بنك صفوة الاسلامي
Safwa Islamic Bank

للإفصاح
* بورصة عمان
* السيد عمر
السيد هشام
السيد خالد

To: Jordan Securities Commission Amman Stock Exchange Date: 19/5/2020 Ref.: FIN1/2/940/2020 Subject: Audited Financial Statements of Safwa Islamic Bank for the year ended 2019.	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2020/5/19 الرقم : مالية 1/2/ 2020/940 الموضوع: البيانات المالية السنوية المدققة لبنك صفوة الاسلامي لعام 2019
Attached the Audited Financial Statements of (Safwa Islamic Bank) for the fiscal year ended 31/12/2019 after being approved by Central Bank of Jordan (in PDF format). Attached is also the English copy of these financial statements.	مرفق نسخة من البيانات المالية المدققة لبنك صفوة الاسلامي عن السنة المالية المنتهية 2019/12/31 بعد موافقة البنك المركزي الاردني بصيغة (PDF). كما نرفق هذه البيانات مترجمة للغة الانجليزية.
Kindly accept our high appreciation and respect Safwa Islamic Bank	وتفضلوا بقبول فائق الاحترام،،، بنك صفوة الاسلامي

0119

ماجد محمود حمدان
مدير اول
رئيس المحاسبة والعمليات والتقارير

ابراهيم صلاح سمحة
نائب الرئيس التنفيذي
رئيس الدائرة المالية و الاستراتيجيات المؤسسية

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
19 أيار 2020
الرقم المتسلسل 1921
الجهة المختصة

SAFWA ISLAMIC BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

SAFWA ISLAMIC BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-THE HASHEMITE KINGDOM OF JORDAN
31 DECEMBER 2019

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

AM/014589

To the Shareholders of
Safwa Islamic 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 accompanying consolidated financial statements of Safwa Islamic Bank and its subsidiary (referred to together as "The Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, cash flows, and changes in restricted Wakala investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements are present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and the consolidated results of the operations, changes in shareholders' equity, its cash flows, and changes in restricted wakala investment accounts for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as were adopted by the Central Bank of Jordan.

Basis for Opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions. 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 AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other responsibilities in accordance with this requirements and other professional behavior requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

1- The Group has complied with Islamic Shari'ah Principles and Rules set forth by the Shari'ah Supervisory Board of the Group.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

1- Expected credit losses in the financing portfolio (Deferred sales receivables and other receivables , and Ijara Muntahia Bittamleek assets), and the Investment Risk Fund

The disclosures related to the impairment loss in the financing portfolio (Deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) are detailed in Notes (8 and 13) to the consolidated financial statements, and the disclosures about the Investment Risk Fund are detailed in Note (24) to the consolidated financial statements.

Key Audit Matter	How the key audit matter was addressed
The Group's Management exercises significant judgment when using the self-assumptions and determining the timing and amount to be recorded regarding the expected credit losses in the value of the financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) and estimating the amount of the related expected credit loss provision against it. The financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) constitutes a major part of the Group's assets. Due to the importance of the judgments used in the classification of financing portfolio at the various stages set forth in International Financial Reporting Standard (9) "Financial Instruments" , and the Application Instructions issued by the Central Bank of Jordan and the related provision requirements, this matter has been considered as a key audit risk.	The audit procedures included evaluating the internal control and monitoring system related to the procedures for granting, recording and monitoring the financing, as well as the procedures for recording the expected credit losses, taking into consideration the Central Bank of Jordan's requirements to verify their effectiveness and evaluate the efficiency of their design and implementation. We have also read out the Group's expected credit losses provisioning relation to International Financial Reporting Standard (9) and the Instructions issued by the Central Bank of Jordan in this regard and the strictest between them. Furthermore, we have understood the methodology used by the Group in determining the provisions against exposures classified within Stages (1, 2 and 3). We have also evaluated the reasonableness of the underlying assumptions and adequacy of the data used by the Group. Meanwhile, we have verified the completeness of the credit facilities portfolio included in the calculation of the expected credit loss.

Key Audit Matter	How the key audit matter was addressed
The Bank's net financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) amounted to approximately JD 1.024 Billion as at December 31, 2019 after deducting it's related expected credit loss provision amounted to approximately JD 26.3 million, which includes a provision of approximately JD 8.8 million against the exposures of Stage (1) and Stage (2), and approximately to JD 17.5 million against the exposures included in Stage (3). Moreover, the Bank deduct 10% of the joint investment net profit and transfers it to the Investments Risk Fund according to the instructions of the Central Bank of Jordan until the end of April 2019 in which an announcement was issued at 27 June 2019 requiring the derecognation of investment risk fund under the Banks law and its ammendments, after allocating the fund balance and face it with expecte cridet loss and other joint facilities and investments provisions. The provisions expenses for expected credit losses and other Joint facilities and invesmtnets provisions are charged in joint invesmtnet pool in consoidation statement of income and comprehnisve income, starting from the first of may for the year 2019 .	We have understand the approach used by the Group to determine the provisions booked against the exposures which are classified with the (first, second, and third) stages. Also, we assess the extent of the reasonability of the basic assumptions and the extent of the adequacy of the data used by the Group. We checked the completeness of the financing portfolio included the calculation of expected credit loss. Also we have checked the relevance of the management regarding the in substantive increase in expected credit losses, and the results from classifying the exposures into different stages. Moreover, we have examined a sample of the credit exposures to evaluate the appropriateness of the determination of exposure at default, the probability of default, and the loss given default used in the calculation of the expected credit loss. We have examined a sample of the the financing portfolio exposures in which impairment in value has been identified on an individual basis, and which are classified in Stage (3). In addition, we have examined Management's estimate of the future cash flows and their reasonableness and verified the outcome of the calculations of the provisions. We also used the experts, where appropriate, to verify the validity of that data. Furthermore, we have recalculated the amounts transferred to the Investment Risk Fund until the first of May 2019 according to the Central Bank of Jordan's instructions.

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2 - IT systems and controls related to the preparation of the financial statements

Key Audit Matter	How the key audit matter was addressed
We identified IT systems and controls over the Groupe's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems: We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations. We examined computer generated information used in financial reports from relevant applications and key controls over their report logics. We performed testing on the key automated controls on significant IT systems relevant to business processes.

Other Information included in the Group's Annual Report for the Year 2019
Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors report thereon. The Board of Directors is responsible for other information. We expect that the annual report will be made available to us after the date of our audit report. Our opinion on the consolidated financial statements 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 when its available to us 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.

If, based on the work we have performed, we conclude that there is a material mistatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance for the Consolidated Financial Statements
These consolidated financial statements and the Group's undertaking to operate in accordance with the Islamic Shari'ah rules and Principles are the responsibility of the Group's Board of Directors.

The Group's Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as adopted by the Central Bank of Jordan and for such internal control as the Group's Board of Directors 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, the Group's Board of Directors 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 the Group Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible on overseeing the Group financial reporting process.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
The Group maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend to approve it.

Amman – The Hashemite Kingdom of Jordan
February 12, 2019

Deloitte & Touche (M.E) – Jordan

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

Safwa Islamic Bank

(A Public Shareholding Limited Company)

Amman-The Hashemite Kingdom of Jordan

Consolidated Statement of Financial Position

	Note	31 December 2019	31 December 2018
		JD	JD
Assets			
Cash and balances with the Central Bank	4	278,816,552	118,767,358
Balances at banks and the financial institutions	5	6,513,543	13,264,923
International wakala investments-net	6	70,790,378	56,020,856
Financial assets at fair value through statement of income	7	3,536,138	688,489
Deferred sales receivables and other receivables-net	8	641,388,269	448,797,891
Financial assets at fair value through shareholders' equity -self financed	9	-	340,500
Financial assets at fair value through unrestricted investment accounts' holders equity-net	10	32,856,966	28,115,798
Financial assets at amortized cost -net	11	92,191,000	92,191,000
Investment in associate	12	354,022	376,618
Net investment in a subsidiary under liquidation		-	79,717
Ijara Muntahia Bittamleek assets-net	13	382,860,291	327,252,472
Qard Hasan		509,660	509,660
Property and equipment-net	14	23,886,014	24,251,426
Intangible assets - net	15	2,043,279	1,600,907
Right of use assets	48/A	9,702,044	-
Deferred tax assets	21/C	1,661,190	723,606
Other assets	16	9,811,237	8,492,294
Total Assets		**1,556,920,583**	**1,121,473,515**
Liabilities, Unrestricted Investment Accounts' Holders Equity and Shareholders' Equity			
Liabilities			
Banks and financial Institutions accounts	17	1,522,392	436,283
Customers' current accounts	18	181,361,486	143,608,583
Cash margin	19	35,875,353	12,470,264
Income tax provision	21/A	6,936,284	4,031,024
Other provisions	20	421,785	380,785
Lease liabilities-long term	48/B	9,368,215	-
Other liabilities	22	41,133,151	28,819,408
Total Liabilities		**276,618,666**	**189,746,347**
Unrestricted Investment Accounts Holders' Equity			
Unrestricted investment accounts	23	1,135,016,343	786,986,288
Fair value reserve	25/B	48,157	(552,665)
Total Unrestricted Investment Accounts Holders' Equity		**1,135,064,500**	**786,433,623**
Investment Risk Fund			
Investment risk fund	24/B	-	1,945,997
Income tax provision for investment risk fund	24/C	787,149	2,052,566
Shareholders' Equity			
Paid up capital	26	100,000,000	100,000,000
Statutory reserve	27	25,902,069	24,181,881
Fair value reserve - self financed	25/A	-	(24,510)
Retained earnings	28	18,548,199	17,137,611
Total Shareholders' Equity		**144,450,268**	**141,294,982**
Total Liabilities, Unrestricted Investment Accounts Holders' and Shareholders' Equity		**1,556,920,583**	**1,121,473,515**
Wakala Investments accounts		**7,815,807**	**9,030,710**

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank

(A Public Shareholding Limited Company)

Amman-The Hashemite Kingdom of Jordan

Consolidated Statement of Income and Comprehensive Income

	Note	For the year ended 31 December 2019	2018
		JD	JD
Deferred sales revenue	29	40,992,345	30,934,645
Ijara Muntahia Bittamleek assets revenue	30	30,417,721	26,099,095
Gains from International wakala investments	31	1,960,584	1,091,469
Gains from financial assets at fair value through unrestricted investment accounts' holders equity	32	1,475,258	1,333,579
Gains from financial assets at fair value through statement of income	33	123,343	20,235
Gains from financial assets at amortized cost	34	4,126,385	2,107,731
Share of Joint Funds from (losses) Profits of associate company	12	(12,596)	8,356
Gains (losses) from Foreign currencies evaluation	35	6,267	(697)
Other revenue - jointly financed		758,409	577,070
Total revenue from unrestricted investment		**79,847,716**	**62,171,483**
Jordan Deposit Insurance Corporation fees - jointly financed		(847,340)	-
Share of unrestricted investment accounts holders'	36	(36,423,421)	(25,270,052)
Expected credit losses on jointly items	24/A	(5,070,718)	-
The share of the Investment Risk Facility Fund	24/A	(2,416,902)	(6,217,148)
Bank's share of revenue from unrestricted investments as a mudarib and rab - mal	37	**35,089,335**	**30,684,283**
Bank's self financed revenue	38	1,104,804	715,102
Banks share from the restricted investments revenue as agent (wakeel)	39	283,056	182,949
Gain from foreign currencies	40	1,075,782	510,533
Banking services revenue - Net	41	5,402,964	4,343,665
Other revenue	42	575,419	292,258
Jordan Deposit Insurance Corporation fees - self financed		(652,989)	-
Gross Income		**42,878,371**	**36,728,790**
Employees' expenses	43	(13,151,976)	(12,468,227)
Depreciation and amortization	14&15	(3,026,261)	(2,523,662)
Depreciation of Ijara muntahia bittamleek assets- self financed	30	(798,847)	(462,631)
(Provision) from expected credit loss on facilities - self financed	8	(51,850)	(165,085)
(Provision) recovered from expected credit losses on Off - balance sheet items-self financed	22	(129,288)	124,723
Amortisation of right of use assets	48/A	(1,333,344)	-
Finance costs (discount rate on lease liability)	48/A	(295,305)	-
Rent expenses		(234,266)	(1,526,349)
Other expenses	44	(6,655,358)	(6,636,907)
Total expenses		**(25,676,495)**	**(23,658,138)**
Profit for the Year before tax		17,201,876	13,070,652
Income tax expense	21/B	(7,185,657)	(4,719,991)
Profit for the Year		**10,016,219**	**8,350,661**
Non-transferable items for later income statement:			
Gain (losses) from sale of financial assets through Shareholders' equity Self-Financed		139,067	(4,748)
Net change in fair value reserve for financial assets		-	(23,934)
Total comprehensive Income for the Year		**10,155,286**	**8,321,979**
		JD/Fils	
Basic and diluted earnings per share for the Year	45	0/100	0/084

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank

(A Public Shareholding Limited Company)

Amman-The Hashemite Kingdom of Jordan

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Paid up capital	Statutory reserve	General banking risks reserve	Fair value reserve – self financed	Retained Earnings *	Total Shareholders' Equity
	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2019						
Balance as at the beginning of the year	100,000,000	24,181,881	-	(24,510)	17,137,611	141,294,982
Profit for the year	-	-	-	-	10,016,219	10,016,219
Gain on sale of financial assets through self-shareholders' equity	-	-	-	24,510	114,557	139,067
Total comprehensive Income for the Year	-	-	-	24,510	10,130,776	10,155,286
Distributed Dividends**	-	-	-	-	(7,000,000)	(7,000,000)
Transfer to reserves	-	1,720,188	-	-	(1,720,188)	-
Balance as at 31 December 2019	**100,000,000**	**25,902,069**	**-**	**24,510**	**18,548,199**	**144,450,268**
For the year ended 31 December 2018						
Balance as at the beginning of the year	100,000,000	22,874,816	300,000	(576)	14,971,250	138,145,490
Following the instructions of applying the IFRS (9)	-	-	-	-	(191,603)	(191,603)
Adjusted balance at the beginning of the year	100,000,000	22,874,816	300,000	(576)	14,779,647	137,953,887
Profit for the year	-	-	-	-	8,350,661	8,350,661
Net change in the fair value reserve for financial assets	-	-	-	(23,934)	-	(23,934)
Losses on sale of financial assets through self-shareholders' equity	-	-	-	-	(4,748)	(4,748)
Total comprehensive Income for the Year	-	-	-	(23,934)	8,345,913	8,321,979
Transfer from bank risk reserve	-	-	(300,000)	-	300,000	-
Effect of disposal of the subsidiary	-	-	-	-	19,116	19,116
Distributed Dividends**	-	-	-	-	(5,000,000)	(5,000,000)
Transfer to reserves	-	1,307,065	-	-	(1,307,065)	-
Balance as at 31 December 2018	**100,000,000**	**24,181,881**	**-**	**(24,510)**	**17,137,611**	**141,294,982**

- Retained earnings balance as at 31 December 2019 includes an amount of JD 436,376 (723,606 JD as at 31 December 2018) which represents deferred tax assets -self financed and it is restricted from use in accordance with the Central Bank of Jordan instructions.

* Based on CBJ instructions no.(13/2018) that was issued on 6 June 2018 the general banking risks reserve was transferred to retained earnings, the surplus of general banking risks reserve amounted to JD 108,397 is restricted from use without prior approval of the Central Bank of Jordan.

**The General Assembly approved to distribute cash dividends in an amount of JD 7 Millions to the shareholders for the year 2018, which represent 7% from the bank's capital in their meeting held on 27 April 2019.

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank

(A Public Shareholding Limited Company)

Amman-The Hashemite Kingdom of Jordan

Consolidated Interim Statement of Cash Flows

	Note	For the year ended 31 December 2019	2018
		JD	JD
Cash Flows from Operating Activities			
Profit for the year before tax		**17,201,876**	**13,070,652**
Adjustments for non monetary items:			
Depreciation and amortization	14&15	3,026,261	2,523,662
Depreciation of Ijara Muntahia Bittamleek assets(self & jointly financed)	30	50,344,819	45,779,053
Amortization of right of use assets	48/A	1,333,344	-
Finance costs (discount lease liabilities)	48/A	295,305	-
Investment risk fund	24/A	2,416,902	6,217,148
Unrealized loss (gain) of financial assets at fair value through statement of income	33	71	(19,547)
Expected credit losses provision for jointly items	24/A	5,070,718	-
Expected credit losses provision for facilities - self financed	8	51,850	165,085
Expected credit losses (recovered from ECL) for Off - balance sheet items-self financed	22	129,288	(124,723)
Increase in other provisions		41,000	304,736
Provision for investment in a subsidiary		-	19,116
Share of joint funds from losses (profits) of associate company	12	12,596	(8,356)
(Gain) from disposal of property and equipment	42	(8,116)	(4,372)
(Gain) from sale of seized assets against debts		(69,467)	(217,791)
Cash Flows from Operating Activities before Changes in working capital		**79,846,447**	**67,704,663**
Changes in operating working capital:			
(Increase) in deferred sales receivables and other receivables		(200,154,334)	(37,986,996)
(Increase) in Ijara Muntahia Bittamleek assets		(105,952,638)	(117,322,906)
(Increase) in other assets		(1,893,671)	(3,856,241)
Increase in customers' current accounts		37,752,903	23,539,618
Increase (decrease) in cash margin accounts		23,405,089	(10,275,784)
Increase in other liabilities		11,909,900	13,060,455
Net cash (used in) operating activities before income tax paid		**(155,086,304)**	**(65,137,191)**
Income tax paid	21&24	(7,813,004)	(5,095,119)
Net cash flows from (used in) operating activities		**(162,899,308)**	**(70,232,310)**
Cash Flows from Investing Activities			
Net (purchase) maturity and sale of financial assets at fair value through unrestricted investment accounts holders		(4,555,113)	10,227,521
Net (purchase) of financial assets at fair value through statement of income		(2,847,720)	(668,942)
Net sale (purchase) of financial assets at fair value through shareholders' equity -self financed		479,567	(351,482)
Net (Purchase) of financial assets at amortized cost		-	(37,313,000)
Net disposal of investment (net investment) in a subsidary		79,717	(79,717)
Cash dividends from associate company	12	10,000	9,000
(Purchase) of intangibles assets	15	(1,161,619)	(703,296)
(Purchase) of property and equipment	14	(953,469)	(3,181,569)
(Increase) in payments on purchase of property, equipment and projects under construction	14	(1,053,549)	(1,750,444)
Proceeds from sale of property and equipment		73,532	13,041
Proceeds from sale of assets seized by the bank in settlement of outstanding debts		234,500	3,044,533
(Increase) in International Wakala Investments		(14,781,662)	(22,245,595)
Net cash (used in) investing activities		**(24,475,816)**	**(52,999,950)**
Cash Flows from Financing Activities			
Increase in unrestricted investment 'holders quity		348,030,055	134,065,149
Finance lease (payments)	48/B	(1,590,092)	-
(Dividends) distributed to shareholders		(6,853,134)	(4,865,447)
Net cash generated by financing activities		**339,586,829**	**129,199,702**
Net increase in cash and cash equivalents		**152,211,705**	**5,967,442**
Cash and cash equivalents at beginning of the year		131,595,998	125,628,556
Cash and cash equivalents at end of the period	46	**283,807,703**	**131,595,998**

Non-cash transactions:

Transfer to property and equipment from installments to purchase property, equipment and projects under implementation	14	**1,348,104**	**417,076**

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank

(A Public Shareholding Limited Company)

Amman-The Hashemite Kingdom of Jordan

Consolidated Statement of changes in Restricted Wakala Accounts

	Note	Local Murabaha	Total
		JD	JD
For the Year ended 31 December 2019			
Beginning balance of the year		9,030,710	9,030,710
Add: Deposits		12,288,013	12,288,013
Less: Withdrawals		(13,502,916)	(13,502,916)
Add: Investments' gains	39	705,369	705,369
Less: Banks share as agent (wakeel)	39	(283,056)	(283,056)
Less: Muwakel's share	39	(422,313)	(422,313)
Investments at the end of year		**7,815,807**	**7,815,807**
Deferred revenue		383,211	383,211
Suspended revenue		-	-
Balance as at 31 December 2019		**383,211**	**383,211**

		Local Murabaha	Total
		JD	JD
For the Year ended 31 December 2018			
Beginning balance of the year		**5,062,108**	5,062,108
Add: Deposits		**15,091,008**	15,091,008
Less: Withdrawals		**(11,122,406)**	(11,122,406)
Add: Investments' gains	39	**287,351**	287,351
Less: Banks share as agent (wakeel)	39	**(182,949)**	(182,949)
Less: Muwakel's share	39	**(104,402)**	(104,402)
Investments at the end of year		**9,030,710**	**9,030,710**
Deferred revenue		694,007	694,007
Suspended revenue		-	-
Balance as at 31 December 2018		**694,007**	**694,007**

(1) GENERAL

Safwa Islamic Bank is a public shareholding company licensed by the Central Bank of Jordan to practice and provide Islamic business and banking services in accordance with the Banking Law and the Companies Law. The Bank's General Assembly at its extraordinary meeting held on 17 May 2017, decided to change the name of the Bank from "Jordan Dubai Islamic Bank" to "Safwa Islamic Bank".

The Bank provide all financial banking and structured investment services on a non-Interest basis in accordance with Islamic shari'a through the Bank's head office and its thirty six branches within the Kingdom and its subsidiary, in accordance with the effective Banking Law.

Etihad Islamic Investment Company owns 62.37% of Safwa Islamic Bank.

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No. (1/2020) held on 30 January 2020 and still subject to the approval of the General Assembly of Shareholders.

The consolidated financial statements were read and reviewed by the Bank's Sharia Supervisory Board , in their meeting No. (1/2020) held on 29 January 2020, and the board issued its shari'a report thereon.

(2) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

-The consolidated financial statements of the Bank have been prepared according to the financial acconting standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as adopted by the Central Bank of Jordan.The standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee are applied in the absence of standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions and will be replaced later by Standards when the new standards are issued.

The main differences between (AAOIFI) as should be applied and what has been aproved by the Central Bank of Jordan consist of the following:

Provisions for expected credit losses are made in accordance with the International Financial Reporting Standard (9) and according to the instructions of the Central Bank of Jordan, whichever is more strict, the major differences are as follows:

Sukuk issued or guaranteed by the Jordanian government are excluded so that credit exposures on the Jordanian government and guaranteed by it are addressed without credit losses.

When calculating credit losses against credit exposures, the results are compared according to the International Financial Reporting Standard No. (9) with the instructions of the Central Bank of Jordan No. (47/2009) dated on December 10, 2009 for each stage separately and whichever result is more strict is selected.

Revenue and commissions are suspended on non-performing credit financing granted to clients in accordance with the Central Bank of Jordan instructions.

Assets seized by the bank against debts are disclosed in the consolidated financial position statement in the other asset, and recorded using the acquisition value or fair value, whichever is less, and they are reevaluated individually at the date of the consolidated financial statements. Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

- The consolidated financial statements are prepared on historical cost basis except for the financial assets at fair value through statement of income, financial assets at fair value through unrestricted investment accounts ' holders equity and financial assets at fair value through shareholders' equity that have been measured at fair value.

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

- The seperation between what belongs to the Shareholders' equity and what belongs to the unrestricted investment accounts holders has been taken into consideration.

- Unrestricted investment accounts means joint investment accounts wherever it is mentioned.

BASIS OF CONSOLIDATION OF THE FINANCIAL STATEMENTS

The Consolidated financial statements comprise of the financial statements of the Bank and its subsidiary(which refer togather a group) which is financed by the Bank's Self Funds where the Bank has control to govern the operational and financial policies of the entity to obtain benefits from their activities.All intra-company balances, transactions, revenues , expenses and off –balance sheet items between the Bank and its subsidiary are eliminated.

The financial statements of the subsidiary are prepared for the same reporting period as the group, using same accounting policies used by the group. If the subsidiary use different accounting policies than those used by the group, the necessary adjustments are made to the financial statements of the subsidiary to comply to the accounting policies adopted by the group.
The subsidiary of the group as at 31 December 2019 is as follows:

Company name	**Paid up Capital**	**Source of Funding**	**Ownership %**	**Company Main Activity**	**Operation location**	**Acquisition Date**
	(JD)					
Misc for brokerage company	2,000,000	Self	100%	Brokerage	Amman	2011

The results of the operations of the subsidiary are consolidated in the consolidated statement of income and comprehensive income from the date of its acquisition, which is the date on which the bank's control is effectively transferred to its subsidiary, and the results of the operations of the subsidiary that were disposed of are consolidated in the consolidated statement of income and comprehensive income until the date of disposal, which is the date in which the bank loses control of its subsidiary.

