35,598,990	439,624	-	488	176	-	228,071,091	493,059	23
	1,370,527,879	7,366,664	96,524	167,537,724	2,724,548	137,983	59,064,363	47,398,623	10,295,680	1,597,129,966	57,489,835	10,530,187

Disclosure on the allocation of gross facilities according to the Bank's internal rating categories for corporates:

	2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
From (1) to (6)	374,371,518	57,104,686	-	431,476,204
(7)	945,147	10,288,778	-	11,233,925
From (8) to (10)	-	-	17,641,854	17,641,854
Total	375,316,665	67,393,464	17,641,854	460,351,983

The disclosure on the movement of facilities for corporates is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Gross balance at the beginning of the year	287,234,141	62,390,074	11,079,236	360,703,451
New facilities during the year	132,275,735	34,424,132	7,462,240	174,162,107
Settled facilities	(57,551,007)	(14,035,789)	(1,126,100)	(72,712,896)
Transferred to stage 1	37,730,971	(37,727,594)	(3,377)	-
Transferred to stage 2	(24,373,175)	27,352,909	(2,979,734)	-
Transferred to stage 3	-	(5,010,268)	5,010,268	-
Changes resulting from adjustments	-	-	-	-
Written off facilities	-	-	(1,800,679)	(1,800,679)
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	375,316,665	67,393,464	17,641,854	460,351,983

The disclosure on the movement of the provision for expected credit losses for facilities relating to corporates is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	255,115	1,333,099	3,491,293	5,079,507
Credit loss on new facilities during the year	281,654	713,404	1,254,950	2,250,008
Reversed from credit loss on accrued facilities	(65,396)	(154,581)	(63,550)	(283,527)
Transferred to stage 1	598,011	(597,082)	(929)	-
Transferred to stage 2	(47,194)	377,773	(330,579)	-
Transferred to stage 3	-	(216,513)	216,513	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	(430,750)	435,526	1,677,041	1,681,817
Changes resulting from adjustments	-	-	(720,929)	(720,929)
Written off facilities	-	-	(974,447)	(974,447)
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	591,440	1,891,626	4,549,363	7,032,429

Disclosure on the allocation of gross facilities according to the Bank's internal rating categories for SMEs:

	2018					
	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy						
From (1) to (6)	96,230,517	-	15,279,615	-	-	111,510,132
(7)	225,901	-	10,393,978	-	-	10,619,879
From (8) to (10)	-	-	-	-	14,989,739	14,989,739
Uncategorized	-	3,184,242	-	633,655	517,986	4,335,883
Total	96,456,418	3,184,242	25,673,593	633,655	15,507,725	141,455,633

The disclosure on the movement of facilities for SMEs is as follows:

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	55,958,174	1,975,816	39,256,863	172,364	13,496,001	110,859,218
New facilities during the year	51,757,832	2,314,406	6,643,178	442,425	2,267,706	63,425,547
Settled facilities	(23,442,315)	(582,374)	(7,558,523)	(78,521)	(1,167,399)	(32,829,132)
Transferred to stage 1	21,235,528	11,454	(16,906,074)	(11,454)	(4,329,454)	-
Transferred to stage 2	(6,599,459)	(255,643)	7,569,845	255,643	(970,386)	-
Transferred to stage 3	(2,453,344)	(279,417)	(3,331,695)	(146,802)	6,211,258	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	96,456,416	3,184,242	25,673,594	633,655	15,507,726	141,455,633

The disclosure on the movement of the provision for expected credit losses for facilities relating to SMEs is as follows:

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	157,521	115,061	492,060	10,810	4,519,712	5,295,164
Credit loss on new facilities during the year	125,571	90,962	518,886	27,846	1,675,157	2,438,422
Reversed from credit loss on accrued facilities	(27,561)	(39,308)	(139,535)	(696)	(594,728)	(801,828)
Transferred to stage 1	883,550	1,808	(167,861)	(1,808)	(715,689)	-
Transferred to stage 2	(9,826)	(18,483)	178,085	18,483	(168,259)	-
Transferred to stage 3	(83,153)	(15,779)	(32,720)	(8,306)	139,958	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	(779,402)	(1,525)	2,654	2,528	2,033,000	1,257,255
Changes resulting from adjustments	-	-	-	-	(1,305,414)	(1,305,414)
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	266,700	132,736	851,569	48,857	5,583,737	6,883,599

Disclosure on the allocation of gross facilities according to the Bank's internal rating categories for individuals:

	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy				
Uncategorized	626,439,199	18,983,515	40,285,422	685,708,136
Total	626,439,199	18,983,515	40,285,422	685,708,136

The disclosure on the movement of facilities for individuals is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Gross balance at the beginning of the year	654,040,763	14,623,252	29,340,951	698,004,966
New facilities during the year	107,712,898	1,626,237	2,826,705	112,165,840
Settled facilities	(110,517,769)	(4,846,577)	(6,560,195)	(121,924,541)
Transferred to stage 1	8,559,745	(5,663,831)	(2,895,914)	-
Transferred to stage 2	(16,432,602)	17,797,730	(1,365,128)	-
Transferred to stage 3	(16,923,836)	(4,553,296)	21,477,132	-
Changes resulting from adjustments	-	-	-	-
Written off facilities	-	-	(2,538,129)	(2,538,129)
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	626,439,199	18,983,515	40,285,422	685,708,136

The disclosure on the movement of the provision for expected credit losses for facilities relating to individuals is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	5,415,120	298,846	36,822,628	42,536,594
Credit loss on new facilities during the year	1,079,537	151,396	332,471	1,563,404
Reversed from credit loss on accrued facilities	(1,249,228)	(60,159)	(3,633,312)	(4,942,699)
Transferred to stage 1	1,507,083	(171,984)	(1,335,099)	-
Transferred to stage 2	(175,251)	783,663	(608,412)	-
Transferred to stage 3	(212,854)	(146,393)	359,247	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	(1,437,712)	(439,940)	9,716,879	7,839,227
Changes resulting from adjustments	177	-	(5,012,805)	(5,012,628)
Written off facilities	-	-	(1,184,246)	(1,184,246)
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	4,926,872	415,429	35,457,351	40,799,652

Disclosure on the allocation of gross facilities according to the Bank's internal rating categories for residential loans:

	2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy:				
Uncategorized	192,139,750	11,227,630	9,377,005	212,744,385
Total	192,139,750	11,227,630	9,377,005	212,744,385

The disclosure on the movement of facilities for residential loans is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Gross balance at the beginning of the year	178,847,372	15,496,181	5,147,687	199,491,240
New facilities during the year	30,002,171	2,307,355	1,064,304	33,373,830
Settled facilities	(17,300,693)	(1,823,562)	(996,430)	(20,120,685)
Transferred to stage 1	9,165,362	(8,938,192)	(227,170)	-
Transferred to stage 2	(5,768,176)	5,998,711	(230,535)	-
Transferred to stage 3	(2,806,286)	(1,812,863)	4,619,149	-
Changes resulting from adjustments	-	-	-	-
Written off facilities	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	192,139,750	11,227,630	9,377,005	212,744,385

The disclosure on the movement of the provision for expected credit losses for facilities relating to residential loans is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	1,370,588	150,109	2,564,814	4,085,511
Credit loss on new facilities during the year	353,469	371,123	248,568	973,160
Reversed from credit loss on accrued facilities	(401,570)	(17,815)	(368,977)	(788,362)
Transferred to stage 1	313,211	(247,538)	(65,673)	-
Transferred to stage 2	(44,380)	104,172	(59,792)	-
Transferred to stage 3	(24,452)	(56,147)	80,599	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	(253,085)	35,904	1,282,838	1,065,657
Changes resulting from adjustments	-	-	(215,369)	(215,369)
Written off facilities	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	1,313,781	339,808	3,467,008	5,120,597

Disclosure on the allocation of gross facilities according to the Bank's internal rating categories for the government and public sector:

	2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy:				
Uncategorized	205,819,023	12,313,642	2,981,894	221,114,559
Total	205,819,023	12,313,642	2,981,894	221,114,559

The disclosure on the movement of facilities for the government and public sector loans is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Gross balance at the beginning of the year	192,471,613	35,598,990	488	228,071,091
New facilities during the year	53,382,335	1,574,422	271,367	55,228,124
Settled facilities	(62,184,168)	-	(488)	(62,184,656)
Transferred to stage 1	35,598,990	(35,598,990)	-	-
Transferred to stage 2	(10,739,220)	10,739,220	-	-
Transferred to stage 3	(2,710,527)	-	2,710,527	-
Changes resulting from adjustments	-	-	-	-
Written off facilities	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	205,819,023	12,313,642	2,981,894	221,114,559

The disclosure on the movement of the provision for expected credit losses for facilities relating to the government and public sector is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	53,259	439,624	176	493,059
Credit loss on new facilities during the year	114,310	-	-	114,310
Reversed from credit loss on accrued facilities	(6,496)	-	(176)	(6,672)
Transferred to stage 1	439,624	(439,624)	-	-
Transferred to stage 2	(886)	886	-	-
Transferred to stage 3	-	-	-	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	(418,054)	150,103	1,211,867	943,916
Changes resulting from adjustments	205	-	134,652	134,857
Written off facilities	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-
Gross Balance at the End of the Year	181,962	150,989	1,346,519	1,679,470

13. Property and Equipment

The details of this item are as follows:

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Projects in Progress	Total
For the year ended December 31, 2018	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	2,144,042	22,600,892	42,579,789	1,836,140	32,363,792	2,116,205	103,640,860
Additions	-	1,876,293	2,022,005	97	2,563,227	1,631,314	8,092,936
Transfers	-	480,883	583,493	-	762,889	(1,827,265)	-
Disposals	-	-	(326,267)	(99,838)	(3,027,240)	-	(3,453,345)
Balance at the End of the Year	2,144,042	24,958,068	44,859,020	1,736,399	32,662,668	1,920,254	108,280,451
Accumulated Depreciation:							
Balance at the beginning of the year	-	4,439,756	31,764,098	1,276,008	24,767,177	-	62,247,039
Depreciation for the year	-	484,714	2,865,215	148,369	2,681,452	-	6,179,750
Disposals	-	-	(269,846)	(91,542)	(3,017,295)	-	(3,378,683)
Balance at the End of the Year	-	4,924,470	34,359,467	1,332,835	24,431,334	-	65,048,106
Net Book Value at the End of the Year	**2,144,042**	**20,033,598**	**10,499,553**	**403,564**	**8,231,334**	**1,920,254**	**43,232,345**
For the year ended December 31, 2017							
Cost:							
Balance at the beginning of the year	2,144,042	22,165,744	41,848,381	1,686,748	30,078,897	1,718,695	99,642,507
Additions	-	435,148	1,034,914	149,392	1,843,082	1,532,980	4,995,516
Transfers	-	-	132,298	-	1,003,172	(1,135,470)	-
Disposals	-	-	(435,804)	-	(561,359)	-	-997,163
Balance at the End of the Year	2,144,042	22,600,892	42,579,789	1,836,140	32,363,792	2,116,205	103,640,860
Accumulated Depreciation:							
Balance at the beginning of the year	-	4,004,779	29,372,673	1,113,527	22,818,314	-	57,309,293
Depreciation for the year	-	434,977	2,815,809	162,481	2,509,141	-	5,922,408
Disposals	-	-	(424,384)	-	(560,278)	-	(984,662)
Balance at the End of the Year	-	4,439,756	31,764,098	1,276,008	24,767,177	-	62,247,039
Net Book Value at the End of the Year	**2,144,042**	**18,161,136**	**10,815,691**	**560,132**	**7,596,615**	**2,116,205**	**41,393,821**
Annual Depreciation Rate %	-	2	15 - 9	15	20	-	

- Fully depreciated property and equipment amounted to JD 52,033,827 as of December 31, 2018 (JD 38,336,080 as of December 31, 2017) and are still being used by the Bank. The estimated cost to cor

14. Intangible Assets - Net

The details of this item are as follows:

	Computer Software	
	2018	2017
	JD	JD
Balance at the beginning of the year	9,945,324	10,049,033
Additions	1,556,320	3,149,982
Amortization for the year	(3,381,127)	(3,253,691)
Balance at the End of the Year	8,120,517	9,945,324

15. Other Assets

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Accrued income	14,931,416	10,583,723
Prepaid expenses	7,878,593	7,478,829
Repossessed Assets – net *	8,675,310	12,818,968
Accounts receivable – net	5,260,313	2,517,324
Clearing checks	15,619,774	10,662,124
Settlement guarantee fund	30,000	25,000
Trading settlement account	5,829	-
Refundable deposits	574,650	570,201
Deposits at Visa International	1,999,401	1,999,401
Others	2,557,979	547,233
Total	57,533,265	47,202,803

* As per the Central Bank of Jordan instructions the repossessed assets should be sold within two years of repossession, and can be extended under exceptional circumstances by the Central Bank of Jordan for a maximum of four years.

Movement on repossessed assets during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	14,872,868	14,903,284
Additions	1,538,424	575,601
Disposals	(1,146,481)	(606,017)
Transferred to accounts receivable*	(4,903,601)	-
Total	**10,361,210**	**14,872,868**
Impairment of repossessed assets	(495,909)	(861,619)
Impairment of repossessed assets as per the Central Bank of Jordan instructions	(1,189,991)	(1,192,281)
Balance - End of the Year	**8,675,310**	**12,818,968**

A summary of the impairment movement on repossessed assets:

Balance-beginning of the year	2,053,900	3,053,900
Reposed	-	(1,000,000)
Used during the year	(368,000)	-
Balance - End of the Year	**1,685,900**	**2,053,900**

As per the Central Bank of Jordan instructions the repossessed assets should be sold within two years of under exceptional circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has started to book a gradual provision for the repossessed assets which are being held for more than four years in accordance to the Central Bank of Jordan circular number 10/1/4076 dated March 27, 2014 and 10/1/7096 dated June 8, 2014. As per the Central Bank of Jordan Circular No. 10/1/16607 dated January 17, 2017 and in light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the Bank, it was decided to stop the Circular rules mentioned above for the year 2018 and continue on booking provisions in the year 2020 according to the Central Bank of Jordan circular number 10/1/13967 dated November 25, 2018.

* The Bank has transferred the land to accounts receivable due to finalizing the lawsuit against the previous debtor during the fourth quarter of 2018, noting that the Bank is in the process of taking the necessary measures in accordance with policies.

16. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	2018			2017		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	26,085,438	7,877,773	33,963,211	38,314,784	4,935,046	43,249,830
Deposits maturing within 3 months or less	134,034,530	112,805,121	246,839,651	166,248,816	149,383,561	315,632,377
Deposits maturing within more than 3 months to 6 months	-	-	-	407,471	-	407,471
Deposits maturing within more than 6 months to 9 months	28,000,000	-	28,000,000	15,000,000	-	15,000,000
Deposits maturing within more than a year	40,000,000	30,000,000	70,000,000	43,000,000	30,000,000	73,000,000
Total	228,119,968	150,682,894	378,802,862	262,971,071	184,318,607	447,289,678

17. Customer's Deposits

The details of this item are as follows:

	Consumer	Corporates	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
For the Year Ended December 31, 2018					
Current and demand accounts	227,564,881	62,592,784	47,117,562	63,343,047	400,618,274
Saving deposits	477,658,727	6,577,312	3,527,271	102,642	487,865,952
Time and notice deposits	442,867,637	315,420,449	29,288,659	237,817,016	1,025,393,761
Time and notice certificates	24,106	-	-	-	24,106
Total	1,148,115,351	384,590,545	79,933,492	301,262,705	1,913,902,093
For the Year Ended December 31, 2017					
Current and demand accounts	254,374,906	85,579,283	44,992,822	61,703,911	446,650,922
Saving deposits	457,349,099	3,663,774	3,481,364	94,760	464,588,997
Time and notice deposits	353,901,940	262,600,668	22,181,091	199,870,328	838,554,027
Time and notice certificates	70,900	-	-	-	70,900
Total	1,065,696,845	351,843,725	70,655,277	261,668,999	1,749,864,846

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 287,269,563, equivalent to 15.01% of total deposits as of December 31, 2018 (JD 244,216,056, equivalent to 13.96 % of total deposits of December 31, 2017).

- There are no restricted deposits as of December 31, 2018 and 2017.

- Non-interest bearing deposits amounted to JD 364,030,959 as of December 31, 2018 (JD 392,466,748 as of December 31, 2017) representing 19.02% (2017: 22.43%) of total deposits.

- Dormant accounts amounted to JD 38,620,539 as of December 31, 2018 (2017: JD 38,240,608 as of December 31, 2017).

18. Margin Accounts

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Margins on direct credit facilities	26,528,226	28,922,645
Margins on indirect credit facilities	14,235,980	13,669,100
Deposits against brokerage margin accounts	4,012,465	4,575,365
Others	4,804,298	4,100,607
Total	49,580,969	51,267,717

19. Borrowed Funds

The details of this item are as follows:

	Amount	No. of Installments Total	No. of Installments Outstanding	Payable Every	Maturity Date	Collaterals	Interest Rate
	JD						
December 31, 2018							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.895%-4.845%
Amounts borrowed from French Development Agency	2,304,250	20	13	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	8,550,000	10	8	Semi- annually	2028	None	2.700%
Amounts borrowed from Central Bank of Jordan**	31,471,064	186	186	At maturity / per Loan	2018 - 2026	Treasury Bills	2.5% - 1%
Amounts borrowed from Central Bank of Jordan*	1,896,127	14	11	Semi- annually	2028	None	2.500%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	5,057,143	7	5	Semi- annually	2021	None	4.750%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	3,038,571	7	3	Semi- annually	2020	None	3.25%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	14,180,000	7	7	Semi- annually	2025	None	5.250%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.750%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	2039	None	3.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2020	None	5.900%
Amounts borrowed from Central Bank of Jordan	19,000,000	1	1	At maturity	2019	Treasury Bills	5.500%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	3,545,000	7	7	Semi- annually	2023	None	4.560%
Amounts borrowed from French Development Agency	4,349,288	20	20	Semi- annually	2023	None	4.570%
Union Bank	800,000	24	24	Quarterly	2024	None	6.000%
Societe Generale Banque de Jordanie	711,111	45	44	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	162,109,306						
December 31, 2017							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.895%-4.845%
Amounts borrowed from French Development Agency	2,658,750	20	15	Semi- annually	2025	None	3.36%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi- annually	2028	None	3%
Amounts borrowed from Central Bank of Jordan**	28,186,840	140	140	At maturity / per Loan	2018 - 2026	Treasury Bills	2% - 1%
Amounts borrowed from Central Bank of Jordan*	2,232,042	14	13	Semi- annually	2028	None	2.50%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	5,064,286	7	5	Semi- annually	2020	None	3.25%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.8%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	2039	None	3.00%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,080,000	7	7	Semi- annually	2021	None	4.8%
Union Bank	2,000,000	6	6	Quarterly	2021	None	6.00%
Societe Generale Banque de Jordanie	977,778	45	44	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	114,906,448						

* The borrowed funds from Central Bank of Jordan for SMEs loans were re-lent on an average interest rate of 8.5% and the loan repayment to Central Bank of Jordan will start after 5 years from granting day.

** The borrowed funds from Central Bank of Jordan for industrial, energy, agriculture and tourism financing loans were re-lent on an average interest rate of 4.5%.

*** Residential loans acquired from Jordan Mortgage Refinance Company amounted to JD 33,804,878 as of December 31, 2018 at a fixed rate of 7%.

20. Sundry Provisions

The details of this item are as follows:

	Balance - Beginning of the Year	Additions during the Year	Utilised during the Year	Reverse to Income	Balance - End of the Year
	JD	JD	JD	JD	JD
2018					
Provision for lawsuits against the Bank	4,287,503	-	(1,943,501)	(853,564)	1,490,438
Provision for end of service indemnity	8,659,860	1,759,456	(671,172)	-	9,748,144
Other contingent liabilities	4,221,043	7,035	-63,127	-	4,164,951
	17,168,406	1,766,491	(2,677,800)	(853,564)	15,403,533
2017					
Provision for lawsuits against the Bank	4,421,931	-	(134,428)	-	4,287,503
Provision for end of service indemnity	8,436,599	1,349,958	(726,080)	(400,617)	8,659,860
Other contingent liabilities	2,142,043	2,079,000	-	-	4,221,043
Total	15,000,573	3,428,958	(860,508)	(400,617)	17,168,406

21. Income Tax

A- Income Tax Provison

The movement on income tax provision during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	17,321,461	20,892,898
Income tax paid	(14,440,422)	(16,468,215)
Income tax payable	12,321,693	12,896,778
Balance - End of the Year	15,202,732	17,321,461

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

	2018	2017
	JD	JD
Income tax for the year	12,321,693	12,896,778
Amortized deferred Tax liabilities	1,251	(964,413)
Deferred Tax Assets	(45,205)	(4,941)
Income Tax for the Year's Profits	12,277,739	11,927,424

- The statutory tax rate on banks in Jordan is 35% until the end of 2018, which became 38% starting January 1, 2019 and the statutory tax rate on foreign branches and subsidiaries range between 0%-31% (income tax rate for banks in Palestine is 15% plus VAT of 16%).

- The Bank reached a final settlement with the Income and Sales Tax Department for the year ended December 31, 2015 for the branches in Jordan. The Income and Sales Tax Department has not reviewed the accounts for the years 2016 and 2017 up to the date of these consolidated financial statement.

- A final settlement was reached with the tax authorities for Palestine branches for the year ended December 31, 2017.

- Al-Watanieh Financial Services Company reached a final settlement with the Income and Sales Tax Department up to the year 2014. The Income and Sales Tax Department has reviewed 2010 and 2011 records and estimated the tax payable for these years at JD 318,664 for the amount paid. This decision was objected by the company in the specialized courts where a decision was issued by the Court of First Instance in June 2016 to annul a claim, consider it voided and return it in order to be corrected to the Sales and Tax Department. This decision has been confirmed during the appeal stage in October 2016. Based on court's decision, the Income Tax Department reissued certificates with the same amounts. As a result, the company appealed against the decision, for which an objection was issued in June 2017 and therefore the appeal was filed before the courts which ended in July 2017. The court is still awaiting to correct the legal procedures, even though the legal period available after submitting the statements has passed by 4 years. The Sales and Income Tax Department has not reviewed the accounts for the years 2015, 2016 and 2017 up to the date of these consolidated financial statement.

- Al-Watanieh Securities Company – Palestine reached a final settlement with the income tax Department for the year 2017. No income tax provision has been booked for the year 2018 due to the Company's operating losses in 2018.

- Tamallak for leasing Company financial statements has reached a final settlement with the Income and Sales tax Department for the year 2016. The Income and Sales Tax Department has not reviewed the accounts for the year 2017, up to the date of these consolidated financial statement.

- In the opinion of the Bank's management, income tax provisions as of December 31, 2018 are sufficient to face any future tax liabilities.

C - Deferred Tax Assets and Liabilities

The details of this item are as follows:

	2018					2017
	Balance - beginning of the Year	Released Amounts	Added Amounts	Balance - End of the Year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Deferred tax assets						
Provision for credit losses	3,668,784	(1,501,485)	9,740,083	11,907,382	4,389,764	1,148,145
Interest in suspense	139,971	-	53,041	193,012	54,043	33,593
Non-deductible expenses resulting from temporary differences	160,000	(100,000)	-	60,000	22,800	56,000
Sundry provisions	3,167,385	-	-	3,167,385	1,203,606	1,108,585
Impairment on repossessed assets	1,750,000	(64,100)	-	1,685,900	640,642	612,500
Unrealized Losses – financial assets at FVTOCI	14,214,020	(3,378,310)	3,498,733	14,334,443	2,388,773	2,784,183
	23,100,160	(5,043,895)	13,291,857	31,348,122	8,699,628	5,743,006
Deferred tax liabilities						
Unrealized Gain – financial assets at FVTOCI	2,649,456	(472,876)	209,523	2,386,103	229,915	224,982
Unrealized gain – financial assets at FVTPL (early IFRS 9 implementation)	5,450,862	-	281,179	5,732,041	653,185	545,086
	8,100,318	(472,876)	490,702	8,118,144	883,100	770,068

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

	December 31,		December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
	Assets	Liabilities	Assets	Liabilities
Balance - beginning of the year	5,743,006	770,068	6,270,359	2,049,782
Effect of the implementation of IFRS (9) - Note (3)	3,310,327	106,848	-	-
Adjusted balance - beginning of the year	9,053,333	876,916	6,270,359	2,049,782
Additions	1,310,988	43,254	1,157,240	161,216
Disposal	(1,664,693)	(37,070)	(1,684,593)	(1,440,930)
Balance - End of the Year	8,699,628	883,100	5,743,006	770,068

- Deferred tax is calculated using the tax rates that are expected to be applied when the deferred tax asset will be realized or the deferred tax liability will be settled.