When preparing separate financial statements for the Bank as an independent entity,investments in subsidiaries are shown in cost or net proceeds value in case of liquidation.

Liquidation procedures have been completed for Alahjar Real Estate for construction Company (ownership 100% subsidiary to the bank) on 4 July 2019 at the Companies Controller.
Control is achieved when the Bank:-

- Has the ability to control the investee.
- Is subject to variable returns or has the right to variable returns arising from its association with the investe.
- Has the ability to use its power to influence the returns of the investee.

The Bank re-assesses whether it controls the investee companies or whether the facts and circumstances indicate that there are changes to one or more control check points referred to above.

If the voting rights of the Bank are less than the majority of voting rights in any of the investee companies, it shall have the power to control when the voting rights suffice to grant the Bank the ability to direct the activities of the related subsidiary unilaterally. The Bank takes into consideration all the facts and circumstances when assessing whether the Bank has voting rights in the investee so as to grant it the ability to control or not. Among these facts and circumstances are the following:

- The volume of voting rights owned by the Bank in relation to the volume and distribution of other voting right.
- Potential voting rights held by the Bank and any other voting rights holders or third parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicating that the Bank has or does not have current responsibility for directing relevant activities at the time of making the required decisions, including how to vote at previous General Assembly meetings .

When the Bank loses control over any of its subsidiaries, the Bank:

- Derecognizes the assets of the subsidiary (including goodwill) and liabilities .
- Derecognizes the carrying amount of any uncontrolled interest .
- Derecognizes the cumulative transfer differences recognized in equity .
- Derecognizes the fair value of the consideration received .
- Derecognizes the fair value of any investment held .
- Derecognizes the surplus or deficit in the statement of income .
- Reclassifies the equity of the previously restricted bank in other comprehensive income to the statement of income or retained earnings, as appropriate .

Non-controlling interests represent the portion not owned by the Bank in the equity of the subsidiaries.

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial information for the year ended 31 December 2018, Except for the impact of the New and revised standards and the impact of the amendments on the banking law which related to the investment risk fund and as follows :

A) AMENDMENTS THAT HAVE AN IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

FIRST-INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 16 "LEASES"

The Bank has adopted the International Financial Reporting Standard (IFRS) No. 16 "Leases", which replaced existing guidance on leases, including IAS No. 17 "Lease contracts", international interpretation (4) "Determining whether the lease contract requires an arrangement" , Explanation of the Previous Interpretations Committee (15) " Operational Leases – Incentives" and Explanation of the Previous Interpretations Committee (27) " Evaluate the substance of the transactions that take the legal form of the lease".

IFRS 16 has been issued in January 2016 and is effective for financial periods beginning on or after 1 January 2019. IFRS 16 provides that all lease contracts and related contractual rights and obligations should be recognized generally in the financial position of the Bank unless the period is 12 months or less or a lease contract is of impaired assets. Accordingly, the classification required under IAS 17 "Leases" in operating or finance leases has been canceled for tenants. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Bank has adopted for the simplfied application permitted under IFRS 16 to apply for the first time to individual operating leases (for each lease separately). The right to use leased assets is generally measured at the amount of the lease liability using the discount rate at initial application.

The assets of the right to use are measured at an amount equal to the lease obligation after have been adjusted by any prepaid or payable lease payments relating to a lease contract recognized in the statement of financial position as at 31 December 2018. No amendments were made to retained earnings as of 1 January 2019. Under this method, there were no lower leases requiring an amendment to the assets of the right of use at the date of initial application.

The effect of applying the standard on the opening balances for the lease assets and lease liabilities is explained in Note (48).

LEASING ACTIVITIES OF THE BANK AND ITS ACCOUNTING TREATMENT MECHANISM:

The Bank rents real estate and stores, Lease contracts are usually fixed from a year to 15 years, some may include extension options and lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Leases do not include any commitments and may not be used as collateral for financing purposes.

Until the end of fiscal year 2018, leases of property have been classified either as an operating lease or a finance lease. Amounts paid in respect of operating leases are recorded in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term.

As of January 1, 2019, leases are recognized as assets of the right of use and the related obligations on the date on which the asset is ready for use by the Bank. The value of each lease payment is divided between lease commitments and financing costs. Finance costs are recorded in the consolidated statement of income and comprehensive income during the lease term to achieve a constant periodic discount rate on the remaining balance of the liability for each period. Right to use assets are amortized over the useful life of the asset or lease term whichever is shorter based on the straight-line method.

The discount rate is not conditional and has no practical effect on the commitment of the contractors, and that this is an accounting application and the rental contracts did not mention the discount price and would not affect the contractual obligations between the two parties.

Assets and liabilities arising from leases are initially measured at their present value. Rental commitments include the net present value of the following lease payments:

- Fixed payments (including embedded fixed payments) less rent incentives receivable;
- Variable rent payments based on index or rate;
- Amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of the purchase option if the lessee is reasonably sure of the exercise of this option.

The lease payments are discounted using the discount price of implicit lease contract or the rate of excess to finance to purchase an asset of similar value in a similar economic environment with similar terms and conditions.
Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;

- Any lease payments made at or before the commencement date less any lease incentives received,
- Any initial direct costs, and
- Restoration costs (renovation and restoration).

Payments associated with short term leases and leases of low value assets are recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.
In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the IFRS:

- The use of a single discount rate to a lease portfolio with reasonably similar characteristics,
- Reliance on previous assessments on whether leases are imputed;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short term leases.
- The exclusion of initial direct costs of measurement of the right-to-use assets at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Bank has also elected not to reassess whether a contract is contains or does not contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Bank relied on its assessment by applying IAS 17 "Lease contracts" and International Interpretation (4) "Determining whether an arrangement contains a lease".

SECOND - AMENDMENT TO THE PROVISIONS POLICY

Based on the circular issued by the Central Bank on 27 June 2019, that requires the cancellation of investment risk reserve and distribute the remainy. The expected credit losses for joint financing and joint investments , new expected credit losses and other provisions for financly and investments through consolidated statements of balance between income and comprehensive income statements the provisions expinse are charged to the joint investment pool.

(B) AMENDMENTS THAT DID NOT HAVE AN IMPACT THE BANKS CONSOLIDATED FINANCIAL STATMENTS:

Islamic Accounting Standard No. (28) “Murabaha and deferred sales”. The new standard aims to define accounting principles and appropriate reporting of recognition, measurement, and disclosure for their application in relation to deferred sales and other transactions of the seller and buyer’s future sale, knowing that the mandatory application date for the standard is January 1, 2019, Note that there was no material impact on the consolidated financial statements.

Segments information

A business is a group of assets and operations that jointly engage in the rendering of products or services subject to risks and rewards different from those of other business segments, and which are measured according to reports used by the chief executive officer and the main decision maker of the Bank .
A geographical segment is associated with the provision of products or services in a specific economic environment subject to risks and rewards that differ from those of segments operating in other economic environments .

<u>The basis for the distribution of joint investment profits between shareholders' equity and holders of joint investment accounts</u>

The combined return on investment of equity holders and holders of joint investment accounts for the year 2019 was distributed as follows:

	percentage
Share of joint investment account holders	**57%**
Share of shareholders equity	**43%**

The Joint Investment Accounts shall participate in the results of the investment profits, and shall be distributed to the depositors each according to their participation rate, taking into consideration the weights of the concerned joint investment accounts and the terms of the account signed between the Bank and the depositor .

The weights of the joint investment accounts are as follows:

- From 20% to 31% of the lowest balance of savings accounts in Jordanian Dinars.
- From 14% to 35% of the lowest balance of savings accounts in foreign currencies.
- From 48% to 90% of the average balance of term accounts in Jordanian Dinars.
- From 18% to 47% of the balance of foreign currency term accounts.
- 90% of the balance of the accounts of the investment certificates of deposit in Jordanian Dinars .
- From 80% to 85% of the avarage balance of the certificates of deposit in foreign currencies .

The Bank shall been all administrative expenses except for the advertising and marketing expenses of the products. The insurance expenses of the Ijarah Muntahia Bittamleek assets assets are incurred in the joint investment pool.

The Bank combine (mix) its funds and any other funds (which were not received by the Bank on the basis of Mudaraba contract) in the Joint Investment Accounts.

<u>Priority Investment / Equal Investment Opportunities and Profit Sharing:</u>

The principle of equal investment opportunities is applied to the shareholders' funds and the funds of the investment account holders in the joint Mudaraba. The Bank's own investments are presented in separate accounts from investments through the rights of the Joint Investment Accounts holders equity.

Moreover, the joint investment accounts shall share in the results of the investment profits, which shall distributed to the holders of the joint investment accounts according to their participation rate, taking into account the weights of the respective investment accounts concerned and the terms of the account signed between the Bank and the depositor.
The weighting of the joint investment accounts proposed by the Bank's management is approved by the Bank's Shari’ah Supervisory Board.

<u>Zakat</u>

Zakat is the responsibility of the shareholders and unrestricted investment accounts holders. In this regard, the Bank is not directly and explicitly authorized to expend it, nor is there a law for its collection. In addition, the Bank’s Articles of Association do not prescribe it, nor the General Assembly’s decisions do not specify it. There is no related authorization by the shareholders either. Therefore, the shareholders the unrestricted investment accounts holder shall pay zakat on their shares and funds if the Shari'ah conditions and rules are fulfilled.

Revenue, gains, expenses and losses in violation of Islamic Shari'ah

The Bank records them in a special account in the consolidated statement of financial position within other credit balances, and they are not included in the Bank's revenue. Charitable allocations out of this account are made as decided by the Shari'a Supervisory Board.

Deferred sales receivable

Murabaha contracts:

Murabaha is the sale of an item at the same price at which the seller bought it plus an agreed profit margin based on a certain percentage of the price or a lump sum, which is one of the sales of the trust on which the purchase price or cost is based.

Murabaha for the purchase order

It is the sale of an asset by the Bank to its client (the purchase order) with a specific increase in the asset's price or cost after determining the increase (Murabaha profit in the promise).

The Bank applies the principle of making the promise in Murabaha transactions to the buying manager in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Deferred sales revenue is recognized when the transaction is executed (which paid in one installment after the current financial period or paid in installments over subsequent financial periods). Income framit is allocated to future financial periods for each period, irrespective of whether cash has been paid or not.

Deferred sales receivable are recognized when they occur at their nominal value and are measured at the end of the financial period on the basis of net realizable value.

At the end of the financial period, finance assets are carried at cost or at the expected recoverable cash value, whichever is lower.

Deferred sales revenue which was granted to non-performing customers is suspended in accordance with the instructions of the Central Bank of Jordan.

Deferred sales receivable and funds financed from the joint investment accounts are written off in case the measures taken to collect them are ineffective which will be written off against the joint provisions and suspended profits (if any) ,the proceeds from the joint provisions (if any) previously written off are trasferred to the common pool profits (presented in the Consolidated Statement of Income and Comprehensive Income). On the other hand, deferred sales receivable and financing from the Bank's self funds for which there is an impairment provsion are written off in case the measures for their collection are ineffective. In this respect, they are deducted from the self provsions and suspended profits (if any), and any provision surplus is transferred to the consolidated statement of income and comprehensive income / Prior funding is written off to income.

Financial instruments

Initial recognition and measurement:
Financial assets and 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. Moreover, funds are recognized to customers since they are credited to the customer's accounts.

Financial assets and financial liabilities are measured initially at fair value, transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities, and are added to the fair value of the financial asset or financial liability or, where appropriate, deducted from the financial asset at initial recognition. Furthermore, transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized directly in the comprehinsive statement of income.

Financial assets

Initial recognition and measurement:
All financial assets are recognized on the trade date when the purchase or sale of a financial asset under a contract requires the delivery of the financial asset within a time frame determined by the relevant market and is initially measured at fair value plus transaction costs except for those financial assets designated at fair value through the Consolidated Statement of Income. Transaction costs directly attributable to the acquisition of financial assets designated at fair value through income are recognized in the Consolidated Statement of income.
Subsequent measurement:
The measurement of all recognized financial assets that fall within the scope of IFRS 9 is subsequently carried at amortized cost or fair value based on the entity's business model for managing financial assets and contractual cash flow characteristics of financial assets.
Specifically:

- Finance instruments held in a business model intended to collect contractual cash flows that have contractual cash flows and are subsequently measured at amortized cost; and
- All other financing instruments, such as:
  - Financial assets managed on a fair value basis through the unrestricted investment account holders are measured at fair value through the rights of the joint investment holders equity.
  - Financial assets at fair value through shareholders equity are subsequently measured at fair value through other statement of comprehensive income.
  - Financial assets at fair value through the statement of income are subsequently measured at fair value through the statement of income.

Evaluation of the business model

An assessment of the business model for managing the financial assets is essential for their classification. 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. Moreover, the Bank's business model does not rely on management intentions in relation to an individual instrument, and therefore the business model is assessed at a group level and not on an instrument-by-instrument basis.

The Bank adopts a business model to manage its financial instruments that reflects how the Bank manages its financial assets in order to generate cash flows. In addition, the Bank's business model determines whether cash flows will result from the collection of contractual cash flows or the sale of financial assets or both.

The Bank also takes into considration all relevant information available when conducting an evaluation of the business model. However, this assessment is not made on the basis of scenarios that the Bank does not reasonably expect, such as the so-called "worst case" or "stress" scenarios. Furthermore, the Bank takes into account all relevant evidence available, such as:

- The stated policies and objectives of the portfolio and the application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate, matching the period of financial assets with the period of financial liabilities that finance those assets. or achieving cash flows through the sale of assets;

- How to evaluate the performance of the business model and financial assets held in this business model and to report to key management personnel;

- Risks affecting the performance of the business model (and the financial assets of that model), in particular, the manner in which such risks are managed; and

- How to compensate business managers (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows received).

Upon initial recognition of a financial instrument, the Bank determines whether the newly recognized financial asset is part of its existing business model or whether it reflects the beginning of a new business model. In this respect, the Bank evaluates its business model for each reporting period to determine whether the business model needs to be changed from the prior period.

When the instruments measured at fair value through shareholders equity-self are derecognised, the cumulative gain / loss previously recognized in other comprehensive income in shareholders equity is reclassified to the consolidated statement of income. On the other hand, for equity investments measured at fair value through shareholders' equity, the cumulative gain / loss previously recognized in other comprehensive income is not subsequently reclassified to the consolidated statement of income but transferred directly to shareholders’ equity .

In respect of Sukuk and equity instruments within joint investments, when these financial assets are derecognized which are measured at fair value through the unrestricted investment account holders , the cumulative gain / loss previously recognized in the fair value reserve - joint in the unrestrieted investment account holders equity is reclassified to the consolidated statement of income and comprehensive income.

Sukuk subsequently measured at amortized cost or at fair value are subjected to the impairment test.

Reclassification

If the business model in which the Bank retains financial assets is reclassified, the financial assets that have been affected are reclassified. The classification and measurement requirements relating to the new class are effective from the first day of the first reporting period after the change in the business model resulting in the reclassification of the Bank's financial assets. Moreover, the changes in contractual cash flows are considered .

The accounting policy framework for the adjustment and disposal of financial assets is described below:

Financial assets at fair value through the statement of income

Financial assets at fair value through the statement of income are:

- Assets with contractual cash flows that are not payments on assets and returns on the principal outstanding amount; and / or
- Assets held in a business model other than those held to collect contractual cash flows or held for collection and sale; or .

These assets are measured at fair value with any gain / loss arising on remeasurement recognized in the consolidated statement of income.

Financial assets at fair value through shareholders' equity-self financed.

These assets represent investments in equity instruments and sukuk instruments financed from the Bank's own funds for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and subsequently revalued at fair value. The change in fair value is included in the fair value reserve under shareholders' equity .

In case of sale of these assets or part thereof, the resulting gain or loss is recognized in retained earnings within shareholders' equity.

Gains and losses arising from foreign exchange differences on these assets, if any, are recognized in the fair value reserve in shareholders' equity.

Financial assets at fair value through unrestricted investment account holders equity

These assets represent investments in equity and Sukuk instruments financed from the joint investment accounts for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and are subsequently revalued at fair value. The change in fair value under fair value reserve is shown in the unrestricted investment account holders equity .

The impairment loss previously recognized in the consolidated statement of income and comprehensive income can be reversed if it is objectively determined that the increase in fair value occurred in a subsequent period to record impairment losses through the fair value reserve that is reflected in the unrestricted investment accounts.

As the unrestricted investment accounts on a continuous joint Mudaraba basis are characterized by a discontinuity at the beginning and end of the deposits in the accounts, the profit of the deferred operations over subsequent periods is distributed over the entire term of maturity and proportionality with each period.

Gains and losses arising from the foreign currency translation differences of these assets, if any, are recognized in the fair value reserve within unrestricted investment accounts holders equity.

Financial assets for which fair value can not be reliably measured are stated at cost. Impairment test of these assets is carried out at the end of each financial period, and any impairment is recognized in the consolidated statement of income and comprehensive income. And the impairment loss can’t be retrieved on subsequent periods.

Financial assets at amortized cost

These are the financial assets that the Bank's management, in accordance with its business model, intends to maintain to collect contractual cash flows that represent fixed or determinable payments to the capital and profits of such assets.

These assets are recognized at cost, plus acquisition costs, and are revalued at the end of the current period using the effective profit rate method. Moreover, any gain or loss arising from amortization is recognized in the consolidated statement of income and comprehensive income. Additionally, any expected credit losses regarding self-finaced instruments are recognized in the consolidated statement of income and comprehensive income. As for joint investments, the calculated expected credit losses are are recognized in the consolidated statement of income and comprehensive income (joint investment pool).

The amount of impairment in the value of these assets represents the difference between the carrying amount and the present value of the expected cash flows calculated on the basis of the original effective profit rate and any impairment provisions .

Gain and loss on sale, purchase and valuation of foreign currencies

Transactions in foreign currencies are recorded during the year at the rates prevailing at the transaction date (Trading) .

The balances of financial assets and financial liabilities are translated at the average foreign exchange rates prevailing at the consolidated statement of financial position date, as announced by the Central Bank of Jordan.

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 consolidated statement of financial position date. Income is also converted at the average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates on the date of the transactions are used. The exchange differences arising therefrom, if any, are recognized in the consolidated statement of income and comprehensive income.

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

Foreign exchange gains and losses are recognized in the consolidated statement of income and comprehensive income.

Translation differences on non-monetary assets and liabilities in foreign currencies (such as equity) are recorded in the fair value reserve self within the shareholders equity of the financial assets financed by the Bank's own funds and within the fair value reserve – joint within the unrestrieted investment account holders equity.

Lease contracts

Accounting policy followed from 1 January 2019

The bank as a leasee whether the contract contains lease when starting the contract. The Bank recognizes the right of use assets and the lease liabilities in relation to all lease arrangements in which the bank is a leasee, except for short-term lease contracts (defined as 12-month or less lease contracts) and low value asset leases contract, and for these contracts, the bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are taken advantage of.

The lease obligation is initially measured at the present value of the lease payments that were not paid on the start date of the lease, deducted using the additional financing rate.

Th e lease payments included in the rental obligation measurement include:

- fixed rental payments (includes fixed pay mentsin the contract), minus receivable rental incentives;
  Variable rental payments that depend on an index or rate, initially measured using the indicator or the rate at the date the contract begins;
  The amount expected to be paid by the lessee under the residual value guarantees;
- The price of the exercise of purchase options, if the tenant is reasonably certain of the exercise of the options; and
  Paying the contract termination fines, if the lease reflects the exercise of the lease termination option.

Lease obligations are presented as a separate line item in the consolidated statement of financial position.
Lease obligations are subsequently measured by increasing the carrying amount to reflect the costs of the additional financing over the lease obligations (using the incremental cost of financing method) and by reducing the carrying amount to reflect the paid rental payments.

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

- The lease term has changed or there is an important event or change in the conditions that lead to a change in the exercise of the purchase option assessment, in which case the lease obligations are re-measured by deducting the adjusted lease payment using the adjusted discount rate.
  lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value. In these cases, the rental obligation is remeasured by deducting the modified rental payments using an unchanged discount rate.
- The lease contract is modified and the lease agreement is not accounted for as a separate lease, in which case the lease obligation is re-measured based on the duration of the modified lease contract by deducting the modified rental payments using the adjusted discount rate at the actual price at the date of the amendment.

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

Right of use assets are presented as a separate line item in the consolidated statement of financial position.

The Bank applies International Accounting Standard (36) to determine whether the value of the right to use has decreased its value and any impairment losses are calculated as described in the “property and equipment” policy.

Variable rents that are not dependent on an index or rate are not included in the measurement of lease obligations and right of use assets. The related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs and are included in "Other Expenses" in the statement of income.

<u>The bank as a leasee</u>
The bank enters into leases as a lessor in relation to some of its investment properties.

Lease contracts in which the bank is leased are classified as finance or operating leases. In the event that the terms of the lease contract transfer all risks and benefits of ownership to the lessee, the contract is classified as a finance lease and all other leases are classified as operating leases.

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

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

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

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

<u>Accounting policy followed until 31 December 2018</u>
Lease contracts are classified as finance leases when the terms of the lease provide for the transfer of all risks and benefits related to the leasehold property in substance. As for all other lease contracts, they are classified as operating leases.

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

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

<u>The bank as a lessor</u>
Assets acquired through finance leases are recorded at initial recognition at their fair value at the beginning of the lease or at the present value of the minimum lease payments,

whichever is less. Finance lease liabilities are recorded at the same value, and these liabilities are presented in the statement of financial position as finance lease liabilities.

The lease payments are distributed between financing expenses and reduction of the finance lease liabilities in order to achieve a fixed rate of discount on the remaining balance of the finance lease liabilities, and the financing expenses are recognized directly in the consolidated statement of income.

Operating lease payments are recognized as an expense in accordance with the straight-line method over the life of the lease, except in cases where another regular basis is more representative of the time pattern in which economic benefits from the leased asset are used.
Contingent rents arising from operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating lease contracts, these incentives are recognized as a liability. The full benefits of incentives are recognized as a reduction in the lease expense on a straight-line basis, unless there is a systematic basis that is more representative of the time pattern in which economic benefits from the leased asset are taken advantage of.

Investment in an associate

An associate is a company in which the Bank exercises effective influence over its financial and operating policy decisions, and which is not held for trading. In this respect, the investments in the associate are accounted for using the equity method.

Investments in the associate are included in the consolidated statement of financial position at cost, in addition to the Bank's share of changes in the net assets of the associate. Goodwill arising on investment in an associate is recognized as part of the investment account of the associate and is not amortized. The Bank's share of the associate's income is recognized in the consolidated statement of income and comprehensive income. If there is a change in the equity of the associate, such a change is recognized in the statement of changes in shareholders' equity. Gains and losses arising from transactions between the Bank and the associate are eliminated to the extent of the Bank's interest in the associate company.

In the separate financial statements of the Bank as an independent entity, investments in the associate are stated at cost.

Ijara and Ijara Muntahia Bittamleek

Ijara is ownership of the benefit of return and is divided into:

Operating Ijara: Ijara contracts that do not end with Ijara Muntahia Bittamleek.

Ijarah Muntahia Bittamleek: Ijarah which ends with the lessee owning the leased assets and taking several types as stated in the Ijara and Ijarah Muntahia Bittamleek standard No. (8) issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.

Assets acquired for the purpose of leasing are measured at historical cost, including direct expenses, to make them usable. The leased assets are depreciated in accordance with the Bank's depreciation policy.

When the recoverable amount of any asset acquired for Ijara is less than its net carrying amount, the amount is reduced to the recoverable amount, and the impairment loss is recognized in the Consolidated Statement of Income and Comprehensive Income .

The income of Ijara shall be distributed in proportion to the financial periods covered by the lease contract.

Basic insurance and maintenance expenses of leased assets are recognized in the financial period in which they arise.