D- Summary of Reconciliation between Accounting Profits and Taxable Profits:

	2018	2017
	JD	JD
Accounting profit	41,984,474	41,895,204
Non-taxable profit	(17,537,879)	(11,149,311)
Non-deductible expenses	7,495,519	8,833,140
Taxable profit	31,942,114	39,579,033
Effective rate of income tax	29.24%	28.47%

E- The effect of implementing IFRS (9) on deferred tax assets/liabilities is as follows:

Item	Deferred tax assets	Deferred tax liabilities
	JD	JD
Increase in expected credit losses of assets	3,310,327	-
Reclassification of financial assets	-	106,848

22. Other Liabilities

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Accrued interest	12,467,347	8,544,624
Accrued income	390,829	461,644
Accounts payable	5,444,344	5,989,197
Accrued expenses	10,156,785	9,551,022
Temporary deposits	14,041,406	15,480,984
Checks and withdrawals	4,091,790	5,358,022
Others	4,466,660	3,319,670
	51,059,161	48,705,163
Provision for expected credit losses		
(other liabilities)	2,129,980	-
	53,189,141	48,705,163

Disclosure on the movement of indirect credit facilities at a collective level at the end of the year:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	11,777,345	208,831,424	22,257	73,892,345	2,412,836	296,936,207
New exposures during the year	6,493,249	69,081,133	102,837	5,053,927	67	80,731,213
Accrued exposures	(2,386,211)	(102,100,907)	(38,717)	(29,837,256)	(555,301)	(134,918,392)
Transferred to stage 1	11,049	29,704,185	(9,660)	(28,497,978)	(1,207,596)	-
Transferred to stage 2	(191,225)	(6,967,181)	191,225	7,431,036	(463,855)	-
Transferred to stage 3	-	(34,000)	-	(17,533)	51,533	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	15,704,207	198,514,654	267,942	28,024,541	237,684	242,749,028

The disclosure on the movement of the provision for expected credit losses for indirect facilities at a collective level is as follows:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	198,748	201,163	345	888,483	267,493	1,556,232
Credit loss on new exposures during the year	422,690	157,346	1,336	435,610	23	1,017,005
Credit loss on accrued exposures	(44,447)	(107,826)	(187)	(225,198)	(121,657)	(499,315)
Transferred to stage 1	176	193,475	(147)	(146,406)	(47,098)	-
Transferred to stage 2	(2,976)	(11,569)	2,976	29,913	(18,344)	-
Transferred to stage 3	-	(22)	-	(1,460)	1,482	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	2,079	(163,196)	5,477	133,099	13,745	(8,796)
Changes resulting from adjustments	46,428	11,449	-	4,894	2,083	64,854
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	622,698	280,820	9,800	1,118,935	97,727	2,129,980

Disclosure on the allocation of letters of credit and acceptances according to the Bank's internal rating categories:

	2018					
	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy:						
From (Aaa) to (Baa3)	-	4,491,327	-	-	-	4,491,327
From (Ba1) to (Caa3)	-	209,121	-	-	-	209,121
From (1) to (6)	-	22,438,274	-	2,025,328	-	24,463,602
Total	-	27,138,722	-	2,025,328	-	29,164,050

Disclosure on the movement of indirect facilities relating to letters of credit and acceptances:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	-	49,408,960	-	17,411,146	-	66,820,106
New exposures during the year	-	19,652,009	-	1,552,541	-	21,204,550
Accrued exposures	-	(41,922,247)	-	(16,938,359)	-	(58,860,606)
Transferred to stage 1	-	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	-	27,138,722	-	2,025,328	-	29,164,050

The disclosure on the movement of the provision for expected credit losses is as follows:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	-	57,685	-	29,958	-	87,643
Credit loss on new exposures during the year	-	19,129	-	1,395	-	20,524
Credit loss on accrued exposures	-	(54,493)	-	(10,491)	-	(64,984)
Transferred to stage 1	-	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	-	-	-	-	-
Changes resulting from adjustments	-	-	-	(1,308)	-	(1,308)
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	-	22,321	-	19,554	-	41,875

Disclosure on the allocation of letters of guarantee according to the Bank's internal rating categories:

	2018					
	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy:						
From (Aaa) to (Baa3)	-	10,949,056	-	-	-	10,949,056
From (Ba1) to (Caa3)	-	1,668,383	-	163,965	-	1,832,348
From (Ca) to (C)	-	35,450	-	-	-	35,450
From (1) to (6)	-	36,192,858	-	5,269,225	-	41,462,083
(7)	-	10,000	-	1,610,917	-	1,620,917
From (8) to (10)	-	-	-	-	231,376	231,376
Total	-	48,855,747	-	7,044,107	231,376	56,131,230

Disclosure on the movement of indirect facilities:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	-	41,525,042	-	7,991,532	1,634,096	51,150,670
New exposures during the year	-	17,354,692	-	1,290,657	-	18,645,349
Accrued exposures	-	(11,913,456)	-	(1,453,423)	(297,910)	(13,664,789)
Transferred to stage 1	-	4,249,359	-	(3,325,034)	(924,325)	-
Transferred to stage 2	-	(2,325,890)	-	2,540,875	(214,985)	-
Transferred to stage 3	-	(34,000)	-	(500)	34,500	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	-	48,855,747	-	7,044,107	231,376	56,131,230

The disclosure on the movement of the provision for expected credit losses is as follows:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	-	88,476	-	149,261	148,437	386,174
Credit loss on new exposures during the year	-	25,327	-	45,780	-	71,107
Credit loss on accrued exposures	-	(29,353)	-	(81,633)	(29,224)	(140,210)
Transferred to stage 1	-	60,759	-	(36,122)	(24,637)	-
Transferred to stage 2	-	(4,239)	-	18,422	(14,183)	-
Transferred to stage 3	-	(22)	-	(5)	27	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	(44,140)	-	43,116	13,016	11,992
Changes resulting from adjustments	-	8,752	-	6,202	2,083	17,037
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	-	105,560	-	145,021	95,519	346,100

Disclosure on the allocation of unutilized ceilings according to the Bank's internal rating categories:

	2018					
	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Credit rating categories according to the Bank's internal policy:						
From (Aaa) to (Baa3)	-	25,244,890	-	-	-	25,244,890
From (Ba1) to (Caa3)	-	11,465,991	-	417,782	-	11,883,773
From (Ca) to (C)	-	-	-	186,149	-	186,149
From (1) to (6)	-	85,804,451	-	13,731,043	6,308	99,541,802
(7)	-	4,853	-	4,620,132	-	4,624,985
Uncategorized	15,704,207	-	267,942	-	-	15,972,149
Total	15,704,207	122,520,185	267,942	18,955,106	6,308	157,453,748

Disclosure on the movement of indirect facilities relating to unutilized ceilings:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Gross balance at the beginning of the year	11,777,345	117,897,422	22,257	48,489,667	778,740	178,965,431
New exposures during the year	6,493,249	32,074,432	102,837	2,210,729	67	40,881,314
Accrued exposures	(2,386,211)	(48,265,204)	(38,717)	(11,445,474)	(257,391)	(62,392,997)
Transferred to stage 1	11,049	25,454,826	(9,660)	(25,172,944)	(283,271)	-
Transferred to stage 2	(191,225)	(4,641,291)	191,225	4,890,161	(248,870)	-
Transferred to stage 3	-	-	-	(17,033)	17,033	-
Changes resulting from adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	15,704,207	122,520,185	267,942	18,955,106	6,308	157,453,748

The disclosure on the movement of the provision for expected credit losses is as follows:

	Stage 1		Stage 2			
	Collective	Individual	Collective	Individual	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2018	198,748	55,002	345	709,264	119,056	1,082,415
Credit loss on new exposures during the year	422,690	112,890	1,336	388,435	23	925,374
Credit loss on accrued exposures	(44,447)	(23,980)	(187)	(133,074)	(92,433)	(294,121)
Transferred to stage 1	176	132,716	(147)	(110,284)	(22,461)	-
Transferred to stage 2	(2,976)	(7,330)	2,976	11,491	(4,161)	-
Transferred to stage 3	-	-	-	(1,455)	1,455	-
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	2,079	(119,056)	5,477	89,983	729	(20,788)
Changes resulting from adjustments	46,428	2,697	-	-	-	49,125
Written off facilities	-	-	-	-	-	-
Adjustments resulting from changes in exchange rates	-	-	-	-	-	-
Gross Balance at the End of the Year	622,698	152,939	9,800	954,360	2,208	1,742,005

23. Paid-up Capital and Share Premium

Paid-up capital

Authorized and paid-in capital amounted to JD 180 million divided into 180 million shares at a par value of JD 1 per share as of December 31, 2018 and 2017.

24. Reserves

Statutory Reserve

This reserve represents amounts transferred from income before tax at a rate of 10% during the previous years. The statutory reserve may not be distributed to shareholders.

General Banking Risk Reserve

This reserve represents the general banking risks reserve according to the regulations of the Central Bank of Jordan.

Cyclical Fluctuations Reserve

This item represents what has been transferred from the annual net profits for the Palestine branches and Al Safa Bank in accordance with the instructions of the Palestinian Monetary Authority.

Restricted reserves are as follows:

Reserve	Amount	Regulation
Statutory	74,578,456	According to the regulations of the Central Bank of Jordan
General banking risk	3,230,765	According to Central Bank of Jordan and the Palestinian Monetary Authority instructions
Cyclical fluctuations	10,891,362	According to the applicable laws and regulations

25. Suggested Dividends to be Distributed

In its ordinary meeting held on February 24, 2019, the General Assembly of Shareholders approved the recommendation of the Bank's Board of Directors to distribute dividends of 9% which is equivalent to JD 16,200,000 in addition to increasing the paid-up capital by JD 10,000,000 or 5.6% through distributing free shares to the shareholders. The General Assembly will be invited to an extraordinary meeting as these percentages are subject to the approval of the General Assembly of Shareholders.

26. Fair Value Reserve - Net

The details of this item are as follows:

	December 31	
	2018	2017
	JD	JD
Beginning balance	(9,005,364)	(10,347,484)
Unrealized (losses) gains	(377,275)	1,612,246
(Gain) from sale financial assets at fair value through other comprehensive income	(6,500)	(53,133)
Deferred tax assets	(395,410)	(532,294)
Deferred tax liability	(4,933)	315,301
Ending balance	(9,789,482)	(9,005,364)

- The fair value reserve is presented net of deferred tax assets in the amount of JD 2,388,773 and net of deferred tax liabilities in the amount of JD 229,915.

27. Retained Earnings

The details of this item are as follows:

	December 31	
	2018	2017
	JD	JD
Beginning balance	71,279,760	70,184,530
Transferred to general banking risk reserve	12,554,111	-
Effect of implementing IFRS (9) reclassification	174,331	-
Effect of implementing IFRS (9)	(8,107,333)	-
Adjusted beginning balance	75,900,869	70,184,530
Profit for the year	30,126,670	30,336,470
Transferred to statutory reserve	(4,623,253)	(4,119,128)
Transferred from (to) general banking risk reserve	812,205	(2,615,079)
Transferred to cyclical fluctuations reserve	(3,134,365)	(940,081)
Cash dividends	(21,600,000)	(21,600,000)
Capital increase related expenses	(2,590)	(20,085)
Net gain from sale of financial assets at fair value through other comprehensive income	6,500	53,133
Ending Balance	77,486,036	71,279,760

- Retained earnings balance include unrealized gains amounting to JD 14,412,080 resulting from the early implementation of IFRS 9. This amount is not available for distribution in accordance with the Securities Commission instructions, except for the amounts realized through the sale of the financial assets.

- Retained earnings include deferred tax assets amounted to JD 8,699,628 as of December 31, 2018 which is not available for distribution in accordance with the Central Bank of Jordan instructions (JD 5,743,006 as of December 31, 2017).

- The amount JD 9,789,482 represents negative change for the assets in fair value reserve through other comprehensive income restricted from use as per the Central Bank of Jordan and the Securities Commission instructions.

- The amount JD 1,155,916 represents the remaining balance of the general banking risk reserve restricted from use as per the Central Bank of Jordan instructions.