Transfer of assets

Any transfers of tangible and financial assets made between the assets financed from the joint investment accounts, shareholders' equity, restricted investment accounts, investment funds, conversion bases and accounting policies adopted for this purpose shall be disclosed. Disclosure shall also be made of the related financial effect, balances of any assets transferred to the beginning of the financial period, changes that occurred during the financial period, and the balance at the end of the period.

All transfers to related parties are disclosed, and description is made of the nature of the relationship, type of transactions carried out, and total value of the operations at the beginning and end of the financial period, indicating the financial implications.

The Bank's bases for asset valuation are disclosed when transfers are made.

Differences resulting from foreign currency transactions and financial implications are also disclosed.

The nature and terms of the transferred assets are disclosed as to whether they are separable, and any related provisions are disclosed as well.

The reasons and principles governing the transfer of assets between different investment accounts are disclosed.

Obligations and restrictions required by the contractual relationship between investment account holders and equity holders, if any, are disclosed.

Profit equalization reserve

This reserve is created / set up with a view to allocating appropriate and competitive rates of return to the Joint/Restricted Investment Account holders and to the shareholders in the event of exceptional circumstances and sharp fluctuations in the markets that actually make the actual profit rates less than what the holders of the Joint Investment Accounts expect. The same applies to the Bank's shareholders. This reserve is established based on the pre-approval of the Shari'a Supervisory Board and approval of the unrestricted investment accounts holders’ equity.

This reserve shall be allocated to the share of the profits of the holders of the Joint Investment Accounts holders equity and the shareholders equity before the deduction of Mudarib's share. The balance available in the reserve account shall be invested in the aggregated joint money account. The profits from the investment shall be credited to the reserve account.

If the balance in the profit equalization reserve account is insufficient to meet the competition, the shareholders may give part of their share of profits to the holders of the

joint investment accounts based on the Bank’s Board of Directors’ decision and approval of the Shari'a Supervisory Board.
The profit equalization reserve is transferred to the shareholders and unrestrected investment accounts holders equity each according to its share of the deduction.

Fair value of financial assets

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 it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration, upon determining the price of any asset or liability, whether market participants are required to take these factors into account at the measurement date. The fair value for the purposes of measurement and / or disclosure is determined for these financial statements on the same basis.

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 regarding the fair value measurements and the importance of inputs to the full fair value measurements. The details are as follows:

Level (1) inputs are induced 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 are induced 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 induced inputs to assets or liabilities that are not based on observable market prices.

Impairment of financial assets

The Bank applies the expected credit loss requirements and the amendments relating to the classification and measurement of financial instruments. The effect of the following instructions of the Central Bank of Jordan related to the application of IFRS 9 is recognized by recording the impact on the consolidated statement of income and comprehensive income in respect of assets and financing, in respect of assets and co-financing. The new expected credit losses and other provisions for finance and investments for the assets financed through unrestricted investment accounts holders’ equity will be charged through statements of income and comprehensive income statements starting 1 May 2019, based on the circular issued by the Central Bank on June 27, 2019, as a result of Banking law no.28 for the year 2008 and its amendments.

The expected credit losses provisions are calculated on the following financial instruments:

- Balances at banks and financial institutions.
- International wakala agencies
- Direct credit financing (self and joint).
- (Sukuk) within financial assets at amortized cost.
- (Sukuk) within financial assets at fair value through shareholders equity – self
- (Sukuk) within financial assets at fair value through investment account holders' equity – joint
- Off-balance sheet exposures subject to credit risk (self and joint).

No impairment loss is recognized in equity instruments.

The expected credit losses should be measured through an impairment provision equivelant of:

- The expected 12-month credit losses, ie, the expected life of the expected credit losses resulting from those default events on financial instruments that can be achieved within (12) months after the reporting date, referred to as stage 1 .

or

- Expected 12-month credit loss, ie, the expected life of expected credit losses arising from all possible default events over the life of the financial instrument referred to the stage 2 and stage 3.

A provision for the expected credit loss over the life of a financial instrument is required if the credit risk on that instrument increases substantially since initial recognition. For all other financial instruments, the expected credit loss is measured at an amount equivalent to the expected credit loss for a period of 12 months.

The expected credit losses are a possible weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank is expected to receive arising from the weighting of several future economic scenarios, discounted at the effective yield rate of the asset.

For unutilized limits, the expected credit losses are the difference between the present value of the difference between the contractual cash flows payable to the Bank, if the borrower withdraws the financing, and cash flows that the Bank expects to receive, if the financing is utilized; and

The Bank measures the expected credit losses on an individual basis or on a collective basis for funding that shares the characteristics of similar economic risks. The measurement of the provision for loss is based on the present value of the expected cash flows of the asset using the original effective rate of return of the asset, irrespective of whether it is measured on an individual or collective basis.

Provisions for expected credit losses are formed in accordance with the International Financial Reporting Standard (9) and according to the instructions of the Central Bank of Jordan, whichever is greater, that the essential differences are as follows:

• Sukuk issued or guaranteed by the Jordanian government are excluded, so that credit exposures on the Jordanian government are addressed by it without credit losses.

• When calculating credit losses against credit exposures, the calculation results are compared between to the International Financial Reporting Standard No. (9) with the instructions of the Central Bank of Jordan No. (47/2009) issued on 10 December 2009 for each stage separately and to select whichever is more strict.

Credit-impaired financial assets

A financial asset is considered to be "credit- impaired" when one or more events have an adverse effect on the estimated future cash flows of the financial asset. Credit-impaired financial assets are referred to as third stage assets. Evidence of credit impairment includes observable data on the following events:

- Significant financial difficulties faced by the borrower or issuer .
- Breach of contract, e.g. deficit or delay in payment .
- The Bank gives the borrower, for economic or contractual reasons related to the borrower's financial difficulty, a concession .

- The disappearance of an active market for this financial asset due to financial difficulties; or
- Buying a financial asset at a significant discount that reflects the credit losses incurred.

If a single event can not be identified, instead, the combined effect of several events may cause the financial assets to turn into assets with a credit-impaired value. The Bank assesses whether there has been a decline in credit of financial instruments measured at amortized cost or fair value through comprehensive income at each reporting date. To assess whether there is credit impairement to corporate debt instruments. Futhermore, a combination of factors such as sukuk proceeds, credit rating, and the borrower's ability to increase funding is considered.

Finance is considered to be impaired when the customer is granted a concession due to deterioration of his financial position, unless there is evidence that as a result of the concession, the risk of non-receipt of contractual cash flows has declined significantly, and there are no further indications of impairment. For financial assets where concessions are contemplated but not granted, the asset is considered to be impaired when there is clear evidence of credit impairment, including the definition of default. The definition of default includes indications of possible non-payment and discontinuation if the amounts are due for 90 days or more. However, cases where the asset's impairment is not recognized after 90 days of maturity are supported by reasonable information.

Default

The definition of default is very important in determining the expected credit loss. It is used to measure the expected credit loss and determine whether the less provision for loss is based on the expected 12-month or lifetime loss, as default is a component of the probability of default that affects both the measurement of expected credit losses and determine the significant increase in credit risk below.

The Bank considers the following as an event of default:

- Failure to pay for more than 90 days for any important credit commitment to the Bank;
- It is unlikely that the customer will pay his entire credit obligations to the Bank.

The definition of default is designed to reflect the different characteristics of different types of assets.

In assessing whether a customer is unlikely to pay his credit commitment, the Bank takes into account qualitative and quantitative indicators. The information is based on the type of asset, and the Bank uses various sources of information to assess defaults that are internally developed or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, financial liabilities, and financial guarantee contracts that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there is a significant increase in credit risk, the Bank will measure the allowance for loss on a life-long basis rather than the expected 12-month credit loss.

The Bank does not consider financial assets with "low" credit risk at the reporting date if they have not been exposed to a significant increase in credit risk. As a result, the Bank monitors all financial assets and liabilities of financing issued and financial guarantees contracts that are subject to impairment for the significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased substantially since initial recognition, the Bank compares the risk of default of the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default for the remaining maturity period at the date of the current report when the financial instrument is recognized for the first time. In making such an assessment, the Bank considers both quantitative and qualitative information that is reasonable and reliable, including historical experience and future information available at no cost or undue effort, based on the Bank's historical experience and the assessment of the credit expert, including future information.

Multiple economic scenarios represent the basis for determining the probability of default on initial recognition and subsequent reporting dates. Various economic scenarios will result in a different probability of default. The weighting of the different scenarios is the basis of the weighted average probability of default that is used to determine whether the credit risk has increased significantly.

The qualitative factors that indicate a marked increase in credit risk are reflected in the probability of default models at the appropriate time. However, the Bank is still looking separately at some qualitative factors to assess whether the credit risk has increased significantly. With regard to corporate finance, there is a particular focus on the assets included in the "watch list" where exposure is included in the watch list when there are concerns about the deterioration of credit worthiness. With regard to individual financing, the Bank takes into account expectations of the non-payment periods and defaults, and signs of low credit.

Quantitative information is a key indicator of the significant increase in credit risk and is based on a change in the probability of default over a lifetime by comparing:

- The probability of remaining life-long defaults at the reporting date; and
- The probability of life-long defaults remaining at this point from the time estimated on the basis of facts and circumstances at initial recognition of exposure.

The Bank uses the same methodologies and data used to measure expected credit loss provisions.

Since the significant increase in credit risk since the initial recognition is a relative measure, a specific change, in absolute terms, in the probability of non-payment will be more important to a financial instrument with a lower initial non-payment probability compared to a financial instrument with a higher non-payment probability.

As a safety valve when an asset’s maturity exceeds more than (50) days, the bank considers that a significant increase in credit risk has occurred, and the asset is in the second stage of the impairment model, meaning that the loss provision is measured as a credit loss for life expectancy.

Provision for credit loss is presented in the consolidated statement of financial position

The expected credit loss provisions are presented in the consolidated statement of financial position as follows:

For joint financial assets: as a deduction from the total value of the assets.

Self direct and indirect financing: The provision for credit losses is recognized as a deduction from the balance of self-financing, and off-balance sheet items are presented in other liabilities.

Joint direct and indirect financing: The provision for credit losses is recognized as a deduction from the balance of joint financing, and off balance sheet items are presented in other liabilities.

Write-off

Financial assets are derecognized when there is no reasonable expectation of recovery, such as a client failure to participate in a payment plan with the Bank. The Bank classifies funds or amounts due to be written off after all possible payment methods have been exhuasted. However, if the financing or receivables are written off, the Bank continues its enforcement activity to attempt to recover the receivable, which is recognized in the consolidated statement of income upon recovery .

Property, plant & equipment

Property , plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment (excluding land) are depreciated when they are ready to be used on a straight-line basis over the estimated useful life using the following annual rates:

Buildings	2%
Furniture, deviceces and furniture	15%
Vehicles	15%
Computers	20%
Others	4% - 10%

Where the estimated recoverable amount of any property and equipment is less than its net carrying amount, the carrying amount of the asset and equipment is written down to its recoverable amount, and the amount of impairment is recognized in the consolidated statement of income and comprehensive income statement.

The useful life of property and equipment is reviewed at the end of each year. If the expected useful life is different from the previous estimates, the change in estimate for subsequent years is recorded as a change in estimates.

Property and equipment are derecognized upon disposal or when no future benefits are expected to arise from its use or disposal.

Intangible assets

Intangible assets are classified on the basis of their estimated useful lives for a specified period or unspecified period. Intangible assets with a finite useful life are amortized over a period of up to four years, and the amortization is recognized in the consolidated statement of income and comprehensive income . Intangible assets with an indefinite useful life are reviewed for impairment at the consolidated statement of financial position date, and any impairment loss is recognized in the consolidated statement of income and comprehensive income.

Intangible assets arising from the Bank's business are not capitalized, and are recognized in the consolidated statement of income and comprehensive income for the same period.

Any indications of impairment of intangible assets are reviewed at the date of consolidated statement of financial position date. The life of the asset is reviewed, and any adjustments are made in the subsequent periods.

The amortization rate for the group intangible assets item is as follows:

Computers systems & Softwares	25%

Seized assets by the Bank against debts

Assets seized by the bank against debts are disclosed in the consolidated financial position statement in the other asset, and recorded by the acquisition value or fair value, whichever is less, and they are reevaluated individually at the date of the consolidated financial statements. Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

Impairment in non-financial assets:

The carrying value of the Group's non-financial assets is reviewed at the end of each fiscal year, except for the deferred tax assets, to determine whether there is an indication of impairment. In the event of an indication of impairment, the amount recoverable from those assets is estimated.

If the carrying amount of the assets exceeds the recoverable amount from those assets, the impairment loss is recorded in those assets.

The recoverable amount is the fair value of the asset - less selling costs - or the value of its use, whichever is greater.

All impairment losses are recognized in the statement of profit or loss and other comprehensive income.

The impairment loss for goodwill is not reversed. For other assets, the impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that was determined after the depreciation or amortization has taken place if the impairment loss is not recognized.

Provisions

Provisions are recognized when the Bank has obligations as of the date of the consolidated statement of financial position arising from past events, and the payment of the liability is probable and can be reliably measured.

Income tax

Tax expenses represent amounts of accrued taxes and deferred taxes.

Due taxes are calculated based on taxable profits, which differ from those declared in the financial statements. In this regard, declared profits include non-taxable income or expenses not deductible in the fiscal year but deductible in subsequent years,deductible accumulated tax losses, or items not subject to tax or tax deductible.

The Bank deducts taxes and establishes a provision for income tax in accordance with Income Tax Law No. (38) of 2018 and IAS (12), which recognizes deferred taxes arising from time differences in the fair value reserve.

Deferred taxes are the taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the financial statements and the amount on which the taxable profit is calculated. Deferred taxes are calculated using the method that complies with the consolidated statement of financial position, and they are calculated according to the tax rates expected to be applied when the tax liability is settled or deferred tax assets are realized. A 38% rate has been used, effective from 1 January 2019, to calculate deferred taxes in accordance with the Income Tax Law No. 38 of 2019. As such deferred taxes should be calculated according to the prescribed rate or expected rates for future periods.

The balance of deferred tax assets is reviewed at the date of the consolidated financial statements, and is reduced in case that it is not probable that the tax asset will be fully or partially utilized.

Deposit guarantee

On April 1, 2019, a law amending the Deposit Insurance Corporation Law was issued, which included Islamic banks in the umbrella of the Deposit Insurance Corporation, noting that Islamic banks were not previously covered by the law, and the amended law stipulated that deposit accounts that fall within the bank's trust (credit accounts or the like, The part that does not participate in the profits from the joint investment accounts) entails fees for guaranteeing deposits and the bank bears from its own funds. As for the joint investment accounts, the owners of the joint investment accounts bear the participation fees for these accounts

Offsetting

Financial assets are offset against financial liabilities, and the net amount is recognized in the consolidated statement of financial position only when the legally binding rights are available and settled on an offsetting basis, or the asset is realized and the liability settled simultaneously.

Wakala Investment accounts

The accounts managed by the Bank are represented by Wakala within a specific program with the Central Bank of Jordan. Funds invested in the Wakala are shown off-side the consolidated statement of financial position, and the Bank's share of the Wakala (gains) is included in the consolidated statement of income and comprehensive income.

Realization of revenues and recognition of expenses
Revenues and expenses are recognized on the accrual basis except for non-performing deferred sales revenue and financing which are recognized in the suspended revenue account.

Commission income and expenses
Commissions are recognized as income, when the related services are provided, in the consolidated statement of income and comprehensive income. Commissions are charged in respect of banking services and financing services when they are met.

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, including any related income, expenses and dividends.

Dividend income
Dividend income is recognized when the right to receive payment is established, which is the earlier date of the earnings per share, and is usually the date on which the shareholders approve the dividend for unquoted equity.Dividend distribution in the consolidated statement of income depends on the classification and measurement of equity investment, i.e.:

- With respect to equity instruments held for trading, dividend income is recognized in the consolidated statement of income and comprehensive income (loss) on financial assets at fair value through the statement of income;

- For equity instruments classified at fair value through shareholders' equity, equity is recognized in the consolidated statement of income and comprehensive income under the Bank's self financed revenue;

- For equity instruments that are not classified at fair value through share holders equity - self and not held for trading, equity gains are recognized in the consolidated statement of income and consolidated comprehensive income under other income - self; and

- With respect to equity instruments classified at fair value through the joint investment accounts holders' equity, the income from equity is included in the consolidated statement of income and comprehensive income under profit from financial assets at fair value through unrestricted investment account holders equity.

Cash and cash equivalents

Cash and cash balances maturing within three months, including: cash and balances with the Central Bank, balances with banks and banking institutions, and deposits of banks and banking institutions with maturities of three months and restricted balances.

(3) Significant accounting estimated and key sources of estimation uncertainty

The preparation of the consolidated financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and to disclose potential liabilities. These estimates and judgments also affect income, comprehensive income, equity and equity holders of joint investment accounts. In particular, the Bank's management is required to issue significant judgments to estimate the amounts and timing of future cash flows. These estimates are necessarily based on assumptions and multiple factors that have varying degrees of estimation and uncertainty and that the actual results may differ from the estimates as a result of changes resulting from the circumstances and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. 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,and the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods In case the change affects the financial period and future financial periods.

We believe that our estimates in the consolidated financial statements are reasonable, and the estimates are summarized as follows:-

The management of the bank have used the following estimates:

- **Impairment provision for deferred sales and joint financing:**

During the fiscal year ending on 31 December 2019, the bank deducted 10% until the first of May 2019 for the Investment Risk Fund (10% for the year ended 31 December 2018) the Central Bank Circular issued on 27 June 2019 requiring the cancellation of Investment risk fund for Islamic banks in light of the Banking Law No. (28) for the year 2008 and its amendments, and as of 1 May 2019 allocations are charged against the assets funded by unrestrected investment accounts holders' equity(including sales receivables and joint financing investment) on the profits of the joint investment pool.
Where provisions for credit losses have been established in accordance with the International Financial Reporting Standard No. (9) and in accordance with the instructions of the Central Bank of Jordan, whichever is strictest.
Sukuk issued or guaranteed by the Jordanian government are excluded, so that credit exposures on the Jordanian government and guranteed by it are addressed without credit losses.
When calculating credit losses against credit exposures, the calculation results are compared according to the International Financial Reporting Standard No. (9) with the instructions of the Central Bank of Jordan No. (47/2009) of 10 December 2009 for each stage separately which ever is more strict is selected.

- **Decrease in the value of seized assets by the bank against debt :-**

Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

- **The productive lives of tangible assets and intangible assets**: The management periodically recalculates the useful lives of tangible assets and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and estimated future useful lives. Moreover, impairment losses are recognized in the consolidated statement of income and comprehensive income for the year.

- **Income tax provision**: The income tax expense is charged to its financial year according to the accounting regulations, laws and standards. Deferred tax assets , liabilities, and required tax provison are recognized and calculated.

- **Legal Provisions** : A provision is taken to meet any potential legal obligations based on the legal study prepared by the Bank's legal counsel and by the Bank's legal department, which identifies the risks that may arise in the future and reviews the study periodically.

- **Extension and termination options in lease contracts** : Extension and termination options are included in the number of leases. These conditions are used to increase operational flexibility in contract management. Most extension and termination options are exercisable by both the bank and the lessor.
  When determining the duration of a lease, management takes into consideration all facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods following termination options) are only included in the term of the lease if the lease contract is reasonably confirmed to be extended (or not terminated). An assessment is reviewed if an important event or a significant change occurs in the circumstances affecting the valuation that are under the control of the lessee.

- **Assets that are stated at cost:** -
  The management periodically reviews financial assets stated at cost to assess any impairment in their value, which is taken to the consolidated statement of income and comprehenisve income.

Provision for credit losses

Requires management to use significant judgments and estimates to estimate the amounts and timing of future cash flows and to estimate the risks of an increase in credit risk for financial assets after initial recognition and future measurement information for expected credit losses. The most important policies and estimates used by the Bank's management are detailed in Note (49).

Evaluation of business model

The classification and measurement of financial assets depends on the test results of the principal amount and profit payment 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 asset, measure its performance and the risks that affect the performance of the asset and how it is managed, and how the asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through income - equity or fair value through the rights of the holders of the joint investment that have been derecognised before maturity to understand the reasons for derecognition and whether the reasons are consistent with the objective of the business being retained. The 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 and uses by the Bank's management of the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are explained in detail in Note (49).

Establish groups of assets with similar credit risk characteristics

When the expected credit losses are measured on a cumulative basis, the financial instruments are grouped on the basis of common risk characteristics (eg instrument type, credit risk, type of collateral, date of initial recognition, remaining period of maturity, industry, geographical location of the customer, 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), and therefore assets are transferred from expected credit losses of between 12 months to the end or vice versa. This may also occur in portfolios that continue to be measured on the same basis as expected credit losses for a period of 12 months or a lifetime, but the amount of 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 (49). 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 in the consolidated financial statements for its substance and not for its legal form.

The Bank shall determine the classification at initial recognition, as well as the reassessment of such determination, if possible and appropriate, at each balance sheet date.

When measuring financial assets and liabilities, certain of the Bank's assets and liabilities are remeasured 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 level (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 active markets can not be obtained from the fair values of financial assets and financial liabilities included in the consolidated statement of financial position, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the data entered from those models will be obtained from market data. In the absence of such market data, fair values are determined by making judgments. The judgments include liquidity considerations and model data such as 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.

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 estimated weight of scenarios of the outlook for each type of product / market and the identification of future information relevant to each scenario.

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

The probability of default

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

Loss given default

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

Fair value measurement and valuation procedures

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

Discount of rent payments

Lease payments are discounted using the bank’s average finance cost, where the administration has applied judgments and estimates to determine the average financing costs when the lease contract begins.

(4) CASH AND BALANCES AT THE CENTRAL BANK

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Cash on hand	17,944,949	15,994,902
Balances at the Central Bank of Jordan:		
Current accounts	175,027,268	40,430,074
Statutory cash reserve	85,844,335	62,342,382
Total	**278,816,552**	**118,767,358**

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2019 and 31 December 2018 .
- All balances at the Central Bank are classified as stage (1) in accordance with the IFRS (9). There are no transfers between the (first, second and third) stages or written-off balances during the year ended 31 December 2019. There is no need to record a provision for the expected credit losses for balances at the Central Bank of Jordan.

The movement on balances at the Central Bank of Jordan is as follows:

	Stage 1 (individual) for the year ended 31 December 2019
	JD
Balance at the beginning of the year	102,772,456
New balances during the year	173,104,301
Repaid balances	(15,005,154)
Balance at the end of the year	**260,871,603**

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	Total
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Current and on -Demand accounts	390,348	6,888,614	6,123,195	6,376,309	6,513,543	13,264,923
Total	**390,348**	**6,888,614**	**6,123,195**	**6,376,309**	**6,513,543**	**13,264,923**

- There are no restricted balances as at 31 December 2019 and 31 December 2018.
- There are no balances at banks and financial institutions on which the bank receives returns as at 31 December 2019 and 31 December 2018.
- All balances at banks and banking institutions are classified as stage(1) in accordance with the IFRS(9) . There are also no transfers between the(first, second and third) stages or written -off balances during the year ended 31 December 2019. Moreover , there is no need to record a-provision for expected credit losses for balances at banks and banking institutions.

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

	Stage 1 (individual) for the Year ended 31 December 2019
	JD
Balance at the beginning of the year	13,264,923
New balances during the year	2,569,890
Repaid balances	(9,321,270)
Balance at the end of the year	**6,513,543**

(6) INTERNATIONAL WAKALA INVESTMENTS - NET

The details of this item are as follows:

	Jointly financed	
	31 December	
	2019	2018
Matures:	JD	JD
Within a month	67,355,000	52,076,050
From a month to three months	3,533,829	2,771,656
From three to six months	-	1,259,461
Total International Wakala Investments	**70,888,829**	**56,107,167**
Less: Expected credit losses for international wakala investment	98,451	86,311
Net International Wakala Investments	**70,790,378**	**56,020,856**

The movement on the gross International Wakala Investments was as follows:

Item	For the year ended 31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	56,107,167	-	-	56,107,167
New balances and deposits during the year	70,888,829	-	-	70,888,829
Repaid balances and deposits	(56,107,167)	-	-	(56,107,167)
Total balance at the end of the year	70,888,829	-	-	70,888,829

- There are no transfers between the stages (First , second and third) or written off balances .