28. Interest Income

The details of this item are as follows:

	2018	2017
	JD	JD
Direct Credit Facilities:		
Consumer lending		
Overdrafts	1,154,888	1,483,529
Loans and bills	64,042,410	63,256,067
Credit cards	2,836,703	2,468,015
Margin accounts – financial services	271,465	257,707
Residential mortgages	14,520,274	13,252,224
Corporate lending		
Large Corporate		
Overdrafts	8,283,755	5,899,560
Loans and bills	22,834,196	16,280,372
Small and medium enterprises lending		
Overdrafts	2,006,517	1,187,456
Loans and bills	8,132,978	3,718,527
Public and governmental sectors	10,439,603	10,727,265
Balances at Central Banks	4,040,153	7,565,841
Balances and deposits at banks and financial institutions	5,855,155	6,263,104
Financial assets at amortized cost	20,545,248	10,688,624
Total	164,963,345	143,048,291

29. Interest Expense

The details of this item are as follows:

	2018	2017
	JD	JD
Banks and financial institution deposits	10,578,015	9,660,869
Customers' deposits:		
Current and demand accounts	2,824,223	1,662,455
Saving accounts	3,734,492	3,003,194
Time and notice placements	38,347,622	27,864,716
Deposit Certificates	687	1,758
Margin accounts	666,479	801,294
Borrowed funds	6,522,687	3,702,686
Deposit guarantee fees	3,986,079	3,502,223
Total	66,660,284	50,199,195

30. Net Commission

The details of this item are as follows:

	2018	2017
	JD	JD
Direct credit facilities commission	5,623,947	6,425,358
Indirect credit facilities commission	1,913,217	1,431,372
Other commissions	11,860,664	12,213,544
Less: commission expense	(58,905)	(10,388)
Total Net Commission	19,338,923	20,059,886

31. Gain from Foreign Currencies

The details of this item are as follows:

	2018	2017
	JD	JD
Trading/ interaction in foreign currencies	196,847	192,954
Revaluation of foreign currencies	4,563,226	3,633,763
Total	4,760,073	3,826,717

32. (Losses) Gains from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	Realized (Losses) Gains	Unrealized (Losses)	Stock Dividends	Total
	JD	JD	JD	JD
December 31, 2018				
Equities	(136,114)	(568,317)	360,994	(343,437)
Investment funds	-	-	-	-
Total	(136,114)	(568,317)	360,994	(343,437)
December 31, 2017				
Equities	26,800	(1,791,824)	1,879,766	114,742
Investment funds	(15,346)	-	-	(15,346)
Total	11,454	(1,791,824)	1,879,766	99,396

33. Dividends Income from Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	2018	2017
	JD	JD
Dividend income from companies shares	3,903,996	1,106,046

34. Other Income - Net

The details of this item are as follows:

	2018	2017
	JD	JD
Suspended interest transferred to revenue	556,317	901,482
Box rental income	126,093	124,579
Revenues from selling check books	81,778	103,894
Collections of debts previously written off	958,114	1,069,785
Income from ATM and credit cards	5,383,176	5,016,685
(Losses) gains from sale of property and equipment	(10,422)	(4,872)
Gains from sale of assets repossessed by the Bank	5,520	92,942
Buildings rent revenue	63,583	2,967
Brokerage commission	434,295	429,431
Others	142,984	293,855
Total	7,741,438	8,030,748

35- Employees' Expenses

The details of this item are as follows:

	2018	2017
	JD	JD
Employees' salaries, benefits and remuneration	34,593,685	33,891,990
Bank's contribution to social security	2,695,282	2,700,198
Bank's contribution to savings fund	479,598	477,686
End of service indemnity	430,288	240,589
Medical expenses	2,582,030	2,160,580
Employees' training	272,711	379,936
Employees' uniforms	9,155	161,357
Others employees expenses	63,126	138,074
Total	41,125,875	40,150,410

36. Other Expenses

The details of this item are as follows:

	2018	2017
	JD	JD
Rent	4,108,721	3,878,101
Cleaning and maintenance	1,830,222	1,834,176
Water, heat and electricity	2,589,951	2,564,599
License and governmental fees	1,036,955	1,025,751
Printings and stationery	572,921	588,202
Donations and subvention	676,153	742,145
Insurance expenses	1,072,353	1,160,624
Subscriptions	928,152	711,657
Telephone and telex	536,089	540,191
Legal fees and expenses	678,534	397,038
Professional fees	1,161,597	1,062,916
Mail and money transfer	597,509	579,528
Advertising expense	4,143,322	3,641,489
Credit cards expenses	2,285,949	1,980,120
Board of directors expenses and remuneration	771,127	778,999
Information systems expenses and compensation	6,334,189	5,944,336
Travel and transportation	642,965	671,466
Consultation expenses	398,930	126,263
Other expenses	774,779	701,688
Total	31,140,418	28,929,289

37. Provision for Expected Credit Losses

The details of this item are as follows:

	2018	2017
	JD	JD
Balances at central banks	488	-
Balances at banks and financial institutions	(34,943)	-
Deposits at banks and financial institutions	(92,307)	-
Financial assets at amortized cost	202,294	-
Direct credit facilities	8,330,203	3,792,546
Indirect credit facilities	573,748	-
Total	8,979,483	3,792,546

38. Earnings per Share

The details of this item are as follows:

	2018	2017
	JD	JD
Profit for the year attributable to bank's shareholders (JD)	30,126,670	30,336,470
Weighted average number of shares (share)	180,000,000	180,000,000
	Fils / JD	Fils / JD
Basic and diluted earnings per share (Bank's Shareholders)	0/167	0/169

The Diluted earnings per share for the current year income is equal to the basic Earnings per share, because the bank has not issued any financial tools that convert to Stocks which it may affect the earnings per share for the current year.

39. Cash and Cash Equivalents

The details of this item are as follows:

	2018	2017
	JD	JD
Cash and balances with Central Banks maturing within 3 months	333,371,868	519,193,270
Add: Balances at banks and financial institutions' maturing within 3 months	117,879,950	153,418,551
Less: Banks and financial institutions' deposits maturing maturing within 3 months	280,802,862	358,882,207
Restricted cash balances	10,635,000	9,358,800
Total	159,813,956	304,370,814

40. Balances and Transactions with Related Parties

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

		Paid in Capital	
Company Name	Ownership	2018	2017
	%	JD	JD
Al-Watanieh Financial Services Company Limited Liability	100	5,500,000	5,000,000
Al-Watanieh Securities Company private shareholding	100	1,600,000	1,600,000
Tamallak for Financial Leasing Company	100	5,000,000	5,000,000
Safa Bank	79	53,175,000	53,175,000
Thimar for Investment Services*	100	70,900	70,900

The Bank entered into transactions with subsidiaries, major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the credit facilities to related parties are performing facilities and are free of any provision.

The following related party transactions took place during the year:

	Related Parties			Total	
	Board of Directors and Relatives	Executive Management	Other *	2018	2017
	JD	JD	JD	JD	JD
Statement of Financial Position Items:					
Direct credit facilities	21,097,219	4,614,681	19,757,992	45,469,892	49,288,884
Deposits at the Bank	18,870,487	1,992,150	8,750,932	29,613,569	32,273,427
Margin accounts	153,166	142	91,180	244,488	887,299
Off Statement of Financial Position Items:					
Indirect credit facilities	2,387,769	-	314,986	2,702,755	3,390,734
				For the Year Ended December 31,	
				2018	2017
Income Statements Items:				JD	JD
Interest and commission income	1,885,695	88,164	2,857,739	4,831,598	6,553,358
Interest and commission expense	243,227	21,115	123,328	387,670	879,310

* Others include the rest of bank employees and their relatives up to the third degree.

- Credit interest rates on credit facilities in Jordanian Dinar range between 4% - 9.5%
- Credit interest rates on credit facilities in foreign currency range between 4% - 4.75%
- Debit interest rates on deposits in Jordanian Dinar range between 0% - 5.5%
- Debit interest rates on deposits in foreign currency range between 0% - 3.5%

Salaries, wages and bonuses of executive management amounted to JD 2,352,992 as of December 31, 2018 (JD 2,304,966 as of December 31, 2017).

41. Risk Management

IFRS (9) Disclosures

First: Descriptive Disclosures:

1. The Bank's definition of default and default handling mechanism.

- Definition of default:
  The Bank has adopted the definition of default in accordance with the instructions of IFRS (9) 13/2018 in addition to the instructions of the Central Bank of Jordan no. 47/2009 where any debt instrument was considered defaulted in the case of:

- The number of days due is 90 days and more
- The availability of evidence(s) that it has defaulted, in the case of the existence of one or more of the indicators below then the debt instrument counts as defaulted:

  - Any indicators of a noticeable decline in the customer's activity, their financial data, or the industrial sector.
  - Any technological or legislative changes to the work environment.
  - A noticeable decline in the value of the collaterals provided.
  - A noticeable decline in the parent company's activity.

- Default handling mechanism:
  The Bank monitors accounts before they reach the non-performance stage through designated departments and when accounts are classified as non-performing, they are monitored through the credit department before the initiation of legal procedures in case no final settlement with the customer has been reached. The Bank takes adequate provisions for those accounts in accordance with the instructions of the Central Bank of Jordan and the control authorities.

2. A detailed description of the Bank's internal credit rating policy and its working mechanism (where at a minimum the classification grades and the linkage mechanism with the three stages are described in accordance with IFRS (9) and the classification instruction no. (47/2009)).

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

  The Bank uses the Risk Analyst/Moody's System to measure the risk rating of customers within (7) grades for the performing accounts and (3) grades for the non-performing accounts. The probability of default (PD) increases as risk rating increases. Three segments are adopted at each grade for performing loans - with the exception of grade (1) where grade (1) is the best and grade (10) is the worst.

- Retail portfolio:
  The internal scoring of retail customers is conducted for all granted products (personal loans, housing loans, car loans and others) according to the business sector (public or private) and according to the nature of employment and occupation and different other criteria.

  The scoring terms are set based on historical performance in terms of granting, default and collection. The scoring is periodically reviewed and the terms are updated based on performance.

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

The Bank has adopted Moody's system for calculating expected credit losses where the calculation is made by specialized systems for the corporate and retail portfolios after taking into consideration the client's level of risk and probability of default and assessment of collaterals for Jordan branches, foreign branches and the subsidiaries.

The calculation for each stage is as follows:

- Stage (1): expected credit losses are calculated for debt instruments classified within this stage for the 12 months after the date of the financial statements.
- Stage (2): expected credit losses are calculated for debt instruments classified within this stage for the whole lifetime of the debt instrument in the remaining lifetime of the debt instrument.
- Stage (3): expected credit losses are calculated for debut instruments classified within this stage that have become defaulted for the whole lifetime of the debt instrument.

The following debt instruments are included in the calculation:

- Loans and direct and indirect credit facilities.
- Debt instruments at amortized cost.
- Financial guarantees specified according to IFRS 9.
- Accounts receivable related to lease contracts within the requirements of IFRS 17 and IFRS 16.
- Islamic financing products characterised as debt.
- Credit exposures on banks and financial institutions.

4. **Governance of the application of IFRS (9) requirements including the responsibility of the Board of Directors and executive management**
Roles and responsibilities:

The Board of Directors and its Committees:
- Providing appropriate governance structure and procedures to ensure the proper application of the standard by defining the roles of the committees and departments at the Bank.
- Providing the appropriate infrastructure for the implementation.
- Approving policies relating to IFRS 9.
- Approving any amendments to the results and outputs of the systems regarding the calculation and measurement of ECL and the variables to be calculated.

Executive Management:
- Taking IFRS 9 related decisions.

IFRS 9 Steering Committee:

The committee comprises the vice credit and treasury general manager, chief treasury officer, chief financial officer, chief risk management officer, chief corporate credit and SME loans and bank pooling officer and chief credit risk officer. Its most important objectives include:

- Coordinating with and giving directions to implementation officers in foreign branches, subsidiaries, and the Bank's management.
- Coordinating with central banks and local and foreign governance authorities.
- Taking decisions relating to the implementation of the project and giving directions for its implementation.
- Giving recommendations to the designated committees and departments to amend policies and the related work procedures.

Risk Management:

- Developing a clear framework for ECL calculation.
- Calculating the ECL, classifying the customers according to the three stages on a quarterly basis in accordance with the accounting standard requirements and CBJ regulations, and informing the Executive Management Risk Committee of the calculation results.
- Reviewing and approving the risk parameters in accordance with the approved policy and methodology.