The movement on the Expected Credit Losses provisions for the international Wakala investments was as follows:

Item	For the year ended 31 December 2019			
	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	**86,311**	-	-	**86,311**
Impairment loss of new balances during the year	98,451	-	-	98,451
Recoverable from impairment loss on repaid balance and deposits	(86,311)	-	-	(86,311)
Total balance at the end of the year	**98,451**	-	-	**98,451**

(7) FINACIAL ASSETS AT FAIR VALUE THROUGH THE STATEMENT OF INCOME

The details of this item are as follows:

	Jointly financed	
	31 December	
	2019	2018
	JD	JD
Quated Islamic sukuk	3,536,138	688,489
Total	**3,536,138**	**688,489**

(8) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES - NET

The details of this item are as follows:

	Jointly financed		Self financed		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Individuals (retail)						
Murabaha to the purchase orderer	213,917,125	156,188,787	1,646,011	1,529,463	215,563,136	157,718,250
Ijara Muntahia Bittamleek - receivables	1,210,619	797,483	-	-	1,210,619	797,483
Other receivables	1,812,928	-	552,010	313,748	2,364,938	313,748
Real estate financing	25,086,645	25,225,628	-	-	25,086,645	25,225,628
Corporate						
International Murabaha	57,398,162	14,526,427	-	-	57,398,162	14,526,427
Murabaha to the purchase orderer	355,026,771	206,386,137	-	-	355,026,771	206,386,137
Ijara Muntahia Bittamleek - receivables	2,172,973	1,996,093	-	-	2,172,973	1,996,093
Other receivables	-	-	213,687	344,425	213,687	344,425
Small and medium enterprises						
Murabaha to the purchase orderer	23,325,983	14,362,941	-	-	23,325,983	14,362,941
Ijara Muntahia Bittamleek - receivables	25,149	27,560	-	-	25,149	27,560
Other receivables	-	-	99,088	16,889	99,088	16,889
Government and the public sector	61,966,203	95,355,159	-	-	61,966,203	95,355,159
Total	**741,942,558**	**514,866,215**	**2,510,796**	**2,204,525**	**744,453,354**	**517,070,740**
Less: Deferred revenue	75,153,663	48,249,840	243,610	233,379	75,397,273	48,483,219
Suspended revenue	1,369,034	1,054,808	7,112	7,112	1,376,146	1,061,920
Expected credit losses	26,018,123	18,506,017	273,543	221,693	26,291,666	18,727,710
Net deferred sales receivable and other receivables	**639,401,738**	**447,055,550**	**1,986,531**	**1,742,341**	**641,388,269**	**448,797,891**

- The non- performing deferred sales receivables , other receivables , facilities and Ijara Muntahia bittamleek receivables amounted to JD 21,310,579 as at 31 December 2019, representing 2.68% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 17,724,246 as at 31 December 2018, representing 3.17% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables).

- The non- performing deferred sales receivables , other receivables , facilities and Ijara Muntahia bittamleek receivables amounted to JD 19,934,433 as at 31 December 2019, representing 2.51% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 16,662,328 as at 31 December 2018, representing 2.98% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables).

- The provision for impairment of the jointly financed facilities portfolio, which is calculated based on the Central Bank of Jordan's Instructions No.(47/2009) and based on (watch list) amounted to JD 565,302 Moreover, the provision calculated based on the "individual customer"(non-performing) amounted to JD 17,280,505 as at 31 December 2019 (JD 665,405 and JD 14,223,542 respectively as at 31 December 2018).

- The deferred sales receivables and other receivables and facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 61,966,203 as at 31 December 2019, representing 8.32% of the balance of deferred sales receivables , other receivables and facilities (JD 95,355,159 as at 31 December 2018, representing 18.44% of the balance of deferred sales receivables , other receivables and facilities).

1) Impairment loss on Credit financing - corporates

A) Self (Deferred sales receivables and other receivables and Qard Hassan)

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Acceptable risk	9	-	-	9	-
Watch list	-	33	-	33	-
Doubtful collection	-	-	320	320	-
Loss	-	-	85,217	85,217	-
Not rated	-	110,172	10,824	120,996	87,987
Total	**9**	**110,205**	**96,361**	**206,575**	**87,987**

-The movement of financing:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year*	6,099	153,629	177,585	337,313
New facilities during the year	9	110,189	1,783	111,981
settled facilities	(6,099)	(153,613)	(83,007)	(242,719)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	**9**	**110,205**	**96,361**	**206,575**

- The movement of impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	126	2,477	177,585	180,188
Loss on new financing during the year	-	2,472	380	2,852
Recoverable from the loss of impairment on reimbursements	(125)	(2,478)	-	(2,603)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes resulting from modifications	(1)	2	(87,612)	(87,611)
Total balance at the end of the year	**-**	**2,473**	**90,353**	**92,826**

B-Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and outstanding revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Insignificant	-	-	-	-	-
Almost risk free	2,670,293	-	-	2,670,293	2,003,042
Low risk	11,310,381	-	-	11,310,381	13,297,855
Normal risk	159,221,399	-	-	159,221,399	64,519,158
Acceptable risk	126,035,360	155,021	-	126,190,381	81,007,424
Acceptable with due care	5,320,776	5,833,495	-	11,154,271	8,995,686
Watch list	-	8,868,365	-	8,868,365	18,193,834
Substandard	-	-	-	-	2,816,318
Doubtful	-	-	1,002,601	1,002,601	-
Loss	-	-	11,687,291	11,687,291	8,715,819
Unrated	56,574,488	-	-	56,574,488	14,885,937
Total	**361,132,697**	**14,856,881**	**12,689,892**	**388,679,470**	**214,435,073**

-The movement on financing:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year *	171,161,747	31,268,743	12,004,583	214,435,073
Loss on new financing during the year	247,696,902	9,874,271	1,483,619	259,054,792
Recoverable from the loss of impairment on reimbursements	(74,121,046)	(9,229,258)	(1,460,091)	(84,810,395)
Transfer to Stage 1	16,844,047	(16,844,047)	-	-
Transfer to Stage 2	(448,953)	448,953	-	-
Transfer to Stage 3	-	(661,781)	661,781	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	**361,132,697**	**14,856,881**	**12,689,892**	**388,679,470**

- The movement on impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	1,169,195	613,036	11,612,406	13,394,637
Loss on new financing during the year	672,369	3,886,696	39,896	4,598,961
Recoverable from the loss of impairment on reimbursements	(78,263)	(257,260)	(16,931)	(352,454)
Transfer to Stage 1	282,099	(282,099)	-	-
Transfer to Stage 2	(384)	384	-	-
Transfer to Stage 3	-	(39,706)	39,706	-
Changes resulting from modifications	(427,672)	(24,079)	1,498,385	1,046,634
Total balance at the end of the year	**1,617,344**	**3,896,972**	**13,173,462**	**18,687,778**

* The beginning balance for the year does not include ijarah muntahia biltamlek balance.

2) Impairment Loss on Credit Financing - Small and Medium Enterprises:

A-Self financed

The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	Collective	individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Not rated	-	85,212	-	4,993	8,883	99,088	16,889
Total	**-**	**85,212**	**-**	**4,993**	**8,883**	**99,088**	**16,889**

-The movement on financing

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year*	-	10,068	-	3,095	3,726	16,889
New facilities during the year	-	85,212	-	4,993	8,653	98,858
settled facilities	-	(9,748)	-	(3,095)	(3,816)	(16,659)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	(320)	-	-	320	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**-**	**85,212**	**-**	**4,993**	**8,883**	**99,088**

- The movement on impairment provision:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	32	-	57	3,012	3,101
Loss on new financing during the year	-	445	-	141	8,653	9,239
Recoverable from the loss of impairment on reimbursements	-	(32)	-	(57)	(3,012)	(3,101)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	(1)	-	-	1	-
Changes resulting from modifications	-	1	-	-	229	230
Total balance at the end of the year	**-**	**445**	**-**	**141**	**8,883**	**9,469**

B-Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	Collective	individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
unrated	-	14,397,989	-	5,569,034	1,147,534	21,114,557	13,130,470
Total	**-**	**14,397,989**	**-**	**5,569,034**	**1,147,534**	**21,114,557**	**13,130,470**

-The movement on financing :

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year*	-	12,267,031	-	372,111	491,328	13,130,470
New facilities during the year	-	11,063,949	-	4,663,549	178,336	15,905,834
settled facilities	-	(6,964,272)	-	(670,607)	(286,868)	(7,921,747)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	(1,250,259)	-	1,287,179	(36,920)	-
Transfer to Stage 3	-	(718,460)	-	(83,198)	801,658	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**-**	**14,397,989**	**-**	**5,569,034**	**1,147,534**	**21,114,557**

- The movement on impairment provision:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance of beginning of the year	-	61,837	-	17,607	106,768	186,212
Loss on new financing during the year	-	13,582	-	23,415	57,366	94,363
Recoverable from the loss of impairment on reimbursements	-	(23,565)	-	(4,145)	(37,910)	(65,620)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	(12,467)	-	13,317	(850)	-
Transfer to Stage 3	-	(9,334)	-	(3,595)	12,929	-
Changes resulting from modifications	-	(3,004)	-	(14,434)	163,349	145,911
Total balance at the end of the year	**-**	**27,049**	**-**	**32,165**	**301,652**	**360,866**

*The beginning balance for the year does not include ijara muntahia biltamlek balance.

3) Impairment loss on credit facilities - Individual portfolio (retail):

A-Self financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unrated	1,761,175	11,616	181,620	1,954,411	1,609,832
Total	**1,761,175**	**11,616**	**181,620**	**1,954,411**	**1,609,832**

-The movement on financing

Item	For the year ended 31 December 2019			
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year*	1,550,842	26,509	32,481	1,609,832
New facilities during the year	843,027	7,884	146,849	997,760
settled facilities	(612,101)	(26,509)	(14,571)	(653,181)
Transfer to Stage 1	8,582	-	(8,582)	-
Transfer to Stage 2	(3,652)	3,772	(120)	-
Transfer to Stage 3	(25,523)	(40)	25,563	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	**1,761,175**	**11,616**	**181,620**	**1,954,411**

- The movement on impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	5,684	362	32,358	38,404
Loss on new financing during the year	2,894	202	153,727	156,823
Recoverable from the loss of impairment on reimbursements	(1,894)	(360)	(21,785)	(24,039)
Transfer to Stage 1	522	-	(522)	-
Transfer to Stage 2	(86)	88	(2)	-
Transfer to Stage 3	(520)	(1)	521	-
Changes resulting from modifications	58	(71)	73	60
Total balance at the end of the year	**6,658**	**220**	**164,370**	**171,248**

B-Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and outstanding revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unrated	164,572,343	6,877,565	3,945,085	175,394,993	128,533,341
Total	**164,572,343**	**6,877,565**	**3,945,085**	**175,394,993**	**128,533,341**

-The movement on financing:

Item	For the year ended 31 December 2019			
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year*	123,984,494	2,334,651	2,214,196	128,533,341
New facilities during the year	89,129,593	1,242,929	554,418	90,926,940
settled facilities	(42,034,487)	(1,673,522)	(357,279)	(44,065,288)
Transfer to Stage 1	163,431	(161,720)	(1,711)	-
Transfer to Stage 2	(5,257,796)	5,679,955	(422,159)	-
Transfer to Stage 3	(1,412,892)	(544,728)	1,957,620	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	**164,572,343**	**6,877,565**	**3,945,085**	**175,394,993**

- The movement on impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	211,075	115,460	1,679,343	2,005,878
Loss on new financing during the year	138,091	75,519	124,223	337,833
Recoverable from the loss of impairment on reimbursements	(17,917)	(1,288)	(21,365)	(40,570)
Transfer to Stage 1	12,788	(10,348)	(2,440)	-
Transfer to Stage 2	(22,459)	244,386	(221,927)	-
Transfer to Stage 3	(9,476)	(28,903)	38,379	-
Changes resulting from modifications	(57,960)	(116,030)	1,757,331	1,583,341
Total balance at the end of the year	**254,142**	**278,796**	**3,353,544**	**3,886,482**

*The beginning balance for the year does not include ijara muntahia biltamlek balance.

4) Impairment loss on credit facilities - Real estate financing:

A-Self financed

The distribution of total finances according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue) :

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	Collective	individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Total	-	-	-	-	-	-	-

-The movement on financing:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year	-	-	-	-	-	-
Total balance at the end of the year	-	-	-	-	-	-

- The movement on impairment provision:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the end of the year	-	-	-	-	-	-

B-Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	Collective	individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Almost free risk	1,601,312	-	-	-	-	1,601,312	2,198,023
Low risk	25,238	-	88,502	-	-	113,740	64,860
Normal Risk	68,145	-	-	-	-	68,145	116,811
Acceptable risk	3,280,319	-	1,803,476	-	-	5,083,795	3,575,825
Acceptable with due care	52,751	-	23,821	-	-	76,572	49,638
Watch list	-	-	7,752,304	-	-	7,752,304	8,109,919
Doubtful	-	-	-	-	62,670	62,670	-
Loss	-	-	-	-	352,537	352,537	329,531
Unrated	101,505	5,339,678	-	457,930	173,472	6,072,585	5,976,111
Total	**5,129,270**	**5,339,678**	**9,668,103**	**457,930**	**588,679**	**21,183,660**	**20,420,718**

-The movement on financing:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year *	4,208,203	5,802,598	9,942,888	134,308	332,721	20,420,718
New facilities during the year	1,845,449	1,376,878	56,982	-	260,988	3,540,297
Settled facilities	(771,543)	(1,230,964)	(659,091)	(106,982)	(8,775)	(2,777,355)
Transfer to Stage 1	34,227	-	(34,227)	-	-	-
Transfer to Stage 2	(187,066)	(561,722)	377,023	564,912	(193,147)	-
Transfer to Stage 3	-	(47,112)	(15,472)	(134,308)	196,892	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**5,129,270**	**5,339,678**	**9,668,103**	**457,930**	**588,679**	**21,183,660**

- The movement on impairment provision:

Item	For the year ended 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	6,380	2,012	2,085,848	25	825,025	2,919,290
Loss on new financing during the year	1,709	9	-	-	-	1,718
Recoverable from the loss of impairment on reimbursements	(328)	(8)	(1,205)	-	-	(1,541)
Transfer to Stage 1	5,339	-	(5,339)	-	-	-
Transfer to Stage 2	(1,201)	(358)	537,490	358	(536,289)	-
Transfer to Stage 3	-	(5)	(4,346)	(25)	4,376	-
Changes resulting from modifications	(6,796)	(1,622)	13,479	(266)	158,735	163,530
Total balance at the end of the year	**5,103**	**28**	**2,625,927**	**92**	**451,847**	**3,082,997**

***The beginning balance for the year does not include ijarah muntahia biltamlek balance.**

5) Impairment loss on credit facilities - Government and public sector:

A- Self financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Insignificant	509,660	-	-	509,660	509,660
Total	**509,660**	**-**	**-**	**509,660**	**509,660**

The movement on financing:-

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Total balance at the beginning of the year *	509,660	-	-	509,660
Total balance at the end of the year	**509,660**	**-**	**-**	**509,660**

- The movement on impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-
Total balance at the end of the year	-	-	-	-

B-Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories(After deducting deferred and suspended revenue):

Item	31 December 2019				31 December 2018
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk	59,047,181	-	-	59,047,181	89,041,965
Total	**59,047,181**	**-**	**-**	**59,047,181**	**89,041,965**

-The movement on financing:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Total balance at the beginning of the year *	89,041,965	-	-	89,041,965
New facilities during the year	575,922	-	-	575,922
settled facilities	(30,570,706)	-	-	(30,570,706)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	**59,047,181**	**-**	**-**	**59,047,181**

-The movement on impairment provision:

Item	For the year ended 31 December 2019			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-
Total balance at the end of the year	-	-	-	-

***The beginning balance for the year does not include ijarah muntahia biltamlek balance.**

- **The movement on credit financing (after deducting suspended and deferred revenue) :**

A- Self-financed

Item	For the year ended at 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year*	515,759	1,560,910	153,629	29,604	213,792	2,473,694
New facilities during the year	9	928,239	110,189	12,877	157,285	1,208,599
Repaid facilities	(6,099)	(621,849)	(153,613)	(29,604)	(101,394)	(912,559)
Transfer to Stage 1	-	8,582	-	-	(8,582)	-
Transfer to Stage 2	-	(3,652)	-	3,772	(120)	-
Transfer to Stage 3	-	(25,843)	-	(40)	25,883	-
Changes resulting from modifications	-	-	-	-	-	-
Defaulted facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**509,669**	**1,846,387**	**110,205**	**16,609**	**286,864**	**2,769,734**

- **The movement of the expected credit losses provision / self financed :**

Item	For the year ended at 31 December 2019					
	Corporate	**Small and medium enterprises**	**Retail (individual)**	**Real estate financing**	**Government and the public sector**	**Total**
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	180,188	3,101	38,404	-	-	221,693
Impairment loss on new facilities during the year	2,852	9,239	156,823	-	-	168,914
Recovered from impairment loss on repaid	(2,603)	(3,101)	(24,039)	-	-	(29,743)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
- Effect on the provision - as at the end of the year as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(87,611)	230	60	-	-	(87,321)
Defaulted facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**92,826**	**9,469**	**171,248**	-	-	**273,543**
Redistribution:						
Provisions on an individual basis	92,826	8,883	164,370	-	-	266,079
Provisions on a collective basis	-	586	6,878	-	-	7,464

*The beginning balance for the year does not include ijara muntahia biltamlek balance.

- **The movement on credit facilities (after deducting deferred revenue and suspended revenue) :**

B- Jointly financed

Item	For the year ended at 31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	individual	Collective	individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year *	**264,411,915**	**142,054,123**	**41,211,631**	**2,841,070**	**15,042,828**	**465,561,567**
New facilities during the year	250,118,273	101,570,420	9,931,253	5,906,478	2,477,361	370,003,785
Repaid facilities	(105,463,295)	(50,229,723)	(9,888,349)	(2,451,111)	(2,113,013)	(170,145,491)
Transfer to Stage 1	16,878,274	163,431	(16,878,274)	(161,720)	(1,711)	-
Transfer to Stage 2	(636,019)	(7,069,777)	825,976	7,532,046	(652,226)	-
Transfer to Stage 3	-	(2,178,464)	(677,253)	(762,234)	3,617,951	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**425,309,148**	**184,310,010**	**24,524,984**	**12,904,529**	**18,371,190**	**665,419,861**

- **-The movement on expected credit loss / jointly financed:**

Item	For the year ended at 31 December 2019					
	Corporate's	Small and medium enterprises	Retail (individual)	Real estate financing	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	13,394,637	186,212	2,005,878	2,919,290	-	18,506,017
Loss on new facilities during the year	4,598,961	94,363	337,833	1,718	-	5,032,875
Recovered from impairment loss on repaid facilities	(352,454)	(65,620)	(40,570)	(1,541)	-	(460,185)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	1,046,634	145,911	1,583,341	163,530	-	2,939,416
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**18,687,778**	**360,866**	**3,886,482**	**3,082,997**	**-**	**26,018,123**

*The beginning balance for the year does not include ijarah muntahia biltamlek balance.

Redistribution:						
Provisions on an individual basis	18,687,778	301,652	-	3,082,877	-	22,072,307
Provisions at a collective basis	-	59,214	3,886,482	120	-	3,945,816

<u>Suspended revenue :</u>

The movement on suspended revenue is as follows:

	Jointly financed							
	For the year ended 31 December 2019				For the year ended 31 December 2018			
	Retail	Corporate	Small and medium enterprises	Total	Retail (individual)	Corporate	Small and medium enterprises	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	229,935	828,440	3,545	1,061,920	203,447	693,320	493	897,260
Add: suspended revenue during the year	329,077	181,324	16,581	526,982	152,655	201,815	3,496	357,966
Less: suspended revenue transferred to revenue	103,139	113,138	3,591	219,868	126,167	66,695	444	193,306
Balance at the end of the year	**455,873**	**896,626**	**16,535**	**1,369,034**	**229,935**	**828,440**	**3,545**	**1,061,920**

The following are credit exposures in accordance with IFRS (9) as at 31 December 2019

A- Self-financed

	Stage 1				Stage 2				Stage 3				Total			
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Corporates	9	-	-	-	110,205	2,473	-	-	103,473	90,353	7,112	-	213,687	92,826	7,112	-
Small and medium enterprises	85,212	445	-	-	4,993	141	-	-	8,883	8,883	-	-	99,088	9,469	-	-
Retail (Individual)	2,004,785	6,658	-	243,610	11,616	220	-	-	181,620	164,370	-	-	2,198,021	171,248	-	243,610
Real estate financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and public sector	509,660	-	-	-	-	-	-	-	-	-	-	-	509,660	-	-	-
Total	**2,599,666**	**7,103**	**-**	**243,610**	**126,814**	**2,834**	**-**	**-**	**293,976**	**263,606**	**7,112**	**-**	**3,020,456**	**273,543**	**7,112**	**243,610**

- The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (4,193,746), representing Ijara Muntahia Bittamleek.

B - Jointly financed

	Stage 1				Stage 2				Stage 3				Total			
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Corporates	382,883,999	1,617,344	-	21,751,302	17,334,727	3,896,972	-	2,477,846	13,503,815	13,173,462	804,971	8,952	413,722,541	18,687,778	804,971	24,238,100
Small and medium enterprises	15,762,742	27,049	-	1,364,753	6,368,134	32,165	-	799,100	1,185,640	301,652	16,535	21,571	23,316,516	360,866	16,535	2,185,424
Retail (Individual)	204,060,207	254,142	-	39,487,864	8,076,524	278,796	-	1,198,959	4,803,154	3,353,544	446,368	411,701	216,939,885	3,886,482	446,368	41,098,524
Real estate financing	12,632,560	5,131	-	2,163,612	12,636,323	2,626,019	-	2,510,290	728,530	451,847	101,160	38,691	25,997,413	3,082,997	101,160	4,712,593
Government and public sector	61,966,203	-	-	2,919,022	-	-	-	-	-	-	-	-	61,966,203	-	-	2,919,022
Total	**677,305,711**	**1,903,666**	**-**	**67,686,553**	**44,415,708**	**6,833,952**	**-**	**6,986,195**	**20,221,139**	**17,280,505**	**1,369,034**	**480,915**	**741,942,558**	**26,018,123**	**1,369,034**	**75,153,663**

- The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (378,666,545), representing Ijara Muntahia Bittamleek.

<u>The following are credit exposures in accordance with IFRS (9) as at 31 December 2018</u>

A- Self-financed

	Stage 1				Stage 2				Stage 3				Total			
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Corporates	6,099	126	-	-	153,629	2,477	-	-	184,697	177,585	7,112	-	344,425	180,188	7,112	-
Small and medium enterprises	10,068	32	-	-	3,095	57	-	-	3,726	3,012	-	-	16,889	3,101	-	-
Retail (Individual)	1,784,221	5,684	-	233,379	26,509	362	-	-	32,481	32,358	-	-	1,843,211	38,404	-	233,379
Real estate financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and public sector	509,660	-	-	-	-	-	-	-	-	-	-	-	509,660	-	-	-
Total	**2,310,048**	**5,842**	**-**	**233,379**	**183,233**	**2,896**	**-**	**-**	**220,904**	**212,955**	**7,112**	**-**	**2,714,185**	**221,693**	**7,112**	**233,379**

- The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (4,214,264), representing Ijara Muntahia Bittamleek.

B - Jointly financed

	Stage 1				Stage 2				Stage 3				Total			
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Corporates	177,509,768	1,169,195	-	6,348,021	31,953,001	613,036	-	684,258	12,712,547	11,612,406	692,916	15,048	222,175,316	13,394,637	692,916	7,047,327
Small and medium enterprises	13,494,278	61,837	-	1,227,247	379,339	17,607	-	7,228	505,825	106,768	3,545	10,952	14,379,442	186,212	3,545	1,245,427
Retail (Individual)	151,522,296	211,075	-	27,537,802	2,643,614	115,460	-	308,963	2,712,484	1,679,343	229,935	268,353	156,878,394	2,005,878	229,935	28,115,118
Real estate financing	12,443,274	8,392	-	2,432,473	13,173,497	2,085,873	-	3,096,301	461,133	825,025	128,412	-	26,077,904	2,919,290	128,412	5,528,774
Government and public sector	95,355,159	-	-	6,313,194	-	-	-	-	-	-	-	-	95,355,159	-	-	6,313,194
Total	**450,324,775**	**1,450,499**	**-**	**43,858,737**	**48,149,451**	**2,831,976**	**-**	**4,096,750**	**16,391,989**	**14,223,542**	**1,054,808**	**294,353**	**514,866,215**	**18,506,017**	**1,054,808**	**48,249,840**

- The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (323,038,208), representing Ijara Muntahia Bittamleek .

(9) FINANCIAL ASSETS AT FAIR VALUE THROUGHT SHAREHOLDERS' EQUITY -SELF FINANCED

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Quoted Financial Assets :		
Corporates share	-	340,500
Total quoted Financial Assets	**-**	**340,500**
Total Financial Assets at fair value through shareholders' equity -self-financed	**-**	**340,500**

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS' EQUITY - NET

The details of this item are as follows:

	Jointly financed 31 December 2019	Jointly financed 31 December 2018
	JD	JD
Quoted Financial Assets :		
Corporate Shares	276,524	210,477
Islamic Sukuk	27,022,906	20,786,749
Total quoted Financial Assets	**27,299,430**	**20,997,226**
Unquoted Financial Assets		
Corporate Shares	1,671,840	1,063,725
Islamic Sukuk	4,128,400	6,192,600
Total unquoted financial assets	**5,800,240**	**7,256,325**
Total Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity-Net	**33,099,670**	**28,253,551**
Less: Expected Credit Losses provision of financial assets at fair value through unrestricted investment accounts holders' equity-net	**242,704**	**137,753**
Net Financial Assets At Fair Value through Unrestricted Investment	**32,856,966**	**28,115,798**

- Unquoted financial assets shown at cost or in accordance with latest financial statements.

- **The movement of the total financial assets at fair value through unrestricted investment accounts holders' equity for the year ended 31 December 2019:**

Item	Stage1 (Individual)	Stage2 (Individual)	Stage3	Total
	JD	JD	JD	JD
Fair value as at the beginning of the year	28,253,551	-	-	28,253,551
New investments during the year	22,628,624	-	-	22,628,624
Matured and sold investments	(17,782,505)	-	-	(17,782,505)
Total balance at the end of year	**33,099,670**	**-**	**-**	**33,099,670**

- **Movement on the Expected Credit Losses provision for the financial assets at fair value through unrestricted investment accounts holders' equity for the year ended 31 December 2019:**

Item	Stage1 (Individual)	Stage2 (Individual)	Stage3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	137,753	-	-	137,753
Impairment loss on new investments during the year	130,622	-	-	130,622
Recovered from loss of Matured and sold investments	(25,671)	-	-	(25,671)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-
Changes resulting from modifications	-	-	-	-
Bad investments	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of year	**242,704**	**-**	**-**	**242,704**

(11) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly financed	
	31 December	
	2019	2018
	JD	JD
Unquoted Financial Assets:		
Islamic Sukuk	92,191,000	92,191,000
Total unquoted Financial Assets	**92,191,000**	**92,191,000**
Total Financial Assets at Amortized Cost- Net	**92,191,000**	**92,191,000**

-The assets mentioned above mature during the years 2021 , 2022 and 2023.

-No need to record expected credit losses provision against financial assets at amortized cost since these sukuk are guaranteed by The Jordanian Government.

(12) INVESTMENT IN ASSOCIATE

Investment in associated company (jointly financed)

	Percentage of ownership	Country	Principal activity	31 December 2019	31 December 2018
				JD	JD
Jordan Blending and Packing of Fertilizers Company	25٪	Jordan	Manufacturing	354,022	376,618

Cash dividend for the bank from the associate amounted to JD 10,000 during the year 2019 (9,000 during the year 2018).

The movement on the investment in associate was as follows:

	Jointly financed	
	31 December	
	2019	2018
	JD	JD
Beginning balance	376,618	377,262
Share of profit	14,517	14,071
Share of Taxes	(2,113)	(5,715)
The share of joint funds from the loss of decline in the affiliate's investment	(25,000)	-
Dividends received	(10,000)	(9,000)
Ending balance for the year*	**354,022**	**376,618**

* The latest audited and approved financial statements of the associate have been approved for the purpose of valuation.

(13) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

	Jointly financed			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
31 December 2019	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek assets-Real Estate	403,436,655	(75,113,613)	328,323,042	5,812,053	(1,618,307)	4,193,746	409,248,708	(76,731,920)	332,516,788
Ijara Muntahia Bittamleek assets-Machines	60,449,756	(10,106,253)	50,343,503	-	-	-	60,449,756	(10,106,253)	50,343,503
Total	**463,886,411**	**(85,219,866)**	**378,666,545**	**5,812,053**	**(1,618,307)**	**4,193,746**	**469,698,464**	**(86,838,173)**	**382,860,291**

	Jointly financed			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
31 December 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek assets-Real Estate	343,062,891	(65,245,240)	277,817,651	5,646,183	(1,431,919)	4,214,264	348,709,074	(66,677,159)	282,031,915
Ijara Muntahia Bittamleek assets-Machines	49,952,588	(4,732,031)	45,220,557	-	-	-	49,952,588	(4,732,031)	45,220,557
Total	**393,015,479**	**(69,977,271)**	**323,038,208**	**5,646,183**	**(1,431,919)**	**4,214,264**	**398,661,662**	**(71,409,190)**	**327,252,472**

- -The accrued Ijara installments amounted to JD 3,408,741 as at 31 December 2019 (JD 2,821,136 as at 31 December 2018). Moreover the due Ijara installments were presented under deferred sales receivables and other receivables-Net (Note 8).
- -The non-performing Ijara Muntahia Bittamleek amounted to JD 6,532,498 as at 31 December 2019, representing 1.71% of the balance of Ijara Muntahia Bittamleek assets (JD 4,447,134 as at 31 December 2018, representing 1.36% of the balance of Ijara Muntahia Bittamleek assets).

(14) PROPERTY AND EQUIPMENT - NET

	Lands	Buildings	Equipment, Devices and furniture	Vehicles	Computers	Others	Total
For the year ended at 31 December 2019	JD	JD	JD	JD	JD	JD	JD
Cost:							
Beginning balance for the year	2,747,021	12,882,553	14,559,290	260,401	4,047,588	1,139,949	35,636,802
Additions	-	-	1,652,594	76,500	572,479	-	2,301,573
Disposals	-	-	363,397	57,371	27,023	-	447,791
Ending balance for the year	**2,747,021**	**12,882,553**	**15,848,487**	**279,530**	**4,593,044**	**1,139,949**	**37,490,584**
Accumulated depreciation							
Beginning balance for the year	-	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Depreciation for the year	-	257,649	1,421,615	25,785	535,200	66,765	2,307,014
Disposals	-	-	300,434	57,370	24,571	-	382,375
Ending balance for the year	-	1,671,521	10,111,008	128,053	3,013,591	169,037	15,093,210
Net book value for property and equipment	**2,747,021**	**11,211,032**	**5,737,479**	**151,477**	**1,579,453**	**970,912**	**22,397,374**
Advance payments on purchasing property and equipment	-	-	199,010	-	484,288	-	683,298
Projects under construction	-	-	771,384	-	33,958	-	805,342
Net property and equipment at the end of year	**2,747,021**	**11,211,032**	**6,707,873**	**151,477**	**2,097,699**	**970,912**	**23,886,014**
For the year ended at 31 December 2018							
Cost:							
Beginning balance for the year	2,747,021	12,882,553	11,603,947	151,701	3,561,030	1,137,449	32,083,701
Additions	-	-	2,985,456	108,700	501,989	2,500	3,598,645
Disposals	-	-	30,113	-	15,431	-	45,544
Ending balance for the year	**2,747,021**	**12,882,553**	**14,559,290**	**260,401**	**4,047,588**	**1,139,949**	**35,636,802**
Accumulated depreciation							
Beginning balance for the year	-	1,156,223	7,888,420	140,195	2,013,326	35,592	11,233,756
Depreciation for the year	-	257,649	1,131,518	19,443	496,400	66,680	1,971,690
Disposals	-	-	30,111	-	6,764	-	36,875
Ending balance for the year	-	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Net book value for property and equipment	**2,747,021**	**11,468,681**	**5,569,463**	**100,763**	**1,544,626**	**1,037,677**	**22,468,231**
Advance payments on purchasing property and equipment	-	-	133,055	-	1,323,666	-	1,456,721
Projects under construction	-	-	326,474	-	-	-	326,474
Net property and equipment at the end of year	**2,747,021**	**11,468,681**	**6,028,992**	**100,763**	**2,868,292**	**1,037,677**	**24,251,426**
Annual depreciation rate	-	%2	%15	%15	%20	%4-%10	

- Fully depreciated property and equipment amounted to JD 7,569,961 as at 31 December 2019 (as at 31 December 2018: JD7,228,347).

- The total estimated cost to complete projects under construction amounted to JD 644,106 as at 31 December 2019.

(15) INTANGIBLE ASSETS-NET

The details of this item are as follows:

	Computer Systems & Softwares	
	31 December	
	2019	2018
	JD	JD
Beginning balance for the year	1,600,907	1,449,583
Additions	1,161,619	703,296
Amortization for the year	(719,247)	(551,972)
Ending balance for the year	**2,043,279**	**1,600,907**
Annual amortization rate	25%	25%

(16) OTHER ASSETS

The details of this item are as follows:

	31 December	
	2019	2018
	JD	JD
Seized assets by the Bank against debts-Net*	5,997,165	4,917,783
Prepaid expenses	820,054	1,431,923
Accrued revenue	1,463,656	731,690
Stationery and printing inventory	242,765	145,898
withholding income tax	123,643	119,578
Petty cash	68,716	74,425
Other account receivables	653,405	444,068
Others	441,833	626,929
Total	**9,811,237**	**8,492,294**

* The movement of the seized assets by the Bank against debts was as follows:

	For the year ended 31 December 2019			For the year ended 31 December 2018
	Seized real estates -self financed	Seized real estates- jointly financed	Total	Total
	JD	JD	JD	JD
Net balance at the beginning of the year	682,443	4,643,162	5,325,605	4,321,389
Additions	-	1,719,192	1,719,192	3,830,958
Amortization	(38,244)	(564,256)	(602,500)	(2,826,742)
Total	**644,199**	**5,798,098**	**6,442,297**	**5,325,605**
Provision for depreciated real estate - Jordan Central Bank instructions	(343,441)	(101,691)	(445,132)	(407,822)
Net balance at the end of the year	**300,758**	**5,696,407**	**5,997,165**	**4,917,783**

-The Central Bank of Jordan's regulations require disposal of seized assets during a maximum period of 2 years from the date of repossession, and in some cases the Central Bank of Jordan can extend the period for additional 2 years.

-The recorded provision for seized assets against debts that violate Article (48) of the Banking Law No.(28) for the year 2000 and its amendments. Moreover, the provision for seized real estates /self-financed amounted to JD 213,424 as at 31 December 2019 (229,397 as at 31 December 2018)

(17) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

The details of this item are as follows:

	31 December 2019			31 December 2018
	Inside the Kingdom	Outside the Kingdom	Total	Total
	JD	JD	JD	JD
Current accounts	-	1,522,392	1,522,392	436,283
Total	**-**	**1,522,392**	**1,522,392**	**436,283**

(18) CUSTOMERS' CURRENT ACCOUNTS

The details of this item are as follows:

	31 December 2019				
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	127,750,976	29,181,355	23,548,338	880,817	181,361,486
Total	**127,750,976**	**29,181,355**	**23,548,338**	**880,817**	**181,361,486**

	31 December 2018				
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	102,452,974	21,091,378	19,668,052	396,179	143,608,583
Total	**102,452,974**	**21,091,378**	**19,668,052**	**396,179**	**143,608,583**

- Public sector deposits inside the Kingdom as at 31 December 2019 amounted to JD 880,817 representing 0.49 % of the total customers' current accounts (As at 31 December 2018 amounted to JD 396,179 representing 0.28% of the total customers' current accounts).

- The restricted accounts as at 31 December 2019 amounted to JD 2,091,906 representing 1.15% of the total customers' current accounts (As at 31 December 2018 amounted to JD 865,965 - representing 0.60% of the total customers' current accounts).

- The dormant accounts as at 31 December 2019 amounted to JD 11,782,922 (As at 31 December 2018 amounted to JD 12,373,346).

(19) CASH MARGIN ACCOUNTS

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Margins against direct facilities	11,588,170	10,495,841
Margins against indirect facilities	23,773,830	1,661,516
Other margins	513,353	312,907
Total	**35,875,353**	**12,470,264**

(20) OTHER PROVISIONS

The details of this item are as follows:

31 December 2019	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Provision for contingent liabilities	320,000	361,000	-	320,000	361,000
Total	**380,785**	**361,000**	**-**	**320,000**	**421,785**

31 December 2018	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
End of service indemnity	23,818	-	8,554	15,264	-
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Provision for contingent liabilities	-	320,000	-	-	320,000
Total	**84,603**	**320,000**	**8,554**	**15,264**	**380,785**

(21) INCOME TAX PROVISION

A- Income tax provision

The movement of the income tax provision is as follows :

	For the year ended 31 December	
	2019	2018
	JD	JD
Beginning balance for the year	4,031,024	2,603,048
Income tax expense	8,123,241	4,488,873
Previous years settelement	(288,834)	354,909
Less : income tax paid for previous years	(3,602,326)	(2,532,960)
Less: Income tax paid for the year	(1,326,821)	(882,846)
Ending balance for the year	**6,936,284**	**4,031,024**

B- The income tax expense presented in the Consolidated Statement of Income and Comprehensive Income consists of the following:

	For the year ended 31 December	
	2019	2018
	JD	JD
Income tax expense for the year	(8,123,241)	(4,488,873)
Edit deferred tax assets	(570,000)	(8,336)
Previous years income tax	-	(354,909)
Deferred tax assets / self financed	282,770	-
Deferred tax assets / jointly financed	1,224,814	-
Effect of implementation the new tax regulation *	-	132,127
Total	**(7,185,657)**	**(4,719,991)**

* 35% was used to calculate the income tax provision for the year 2019, according to the Income and Sales Tax Law No. 38 of 2018, which was implemented from January 1, 2019, in addition to the percentage of 3% as national contributions.

The Bank :

During the first quarter of 2019 a settlement was made with the Income and Sales Tax Department regarding tax cases for the years 2014 and 2015, and a final clearance was obtained from the Income and Sales Tax Department until the end of 2015, and 2018 was also accepted within the system of samples issued by the Tax Department Income and sales, but it was recommended to reopen the file for the purposes of auditing the disclosure for this year.

Tax statements were submitted for the years 2016 and 2017 and were not audited by the Income and Sales Tax Department until the date of the preparation of the consolidated financial statements.

The Subsidiary :

Misk Financial Brokerage Company: The annual income statement for the years 2015 to 2018 was accepted within the sampling system issued by the Income and Sales Tax Department, and a tax clearance was obtained for the year 2014, and tax statements were submitted for the years from 2011 to 2013 as they were audited by The Income and Sales Tax Department was pending before the court to demand the recycling of losses without any financial impact. The court's decision was issued in the interest of the company.

In the opinion of the Bank's management, and the bank's tax consultant all provisions taken in the consolidated financial statements are sufficient for all tax liabilities.

C- Deferred tax assets

The details of this item are as follows:

	For the year ended 31 December					
	2019					2018
	Beginning Balance for the year	Released Amounts	Additional Amounts	Ending Balance for the year	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Deferred tax assets						
Deferred tax assets - self financed						
Provision of lawsuits against the bank	60,785	-	-	60,785	23,098	23,098
Provision for impairment of assets owned by the bank in settlement of outstanding debts	343,441	-	-	343,441	130,508	130,508
Provision for credit losses for the first and second stages - self	-	-	130,486	130,486	49,585	-
Difference in the application of Standard 16 - Lease	-	-	252,645	252,645	96,005	-
Provision for potential liabilities	-	-	361,000	361,000	137,180	-
Legal expenses	1,500,000	1,500,000	-	-	-	570,000
Total	**1,904,226**	**1,500,000**	**744,131**	**1,148,357**	**436,376**	**723,606**
Deferred tax assets - jointly financed						
Provision for credit losses for the first and second stages - jointly financed	-	-	3,223,195	3,223,195	1,224,814	-
Total	**-**	**-**	**3,223,195**	**3,223,195**	**1,224,814**	**-**

-The movement on self-financed deferred tax assets is as follows:

	For the year ended 31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	723,606	599,815
Effect of implementation the new tax regulation	-	132,127
Additions during the year	282,770	-
Amortized during the year	(570,000)	(8,336)
Balance at the End of the year	**436,376**	**723,606**

- **The movement on Jointly-financed deferred tax assets is as follows:**

	For the year ended 31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	-	-
Additions during the year	**1,224,814**	-
Balance at the End of the year	**1,224,814**	**-**

D - Reconciliation between tax income and accounting income were as follow:

	For the year ended 31 December	
	2019	2018
	JD	JD
Accounting profit for the Bank	17,201,876	13,070,652
Less: Non-taxable income	(424,950)	(971,077)
Add: Non-deductible expenses	4,269,888	780,964
Less: Accumulated losses/ previous year	-	(5,925)
Tax income for the Bank	21,046,814	12,874,614
Attributable to :		
Tax income for the Bank (separated)	20,582,668	12,722,949
Subsidiaries tax gain	464,146	151,665
Statutory tax rate- bank	38٪	35٪
Statutory tax rate- subsidiaries	28٪	24٪
Effective tax rate	38.5٪	34.3٪

(22) OTHER LIABILITIES

The details of this item are as follows:

	31 December	
	2019	2018
	JD	JD
Accrued expenses and not paid	338,578	377,339
Certified cheques	2,608,186	3,171,553
Expected credit losses on Off - balance sheet items-self financed(Note 54)*	194,295	65,007
Expected credit losses on off balance sheet items - Jointly financed(Note 54)**	347,075	219,386
Shareholders and customers deposits	6,404,845	4,228,408
Customers' share of profits from unrestricted investment	14,733,505	9,637,646
Temporary deposits	15,189,860	9,798,244
Visa Claims	998,183	714,920
Others	318,624	606,905
Total	**41,133,151**	**28,819,408**

• Expected credit losses

Expected credit loss of indirect facilities

- Movement on indirect facilities for the year ended 31 December 2019:

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year	44,760,986	-	1,826,159	-	50,000	46,637,145
New exposures during the year	51,563,063	-	4,368,172	-	-	55,931,235
Accrued exposures	(21,432,179)	-	(538,950)	-	-	(21,971,129)
Transfer to Stage 1	1,248,709	-	(1,248,709)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**76,140,579**	-	**4,406,672**	-	**50,000**	**80,597,251**

- **Movement on the provision for expected credit losses (indirect facilities /self financed) for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	55,646	-	9,361	-	-	65,007
Loss on new exposures during the year	112,853	-	52,631	-	-	165,484
Loss of matured / derecognized exposures	(22,611)	-	(4,979)	-	-	(27,590)
Transfer to Stage 1	4,382	-	(4,382)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(8,606)	-	-	-	-	(8,606)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**141,664**	-	**52,631**	-	-	**194,295**

Expected credit loss of indirect facilities / guarantees

Distribution of total indirect facilities / guarantees

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	Individual	Collective	Individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Insignificant	-	-	-	-	-	-	-
Almost free risk	16,897,504	-	-	-	-	16,897,504	-
Low risk	155,250	-	-	-	-	155,250	10,396
Normal Risk	1,560,913	-	-	-	-	1,560,913	-
Acceptable risk	5,435,447	-	-	-	-	5,435,447	300
Acceptable with due care	6,177,654	-	-	-	-	6,177,654	-
Watch list	-	-	1,698,796	-	-	1,698,796	-
Loss	-	-	-	-	50,000	50,000	-
Not rated	1,309,007	-	2,243,711	-	-	3,552,718	20,499,476
Total	**31,535,775**	**-**	**3,942,507**	**-**	**50,000**	**35,528,282**	**20,510,172**

- **Movement on indirect facilities / guarantees for the year ended 31 December 2019**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	19,661,709	-	798,463	-	50,000	20,510,172
New exposures during the year	14,003,727	-	3,904,007	-	-	17,907,734
Matured exposures	(2,350,674)	-	(538,950)	-	-	(2,889,624)
Transfer to Stage 1	221,013	-	(221,013)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**31,535,775**	-	**3,942,507**	-	**50,000**	**35,528,282**

- **Movement on the provision for expected credit loss(indirect facilities / guarantees) for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	25,851	-	5,217	-	-	**31,068**
Loss on new exposures during the year	60,433	-	49,438	-	-	109,871
Loss of matured / derecognized exposures	(4,720)	-	(4,979)	-	-	(9,699)
Transfer to Stage 1	238	-	(238)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(1,339)	-	-	-	-	(1,339)
Total balance at the end of the year	**80,463**	-	**49,438**	-	-	**129,901**

Expected credit loss of indirect facilities / Credits and acceptance

Distribution of total on indirect facilities / credits and acceptance

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	Individual	Collective	Individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Insignificant	-	-	-	-	-	-	-
Low risk	260,904	-	-	-	-	260,904	-
Normal risk	8,462,889	-	-	-	-	8,462,889	-
Acceptable risk	15,448,577	-	-	-	-	15,448,577	-
Watch list	-	-	464,165	-	-	464,165	-
Not rated	20,432,434	-	-	-	-	20,432,434	26,126,973
Total	**44,604,804**	**-**	**464,165**	**-**	**-**	**45,068,969**	**26,126,973**

- **Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	25,099,277	-	1,027,696	-	-	26,126,973
New exposures during the year	37,559,336	-	464,165	-	-	38,023,501
repaid exposures	(19,081,505)	-	-	-	-	(19,081,505)
Transfer to Stage 1	1,027,696	-	(1,027,696)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**44,604,804**	**-**	**464,165**	**-**	**-**	**45,068,969**

- **Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	29,795	-	4,144	-	-	33,939
Loss on new exposures during the year	52,420	-	3,193	-	-	55,613
Loss of matured / derecognized exposures	(17,891)	-	-	-	-	(17,891)
Transfer to Stage 1	4,144	-	(4,144)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(7,267)	-	-	-	-	(7,267)
Total balance at the end of the year	**61,201**	**-**	**3,193**	**-**	**-**	**64,394**

Expected credit loss of indirect facilities

B- jointly financed

- **Movement on indirect facilities for the year ended 31 December 2019 :**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	58,755,384	-	5,101,239	-	-	63,856,623
New exposures during the year	70,386,008	-	2,220,260	-	-	72,606,268
Accrued exposures	(39,982,711)	-	(2,436,304)	-	-	(42,419,015)
Transfer to Stage 1	3,220,414	-	(3,220,414)	-	-	-
Transfer to Stage 2	(599,780)	-	599,780	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**91,779,315**	-	**2,264,561**	-	-	**94,043,876**

- **Movement on the provision for expected credit losses (indirect facilities /jointly financed) for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	171,286	-	48,100	-	-	219,386
Loss on new exposures during the year	94,297	-	52,410	-	-	146,707
Loss of matured / derecognized exposures	(45,714)	-	(23,791)	-	-	(69,505)
Transfer to Stage 1	24,309	-	(24,309)	-	-	-
Transfer to Stage 2	(1,045)	-	1,045	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the	-	-	-	-	-	-
Changes resulting from modifications	50,477	-	10	-	-	50,487
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	**293,610**	-	**53,465**	-	-	**347,075**

** **Expected credit loss of indirect facilities / unutilized credit limits**

Distribution of total on indirect facilities / unutilized credit limits

Item	31 December 2019						31 December 2018
	Stage 1		Stage 2		Stage 3	Total	Total
	Individual	Collective	Individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Little risk	1,887,565	-	-	-	-	1,887,565	-
Semi empty risk	2,259,982	-	-	-	-	2,259,982	-
Low risk	7,981,041	-	-	-	-	7,981,041	-
Normal risk	45,890,811	-	-	-	-	45,890,811	991,996
Acceptable risk	23,653,607	-	-	-	-	23,653,607	1,473,616
Acceptable with due care	1,213,825	-	-	-	-	1,213,825	-
Watch list	-	-	2,225,386	-	-	2,225,386	870,771
Not rated	8,892,484	-	39,175	-	-	8,931,659	60,520,240
Total	**91,779,315**	**-**	**2,264,561**	**-**	**-**	**94,043,876**	**63,856,623**