Financial Management:

- Participating with the departments in the development and structure of business models to ensure that the Bank's financial assets are classified according to IFRS 9 principles.
- Participating in the calculation process with the concerned departments and reviewing the calculation results.
- Making the necessary reconciliations and journal entries and restrictions after the results are approved and verifying that all products have been included in calculation.
- Preparing the necessary disclosures in cooperation with the concerned departments in the Bank in accordance with the requirements of the Standard and CBJ regulations.
- Preparing the statements required by the Central Bank in cooperation with the concerned departments.

Corporate Credit, SME Loans and Bank Pooling Management:

- Classifying clients within the internal rating classification on a periodic basis to measure clients' risk based on the rating classification
- Periodically updating data for credit facilities and guarantees within the classification system.

Internal Audit Management:

- Verifying the adequacy of methodologies and systems used in the calculation of ECL.

5. Definition and mechanism for computing and monitoring probability of default (PD), exposure at default (EAD), and loss given default (LGD).

1- Probability of Default (PD):

- Retail portfolio:

  The probability of default has been computed using the Bank's historical default information for the retail loans and housing loans portfolio. These rates are calculated using independent variables which affect the probability of default rate (salary, sector, age, gender, interest rate, loan duration).

- Corporate portfolio:

  Risk rating is calculated based on Moody's Credit rating and then mapped to the relevant assigned PD. The assigned PD represents "Through-the-Cycle (TTC)", and thus calibrated according to the methodology developed by the consulting company in order to obtain (Point-in-Time "PIT" 12-month PD).

2- Exposure at Default (EAD):

- One time debt instruments (direct and indirect): the balance as of the date of the financial statements is considered as the balance at the date of default after subtracting suspended interest and the actual due date of the financial instrument is assumed.
- Renewing debt instruments (direct and indirect): the balance or the ceiling as of the date of the financial statements is considered as the balance at the date of default after subtracting suspended interest and the actual due date of the financial instrument plus three years is assumed.

3- Loss Given Default (LGD):

- Retail portfolio:

  The probability of default has been computed using the Bank's historical default information for the retail loans and housing loans portfolio. Both rates have approved at the account level for the retail portfolio.

- Corporate portfolio:

  Rates for Basel II have been approved amounting to 45% after considering the approved financial and non-financial credit diluents and after applying deduction haircuts.

6. The Bank's policy for determining common elements (criteria) that credit risk and expected credit losses on a collective basis have been measured with.

Credit risk and expected credit losses for retail have been calculated at an individual level for each account separately and not at a collective level.

7. Economic indicators used by the Bank in calculating expected credit losses (PD).

A group of economic indicators have been reviewed such as (gross domestic product, equities, interest rates, unemployment, and inflation) and the following approved indicators have shown a strong correlation between the indicator value and the default rate for each portfolio using historical information:

- Corporate portfolio: gross domestic product and equities.
- Retail portfolio – Jordan: gross domestic product and money supply (M2).
- Retail portfolio – Palestine: gross domestic product.

A probable weight has been assigned for each scenario with 40% for average, 30% for high, and 30% for low.

The Bank manages its risks through a comprehensive strategy for risk management by which the roles and responsibilities of all parties concerned are identified. These include the Board of Directors and subcommittees such as the Risk Committee, the Investment Committee and Audit and Compliance Management Committee, in addition to the executive management and its subcommittees, such as Assets and Liabilities Committee, Procedures Development Committee, Credit committees and other specialized Departments such as the Risk Management Department, Compliance Department and the Audit Department. Furthermore, all of the Bank's business units are considered responsible for identifying the risks associated within their banking operations and committed to applying the appropriate controls and monitoring their effectiveness and maintaining integrity within the internal control system.

The process of managing the risks within the Bank's activities include the identification, measurement, assessment and monitoring of financial and non-financial risks which could negatively affect the bank's performance and reputation or its goals ensuring that the bank achieves optimum yield in return for the risks taken.

The general framework of risk management at the Bank is in line with the size, complexity and nature of its operations, and in harmony with local regulations as well as taking into account the best international practices in this regard. The Bank's set of principles include the following:

1- The Board of Directors' responsibility for risk management. The risk committee of the board of directors does a periodic review of policies, strategies and risk management procedures of the bank, including setting acceptable risk limits.

2- The responsibility of the Board of Directors, represented by the Risk Committee in the development of the internal assessment of capital and analysis of current and future requirements for capital and as appropriate with the structure of the Bank's risk and strategic goals and taking action on particular in addition to its responsibility in ensuring a good system to evaluate the types of risks faced by the Bank and the development of the system to link these risks with the level of capital required to cover.

3- The responsibility of the Board of Directors to approve the policies developed by the executive management.

4- The risk management department, which is independent of other Bank's operations, reports to the Risk Committee on risk issues. For daily operations it is linked with the General Manager, and analyses all the risks including credit, market, liquidity and operational risk in addition to the development of measurement methodologies and controls for each type of risk as needed. The Risk Management Department also manages the process of Internal evaluation Capital Adequacy ICAAP in Cairo Amman Bank by using the comprehensive manner which is appropriate within their risk profile it also implements Basel requirements.

5 - Internal Audit department provides independent confirmation of the compliance of the working units with the policies and procedures of the risk committee set to manage risks and their efficiency.

6 - Managing risk is considered the responsibility of each unit and every employee of the Bank, in relation to those risks which are within their functions.

The bank is exposed to many risks, the following are the main risk categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Compliance Risk

Credit Risks:

Credit risk is the risk that may result from a lack of commitment or the inability of the other party of the financial instrument to fulfil its obligations to the Bank, leading to a financial loss. The bank manages its credit risk through the design and development of various policies that identify and address all aspects of granting and maintenance of credit in addition to determining the limits of credit facilities granted to clients and/or related groups as well as diversifying total credit facilities across sectors and geographical regions. The Bank also works continuously to evaluate the credit worthiness of customers, in addition to having appropriate collaterals.

The general framework for Credit Risk Management includes:

Credit Policies:

The Bank manages its credit risk through the annual policies set by the board of Directors in their credit policy including credit ceilings and various credit conditions, which are renewed annually, according to several changing factors and the results of the analysis, and studies which are approved by the board of directors, which includes mainly on principles of granting in the bank, stating authorities, collaterals and credit monitoring department the main frame of the Credit Risk Management. Moreover these policies define maximum credit limits given to any customer and / or group of related customers in addition to the distribution of credit according to geographical regions and different economic sectors. The Bank considers the diversification of portfolios as an important risk mitigation factor.

Customer Rating:

In order to develop credit risk Management at the bank, credit risks are performed internally which consists of customer credit risk rating; customers are rated according to their creditworthiness and ability to pay, in addition to assessing the quality of the facilities granted to clients, in terms of account activity and regularity of payment of principal and interest. The collaterals are classified according to type and percentage coverage of risk of granted facilities. Moreover the Bank periodically monitors the portfolios and their diversification, according to several classifications.

Mitigation Methodologies:

The Bank follows different procedures to mitigate risks, including determining the acceptable types of collaterals and their conditions , whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the bank taking into consideration that the value of the collateral is not related to the business of the customer . Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

Credit Granting:
The Bank adopts the principle of segregation of functions related to Risk Management in the Bank in line with best practices in this regard, clarifying the roles and responsibilities between each of the different credit functions (sales, credit approvals , credit administration, credit operations), to ensure a strong control and monitor over credit granting operations.

Credit decisions are checked against the credit policies and authority limits according to credit size and the collaterals against it, all documentations and contracts are reviewed before executing the credit to make sure of the segregation of functions.

Prior to granting facilities, legal documentation is done on the credit contracts and other documents related to the facilities, collaterals are checked against the credit condition agreed on and legal condition which retain the Bank rights.

Maintenance and Follow-up of Credit:
The performance of the credit portfolio is continuously monitored to make sure it is within the acceptable risk limits and economic sector limits which identified by the board of directors to identify any increasing risk levels.

The Bank continuously monitors its non performing portfolios to identify any need for additional provisions.

There are specialized and independent departments responsible for managing irregular credit facilities and handle the task of their administration and collection. The Bank has allocated several monitoring departments to monitor and follow up credit and report any early warning indicators for follow-up and correction.

1- Reclassified credit exposures

A- Gross reclassified credit exposures

Item	Stage 2		Stage 3			
	Gross exposure amount	Reclassified exposures	Gross exposure amount	Reclassified exposures	Gross reclassified exposures	Percentage of reclassified exposures
	JD	JD	JD	JD	JD	%
Balances at central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-
Direct credit facilities	136,225,501	69,714,058	85,793,901	40,028,334	222,044,443	%12.90
Debt securities and bills:	-	-	-	-	-	-
within financial assets through profit or loss	-	-	-	-	-	-
within financial assets through other comprehensive income	-	-	-	-	-	-
within financial assets at amortized cost	-	-	-	-	-	-
Financial instrument derivatives	-	-	-	-	-	-
Financial assets pledged as collateral (debt instruments)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	136,225,501	69,714,058	85,793,901	40,028,334	222,044,443	
Financial guarantees	7,044,107	2,540,875	231,376	34,500	6,824,734	%12.16
Letters of credit	2,025,328	-	-	-	-	-
Other liabilities	19,223,048	5,081,386	6,308	17,033	30,564,294	%19.41
Total	164,517,984	77,336,319	86,031,585	40,079,867	259,433,471	

B- Expected credit losses of reclassified exposures:

Item	Reclassified Exposures			Expected Credit Losses of Reclassified Exposures				
				Stage 2		Stage 3		
	Gross exposures reclassified to stage 2	Gross exposures reclassified to stage 3	Gross reclassified exposures	Individual	Collective	Individual	Collective	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities	69,714,058	40,028,334	222,044,443	557,972	905,090	796,317	-	2,259,379
Debt securities and bills:	-	-	-	-	-	-	-	-
within financial assets through profit or loss	-	-	-	-	-	-	-	-
within financial assets through other comprehensive income	-	-	-	-	-	-	-	-
within financial assets at amortized cost	-	-	-	-	-	-	-	-
Financial instrument derivatives	-	-	-	-	-	-	-	-
Financial assets pledged as collateral (debt instruments)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	69,714,058	40,028,334	222,044,443	557,972	905,090	796,317	-	2,259,379
Financial guarantees	2,540,875	34,500	6,824,734	18,422	-	27	-	18,449
Letters of credit	-	-	-	-	-	-	-	-
Other liabilities	5,081,386	17,033	30,564,294	11,491	2,976	1,455	-	15,922
Total	77,336,319	40,079,867	259,433,471	587,885	908,066	797,799	-	2,293,750

2- Allocation of exposures according to industrial sectors:

A- Allocation of exposures according to financial instruments - net

	Financial	Industrial	Commercial	Real Estate*	Agricultural	Trading	Consumer	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	-	-	-	-	-	-	-	220,278,635	220,278,635
Balances at banks and financial institutions	117,852,700	-	-	-	-	-	-	-	117,852,700
Deposits at banks and financial institutions	89,579,213	-	-	-	-	-	-	-	89,579,213
Direct credit facilities	44,928,248	96,434,147	324,420,509	308,176,997	10,249,083	4,335,857	641,739,156	219,286,404	1,649,570,401
Debt securities and bills:									
within financial assets at amortized cost	55,289,586	-	15,845,779	-	-	-	-	467,931,848	539,067,213
Financial assets pledged as collateral (debt instruments)	-	-	-	-	-	-	-	24,562,000	24,562,000
Other assets	9,907,370	3,173,953	16,499,625	153,696	365,293	55,044	2,205,132	5,450,791	37,810,904
Total	317,557,117	99,608,100	356,765,913	308,330,693	10,614,376	4,390,901	643,944,288	937,509,678	2,678,721,066
Financial guarantees	6,944,870	5,927,843	33,953,863	7,564,032	417,843	-	-	976,679	55,785,130
Letters of credit	204,522	3,668,100	11,902,670	-	-	-	-	13,346,883	29,122,175
Other liabilities	7,068,652	20,587,555	88,034,398	5,896,662	629,224	-	15,304,337	18,190,915	155,711,743
Total	331,775,161	129,791,598	490,656,844	321,791,387	11,661,443	4,390,901	659,248,625	970,024,155	2,919,340,114

* The industrial sector of real estate includes loans granted to corporates and housing loans.

B- Allocation of exposures according stage categories of IFRS (9):

	Stage 1		Stage 2			
Item	Individual	Collective	Individual	Collective	Stage	Total
	JD	JD	JD	JD	JD	JD
Financial	321,830,667	9,910,417	27,783	-	6,294	331,775,161
Indutrial and mining	86,341,107	4,011,037	37,917,153	67,147	1,455,154	129,791,598
General Commercial	392,754,417	18,713,432	70,086,795	748,902	8,353,298	490,656,844
Real estate purchase financing	104,675,883	190,719,271	8,433,120	10,898,765	7,064,348	321,791,387
Agricultural	9,566,828	400,343	762,534	15,948	915,790	11,661,443
Tading	-	3,447,264	-	801	942,836	4,390,901
Consumer	18,910,988	616,577,852	444,510	18,091,720	5,223,555	659,248,625
Government and public sector	951,064,193	5,450,791	12,162,653	-	1,346,518	970,024,155
Total	1,885,144,083	849,230,407	129,834,548	29,823,283	25,307,793	2,919,340,114

3- Allocation of exposures according to geographical locations:

A- Allocation of exposures according to geographical regions - net

	Inside Jordan	Other Middle Eastern Countries	Europe	Asia *	Americas	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	153,645,011	66,633,624	-	-	-	-	220,278,635
Balances at banks and financial institutions	25,685,483	63,484,185	15,299,714	824,739	12,524,166	34,413	117,852,700
Deposits at banks and financial institutions	88,967,227	611,986	-	-	-	-	89,579,213
Debt securities and bills:	1,227,344,939	379,568,094	37,926,758	4,730,610	-	-	1,649,570,401
within financial assets at amortized cost	510,261,614	27,776,882	1,028,717	-	-	-	539,067,213
Financial assets pledged as collateral (debt instruments)	24,562,000	-	-	-	-	-	24,562,000
other assets	27,283,782	8,512,142	561,530	-	1,453,450		37,810,904
Gross assets	2,057,750,056	546,586,913	54,816,719	5,555,349	13,977,616	34,413	2,678,721,066
Financial guarantees	43,702,916	9,915,192	746,154	1,201,848	219,020	-	55,785,130
Letters of credit and acceptances	23,507,822	5,614,353	-	-	-	-	29,122,175
Other liabilities	116,634,336	38,680,101	397,306	-	-	-	155,711,743
Total	2,241,595,130	600,796,559	55,960,179	6,757,197	14,196,636	34,413	2,919,340,114

B- Allocation of exposures according stage categories of IFRS (9):

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Inside Jordan	1,389,580,901	689,318,418	117,821,625	21,818,775	23,055,411	2,241,595,130
Other Middle Eastern Countries	425,360,347	157,897,009	7,282,313	8,004,508	2,252,382	600,796,559
Europe	55,398,649	561,530	-	-	-	55,960,179
Asia	2,026,587	-	4,730,610	-	-	6,757,197
Americas	12,743,186	1,453,450	-	-	-	14,196,636
Othe Countries	34,413	-	-	-	-	34,413
Total	1,885,144,083	849,230,407	129,834,548	29,823,283	25,307,793	2,919,340,114

4- Credit risk after net of allowances for impairment and suspended interest and before the effect of mitigation and collatera

	December 31	
	2018	2017
	JD	JD
On-Statement of Financial Position Items		
Cash and balances at Central Banks	220,278,635	440,508,243
Balances at banks and financial institutions	117,852,700	153,418,551
Deposits at banks and financial institutions	89,579,213	94,494,903
Direct credit facilities:		
Consumer lending	642,911,999	667,947,808
Residential mortgages	207,345,722	198,531,808
Large corporations	446,908,439	336,279,561
Small and medium enterprises	133,258,009	107,106,481
Lending to governmental sectors	219,146,232	228,071,091
Financial assets held at amortized cost, net	539,067,213	325,364,198
Financial assets pledged as collateral	24,562,000	4,589,000
Other assets	37,810,904	25,787,572
Total on-Statement of Financial Position Items	2,678,721,066	2,582,099,216
Off-Statement of Financial Position Items		
Letters of credit	17,439,208	49,861,134
Acceptances	11,682,967	949,305
Letters of guarantee	55,785,130	51,150,670
Irrevocable commitments to extend credit	155,711,743	116,648,187
Total off-Statement of Financial Position Items	240,619,048	218,609,296
Total on & off-Statement of Financial Position Items	2,919,340,114	2,800,708,512

- The table above represents the maximum credit risk for the bank as of December 31, 2018 and 2017 without taking the collaterals or effect of mitigation into consideration.

- The exposure mentioned above for on- statement of financial position items is based on the balance shown in the statement of financial position.

Types of collaterals against loans and credit facilities are as follows:

- Real estate properties.
- Financial instruments (equities and bonds).
- Bank guarantees.
- Cash collateral
- Government guarantees.

The management monitors the market value of these guarantees periodically and if the value of collateral decreased the bank requests additional collateral to cover the deficit, in addition, the bank assesses the collateral against non-perform credit facilities periodically.

Rescheduled Loans:

These represent loans previously classified as non-performing loans and reclassified as other than non-performing loans according to proper scheduling to watch list during the year 2018. Moreover, they amounted to JD 11,330,677 million as of the current year against JD 7,976,992 million as of the previous year.

The scheduled debt balance represents the debt that was scheduled whether classified under watch list or transferred to performing.

Restructured Loans:

Restructuring means rearranging the status of operating credit facilities in terms of adjusting premiums, prolonging the life of credit facilities, postponing some instalments, or extending the grace period, based on customer cash flows and helping them meet their obligations towards the Bank. The value of these loans amounted to about JD 25,584,921 million in 2018 against JD 19,053,887 million at the end of the previous year.

5. **Debt Securities and Treasury Bills**

The schedule below shows the distribution of bonds and bills according to the international agencies classification:

Rating grade	Rating Agency	Financial Assets at Amortized Cost or Financial Assets Pledged as Collateral
		JD
Baa1	Moody's	355,217
BAA3	Moody's	813,905
Ba1	Moody's	354,495
Un-rated		69,997,915
Governmental		492,107,681
Total		**563,629,213**

Development of Credit Risk Measurement and Management System

It is established by being up to date on the best practices for credit management specifically relating to risk measurement and the required capital evaluation implementing the instructions of the Central Bank of Jordan relating to implementing basel III.

Market Risk

Market risk is defined as the risk of fluctuation in fair value or cash flows of financial assets arising from changes in market prices such as interest rate risks, foreign currency risks, and commodities risks.

Market risk is measured and monitored through sensitivity analysis, stress testing and stop loss limits.

Interest Rate Risk Management

The Bank seeks to obtain long-term financing to fund long-term investments at fixed rates whenever possible. Furthermore, the Bank uses hedging instruments such as interest rate swaps to reduce any negative effects.

The following table demonstrates the sensitivity analysis of interest rates:

2018

Currency	Increase in interest rate	Sensitivity of net interest income (profit or loss)	Change (decrease) in interest rate	Sensitivity of net interest income (profit or loss)
	Basis points	JD	Basis points	JD
USD	100	(597,370)	100	597,370
EURO	100	(339,096)	100	339,096
GBP	100	24,094	100	(24,094)
YEN	100	-	100	-
Other Currency	100	192,645	100	(192,645)

2017

Currency	Increase in interest rate	Sensitivity of net interest income (profit or loss)	Change (decrease) in interest rate	Sensitivity of net interest income (profit or loss)
	Basis points	JD	Basis points	JD
USD	100	(748,772)	100	748,772
EURO	100	(788,770)	100	788,770
GBP	100	32,131	100	(32,131)
YEN	100	(22)	100	22
Other Currency	100	235,877	100	(235,877)

Interest Rate Re-Pricing Gap

The classification is based on the interest repricing periods or maturities whichever is earlier.

As of December 31, 2018	Less than 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	More than 3 Years	Non-Interest Bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at Central Banks	66,034,016	-	-	-	-	-	267,336,270	333,370,286
Balances at banks and financial institutions	88,811,936	81,080	-	-	-	-	28,959,684	117,852,700
Deposits at banks and financial institutions	-	-	-	28,606,010	60,973,203	-	-	89,579,213
Financial assets at fair value through profit or loss	-	-	-	-	-	-	11,503,790	11,503,790
Direct credit facilities	751,071,325	255,190,252	273,234,035	50,632,277	147,224,599	172,217,913	-	1,649,570,401
Financial assets at fair value through OCI	-	-	-	-	-	-	52,322,447	52,322,447
Financial assets at amortized cost	204,757	45,963,335	30,260,649	54,302,854	233,347,004	174,988,614	-	539,067,213
Financial assets pledged as collateral	-	-	-	-	3,856,000	20,706,000	-	24,562,000
Property and equipment	-	-	-	-	-	-	43,232,345	43,232,345
Intangible assets	-	-	-	-	-	-	8,120,517	8,120,517
Other assets	-	-	-	-	-	-	57,533,265	57,533,265
Deferred tax assets	-	-	-	-	-	-	8,699,628	8,699,628
Total Assets	906,122,034	301,234,667	303,494,684	133,541,141	445,400,806	367,912,527	477,707,946	2,935,413,805
Liabilities								
Banks and financial institution deposits	228,539,281	27,031,310	4,349,288	28,000,000	70,000,000	-	20,882,983	378,802,862
Customers' deposits	592,100,124	258,398,672	270,630,076	277,955,341	120,153,987	51,828,977	342,834,916	1,913,902,093
Cash margins	1,216,526	2,709,050	3,336,194	4,400,271	12,382,630	1,294,821	24,241,477	49,580,969
Borrowed funds	20,188,328	1,697,058	2,149,583	33,818,481	39,654,440	55,632,904	8,968,512	162,109,306
Sundry provisions	-	-	-	-	-	-	15,403,533	15,403,533
Income tax liabilities	-	-	-	-	-	-	15,202,732	15,202,732
Deferred tax liabilities	-	-	-	-	-	-	883,100	883,100
Other liabilities	-	-	-	-	-	-	53,189,141	53,189,141
Total Liabilities	842,044,259	289,836,090	280,465,141	344,174,093	242,191,057	108,756,702	481,606,394	2,589,073,736
Interest rate sensitivity gap	64,077,775	11,398,577	23,029,543	(210,632,952)	203,209,749	259,155,825	(3,898,448)	346,340,069
As of December 31, 2017								
Total Assets	1,041,400,722	272,747,520	353,693,375	117,326,195	267,374,609	271,184,527	470,619,799	2,794,346,747
Total Liabilities	786,123,598	249,841,416	195,176,702	173,952,396	211,804,399	64,889,713	765,505,563	2,447,293,787
Interest rate sensitivity gap	255,277,124	22,906,104	158,516,673	(56,626,201)	55,570,210	206,294,814	(294,885,764)	347,052,960

Currency Risk:

Foreign currency risk is the risk of change in value of financial instruments due to the change in the foreign currency prices. The Bank's functional currency is the Jordanian Dinar. The Board of Directors identifies the set of currencies in which it is acceptable to take positions in and the limits of these positions for each currency annually. Foreign currencies positions are monitored on a daily basis to make sure that the Bank will not exceed those acceptable levels. Strategic policies are followed to maintain the position in the acceptable level.

The table below indicated the currencies to which the Bank had significant exposure. Analysis calculates the effect of a reasonably possible movement of the currency rate against the JD, with all other variables held constant on the income statement and equity:

	2018			2017		
	Increase in Exchange	Effect on Profit or Loss	Sensitivity on Equity	Increase in Exchang	Effect on Profit or Loss	Sensitivity on Equity
	%	JD	JD	%	JD	JD
EURO	+1	(804)	-	+1	(1, 687)	-
GBP	+1	1,040	-	+1	(1,804)	-
YEN	+1	-	-	+1	(3)	-
Other	+1	224.628	-	+1	151,473	-

- The effect on negative change in interest price is equal to the change shown above with changing the sign.