- **Movement on the unutilized credit limits for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	58,755,384	-	5,101,239	-	-	63,856,623
New exposures during the year	70,386,008	-	2,220,260	-	-	72,606,268
repaid exposures	(39,982,711)	-	(2,436,304)	-	-	(42,419,015)
Transfer to Stage 1	3,220,414	-	(3,220,414)	-	-	-
Transfer to Stage 2	(599,780)	-	599,780	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	**91,779,315**	-	**2,264,561**	-	-	**94,043,876**

- **Movement on the provision for expected credit loss (indirect facilities) /unutilized credit limits for the year ended 31 December 2019:**

Item	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	171,286	-	48,100	-	-	219,386
Loss on new exposures during the year	94,297	-	52,410	-	-	146,707
Loss of matured / derecognized exposures	(45,714)	-	(23,791)	-	-	(69,505)
Transfer to Stage 1	24,309	-	(24,309)	-	-	-
Transfer to Stage 2	(1,045)	-	1,045	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	50,477	-	10	-	-	50,487
Total balance at the end of the year	**293,610**	-	**53,465**	-	-	**347,075**

(23) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

	31 December 2019					
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	90,241,581	12,514,914	6,868,544	2,024,827	11,865,679	123,515,545
Term accounts/ Investing deposits	584,246,881	133,560,457	72,142,964	49,897,079	21,767,298	861,614,679
Certificates of investing deposit	66,269,266	7,031,340	6,869,161	13,547,675	19,745,256	113,462,698
Total	**740,757,728**	**153,106,711**	**85,880,669**	**65,469,581**	**53,378,233**	**1,098,592,922**
Depositors' share from investments' revenue	24,671,221	5,241,956	2,961,115	2,381,700	1,167,429	36,423,421
Total unrestricted investment accounts	**765,428,949**	**158,348,667**	**88,841,784**	**67,851,281**	**54,545,662**	**1,135,016,343**

	31 December 2018					
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	67,321,480	11,995,514	1,641,543	673,954	266,520	81,899,011
Term accounts/ Investing deposits	425,635,661	90,179,907	64,270,710	36,750,026	986,353	617,822,657
Certificates of investing deposit	35,266,956	1,365,094	3,321,280	12,514,968	9,526,270	61,994,568
Total	**528,224,097**	**103,540,515**	**69,233,533**	**49,938,948**	**10,779,143**	**761,716,236**
Depositors' share from investments' revenue	17,167,511	3,381,306	2,428,326	1,805,532	487,377	25,270,052
Total unrestricted investment accounts	**545,391,608**	**106,921,821**	**71,661,859**	**51,744,480**	**11,266,520**	**786,986,288**

- Unrestricted investment accounts share of profit is calculated as follows:
- 20% to 31% of the minimum balance of saving accounts in Jordanian Dinar.
- 14% to 35% of the minimum balance of saving accounts in foreign currencies.
- 48% to 90% of the average term accounts in Jordanian Dinar.
- 18% to 47% of the average term accounts in foreign currencies.
- 90% of the average balances of investing certificates of deposit in Jordanian Dinar.
- 80% to 85% of average balances of certificates of investing deposit in foreign currencies .
- The percentage of the profit on the Jordanian Dinar for the Year ended 31 December 2019 is 4.09% (for the Year ended 31 December 2018 was 3.79%).
- The percentage of the profit on USD for the Year ended 31 December 2019 is 2.31% (for the Year ended 31 December 2018 was 1.70%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 67,851,281 as at 31 December 2019, which represents 5.98% of the total unrestricted investment accounts (As at 31 December 2018 amounted to JD 51,744,480 which represents 6.58% of the total unrestricted investment accounts `
- The restricted accounts amounted to JD 632,148 as at 31 December 2019, which represents 0.06% of the total unrestricted investment (As at 31 December 2018 amounted to JD 53,249 which represent 0.01% f the total unrestricted investment).
- The dormant accounts as at 31 December 2019 amounted to JD 11,028,352 (As at 31 December 2018 amounted to JD 10,250,490).

(24) INVESTMENT RISK FUND

A -The movement of the investment risk fund was as follows:

	For the year ended at 31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	20,959,845	17,441,008
Additions: transferred from unrestricted investment revenue during the year**	2,416,902	6,217,148
Less : written-off debts	-	(3,970)
Less: losses from sale financial assets at fair value through unrestricted investment accounts holders equity related to previous years * (Note 25/B)	(309,816)	(394,371)
Less : previous years tax - jointly revenue*	(688,599)	(263,388)
Less: accrued income tax	(641,007)	(2,036,582)
Less : Distrubted to joint items as at May 1, 2019 **	(21,737,325)	-
Balance at the end of the year	**-**	**20,959,845**

B- Investment risks fund balance is distributed as follows - :

		For the year ended 31 December	
	Note	2019	2018
		JD	JD
Balance at the end of the year		-	20,959,845
Against ECL for Financial assets at fair value through unrestricted investment accounts' holders equity	10	-	137,753
Against ECL for International Wakala investments	6	-	86,311
Against ECL for Ijara Muntahia Bittamleek receivable	8	-	3,061,871
Against ECL for deferred sales receivables	8	-	15,444,146
Against ECL for unutilized credit limits/ Jointly financed	22	-	219,386
Against impairment of seized assets by the Bank	16	-	64,381
Remaining balance		**-**	**1,945,997**

* Concerning losses of previous years (shares and sukuk) sold within the portfolio of financial assets at fair value through the rights of joint investment owners and a tax paid for previous years related to joint revenue in accordance with Article 12.4 and Article 15 of the policy governing the relationship between the bank (the speculator) and account holders Investment (owners of funds) approved, which states that if joint investment operations started and continued from previous years, and the result and in a specific year shows that those investment operations were in terms of the result of losing operations, their loss is covered by the Fund to face investment risks, given that they were implemented in Year or years earlier.

** In light of the amendment of the Banking Law No. (28) of 2000 and its amendments and the cancellation of the Investment Risk Fund for Islamic banks, the bank during the year ending on 31 December 2019 deducted 10% until the first of May 2019 (10% for the year Ended 31 December 2018) as per the Central Bank Circular which was issued on 27 June 2019 requiring the cancellation of the investment risks fund for Islamic banks, and the balance of the Fund to deal with investment risks was distributed through allocations against deferred sales receivables, lease receivables, other receivables and non-performing financing and any liabilities are funded by the unrestricted investment accounts holders equity as at 30 April 2019, and it was decided to charge the allocations against the assets funded by the unrestricted investment accounts holders equity on the profits of the joint investment vessel (Note 2), where the expected joint credit losses charged to the joint pool as of the effective date New instructions 5.070.718 until the end of December 31, 2019.

C - Income tax provision for investment risk fund :

	For the year ended 31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	2,052,566	1,695,297
Income tax on transferred revenue from investment accounts	641,007	2,036,582
Less: Income tax paid	(1,906,424)	(1,679,313)
Balance at the end of the year	**787,149**	**2,052,566**

During the first quarter of 2019 a settlement was made with the Income and Sales Tax Department regarding tax cases for the years 2014 and 2015, and a final clearance was obtained from the Income and Sales Tax Department until the end of 2015, and 2018 was also accepted within the system of samples issued by the Tax Department Income and sales, but it was recommended to reopen the file for the purposes of auditing the disclosure for this year.

The Bank submitted its tax declarations for the years ended 2016 and 2017 , which have not been audited yet up to the date the preparation of the consolidated financial statements.

(25) FAIR VALUE RESERVE

The details of this item are as follows:

A-self financed

Financial assets at fair value through shareholders' equity - self finance	For the year ended 31 December	
	2019	2018
	JD	JD
Beginning balance	(24,510)	(576)
Unrealized losses stocks	-	(24,510)
Gains (losses) on sale of financial assets	139,067	(4,172)
(Gains) losses of equity instrument at fair value trough stockholder rights - self financed are transferred to the retained earnings as a result of sale	(114,557)	4,748
Ending balance	**-**	**(24,510)**

B - jointly financed

Financial assets at fair value through unrestricted investment accounts reserves - jointly financed	For the year ended 31 December	
	2019	2018
	JD	JD
Beginning balance	(552,665)	(820,121)
Unrealized gains (losses) on debt instruments	492,470	(70,210)
Losses on equity instruments at fair value through the rights of the joint ventures transferred to the fund against the investment risk as a result of the sale	309,816	394,371
Unrealized (losses) on shares	(201,464)	(49,082)
Gains on sale of financial assets	-	(7,623)
Ending balance	**48,157**	**(552,665)**

(26) PAID IN CAPITAL

The authorized and paid-in capital amounted to JD 100,000,000, consisting of 100,000,000 shares, at a par value of JD 1 per share as at 31 December 2019 and 31 December 2018.

(27) RESERVES

Statutory reserve :

The accumulated amounts in this account represent the transferred 10% of annual profits before taxes during the years, according to the Banks and Companies Laws. This reserve is not available for distribution to shareholders.

The following reserves are restricted:

	31 December		
	2019	2018	
Reserve name	JD	JD	Note
Statutory reserve	25,902,069	24,181,881	Law's requirement (Banking and companies)

(28) RETAINED EARNINGS

	31 December	
	2019	2018
	JD	JD
Beginning balance of the year	17,137,611	14,971,250
Effect of implementing IFRS (9)	-	(191,603)
The amended beginning balance	17,137,611	14,779,647
Transferred from general banking risk reserve	-	300,000
(Transferred) to statutory reserves	(1,720,188)	(1,307,065)
Dividends distributed	(7,000,000)	(5,000,000)
Disposal of a subsidiary company	-	19,116
Gain (loss) on sale of financial assets through equity - self financed	114,557	(4,748)
Profit for the year	10,016,219	8,350,661
Profit for the year	**18,548,199**	**17,137,611**

The retained earnings balance as at 31 December 2019 includes an amount to JD436,376 (2018 amounted to JD 723,606) which represent deferred tax assets-self financed and it is restricted from use in accordance with the Central Bank of Jordan regulations.

Proposed dividend to shareholders

The Board of Director proposed, in their 30 Jan 2020 meeting, to distribute cash dividends of JD 5,000,000 to shareholders for the year 2019, representing 5% of paid-up and authorized capital from distributable retained earnings. This proposed percentage is subject to the approval of the General Assembly of Shareholders .

(29) DEFERRED SALES REVENUE

The details of this item are as follows:

	For the year ended 31 December			
	2019		2018	
	Jointly financed	Self financed	Jointly financed	Self financed
	JD	JD	JD	JD
Individuals(Retail)				
Murabaha to the purchase orderer	15,409,369	97,941	11,848,624	92,176
Real estate facilities	1,935,540	-	1,608,660	-
Corporate				
International Murabaha	654,705	-	352,531	-
Murabaha to the purchase orderer	21,362,356	-	16,303,472	-
Small and medium enterprises				
Murabaha to the purchase orderer	1,630,375	-	821,358	-
Total	**40,992,345**	**97,941**	**30,934,645**	**92,176**

(30) IJARA MUNTAHIA BELTAMLEEK REVENUE

The details of this item are as follows:

	For the year ended 31 December			
	2019		2018	
	Jointly financed	Self financed	Jointly financed	Self financed
	JD	JD	JD	JD
Ijara Muntahia Beltamleek – real state	77,391,048	969,363	67,927,915	622,426
Ijara Muntahia Beltamleek – machines	2,572,645	-	3,487,602	-
Depreciation for Ijara Muntahia Beltamleek assets	(49,545,972)	(798,847)	(45,316,422)	(462,631)
Total	**30,417,721**	**170,516**	**26,099,095**	**159,795**

(31)GAINS FROM INTERNATIONAL WAKALA INVESTMENT PROFITS

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Gains from International Wakala investment	1,960,584	1,091,469
Total	**1,960,584**	**1,091,469**

(32) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS' HOLDERS EQUITY

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Shares dividends	3,967	46,633
Gains on sale of financial assets	124,140	35,885
Islamic Sukuk profits	1,347,151	1,251,061
Total	**1,475,258**	**1,333,579**

(33) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

The details of this item are as follows:

	Jointly financed							
	For the year ended 31 December							
	2019				2018			
	Realized gains	Unrealized (losses)	Dividends	Total	Realized gains	Unrealized gains	Dividends	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Sukuk	123,414	(71)	-	**123,343**	688	19,547	-	**20,235**
Total	**123,414**	**(71)**	**-**	**123,343**	**688**	**19,547**	**-**	**20,235**

(34) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Sukuk	4,126,385	2,107,731
Total	**4,126,385**	**2,107,731**

(35) GAINS (LOSSES) FROM FOREIGN CURRENCIES VALUATION

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Gains (losses) foreign currencies valuation	6,267	(697)
Total	**6,267**	**(697)**

(36) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Customers		
Revenue on saving accounts	919,319	690,450
Revenue on term accounts	30,515,119	22,058,756
Revenue on certificates of deposit	3,821,554	2,033,469
Total Customers Revenue	**35,255,992**	**24,782,675**
Banks		
Banks and financial Institutions accounts	**1,167,429**	**487,377**
Total Banks revenue	**1,167,429**	**487,377**
Total	**36,423,421**	**25,270,052**

(37) BANK'S SHARE OF REVENUE FROM UNRESTRICTED INVESTMENT ACCOUNTS AS MUDARIB AND RAB MAL

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2019	2018
	JD	JD
Bank's share as Mudarib	27,565,683	19,632,921
Bank's share as Rab Mal	7,523,652	11,051,362
Total	**35,089,335**	**30,684,283**

(38) BANK'S SELF FINANCED REVENUE

The details of this item are as follows:

	Note	Self financed — For the year ended 31 December 2019	2018
		JD	JD
Ijara Muntahia Bittamleek revenue	30	969,363	622,426
Deferred sales revenue	29	97,941	92,176
Cash dividends - financial assets at fair value through shareholders' equity- self financed		37,500	500
Total		**1,104,804**	**715,102**

(39) BANKS SHARE FROM THE RESTRICTED INVESTMENT REVENUE AS AGENT (WAKEEL)

The details of this item are as follows:

	For the year ended 31 December 2019	2018
	JD	JD
Deferred sales revenue	705,369	287,351
Less: Muwakel's share	(422,313)	(104,402)
Banks share as an agent (wakeel)	**283,056**	**182,949**

This item represents revenue from Murabaha to purchase order within the Restricted Wakala Investment agreement signed with Central Bank of Jordan.

(40) GAIN FROM FOREIGN CURRENCIES

The details of this item are as follows:

	For the year ended 31 December 2019	2018
	JD	JD
As a result of trading and Dealing foreign currencies	1,075,782	510,533
Total	**1,075,782**	**510,533**

(41) BANKING SERVICES REVENUE - NET

The details of this item are as follows:

	For the year ended 31 December 2019	2018
	JD	JD
Indirect facilities commissions	1,203,961	981,323
Direct facilities commissions	2,119,295	1,877,206
Other commissions	3,092,804	2,125,744
Less : debit commission	(1,013,096)	(640,608)
Total	**5,402,964**	**4,343,665**

(42) OTHER REVENUE

The details of this item are as follows:	For the year ended 31 December	
	2019	2018
	JD	JD
Gain from sale of fixed assets	8,116	4,372
Gain from sale of seized assets*	4,974	217,791
Revenue from liquidation of invested companies	-	15,288
Compensation for the acquisition of the Ministry of Works from land owned by the Bank	73,305	14,770
Membership in the Board of Directors of Jordan Fertilizer Processing Company	4,160	10,146
Edited from other provisions	-	15,264
Revenue from settling accounts	459,951	-
Other revenue	24,913	14,627
Total	**575,419**	**292,258**

*** Relates to self-revenue only, as there are sales profits for the joint part amounted to JD 64,492 for the year ended 31 December 2019 (zero for the year ended 31 December 2018).**

(43) EMPLOYEES' EXPENSES

The details of this item are as follows:	For the year ended 31 December	
	2019	2018
	JD	JD
Salaries, benefits, allowances and bonuses for employees	10,636,203	10,161,062
Bank's contribution for social security	1,111,033	1,126,297
Medical expenses	528,982	564,789
Training	143,356	189,025
Insurance expenses	36,238	38,769
Other employees 'expenses	696,164	388,285
Total	**13,151,976**	**12,468,227**

(44) OTHER EXPENSES

The details of this item are as follows:	For the year ended 31 December	
	2019	2018
	JD	JD
Stationery and printing materials	295,881	302,945
Telecommunications	597,500	496,272
Utilities	457,984	449,450
Travel and transportation	132,804	181,106
Marketing and advertising	863,228	792,165
Subscription and fees	381,365	398,168
Maintenance and Cleaning expenses	465,658	531,896
Licences and governmental fees	369,025	474,195
Board of Directors' meetings expenses	541,056	474,761
Information technology expenses	1,093,671	928,314
Security and insurance expenses	360,742	310,385
Donations	142,542	96,842
Management and consulting fees	141,851	178,721
Professional fees	126,288	92,269
Board of Directors' remunerations	55,000	53,438
Hospitality expenses	83,503	98,053
Money transportation expenses	117,700	91,272
Legal expenses - Self financed	140,717	116,079
Contingent liabilities expense	41,000	320,000
Others	247,843	250,576
Total	**6,655,358**	**6,636,907**

(45) EARNINGS PER SHARE

The details of this item are as follows:

	For the year ended 31 December	
	2019	2018
	JD	JD
Profit for the year	10,016,219	8,350,661
Weighted average number of shares	100,000,000	100,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	**0/100**	**0/084**

(46) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

	For the year ended 31 December	
	2019	2018
	JD	JD
Cash balances with CBJ maturing within three months	278,816,552	118,767,358
Add: cash at banks and banking institutions maturing within three months	6,513,543	13,264,923
Less: banks and financial banking accounts maturing within three months	(1,522,392)	(436,283)
Total	**283,807,703**	**131,595,998**

(47) RELATED PARTY TRANSACTIONS

The Bank entered into transactions with shareholders, board members, and senior management within its normal operations using normal rates of Murabaha and trade commissions. All deferred sales receivables and facilities granted to related parties are performing, and no provisions were taken for these balances. The related parties' transactions are as follows :

	Main shareholders	Senior management	Board of Directors members	Al-Etihad Islamic company for investment*	Shari'a Supervisory Board members	Total 31 December 2019	Total 31 December 2018
	JD	JD	JD	JD	JD	JD	JD
Consolidated statements of financial position items							
Balances at banks and banking institutions	-	-	-	239,076	-	239,076	6,094,619
Unrestricted investments accounts and current accounts	15,038	868,771	19,186,027	19,241,480	30,730	39,342,046	33,923,436
Deferred sales receivables and facilities	-	466,673	46,788	-	-	513,461	472,222
Ijara Muntahia Bittamleek assets	-	1,163,443	690,647	-	-	1,854,090	747,121
Off-statement of consolidated financial position items							
Letter of guarantees	-	-	-	-	-	-	-
Consolidated statement of Income and Comprehensive Income items						For the year ended 31 December 2019	For the year ended 31 December 2018
Dividends	112	13,093	576,893	573,815	58	1,163,971	1,104,877
Salaries and bonuses	-	2,334,491	55,000	-	52,400	2,441,891	2,199,739
Transportation	-	-	520,100	-	26,400	546,500	459,753

*Al Etihad Islamic For Investment Company which owns 62,37% of Safwa Islamic Bank .

-The lowest and highest received Murabaha rate were 3.36% and 6.55% respectively.

-The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.81% and 8% respectively.

-The lowest and highest distributed profit rate were 1.00% and 5.13% respectively.

-Executive management salaries and benefits for the year ended 31 December 2019 amounted to JD 2,334,491 (JD 2,093,830 as at 31 December 2018).

-All facilities granted to related parties are performing and no provisions were recorded for it .

(48) Right of use assets / lease liabilities long -term

The details of this item are as follows:

A- Right of use assets

The bank rents real estate and stores for periods ranging from one to 15 years, the average lease term is 7 years, the following is the movement on the right of use assets during the year:

	For the year ended 31 December 2019
	JD
Balance at the beginning of the year	-
The impact of the application of international standard No. (16)	8,728,457
Balance at the beginning of the year (adjusted)	8,728,457
Added: Additions during the year	2,306,931
Deduct : depreciation for the year	(1,333,344)
Balance on 31 December 2019	9,702,044

The amounts recorded in the consolidated statement of income and comprehensive income :

	For the year ended 31 December 2019
	JD
Depreciation of the right of use assets for the year	(1,333,344)
Finance costs (deduction of rental obligations) during the year	(295,305)
Rental expense during the year	(234,266)

B- lease liabilities long-term

	For the year ended 31 December 2019
	JD
Balance at the beginning of the year	-
The impact of the application of international standard No. (16)	8,356,071
Balance at the beginning of the year (adjusted)	8,356,071
Added: Additions during the year	2,306,931
Finance costs (deduction of rental obligations) during the year	295,305
Deduct : paid during the year	(1,590,092)
Balance on 31 December 2019	9,368,215

Analysis of lease tenancy contract liability maturity :	31 December 2019
	JD
In less than a year	121,036
From 1 to 5 years	2,309,093
More than 5 years	6,938,086
	9,368,215

The value of undiscounted rental contract obligations amounted to JD 10,746,124 , as at 31 December 2019, and the following is the benefit analysis:

Eligibility for undivided lease obligations:	31 December 2019
	JD
In less than a year	122,080
From 1 to 5 years	2,473,963
More than 5 years	8,150,081
	10,746,124

(49) Risk Management

Safwa Islamic Bank implements a risk management methodology that adopts an effective comprehensive risk management concept that streamlines and organizes the Bank's risk management regarding all of its operations in accordance with the concept of organized management that adopts prevention before treatment. The Bank adopts the concept of a documented enterprise risk management framework that is approved by the Board of Directors. This framework is the base for other risk policies related to the acceptable level of risks and the policies concerning the management of all types of risks that the Bank might be exposed to. It is also a key reference for the preparation of the ICAAP and Stress Testing.

Risk management is one of the Board of Directors' responsibilities, and risks are managed through the Risk Management Committee, which adopts the general framework for risk management at the Bank. In addition, the Risk Management Department is the department responsible for risk management through implementing the general framework approved by the Board of Directors. In this respect, the Risk Management Department prepares the policies to manage, analyze, and measure all types of risks, as well as develop the appropriate measurement techniques to hedge against risks that affect the profitability and capital adequacy of the Bank in line with the approved general framework. Moreover, the Risk Management Department provides the Board with periodic reports through the Risk Management Committee to inform them about the latest developments related to risk management at the Bank for their evaluation and recommendations in this regard.

Furthermore, the Internal Audit Department sends reports to the Board's Audit Committee to verify that all departments adhere to the policies and procedures of risk management, audits the results of the Risk Management Department, and sends the related reports to the competent authorities.

The Bank applies the Central Bank's instructions for risk management, whereby the Risk Department prepares a plan for the Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, in addition to conducting stress testing yearly.

Currently, the Bank uses advanced technological programs to improve the quality of risk management for all major potential types of risks in proportion to the nature and size of the Bank's activities. In this regard, IFRS 9 implementation instructions have been applied by the Risk Management Department in coordination with the Financial Department and all related Bank units according to the best practical practices through applying an integrated and automated system to calculate the expected credit losses for all different bank portfolios interconnected with the basic banking system. Meanwhile, this system automatically extracts all reports required by regulators. The Bank also accords extreme care to human resources through developing the skills of personnel and enlisting them in training courses related to the proper application of Basel 2 and Basel 3.

Moreover, Risk Management adopts an integrated methodology for managing the risks to which the Bank is exposed. Through this methodology, all risks the Bank is exposed to are identified, and then each type of risk is managed within an integrated cycle that includes the following:

A. Identifying each type of risk.
B. Identifying the strategic objectives for managing this type of risk.
C. Determining the acceptable risk level.
D. Assessing and measuring these risks.
E. Managing the assumed risk.
F. Monitoring and reporting

❖ **Risks the Bank might be exposed to include the following:**

1-Credit Risk

Credit risks are generally defined as the risks arising from the borrower's inability and/or unwillingness to fulfill his liabilities (principal amount and/or profits) according to the agreed conditions and based on the terms and maturity dates – a matter which causes financial losses to the Bank.