Concentration in foreign currency risk:

As of December 31, 2018	US Dollar	Sterling Pound	Japanese Yen	Euro	Other Currencies	Total
	JD	JD	JD	JD	JD	JD
Assets						
Cash and balances at Central Banks	55,213,218	453,600	-	46,969,226	76,698,926	179,334,970
Balances at banks and financial institutions	63,717,106	6,288,583	803,916	5,073,819	22,440,756	98,324,180
Deposits at banks and financial institutions	-	-	-	16,207,100	611,986	16,819,086
Financial assets at fair value through profit or loss	391,164	-	-	-	-	391,164
Direct credit facilities - net	226,683,926	4	-	2,128,005	149,098,321	377,910,256
Financial assets at fair value through OCI	1,070,066	-	-	115,453	9,175,122	10,360,641
Financial assets at amortized cost	124,231,327	-	-	-	2,944,475	127,175,802
Intangible assets	453,543	-	-	-	-	453,543
Property and equipment - net	9,141,902	-	-	-	131,171	9,273,073
Other assets	5,688,320	4,044	-	14,937	5,152,743	10,860,044
Total Assets	486,590,572	6,746,231	803,916	70,508,540	266,253,500	830,902,759
Liabilities						
Banks and financial institution deposits	173,020,732	900,517	-	61,418,100	7,651,840	242,991,189
Customers' deposits	350,364,216	7,191,236	803,883	18,456,154	188,703,645	565,519,134
Cash margins	16,249,025	24,890	-	1,833,503	3,345,274	21,452,692
Borrowed funds	22,521,474	-	-	4,349,288	-	26,870,762
Income tax liability	460,698	-	-	-	-	460,698
Sundry provisions	308,732	-	-	-	-	308,732
Other liabilities	14,224,857	81,637	-	71,227	(8,371,327)	6,006,394
Total Liabilities	577,149,734	8,198,280	803,883	86,128,272	191,329,432	863,609,601
Net concentration on statement of financial position	(90,559,162)	(1,452,049)	33	(15,619,732)	74,924,068	(32,706,842)
Contingent liabilities off statement of financial position	37,431,117	403,106	390,152	18,634,473	8,057,793	64,916,641
As of December 31, 2017						
Total Assets	403,357,134	8,918,023	2,189	113,692,325	272,060,600	798,030,271
Total Liabilities	510,073,529	8,932,168	2,189	114,464,254	224,285,179	857,757,319
Net concentration on statement of financial position	(106,716,395)	(14,145)	-	(771,929)	47,775,421	(59,727,048)
Contingent liabilities off statement of financial position	55,291,349	403,106	390,152	21,914,457	7,881,308	85,880,372

Change in Equity Price Risk

Equity price risk arise from changes in fair values of investments in equities. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Bank's investments are quoted on Amman Stock Exchange and the Palestine Securities Exchange.

	2018			2017		
Market Indices	Change in Equity Price	Effect on Profit or Loss	Effect on Equity	Change in Equity Price	Effect on Profit or Loss	Effect on Equity
	%	JD	JD	%	JD	JD
Amman Stock Exchange	5+	306,741	1,334,817	5+	45,706	495,044
Palestine Securities	5+	58,577	177,951	5+	924,157	192,574
New York Stock Exchange	5+	8,456	-	5+	10,290	-
Others Markets	5+	1,806	412,880	5+	1,760	-

In case of negative change in index the effect will be the same with a change in the sign.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances, without incurring high costs or loss, the Bank adopts the following principles for the management of liquidity risk.

Diversification of funding sources

Bank's management seeks to diversify sources of funding and prevent the concentration in the funding sources. In addition to the capital base and customer deposits the bank also borrows from institutions and local and foreign banks which would provide sources of funding at appropriate costs and maturities.

The bank had also established a Liquidity Contingency Plan, which provides the basic framework for the management of liquidity in crisis time and keep it from deteriorating. This includes defining an effective mechanism to manage liquidity during times of crisis, within reasonable costs and preserving the rights of depositors, borrowers, and shareholders.

The Liquidity Contingency Plan is regularly reviewed and updated by the Assets and Liabilities Committee.

Analyzing and monitoring the maturities of assets and liabilities

The Bank studies the liquidity of its assets and liabilities and monitors the major liquidity ratios as well as any changes that occur on them on a daily basis, The Bank, seeks through the Assets and Liabilities Committee to match between the maturities of its assets and liabilities and control the liquidity gaps within the limits defined in the Bank's policies.

Measure and manage market risk according to the standard requirements of Basel II and Basel III

Based on best practices in managing market risk and liquidity risk, the Bank is pursuing a policy to manage these risks as approved by the board of directors and that by relying on several methodologies and techniques and models to measure and assess and monitor these risks on an ongoing basis, In addition to estimating the required capital for market risk and other applications with the instructions of the Central Bank of Jordan and the standard for the application of Basel II. The Bank takes into account the implementation the best practise and techniques which applied by Basel III.

Cash reserves with Central Banks

The Bank maintains statutory cash reserve with the Central Banks amounting to JD 100,843,314.

First: The table below summarizes the maturity profile of the Bank's financial liabilities based on contractual (undiscounted) repayment obligations as of the date of the financial statements:

As of December 31, 2018	Less than 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	More than 3 Years	No Fixed Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Banks and financial institution deposits	249,990,526	27,232,950	4,414,175	28,835,462	74,177,309	-	-	384,650,422
Customers' deposits	723,295,417	316,504,667	320,886,469	323,353,259	200,099,519	51,828,977	-	1,935,968,308
Cash margins	4,275,719	6,076,321	6,720,750	9,068,745	19,561,965	4,325,294	-	50,028,794
Borrowed funds	20,194,601	1,697,480	2,153,814	35,112,844	42,314,158	75,362,697	8,968,512	185,804,106
Sundry provisions	539,524	655,857	547,782	1,665,000	11,817,005	178,365	-	15,403,533
Income tax liabilities	3,150,000	-	7,300,000	2,616,984	1,935,748	200,000	-	15,202,732
Deferred tax liabilities	-	-	-	-	228,601	-	654,499	883,100
Other liabilities	30,080,382	11,827,576	5,023,555	1,852,789	1,399,050	3,005,789	-	53,189,141
Total Liabilities	1,031,526,169	363,994,851	347,046,545	402,505,083	351,533,355	134,901,122	9,623,011	2,641,130,136
Total Liabilities (as per their expected maturities)	594,781,626	147,566,279	146,591,934	262,405,535	774,827,864	883,428,240	125,812,327	2,935,413,805

As of December 31, 2017	Less than 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	More than 3 Years	No Fixed Maturity	Total
Liabilities								
Banks and financial institution deposits	312,720,909	47,298,756	-	15,311,037	76,027,431	-	-	451,358,133
Customers' deposits	743,794,170	308,117,891	280,603,105	226,018,471	202,352,463	1,237,548	-	1,762,123,648
Cash margins	3,788,118	6,003,445	8,001,489	11,723,542	17,323,490	5,078,498	-	51,918,582
Borrowed funds	35,741	357,808	1,618,644	1,083,404	55,903,083	77,604,068	1,074,224	137,676,972
Sundry provisions	335,398	450,965	1,640,622	2,860,658	8,317,839	3,562,924	-	17,168,406
Income tax liabilities	2,100,000	-	10,100,354	3,670,153	1,450,954	-	-	17,321,461
Deferred tax liabilities	-	-	-	-	223,164	-	546,904	770,068
Other liabilities	26,038,227	8,266,204	7,984,083	2,198,622	2,359,270	1,858,757	-	48,705,163
Total Liabilities	1,088,812,563	370,495,069	309,948,297	262,865,887	363,957,694	89,341,795	1,621,128	2,487,042,433
Total Liabilities (as per their expected maturities)	776,608,628	145,332,091	139,630,066	233,140,050	814,041,853	569,830,992	115,763,067	2,794,346,747

Second: The table below summarizes the maturities of financial derivatives as of the date of the financial statements:

As of December 31, 2018	Up to 1 Year	1 - 5 Years	More than 5 Years	Total
	JD	JD	JD	JD
Acceptances and letters of credit	28,974,355	90,152	-	29,064,507
Letters of guarantee	53,884,123	2,247,107	-	56,131,230
Unutilised ceilings	97,951,571	-	-	97,951,571
Total	180,810,049	2,337,259	-	183,147,308

As of December 31, 2017	Up to 1 Year	1 - 5 Years	More than 5 Years	Total
Acceptances and letters of credit	50,810,439	-	-	50,810,439
Letters of guarantee	51,150,670	-	-	51,150,670
Unutilised ceilings	116,648,187	-	-	116,648,187
Total	218,609,296	-	-	218,609,296

Operational Risk
Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The general framework for the operational risk management:
Managing operational risk is the responsibility of all employees in the bank through the proper application of internal policies and procedures that would curb these risks and exposures that arise during daily operations.

As a result of the willingness of the bank management to keep pace with technology in internal policies and procedures continuously the general framework for the operational risk management is implemented by a dedicated staff that aims to facilitate and support all the Bank's departments to carry out their duties in managing these risks.

The Bank implements several operational risk measurement methodologies aimed at identifying and assessing the risks to which the Bank may be exposed, in order to take appropriate control measures that facilitate the decision making process in reducing these risks, the most important of which are self-assessment of risks and control measures, review the actual and potential losses resulting from ongoing operations, monitor and follow up key risk indicators to develop control and avoid future losses.

Compliance Risk
Pursuant to CBJ's instruction and in line with the international directions and updates as well as Basle's regulations, with the aim to ensure compliance of the bank and its internal policies and procedures with all applicable laws, regulations, international banking standards and best practices as well as safe and sound banking practices disseminated by local and international regulatory and supervisory competent authorities, this Compliance and AML/CFT Policy is issued with the approval of the Board of Directors in addition to the internal AML/CFT Manual. In addition, the Compliance and AML/CFT Division was restructured to consist of two departments; Compliance Department and AML/CFT Department to monitor the bank's compliance with applicable laws and regulations and best practices issued by regulatory competent authorities through well devised monitoring programs and internal procedures oriented toward a Risk Based Approach.

The main objectives of the compliance department are as follows:

- Identify, assess and manage compliance risks.
- Prepare and make available applicable laws and regulation files governing the nature and scope of work of all relevant divisions and departments on the bank intranet and update these regularly to stay current with legal and regulatory updates; support and assist executive management to manage compliance risks.
- Advise and assist the bank's management with all laws and regulations in relation to compliance.
- Monitor compliance risks through regulatory databases, which contain all laws and regulations issued by regulatory and competent authorities and which is updated and amended regularly in accordance with the latest regulatory updates that should be adhered to.
- Review and assess all preexisting and new banking products and services as well as internal policies and procedures to ensure that they are in strict compliance with applicable laws and regulations.

- Submit reports directly to the compliance committee, formed by the board of directors, regarding the scope and level of compliance the bank and its international branches and subsidiaries.

- Advise and assist the bank's executive management for compliance risk management.

With regards to Anti-Money Laundering, an independent AML Department was formed and restructured within the Compliance and AML/CFT Division. The division recruited highly qualified and trained staff along with the automated AML/CFT Systems and Software Solutions to perform its work in accordance with policies and procedures approved by the board of directors and in accordance with Anti-Money Laundering Law No.46 of 2007 and its amendments, together with AML/CFT instructions issued by Central Bank of Jordan and international best practice in this regard to lessen and mitigate the risks involved with those transactions; the aim of which is to identify the procedures applicable and appropriate to financial transactions and to apply due diligence measures to identify pre-existing and potential customers and to understand their legal and personal capacity and status and the ultimate beneficial owner and the ongoing monitoring and reviewing of such transactions during the period of the banking relationship.

The main objectives of the AML Department are as follows:

1. Ensure the bank's compliance with all AML/CFT Policies and procedures as approved by the competent authority within the bank.
2. Ensure the bank's compliance with all applicable laws and regulations issued by competent authorities.
3. Prohibit and protect the bank's reputation and image from any allegation of involvement with money laundering and terrorist financing.
4. Prohibit the use of banking products and services in money laundering and terrorist financing transactions.
5. Participate in national and international efforts and initiatives relevant to anti-money laundering and combating terrorism financing.
6. Protect the bank and its employees from being exposed to AML/CFT risks which might lead to material financial losses or regulatory, legal, administrative, civil and criminal sanctions and liability.

42- Segment Information

A- Information on the Bank's Segments:

For management purposes the Bank is organised into three major business segments which are measured according to reports used by the general manager and key decision makers at the Bank, through the following major sectors:

- Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds trar
- Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations

Following is the Bank's segment information:

					Total	
					For the Year Ended December 31,	
	Retail Banking	Corporate Banking	Treasury	Other	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenues	102,527,282	56,508,643	39,154,739	2,173,674	200,364,338	176,171,084
Provision for expected credit losses	2,156,394	6,747,557	75,532	-	8,979,483	3,792,546
(Reversed) from provision for repossessed assets	-	-	-	-	-	(1,000,000)
Sundry provisions	(846,529)	-	-	-	(846,529)	1,678,383
Segmental results	77,114,376	26,952,804	19,330,246	2,173,674	125,571,100	121,500,960
Unallocated expenses					83,586,626	79,605,756
Profit before tax					41,984,474	41,895,204
Income tax					(12,277,739)	(11,927,424)
Net profit					29,706,735	29,967,780
Other information						
Segmental Total Assets	850,257,721	799,312,680	1,176,957,277	108,886,127	2,935,413,805	2,794,346,747
Segmental Total Liabilities	908,357,697	877,623,789	719,296,844	83,795,406	2,589,073,736	2,447,293,787
Capital expenditures					9,649,256	8,145,498
Depreciation and amortisation					9,560,877	9,176,099

B- Geographical Information:

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment, the Bank operates in Jordan and Palestine.

Below is the distribution of the revenues, assets and capital expenditures as per the geographical information:

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenue	158,392,207	137,298,756	41,972,131	38,872,328	200,364,338	176,171,084
Capital expenditures	5,010,774	4,194,213	4,638,482	3,951,285	9,649,256	8,145,498

	Inside Jordan		Outside Jordan		Total	
	December 31		December 31		December 31	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	2,165,453,634	2,120,123,419	769,960,171	674,223,328	2,935,413,805	2,794,346,747

43. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan.

According to Central Bank of Jordan regulation (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011. In addition, the regulation requires a minimum leverage ratio of 4%.

As per the Central Bank of Jordan the adequate capital adequacy ratio must not be less than 14.25%.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from previous years.

Description of what is considered capital

As per Central Bank of Jordan regulations capital consists of Tier 1 capital, which comprises share capital, share premium, reserves, declared reserves, retained earnings, Non-Controlling interest allowed to be recognized, other comprehensive income items less proposed dividends, goodwill, cost of treasury stocks, deficit in requested provisions, deferred tax assets related to non-performing loans and any other restricted amounts. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt that may be transferred to shares, preference shares not accrued interest and non-controlling allowed to be recognized. The third component of capital is Tier 3 (which is aid to Tier 2 capital) which is used against market risk. Investments in the capital of banks and other financial institutions are deducted from regulatory capital if not consolidated in addition to investments in the capital of insurance companies. Also, excess over 10% of the Bank's capital if invested in an individual company investee as per the Central Bank of Jordan regulations.

On November 31, 2016 The Central Bank of Jordan issued instructions regarding capital adequacy in accordance with basel III and canceled the instructions of regulatory capital adequacy according to basel II.

The capital adequacy percentage is calculated in accordance with the Central Bank of Jordan according to basel committee decision. Below is the capital adequacy as per Basel III:

	December 31	
	2018	2017
	JD	JD
Ordinary Share Rights		
Paid up capital	180,000,000	180,000,000
Retained earnings after subtracting the expected accumulated distributions	61,286,036	49,679,760
Change in fair value reserve	(9,789,482)	(9,005,364)
Statutory reserve	74,578,456	69,955,203
Other reserves approved by the Central Bank	10,891,362	7,756,997
Minority rights allowed to be recognized	1,780,811	1,580,191
Total ordinary share capital	**318,747,183**	**299,966,787**
Regulatory Adjustments (Capital deductible)		
Intangible assets	8,120,517	9,945,324
Deferred tax assets that should be deducted	7,713,846	4,964,213
Net ordinary shareholders' equity	**302,912,820**	**285,057,250**
Additional capital		
Minority rights allowed to be recognized		
Net primary capital (Tier I)		
Tier II Capital		
General banking risk reserve	3,230,765	16,597,081
Required provisions against debt instruments for stage 1 according to IFRS (9)	9,533,581	-
Minority rights allowed to be recognized	356,162	316,038
Tier II Capital	13,120,508	16,913,119
Adjustment (deducted from capital)		
Investment in subsidiaries capital unconsolidated with banks accounts	-	-
Net Tier II	13,120,508	16,913,119
Regulatory capital	**316,033,328**	**301,970,369**
Total risk weighted assets	**2,078,124,360**	**2,007,515,373**
Capital adequacy (%)	**15.21%**	**15.04%**
Capital adequacy (primary capital) (%)	**14.58%**	**14.20%**
Subordinated capital (%)	**0.63%**	**0.84%**

44. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	Up to 1 Year	More than 1 Year	Total
December 31, 2018	JD	JD	JD
Assets			
Cash and balances at Central Banks	333,370,286	-	333,370,286
Balances at banks and financial institutions	117,852,700	-	117,852,700
Deposits at banks and financial institutions	28,606,010	60,973,203	89,579,213
Financial assets at fair value through profit or loss	11,503,790	-	11,503,790
Financial assets at fair value through other comprehensive income	-	52,322,447	52,322,447
Direct credit facilities	517,508,232	1,132,062,169	1,649,570,401
Financial assets at amortized cost	130,731,596	408,335,617	539,067,213
Financial assets pledged as collateral	-	24,562,000	24,562,000
Property and equipment	3,559,505	39,672,840	43,232,345
Intangible assets	6,613,011	1,507,506	8,120,517
Deferred tax assets	963,026	7,736,602	8,699,628
Other assets	32,946,752	24,586,513	57,533,265
Total Assets	1,183,654,908	1,751,758,897	2,935,413,805
Liabilities			
Banks and financial institution deposits	308,802,862	70,000,000	378,802,862
Customers' deposits	1,687,152,369	226,749,724	1,913,902,093
Cash margins	26,058,193	23,522,776	49,580,969
Borrowed funds	60,034,169	102,075,137	162,109,306
Sundry provisions	3,408,163	11,995,370	15,403,533
Other liabilities	48,784,302	4,404,839	53,189,141
Deferred tax liabilities	654,499	228,601	883,100
Income tax liabilities	13,066,984	2,135,748	15,202,732
Total Liabilities	2,147,961,541	441,112,195	2,589,073,736
Net Assets	(964,306,633)	1,310,646,702	346,340,069

December 31, 2017	Up to 1 Year	More than 1 Year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	519,193,270	-	519,193,270
Balances at banks and financial institutions	153,418,551	-	153,418,551
Deposits at banks and financial institutions	37,983,353	56,511,550	94,494,903
Financial assets at fair value through profit or loss	22,275,220	-	22,275,220
Financial assets at fair value through other comprehensive income	-	32,789,902	32,789,902
Direct credit facilities	431,554,067	1,106,382,682	1,537,936,749
Financial assets at amortized cost	135,673,583	189,690,615	325,364,198
Financial assets pledged as collateral	520,000	4,069,000	4,589,000
Property and equipment	3,701,370	37,692,451	41,393,821
Intangible assets	6,419,169	3,526,155	9,945,324
Deferred tax assets	875,010	4,867,996	5,743,006
Other assets	25,371,801	21,831,002	47,202,803
Total Assets	1,336,985,394	1,457,361,353	2,794,346,747
Liabilities			
Banks and financial institution deposits	374,289,678	73,000,000	447,289,678
Customers' deposits	1,532,270,631	217,594,215	1,749,864,846
Cash margins	29,381,547	21,886,170	51,267,717
Borrowed funds	3,211,933	111,694,515	114,906,448
Sundry provisions	5,287,643	11,880,763	17,168,406
Other liabilities	44,487,136	4,218,027	48,705,163
Deferred tax liabilities	546,904	223,164	770,068
Income tax liabilities	15,870,507	1,450,954	17,321,461
Total Liabilities	2,005,345,979	441,947,808	2,447,293,787
Net Assets	(668,360,585)	1,015,413,545	347,052,960

45. Fiduciary Accounts

Fiduciary accounts amounted to JD 465,300 as of 31 December 2018 (JD 454,068 as of December 31, 2017). Such assets or liabilities are not included in the Bank's statement of financial position.

46. Contingent Liabilities and Commitments

a. The total outstanding commitments and contingent liabilities are as follows:

	2018	2017
	JD	JD
Letters of credit:		
Received	17,378,484	49,861,134
Acceptances	11,686,023	949,305
Letters of guarantee:		
Payments	22,207,718	18,206,891
Performance	20,781,390	16,595,948
Other	13,142,122	16,347,831
Irrevocable commitments to extend credit	97,951,571	116,648,187
	183,147,308	218,609,296

b) The contractual commitments of the Bank are as follows:

	2018	2017
	JD	JD
Contracts to purchase property and equipment	1,273,705	1,595,607

* Annual rent of the Bank's main building and the branches amounted to JD 4,108,721 as of December 31, 2018 (JD 3,878,101 as of December 31, 2017).

47. Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 41,372,238 as of December 31, 2018 (JD 44,321,010 as of December 31, 2017). In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient. Provision for possible legal obligations amounted to JD 1,497,389 as of December 31, 2018 (JD 4,287,503 as of December 31, 2017).

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

48. Subsequent Events

On January 1, 2019 multiple civil lawsuits have been filed at US courts against multiple banks and financial institutions claiming financial compensation using the US antiterrorism law for damages allegedly resulting from attacks by groups listed under the US sanctions list in 2001. These lawsuits have been filed at courts hours before their filing deadline, and have been filed by an attorney office which has filed several similar complaints against other banking institutions on behalf of the same plaintiffs claiming the damages. Cairo Amman Bank is one of the banks the aforementioned lawsuit has been filed against. The lawsuit is still in the preliminary phase.

In the opinion of management and legal counsel, no provisions should be recorded for the lawsuits filed at US courts against the Bank as of December 31, 2018 as the Bank has consulted with legal consultants specialized in US courts and concluded that the legal status of the lawsuits is in favour of the Bank and that there is no legal or judicial grounds for the lawsuits.

49- Fair Value Hierarchy

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

Some financial assets and liabilities of the Company are measured at fair value at the end of each fiscal period. The following table shows information about how the fair value of these financial assets and liabilities is determined (valuation methods and inputs used).

Financial Assets / Financial Liabilities	Fair Value December 31 2018	Fair Value December 31 2017	The Level of Fair Value	Valuation Method and Inputs Used	Important Intangible Inputs	Relation between Fair Value and Significant Intangible Inputs
	JD	JD				
Financial Assets at Fair Value in Income Statement						
Equity Securities	11,503,790	22,275,220	Level I	Prices issued in market values	N/A	N/A
Total	11,503,790	22,275,220				
Financial Assets at Fair Value in Other Comprehensive Income						
Quoted shares	48,264,787	30,356,340	Level I	Prices issued in market values	N/A	N/A
Unquoted shares	4,057,660	2,433,562	Level II	Comparing the market value with a similar financial instrument	N/A	N/A
Total	52,322,447	32,789,902				
Financial Assets at Fair Value	63,826,237	55,065,122				

There were no transfers between the first level and second level during 2018.

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

Except as set out in the table below, we believe that the carrying value of financial assets and financial liabilities in the financial statements of the Company approximates their fair value, as the Company's management believes that the carrying value of the items listed below approximate their fair value, due to either their short-term maturity or repricing of interest rates during the year.

	December 31, 2018 Book Value	December 31, 2018 Fair Value	December 31, 2017 Book Value	December 31, 2017 Fair Value	Fair Value Level
	JD	JD	JD	JD	
Financial Assets with an Unspecified Fair Value					
Balances at Central Banks	220,278,635	220,278,635	440,508,243	440,508,243	Level II
Balances at Banks and other Financial Institutes	117,852,700	117,951,058	153,418,551	153,530,489	Level II
Deposits at Banks and other Financial Institutes	89,579,213	91,083,517	94,494,903	95,666,015	Level II
Loans	1,649,570,401	1,656,138,158	1,537,936,749	1,544,103,133	Level II
Financial assets at amortized costs	539,067,213	545,828,210	325,364,198	328,498,487	Level I and Level II
Mortgaged Financial Assets	24,562,000	24,562,000	4,589,000	4,589,000	Level II
Total Financial Assets with an Unspecified Fair Value	2,640,910,162	2,655,841,578	2,556,311,644	2,566,895,367	
Financial Liabilities with an Unspecified Fair Value					
Balances at Central Banks	378,802,862	381,296,222	447,289,678	448,307,183	Level II
Customer Deposits	1,913,902,093	1,922,834,863	1,749,864,846	1,756,692,001	Level II
Cash collaterals	49,580,969	49,582,053	51,267,717	51,268,801	Level II
Borrowed funds	162,109,306	163,149,439	114,906,448	115,605,328	Level II
Total Financial Assets with an Unspecified Fair Value	2,504,395,230	2,516,862,577	2,363,328,689	2,371,873,313	

For the above-mentioned items, the second and third level financial liabilities and financial assets have been determined at fair value according to the agreed-upon pricing model, which reflects the credit risk of the parties dealt with.

50- Comparative Figures

Some comparative figures have been reclassified to fit the classification of the figures for the year ended December 31, 2018. There was no effect on the statement of income or the statement of owners' equity for the year 2017.