The Risk Management Department manages credit risk according to the credit manual which regulates and governs the credit process related to corporate department clients, the credit policy for each of the retail banking and small businesses department clients, and the policy on determining credit limits for financial institutions in line with the policies and regulations issued by the Central Bank of Jordan and Basel 2 and Basel 3 standards.

- **Credit risks in the Bank arising from financing and investing operations carried out by the Bank, including:**

- Risks related to the client and nature of his activity.
- Risks relating to granting and implementing of facility.
- Concentration risks.
- Islamic financial instruments risks

- **In this area, the Bank monitors and controls credit risk through:**

    - Managing and controlling the credit portfolio risk through a number of committees, particularly the Board Risk Management Committee.

- Reviewing and approving applications for banking facilities through the credit committees in accordance with specific, documented, and terms of reference approved by the Board of Directors. The individual terms of references restricted into small amounts .

- Applying credit rating methodologies according to the best practical practices.

- Monitoring credit limits, permitted credit facilities limits, and issuing the necessary reports to ensure that no override of limits occurs and to control credit quality.

- Diversifying financing and investing activities to avoid credit concentration risks for individuals, groups, or clients in specific geographic areas or related to a certain economic activity; or in financial instruments or products; or in the financing period.

- Managing non-performing loans, and thereby reducing the expected credit losses.

- Separating the tasks between marketing tasks -entrusted with the business segments- and credit decision.

- Segregating the duties related to the granting of facilities and monitoring of credit.

- **<u>Credit Risk Measurement</u>**

The Bank applies the standardized method to measure credit risk through measuring credit risk-weighted assets included in the statement of financial position according to the degree of risk. Currently, the Bank is preparing to move on to another method of assessment which is the Foundation Internal Risk Based Approach (FIRB). According to this approach, a special system for credit risk rating for corporate clients is applied to determine the credit quality for each client at the time of granting and monitoring this quality throughout the financing period on a periodic basis. This is performed to identify any drop that may occur in the quality of granted facilities and evaluate the quality of the credit facilities portfolio on a periodic basis, and that is reflected on the basis of credit granting and pricing. The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing a suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals from the different departments.

- **Credit Risk Mitigation**

The Bank uses a variety of Credit Risk Mitigation (CRM) techniques such as (real estate and financial collaterals, etc.) in accordance with the approved CRM policy, which is intended to hedge and reduce credit risks through determining the size and value of required collaterals based on the CRM policy standards.

Governance of IFRS 9 Implementation Instructions

The Bank adopts an integrated system of corporate governance regarding the implementation of IFRS 9. Accordingly, the Bank’s Board of Directors is responsible for ensuring compliance with IFRS 9 through adopting the standard implementation methodology and policies, including determining the roles of committees and departments, adopting the IFRS 9 system, and providing the necessary infrastructure to ensure implementation of the standard.

The Board of Directors is also responsible for approving the periodic results of the calculation of the expected credit loss in accordance with IFRS 9 requirements.

Definition of the Bank's Implementation of Default and Default Handling Mechanism

The Instructions of the Central Bank of Jordan regarding the concept of default are applied. Accordingly, a credit facility is considered (non-performing) if its maturity or the maturity of one of its installments is equal to or more than 90 days, or there are clear indications that the facility may be non-performing. The probability of default also includes non-payment of the financial Sukuk, International Murabaha, and International Wakala at banks and banking institutions.

Payment of due installments is monitored through the specialized departments within the general framework and policies approved for this purpose.

The Bank's Internal Credit Rating System and Working Mechanism.

The credit rating system is considered a tool for evaluating creditworthiness and improving the quality of the decision making. This system is also considered a springboard to improving the risk management system in accordance with Basel requirements and IFRS9 implementation instructions.

Safwa Islamic Bank applies an Internal Credit Rating System for the Corporate Banking Services Department clients, which is a standard process for classifying clients in terms of the degree of credit risk to which the Bank is exposed on a periodic and regular basis. In this respect, the classification process is based on qualitative and quantitative credit criteria, and the related approach is approved by the Bank's Board of Directors.

The credit rating includes two ratings one of them at the client level (Obligor Risk Rating ("ORR") and the other at the facilities level (Facility Risk Rating "FRR"). The credit rating system is the base for calculating the probability of default (PD) as well as the losses at default within the concept of loss given default (LGD).

The Credit Rating System (ORR) is defined into ten grades as follows:

- From level 1 to level 6 for performing facilities where the first grade is the best.
- Level 7 for watch-list credit facilities.
- From level 8 to level 10 for non-performing credit facilities.

The client is rated at least once a year if no credit event occurs during the year.

The Bank continuously seeks to review and develop the credit rating system in accordance with international best practices and to meet international and local legislative requirements.

The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing the suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals from the different departments.

Mechanism of Calculating the Expected Credit Losses (ECL)

The mathematical model for calculating the expected credit loss in accordance with IFRS 9 implementation instructions:

Expected Credit Loss = Probability of Default * Exposure at Default * Loss Given Default

The calculation of expected credit loss (ECL) depends on the calculation of the following variables:

1. **<u>Probability of Default (PD)</u>**
   <u>Definition and mechanism of calculating and monitoring the Probability of Default (PD):</u>

   The probability of default is the probability of irregularity in repayment whereby it is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions based on historical data that reflect the historical default rates as well as stress testing associated with macroeconomic factors. In this regard, the probability of default is calculated for a 12-month period for stage (1) credit facilities and for lifetime for stage (2) & (3) credit facilities. The Bank has set a PD ratio for corporate and investment portfolio on an individual basis, while it has set a general PD ratio for each product of the retail portfolio on a collective basis.

2. **<u>Exposure at Default (EAD)</u>**
   <u>Definition and mechanism of calculating and monitoring the Exposure at Default (EAD):</u>

   The exposure at default is the amount of potential exposure-uncovered guarantee balances- at risks within IFRS 9 implementation instructions through a future outlook based on the period during which the default is likely to occur. EAD is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions. Meanwhile, the exposure at default (EAD Haircut) factor is used for on-balance sheet exposures. For off-balance sheet exposures, (financial letters of guarantee, letters of credit and acceptances, and unutilized credit Limits), exposure at default (EAD) is calculated by the total facilities for the first and second stage and net facilities for the third stage.

3. **<u>Loss Given Default (LGD)</u>**
   <u>Definition and mechanism of calculating and controlling the Loss Given Default (LGD):</u>

   The loss given default is the amount of loss that arises as a result of default calculated based on the statistical model that analyzes the historical collections of debt for each portfolio. As such, LGD is measured for expected credit losses for each stage of IFRS 9 implementing instructions through calculating the recoverable amount of the different collaterals (cars, real estate, cash margins, land, machinery, equipment, and vehicles) provided to the Bank against the facilities granted and legally documented into credit contracts through a conversion factor for each type of collateral, taking into account the timing of access to the collateral and its conversion into cash (expected cash flow and timing).

The Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are periodically reviewed through preparing reports for the Risk Management Committee and the Board of Directors' Risk Management Committee and making recommendations needed, if necessary.

The Bank's policy for determining the elements on which credit risk and expected credit loss are calculated on a collective basis

The expected credit loss (ECL) methodology has been constructed by classifying it on an individual or collective basis whereby the collective basis has been adopted for the retail portfolio. In this regard, a general PD ratio has been adopted for each product, and the expected credit loss has been calculated for each retail portfolio product. Meanwhile, the individual basis has been adopted for the corporate portfolio and for each investment in the Bank's investment portfolios subject to the requirements of the IFRS 9 implementation instructions through adopting a PD ratio for each corporate and investment portfolio and then calculating the expected credit loss for the corporate and investment portfolio.

Determinants of the significant change in credit risk that the bank relied on in calculating expected credit losses

The bank relies within its automated system used to calculate the value of expected credit losses according to the instructions for implementing the International Financial Reporting Standard No. (9) on the distribution of its credit exposures into three phases, depending on a set of variables represented by: the internal credit rating of corporate customers, the external classification of financial instruments, due installments Structures and schedules, high rates of return for the customer, negative changes in the performance and behavior of the customer, high credit risk, putting the customer under control and managing his account accurately, adjusting credit terms, changing the value of collateral negatively, changing Negative response in the customer's economic sector, the bank's legal follow-up with the customer, in addition to the classification criteria mentioned in the Central Bank's instructions number (47/2009) dated 12/12/2009.

The main economic indicators that were used by the bank in calculating the expected credit loss (PD)

We have taken into account the linking of the main economic indicators (macroeconomic indicators) within the automated system for the instructions of the Central Bank of Jordan, as the probability of default (PD) depends on its calculation of conducting stress tests of the macroeconomic indicators of the Kingdom as the rate of growth of the GDP, where three different scenarios have been conducted Sharpness (normal scenario, medium scenario, severe scenario) and determining the effect of these scenarios on the probability of default, and thus on calculating the expected credit losses.

2- Market Risks

The Bank defines market risk as the risk that the Bank might be exposed to as a result of changes in the prices of returns, and fluctuations in exchange rates and prices of securities.

The Bank adopts a conservative policy to reduce the Bank's exposure to risk factors and keep them to minimum by achieving alignment and symmetry between assets and liabilities and by maintaining the minimum of financial positions in currencies and securities.

3- Operational Risks

Operational risk is defined as the risks of loss arising from the inadequacy or failure of the Bank's internal operations, personnel, or systems, or from external events.

Operational Risk factors are managed in accordance with the general framework adopted by the Board. This framework includes policies and procedures that illustrate the mechanism for identifying, assessing, and evaluating the risk factors and the existing controls to determine the adequacy of these controls to mitigate risk and reduce the probabilty of its occurrence.

The Bank has adopted the Risk and Control Self-assessment Methodology (RCSA) and implemented it through workshops in order to identify, assess and manage the risk factors related to the Bank's processes/ activities, products, and services, and assess the efficiency of the existing controls in addressing these risks, and to develop practical plans to treat the related control gaps that might appear. Such methodology will enhance the accountability principles of the different business unit and working areas in managing the risk factors related to their areas . Furthermore, this methodology will enhance the continuous monitoring and reporting of the risk factors. Meanwhile, risk profiles have been developed for all units, which currently test controls periodically and provide the Risk Management Department with the test results.

Moreover, the Risk Management Department reviews the internal audit report of the Bank's business units and includes the notes concerning operational risks in the risk profile of each unit, together with the Internal Audit Department's notes during its field visit to the departments and units.

The Bank adopts and implements the operational loss data collection methodolgy for operational events . The related policy has been approved by the Board of Directors. Currently, the data on such events is collected, analyzed, and linked with risk factors, and the related reports are prepared in this regard.

With regard to the risk awareness and risk culture, the Risk Management Department conducts training courses and dispatches awareness emails periodically to all of the Bank's employees.

For the purposes of capital adequacy, Operational Risk is measured using the (Basic Indicator Approach) in accordance with the Central Bank of Jordan's regulations.

- **<u>Information Security & Cyber Security</u>**

In order to maintain the confidentiality and availability of customer information and the highest level of safety and security within our banking services and products, integrated strategies, standards and policies have been developed based on the best international standards for information security in order to reach a secure working environment and achieve our goals for protecting information assets and continuously reinforcing its confidentiality, integrity, and availability.

Several projects related to Information Security have been initiated and implemented in order to adopt the best solutions to protect and monitor the Bank's information systems, as well as to ensure the Bank's commitment to global standards and practices (Information Security Management System ISO 27001 Standard, and the Payment Card Industry Data Security Standard (PCI DSS).)

Also, the Bank's information technology risks are managed through maintaining and updating the risk profile system related to information technology and information security and adopting the risk and control self-assessment methodology. This is achieved by testing the current controls and following up on the treatment of current control gaps within our environment.

Moreover, the Bank endeavors to achieve the principles of conhinuous control over security events of the systems and networks through developing a Security Operations Management Unit.

The Bank also complies with the instructions of the Central Bank of Jordan related to cybersecurity risks through starting an integrated project with the participation of the related departments.

In the field of security assessment, a number of assessments have been made of the networks and systems. A specialized examination has been conducted for online banking and mobile banking, and the related results are being handled.

- **Business Continuity**

In order to deal with external events as mentioned within the definition of Operational Risk in the Bank, the Business Continuity Plan (BCP) has been updated to enhance the Bank's ability to provide services/ products during the emergency period.

The plan includes the identification of resources, action plans and alternative procedures, as well as recovery procedures to return to the normal working conditions.

A Business Continuity Steering Committee and specialized teams have been constituted to handle this issue.

The plan is subject to regular testing and updating to ensure the completeness and applicability of the plan as a tool to enhance the Bank's readiness to handle external risk factors. The Bank has been subjected to audit and review, as regards its business continuity plan, by an external

auditor, and the outcome of the audit and review has been positive. Meanwhile, yearly training session are held for the Bank's employees to spread awareness about information security and business continuity.

4- Reputation Risks

Reputation risks are viewed by the Bank as negative effects on the Bank's reputation arising from non-compliance with the Islamic rules and regulations and/or failure to fulfill its duties toward all cash providers, and/or manage its affairs in an efficient and effective manner, and/or manage all other risks faced by the Bank. This will lead to several negative impacts, including loss of confidence and accordingly decrease in the customers' base, an increase in expenses, and a decrease in profits.

5- Non-Compliance Risks

Non-compliance risks are the risks related to regulatory, legal, financial, and reputational matters which the Bank might face as a result of non-compliance with the laws, regulations, standards, and proper financial practices.

Non-compliance leads to warnings by the Central Bank, fines, legal proceedings, financial losses, or harm to the Bank's reputation as a result of its failure to comply with the laws, instructions, rules, circulars, and code of ethics related to its business (collectively, referred to as "non-compliance risks").

Accordingly, the Bank's compliance with the regulatory bodies requirements is deemed as one of the most important factors of success and development of the Bank's operations and quality of services offered to customers. The Bank has established the Compliance Control Department, which is concerned with reviewing the requirements of regulatory bodies and ensuring their application on internal procedures and policies. This protects the Bank from risks arising from non-compliance with these requirements.

This Department also plays an effective role in protecting the Bank's products and services from money laundering and terrorism financing, in addition to familiarizing the Bank with customers and verifying the legality of their activities and recourses of funds to ensure dealing with good customers only. The department reviews the policies and procedures for the products to ensure compliance with anti-money laundry regulations.

6- Legal Risk Related to Operations

Legal risks are those risks that may arise directly or indirectly from one or more events stated in the Operational Risks Definition (human resources, internal operations, systems, and external events), or from the Bank's non-compliance with the laws and regulations, which may cause the Bank to incur fines or financial liabilities. Moreover, legal risks may arise from judicial procedures raised by third parties against the Bank. Insufficient documents, absence of legal capacity, and invalidity or unenforceability of contracts resulting from improper documentation are deemed as causes of legal risks.

The Legal Department is responsible for these risks through verifying all contracts and documents related to the Bank's transactions. The said department should conduct a legal follow-up on the Bank's debtors in coordination with the Risk Management Department and closely and directly follow-up on the lawsuits to which the Bank is a party.

7- Non-Compliance with Sharia Risk

These are the risks faced by Islamic banks that result in non-recognition of income and losses as well as Reputational Risk arising from non-compliance with Islamic Shari'a. These risks are managed through an integrated and sound sharia regulation system for the Sharia Control Department that is supervised by the Sharia Board, Shari'a regulation system within the scope of Sharia Compliance Department, and the Risk Management Department.

The Bank's Risk Management Culture And The Role Of Policies And Strategies Of Risk Management In Supporting And Nominating The Bank's Risk Management Culture

The Bank's risk management culture is key for the framework of comprehensive risk management, as it reinforces understanding and communication among all of the Bank's employees, thus enabling them to perform their daily work and decision making based on a risk management methodology. The Bank's comprehensive risk management framework includes special focus on reinforcing the understanding of risk management culture through the support of the Board of Directors and Executive Management in this regard and the importance of raising awareness about the risk management culture at all management levels. In addition, integrated training about the risk management culture should be developed for all of the Bank's employees.

The Bank's Acceptable Risk Limits in Line With Business Models Approved By The Bank

The Bank uses a documented and integrated manual for the acceptable risk level approved by the Bank's Board of Directors, whereby such level aims to link the Bank's strategic objectives with the risk management system, in addition to linking this system with the business models adopted by the Bank.

Including the concept of acceptable risk limits within the risk management culture at the Bank and involving different management levels in this leads to linking the strategic objectives with the risk management methodology at

the different management levels.

Acceptable limits of risks have been consistently set for each type of risk according to the Bank's strategic instructions and the Central Bank of Jordan's mandatory requirements, in addition to studying and analyzing the historical data for each type of risk. An integrated monitoring system has been adopted for the acceptable risk level to follow up on all of these levels periodically as specified in the approved manual, in addition to issuing control reports related to the acceptable risk level to the Board of Directors and the different committees and specifying the parties authorized to follow up on violations.

<u>Stress Testing</u>

Stress testing is one of the most important tools used by the Bank in measuring the ability to tolerate high risks and shocks it might face. This test aims to evaluate the financial position and capital adequacy of the Bank within different and possible scenarios.

The Bank relies on an integrated methodology for stress testing where it includes the following:-

Sensitivity Analysis Test: aims to measure the effect of different economic factors and internal risk factors on the Bank's financial position and capital adequacy. Such test covers credit risk, market risk, operating risk, liquidity risk, and any other type of risk which the Bank considers important for stress testing purposes.

Scenarios testing: aims to evaluate the Bank's level of tolerance of economic crisis and shocks arising from the State's macro economy, such as changes in growth rates, unemployment rates, increases in return prices, and the related effect on the Bank's financial position and capital adequacy. Stress testing policies have been developed, and approved by the Board of Directors to cover all requirements for stress testing and selecting the methodology approved in applying these tests and their period.

The Bank seeks to consider the stress results as a main reference for setting future plans and proper strategies. Currently, the concept of stress testing is included in the monthly reports of the department to create a comprehensive culture of the new risk management concept.

The Bank adopts an integrated system related to the governance of stress testing. In this regard, the Risk Management Department periodically performs stress testing, and then presents it to the Risk Management Committee, and to the Board of Directors' Risk Management Committee for its proper recommendations. After that, stress testing is present to the Board of Directors for their approval. This system is in line with the best practices, as it involves the Bank's Board of Directors and Executive Management in the stress testing methodology and its effect on the Bank's strategic decisions.

(50/ A) Credit Risk

1)Credit risk exposure (After impairment provision and before collateral and other risk reducers):

	31 December 2019		
	Jointly financed	Self financed	Total
	JD	JD	JD
Balances with Central Bank	-	260,871,603	260,871,603
Balances at banks and financial institutions	-	6,513,543	6,513,543
International Wakala investments	70,790,378	-	70,790,378
Deferred sales receivables and other receivables			
Retail (individual)	171,508,511	1,783,163	173,291,674
Real estate financing	18,100,663	-	18,100,663
Corporate	369,991,692	113,749	370,105,441
Small and medium companies	20,753,691	89,619	20,843,310
Public and governmental sectors	59,047,181	-	59,047,181
Sukuk			
Within financial assets at fair value through statement of income	3,536,138	-	3,536,138
Financial assets at fair value through unrestricted investments accounts	30,908,602	-	30,908,602
Financial Assets at Amortized Cost	92,191,000	-	92,191,000
Qard hasan	-	509,660	509,660
Other assets	1,438,037	947,141	2,385,178
Total consolidated statement of financial position items	**838,265,893**	**270,828,478**	**1,109,094,371**
Off-consolidated statement of financial position items:			
Letters of guarantees	-	35,398,381	35,398,381
Letters of credit	-	37,135,892	37,135,892
Acceptances	-	7,868,683	7,868,683
Unutilized limits	93,696,801	-	93,696,801
Total	**931,962,694**	**351,231,434**	**1,283,194,128**

	31 December 2018		
	Jointly financed	Self financed	Total
	JD	JD	JD
Balances with Central Bank	-	102,772,456	102,772,456
Balances at banks and financial institutions	-	13,264,923	13,264,923
International Wakala investments	56,020,856	-	56,020,856
Deferred sales receivables and other receivables			
Retail (individual)	126,527,463	1,571,428	128,098,891
Real estate financing	17,501,428	-	17,501,428
Corporate	201,040,436	157,125	201,197,561
Small and medium companies	12,944,258	13,788	12,958,046
Public and governmental sectors	89,041,965	-	89,041,965
Sukuk			
Within financial assets at fair value through statement of income	688,489	-	688,489
Financial assets at fair value through unrestricted investments accounts	26,841,596	-	26,841,596
Financial Assets at Amortized Cost	92,191,000	-	92,191,000
Qard hasan	-	509,660	509,660
Other assets	716,383	728,220	1,444,603
Total consolidated statement of financial position items	**623,513,874**	**119,017,600**	**742,531,474**
Off-consolidated statement of financial position items:			
Letters of guarantees	-	20,479,104	20,479,104
Letters of credit	-	25,465,256	25,465,256
Acceptances	-	627,778	627,778
Unutilized limits	63,637,237	-	63,637,237
Total	**687,151,111**	**165,589,738**	**852,740,849**

Distribution of credit exposures

A. Distribution of credit exposures - self (After deducting the deferred and suspended revenues):

31 December 2019

Internal rating of the Bank	Category Classification by (2009/47)Instructions	Total exposure value	Expected credit loss	The probability (PD)of loss	Classification according to external classification institutions	Exposure at (EAD)default per million dinars	Average loss at default (LGD)%
		JD	JD			JD	
Little risk	Worker exposure	509,660	-	0%	-	0.510	60%
Semi empty risk	Worker exposure	16,897,504	13,219	0.4%	-	6.516	65%
Low risk	Worker exposure	416,154	400	1%	-	0.092	69%
Normal Risk	Worker exposure	10,023,802	10,636	1%	-	1.648	64%
Acceptable risk	Worker exposure	20,884,033	32,234	2%	-	4.002	62%
Acceptable with due care	Worker exposure	6,177,654	37,537	3%	-	2.403	61%
Watch list	Worker exposure	2,162,994	39,299	9%	-	0.718	60%
Not rated	Worker exposure	25,958,320	70,907	9%	-	5.950	69%
Total		**83,030,121**	**204,232**		**-**	**21.840**	
Substandard	Non - worker exposure	-	-	0%	-	-	0%
Doubtful collection	Non - worker exposure	320	320	100%	-	0.000	60%
Loss	Non - worker exposure	135,217	85,217	100%	-	0.135	100%
Not rated	Non - worker exposure	201,327	178,069	100%	-	0.135	73%
Sub Total		**83,366,985**	**467,838**		**-**	**22.110**	

B. Distribution of credit exposures - Jointly financed (After deducting the deferred and suspended revenues):

31 December 2019

Internal rating of the Bank	Category Classification by (2009/47)Instructions	Total exposure value	Expected credit loss	Probability of (PD)loss	Classification according to external classification institutions	Exposure at (EAD)default per million dinars	Average loss at default (LGD)%
		JD	JD			JD	
Little risk	Worker exposure	60,934,746	-	0%	-	51.411	0%
Semi-empty risk	Worker exposure	6,531,587	3,095	0.4%	-	5.062	63%
Low risk	Worker exposure	19,405,162	72,397	1%	-	13.897	63%
Normal Risk	Worker exposure	205,180,355	663,963	1%	-	169.308	60%
Acceptable risk	Worker exposure	154,927,783	1,056,860	2%	-	131.329	60%
Acceptable with due care	Worker exposure	12,444,668	152,975	5%	-	12.477	60%
Watch list	Worker exposure	18,846,055	6,447,373	17%	-	17.589	59%
Not rated	Worker exposure	262,822,191	1,029,185	1%	-	448.621	63%
Total		**741,092,547**	**9,425,848**		**-**	**849.695**	
Substandard	Non - worker exposure	-	-	0%	-	-	0%
Doubtful collection	Non - worker exposure	1,065,271	791,307	100%	-	1.000	60%
loss	Non - worker exposure	12,039,828	12,805,026	100%	-	9.000	96%
Not rated	Non - worker exposure	5,266,091	3,684,172	100%	-	3.000	72%
Sub Total		**759,463,737**	**26,706,353**		**-**	**862.695**	

2. Classification of deferred sales and other receivables according to the degree of risk:

A) Distribution of the fair value of collateral against credit exposures - for total credit exposure - common according to the following table:

Item	31 December 2019									
		Fair value of collateral								
	Total exposure value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	Net exposure after collateral	Expected credit loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
International Wakala investments	70,888,829	-	-	-	-	-	-	-	70,888,829	98,451
Direct credit financing										
Retail	175,394,993	4,439,567	-	-	3,115,210	105,405,039	-	112,959,816	62,435,177	3,886,482
Real estate financing	21,183,660	4,191,448	-	-	9,316,376	-	-	13,507,824	7,675,836	3,082,997
For corporate	331,281,309	5,988,651	-	-	57,470,706	4,156,260	-	67,615,617	263,665,692	18,627,482
Large Corporate	57,398,161	-	-	-	-	-	-	-	57,398,161	60,296
Small and medium companies	21,114,557	9,295,358	-	-	7,135,333	1,483,494	-	17,914,185	3,200,372	360,866
Public and governmental sectors	59,047,181	-	-	-	-	-	-	-	59,047,181	-
Sukuk										
Within financial assets at fair value through statement of income	3,536,138	-	-	-	-	-	-	-	3,536,138	-
Financial assets at fair value through unrestricted investments accounts	31,151,306	-	-	-	-	-	-	-	31,151,306	242,704
Financial Assets at Amortized Cost-net	92,191,000	-	-	-	-	-	-	-	92,191,000	-
Other assets	1,438,037	-	-	-	-	-	-	-	1,438,037	-
Subtotal	**864,625,171**	**23,915,024**	**-**	**-**	**77,037,625**	**111,044,793**	**-**	**211,997,442**	**652,627,729**	**26,359,278**
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Credits and acceptance	-	-	-	-	-	-	-	-	-	-
Unutilized credit limits	94,043,876	-	-	-	-	-	-	-	94,043,876	347,075
Total	**958,669,047**	**23,915,024**	**-**	**-**	**77,037,625**	**111,044,793**	**-**	**211,997,442**	**746,671,605**	**26,706,353**

B. Distribution of the fair value of collateral against credit exposure - for total credit exposures - self according to the following table:

Item	31 December 2019									
		Fair value of collateral								
	Total exposure value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	Net exposure after collateral	Expected credit loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	260,871,603	-	-	-	-	-	-	-	260,871,603	-
Balances at banks and financial institutions	6,513,543	-	-	-	-	-	-	-	6,513,543	-
Direct credit financing - net										
Retail	1,954,411	-	-	-	-	588,793	-	588,793	1,365,618	171,248
Real estate financing	-	-	-	-	-	-	-	-	-	-
For corporate	206,575	6,006	-	-	4,723	-	-	10,729	195,846	92,826
Large Corporate	-	-	-	-	-	-	-	-	-	-
Small and medium companies	99,088	-	-	-	-	-	-	-	99,088	9,469
Public and governmental sectors	509,660	-	-	-	-	-	-	-	509,660	-
Other assets	947,141	-	-	-	-	-	-	-	947,141	-
Subtotal	**271,102,021**	**6,006**	**-**	**-**	**4,723**	**588,793**	**-**	**599,522**	**270,502,499**	**273,543**
Bank guarantees	35,528,282	3,660,283	-	-	-	-	-	3,660,283	31,867,999	129,901
Credits and acceptance	45,068,969	20,113,546	-	-	-	-	-	20,113,546	24,955,423	64,394
Unutilized credit limits	-	-	-	-	-	-	-	-	-	-
Total	**351,699,272**	**23,779,835**	**-**	**-**	**4,723**	**588,793**	**-**	**24,373,351**	**327,325,921**	**467,838**

C. Distribution of the fair value of collateral against credit exposures included in the third stage - joint according to the following table:

	31 December 2019									
		Fair value of collateral								
Item	Total exposure value	Cash Insurance	Shares traded	Bank guarantees are acceptable	Real estate	Cars and Mechanics	Other	Total value of collateral	Net exposure after collateral	Expected Credit Loss (ECL)
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Investment by an international agency - net	-	-	-	-	-	-	-	-	-	-
Direct credit facilities -net										
Retail	3,945,085	45,876	-	-	180,086	1,816,847	-	2,042,809	1,902,276	3,353,544
Real estate financing	588,679	-	-	-	416,664	-	-	416,664	172,015	451,847
For corporate	12,689,892	-	-	-	1,191,202	25,950	-	1,217,152	11,472,740	13,173,462
Large Corporate	-	-	-	-	-	-	-	-	-	-
Small and medium companies	1,147,534	802,746	-	-	169,851	11,700	-	984,297	163,237	301,652
Public and governmental sectors	-	-			-	-		-	-	-
Sukuk:										
Within financial assets at fair value through statement of income	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through the holders of the joint investment	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost-net	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Subtotal	**18,371,190**	**848,622**	**-**	**-**	**1,957,803**	**1,854,497**	**-**	**4,660,922**	**13,710,268**	**17,280,505**
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Credits and acceptance	-	-	-	-	-	-	-	-	-	-
Unutilized credit limits	-	-	-	-	-	-	-	-	-	-
Total	**18,371,190**	**848,622**	**-**	**-**	**1,957,803**	**1,854,497**	**-**	**4,660,922**	**13,710,268**	**17,280,505**

D- Classifications of the deferred sales receivables and other receivables, based on the level of risks according to the Central Bank of Jordan's regulations:

Item	31 December 2019									
		Fair value of collateral								
	Total exposure value	Cash Insurance	Shares traded	Bank guarantees are acceptable	Real estate	Cars and Mechanics	Other	Total value of collateral	Net exposure after collateral	Expected Credit (ECL)Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Direct credit facilities -net										
Retail	181,620	-	-	-	-	-	-	-	181,620	164,370
Real estate financing	-	-	-	-	-	-	-	-	-	-
For corporate	96,361	6,006	-	-	4,723	-	-	10,729	85,632	90,353
Corporate	-	-	-	-	-	-	-	-	-	-
Small and medium companies	8,883	-	-	-	-	-	-	-	8,883	8,883
Public and governmental sectors	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Subtotal	**286,864**	**6,006**	**-**	**-**	**4,723**	**-**	**-**	**10,729**	**276,135**	**263,606**
Bank guarantees	50,000	-	-	-	-	-	-	-	50,000	-
Credits and acceptance	-	-	-	-	-	-	-	-	-	-
Unutilized credit limits	-	-	-	-	-	-	-	-	-	-
Total	**336,864**	**6,006**	**-**	**-**	**4,723**	**-**	**-**	**10,729**	**326,135**	**263,606**

Deferred sales and other receivables and scheduled financing:

Are those that have previously been classified as non-performing financing and are eliminated from the balance of non-performing loans and borrowings under a fundamental schedule whether they are still under control or transferred to a transaction. Moreover, they are classified as cash and cash equivalents. Deferred sales and other receivables are as follows: JD 3,827,669 as at 31 December 2019 (JD 1,383,283 as at 31 December 2018).

Deferred sales and other receivables and restructured financing:

Restructuring means a rearrangement of the status of the receivables / financing in terms of instalment adjustment, extension of the life of the receivables / financing, postponement of certain instalments, or extension of the grace period. They were classified as receivables / financing under control. Deferred sales and restructured receivables amounted to JD 73,435,573 as at 31 December 2019 (JD 32,994,073 as at 31 December 2018).

3) sukuk

The following table illustrates sukuk grading under financial assets at fair value through unrestricted investment accounts holders in accordance with foreign grading institutions.

A- Financial assets at fair value through unrestricted investment accounts

Classification grade	Grading institution	31 December 2019	31 December 2018
		JD	JD
A3	Moody's	-	2,797,089
A3	Moody's	-	2,793,177
BBB+	Fitch	-	-
B1	Moody's	1,399,441	489,862
A3	Moody's	3,533,486	-
A+	Fitch	-	1,419,858
A	Fitch	3,547,778	6,569,295
A	Fitch	-	1,383,741
BB+	Fitch	-	-
BB	S&P's	-	1,263,481
B-	S&P's	611,756	-
N/R	-	17,687,741	3,932,493
Government	-	4,128,400	6,192,600
		30,908,602	**26,841,596**
B- Financial assets at amortized cost			
On Government bail	-	92,191,000	92,191,000
		92,191,000	**92,191,000**
C- Financial assets at fair value through income statement			
A3	Moody's	3,536,138	688,489
		3,536,138	**688,489**
Total		**126,635,740**	**119,721,085**

4 -Concentration in credit exposures by geographical distribution .

1. The total distribution of exposures by geographical region-self financed (after impairment provision) :

Item	31 December 2019								31 December 2018
	Within the Kingdom	**Other Middle Eastern countries**	**Europe**	**Asia**	**Africa**	**America**	**Other countries**	**Total**	**Total**
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances with central banks	260,871,603	-	-	-	-	-	-	**260,871,603**	**102,772,456**
Balances at banks and financial institutions	390,348	1,987,017	752,767	435,393	-	2,808,222	139,796	**6,513,543**	**13,264,923**
Deposits with banks and financial institutions	-	-	-	-	-	-	-	**-**	**-**
Direct credit facilities -net	2,496,191	-	-	-	-	-	-	**2,496,191**	**2,252,001**
Sukuk:									
Within financial assets at fair value through statement of income	-	-	-	-	-	-	-	**-**	**-**
Within financial assets at fair value through unrestricted 'investment accounts holders equity -net	-	-	-	-	-	-	-	**-**	**-**
Within financial assets at amortized cost -net	-	-	-	-	-	-	-	**-**	**-**
Other assets	947,141	-	-	-	-	-	-	**947,141**	**728,220**
Total / current period	**264,705,283**	**1,987,017**	**752,767**	**435,393**	**-**	**2,808,222**	**139,796**	**270,828,478**	**119,017,600**
Letter of guarantees	35,398,381	-	-	-	-	-	-	**35,398,381**	**20,510,172**
Letters of credit and acceptances	24,610,520	20,394,055	-	-	-	-	-	**45,004,575**	**26,126,973**
Unutilized credit limits	-	-	-	-	-	-	-	**-**	**-**
Sub Total	**324,714,184**	**22,381,072**	**752,767**	**435,393**	**-**	**2,808,222**	**139,796**	**351,231,434**	**165,654,745**

2.Distribution of exposures according to IFRS 9 - Self financed :

Item	31 December 2019					
	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Within the Kingdom	318,323,621	1,839,284	4,461,773	16,248	73,258	**324,714,184**
Other Middle Eastern countries	22,381,072	-	-	-	-	**22,381,072**
Europe	752,767	-	-	-	-	**752,767**
Asia	435,393	-	-	-	-	**435,393**
Africa	-	-	-	-	-	**-**
America	2,808,222	-	-	-	-	**2,808,222**
Other countries	139,796	-	-	-	-	**139,796**
Total	**344,840,871**	**1,839,284**	**4,461,773**	**16,248**	**73,258**	**351,231,434**

3. Total distribution of exposures by geographical region-jointly financed (after impairment provision) :

Item	31 December 2019								31 December 2018
	Within the Kingdom	**Other Middle Eastern countries**	**Europe**	**Asia**	**Africa**	**America**	**Other countries**	**Total**	**Total**
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances with central banks	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-
International wakala investments -net	-	70,790,378	-	-	-	-	-	**70,790,378**	**56,020,856**
Direct credit facilities -net	587,066,386	48,781,888	3,553,464	-	-	-	-	**639,401,738**	**447,055,550**
Sukuk:	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through statement of income	-	3,536,138	-	-	-	-	-	**3,536,138**	**688,489**
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	4,128,400	26,780,202	-	-	-	-	-	**30,908,602**	**26,841,596**
Within financial assets at amortized cost -net	92,191,000	-	-	-	-	-	-	**92,191,000**	**92,191,000**
Other assets	1,438,037	-	-	-	-	-	-	**1,438,037**	**716,383**
Total / current period	**684,823,823**	**149,888,606**	**3,553,464**	-	-	-	-	**838,265,893**	**623,513,874**
Letter of guarantees	-	-	-	-	-	-	-	-	-
Letters of credit and acceptances	-	-	-	-	-	-	-	-	-
Unutilized credit limits	93,696,801	-	-	-	-	-	-	**93,696,801**	**63,637,238**
Sub Total	**778,520,624**	**149,888,606**	**3,553,464**	-	-	-	-	**931,962,694**	**687,151,112**

4.Distribution of exposures according to IFRS 9 - jointly financed :

Item	31 December 2019					
	- Stage 1 Individual	- Stage 1 Collective	- Stage 2 Individual	- Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Within the Kingdom	560,594,491	184,028,791	20,213,181	12,593,476	1,090,685	**778,520,624**
Other Middle Eastern countries	149,888,606	-	-	-	-	**149,888,606**
Europe	3,553,464	-	-	-	-	**3,553,464**
Asia	-	-	-	-	-	-
Africa	-	-	-	-	-	-
America	-	-	-	-	-	-
Other countries	-	-	-	-	-	-
Total	**714,036,561**	**184,028,791**	**20,213,181**	**12,593,476**	**1,090,685**	**931,962,694**

5- Distribution of exposures by economic sectors:

1. Total distribution of exposures by financial instrument - self financed (after impairment provision) :

Item	31 December 2019										31 December 2018
	Financial	Industry	Trade	Real estates	Agriculture	Shares	Retail	Government and public sector	Other	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances with central banks	260,871,603	-	-	-	-	-	-	-	-	**260,871,603**	**102,772,456**
Balances at banks and financial institutions	6,513,543	-	-	-	-	-	-	-	-	**6,513,543**	**13,264,923**
Direct credit facilities -net	-	6,006	-	-	-	1,009,577	773,587	509,660	197,361	**2,496,191**	**2,252,001**
Other assets	947,141	-	-	-	-	-	-	-	-	**947,141**	**728,220**
Total / current year	**268,332,287**	**6,006**	**-**	**-**	**-**	**1,009,577**	**773,587**	**509,660**	**197,361**	**270,828,478**	**119,017,600**
Financial letter of guarantees	1,199,228	1,409,180	3,863,743	4,856,357	-	4,310,699	157,319	-	19,601,855	**35,398,381**	**20,479,104**
Letters of credit and acceptances	20,394,055	6,847,907	16,364,525	-	-	666,183	-	-	731,905	**45,004,575**	**26,093,034**
Unutilized credit limits	-	-	-	-	-	-	-	-	-	-	-
Sub Total	**289,925,570**	**8,263,093**	**20,228,268**	**4,856,357**	**-**	**5,986,459**	**930,906**	**509,660**	**20,531,121**	**351,231,434**	**165,589,738**

2.Distribution of exposures according to the implementation instructions of IFRS 9 :

Item	31 December 2019					
	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Financial	289,175,570	-	750,000	-	-	**289,925,570**
Industry	8,228,586	-	42,595	-	6,006	**8,277,187**
Trade	20,065,464	-	187,162	-	-	**20,252,626**
Real estates	4,885,504	-	-	-	-	**4,885,504**
Agriculture	-	-	-	-	-	**-**
Share's	3,367,378	1,009,577	1,623,691	-	-	**6,000,646**
Retail	155,100	744,939	2,500	11,396	17,252	**931,187**
Government and public sector	509,660	-	-	-	-	**509,660**
Other	18,546,122	84,768	1,855,825	4,852	50,000	**20,541,567**
Total	**344,933,384**	**1,839,284**	**4,461,773**	**16,248**	**73,258**	**351,323,947**

3. Total distribution of exposures by financial instrument-jointly financed (after impairment provision) :

Item	Financial	Industry	trade	real estates	Agriculture	Share's	Retail	Government and public sector	Other	Total	Total
	31 December 2019										31 December 2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
International wakala investments -net	70,790,378	-	-	-	-	-	-	-	-	70,790,378	56,020,856
Direct credit facilities -net	57,337,865	122,733,017	136,685,957	18,100,663		75,792,627	113,183,563	59,047,181	56,520,865	639,401,738	447,055,550
Sukuk:											
Within financial assets at fair value through statement of income	3,536,138	-	-	-	-	-	-	-	-	3,536,138	688,489
Within financial assets at fair value through unrestricted investment accounts' holders equity -net	26,780,202	-	-	-	-	-	-	4,128,400	-	30,908,602	26,841,596
Within financial assets at amortized cost -net	-	-	-	-	-	-	-	92,191,000	-	92,191,000	92,191,000
Other assets	1,438,037	-	-	-	-	-	-	-	-	1,438,037	716,383
Total / current period	**159,882,620**	**122,733,017**	**136,685,957**	**18,100,663**	**-**	**75,792,627**	**113,183,563**	**155,366,581**	**56,520,865**	**838,265,893**	**623,513,874**
Letter of guarantees	-	-	-	-	-	-	-	-	-	-	-
Letters of credit and acceptances	-	-	-	-	-	-	-	-	-	-	-
Irrevocable commitments to extend	1,398,790	26,770,827	43,322,204	236,827	-	-	8,181,638	-	13,786,515	93,696,801	63,637,237
Sub Total	**161,281,410**	**149,503,844**	**180,008,161**	**18,337,490**	**-**	**75,792,627**	**121,365,201**	**155,366,581**	**70,307,380**	**931,962,694**	**687,151,111**

4 . Distribution of exposures according to the implementation instructions of IFRS9 :

Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	31 December 2019					
	JD	JD	JD	JD	JD	JD
Financial	161,281,410	-	-	-	-	**161,281,410**
Industry	148,842,086	1,673,192	-	306,016	-	**150,821,294**
Trade	159,864,839	7,172,404	10,790,711	2,056,922	123,285	**180,008,161**
Real estates	5,360,994	5,339,650	7,042,176	457,838	136,832	**18,337,490**
Agriculture	-	-	-	-	-	**-**
Shares	16,231,323	57,780,685	1,026,702	282,797	471,120	**75,792,627**
Retail	8,181,638	106,537,516	-	6,315,972	330,075	**121,365,201**
Government and public sector	155,366,581	-	-	-	-	**155,366,581**
Other	58,907,690	5,525,344	1,353,592	3,173,931	29,373	**68,989,930**
Total	**714,036,561**	**184,028,791**	**20,213,181**	**12,593,476**	**1,090,685**	**931,962,694**

6- Credit exposures that have been reclassified

1. Total credit exposures classified:

A. Self financed

Item	**31 December 2019**					
	Stage 2		**Stage 3**		**Total exposures that have been reclassified**	**Percentage of rated exposures**
	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified		
	JD	JD	JD	JD	JD	
Direct credit facilities-net	126,814	3,732	286,864	17,181	20,913	5.06%
Letter of guarantees	3,942,507	(221,013)	50,000	-	(221,013)	(5.54%)
Letters of credit and acceptances	464,165	(1,027,696)	-	-	(1,027,696)	(221.41%)
Sub Total	**4,533,486**	**(1,244,977)**	**336,864**	**17,181**	**(1,227,796)**	**(25.21%)**

B. Jointly financed

Item	**31 December 2019**					
	Stage 2		**Stage 3**		**Total exposures that have been reclassified**	**Percentage of rated exposures**
	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified		
	JD	JD	JD	JD	JD	
Direct credit facilities-net	37,429,513	(10,121,459)	18,371,190	2,964,014	(7,157,445)	(12.83%)
Unutilized credit limits	2,264,561	(2,620,634)	-	-	(2,620,634)	(115.72%)
Sub Total	**39,694,074**	**(12,742,093)**	**18,371,190**	**2,964,014**	**(9,778,079)**	**(16.84%)**

2.Credit losses expected for exposures that have been reclassified:

Item	31 December 2019							
	The exposures that have been reclassified			Expected credit loss on exposures that have been reclassified				
	Total exposures that have been reclassified rated from Stage 2	Total exposures that have been reclassified rated from Stage 3	Total exposures that have been reclassified	Stage 2 - Individual	Stage 2 - Collective	Stage 3 - Individual	Stage 3 - Collective	Total
A.Self financed	JD	JD	JD	JD	JD	JD	JD	JD
Direct credit facilities	3,732	17,181	20,913	-	87	-	(2)	85
Letter of guarantees	(221,013)	-	(221,013)	(238)	-	-	-	(238)
Letters of credit and acceptances	(1,027,696)	-	(1,027,696)	(4,144)	-	-	-	(4,144)
Sub Total	**(1,244,977)**	**17,181**	**(1,227,796)**	**(4,382)**	**87**	**-**	**(2)**	**(4,297)**

Item	31 December 2019							
	The exposures that have been reclassified			Expected credit loss on exposures that have been reclassified				
	Total exposures that have been reclassified rated from Stage 2	Total exposures that have been reclassified rated from Stage 3	Total exposures that have been reclassified	Stage 2 - Individual	Stage 2 - Collective	Stage 3 - Individual	Stage 3 - Collective	Total
B. Jointly financed	JD	JD	JD	JD	JD	JD	JD	JD
Direct credit facilities	(10,121,459)	2,964,014	(7,157,445)	206,384	215,190	39,706	(705,822)	(244,542)
Other Liabilities	(2,620,634)	-	(2,620,634)	(23,264)	-	-	-	(23,264)
Sub Total	**(12,742,093)**	**2,964,014**	**(9,778,079)**	**183,120**	**215,190**	**39,706**	**(705,822)**	**(267,806)**

(50/B) Market Risks

The Bank follows certain financial policies to manage different risks within a specific strategy. There is also a committee concerned with managing assets and liabilities in the Bank. This committee is charged with monitoring and controlling risks, and conducting the best strategic distribution of assets and liabilities whether on- or off -the statement of financial position. Its responsibilities include:

- Updating the investment policy followed by the Bank, submitting it to the Board of Directors to be approved on a regular basis, reviewing the implemented investment policy, and assessing its results against the banking market and competitive indicators.
- Forming investment decision-making committees and related authorities, according to the Bank's investment policy.
- Preparing the annual investment plan, in line with the Assets and Liabilities Committee's expectations of revenues and changes in market rates, including low-risk investment instruments available in the market.
- Preparing a report including market prices and presenting it to the Asset and Liabilities Committee to monitor any sudden change in prices of financial instruments and avoid changes in market prices.

1- Rate of Return Risks

- Risks of rate of return arise from the unexpected changes in the market rates. Necessary procedures must be taken to ensure the existence of administrative procedures related to reviewing, measuring, and monitoring of rate of return risks.

- The Bank is exposed to rate of return risks as a result of the gap between assets and liabilities according to their terms and re-pricing the rate on subsequent transactions.

- The Bank manages these risks by determining the rates of future profits according to the expectations of market conditions and developing new instruments that comply with the Islamic rules and regulations through the Bank’s risk management strategy:

1. Attaining the best returns available in the market based on market indicators as a standard and Benchmarks for both the portfolios an investments managed by the Bank.
2. Taking into account the risks resulting from these investments, depending on the diversification option based on countries and institutions to ensure mitigation of the impact of risks.
3. The Bank is committed to manage investments based on matching the Bank’s liabilities (represented by deposits term accounts) and assets in foreign currencies (represented by investments in foreign currencies).

2) Foreign Currency Risks

Foreign currency centers are managed by Treasury and Investment Department on a daily basis in accordance with the principles of Islamic shari'a . The bank's policy of managing foreign currency centers is a conservative policy based on clearing the centers first and covering the required positions according to customers needs.

The maximum positions in foreign currencies shall not exceed 5% of shareholders’ equity for each currency except for the US Dollar at no more than 15% of total shareholders’ equity. The total foreign currencies position shall not exceed 15% of total equity

Below is the effect of foreign currency exchange against JD with other variables being constant:

2019	Increase in the indicator	Impact on consolodated income statements	Impact on equity
currency	(%5)	JD	JD
USD	-	-	-
Euro	(3,528)	(3,528)	(3,528)
GBP	3,445	3,445	3,445
Japanese Yen	19,006	19,006	19,006
Other currencies	15,954	15,954	15,954

2018	Increase in the indicator	Impact on consolodated income statements	Impact on equity
currency	(%5)	JD	JD
USD	-	-	-
Euro	(4,820)	(4,820)	(4,820)
GBP	(2,028)	(2,028)	(2,028)
Japanese Yen	3,557	3,557	3,557
Other currencies	8,466	8,466	8,466

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

Concentration in foreign currencies risks :

	31 December 2019					
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Assets :						
Cash and balances with Central Banks	36,629,475	20,759,906	206,624	-	262,037	57,858,042
Balances at banks and financial institutions	3,531,683	584,719	164,031	380,128	1,764,427	6,424,988
Deferred sale receivables	119,553,179	-	2,232,587	-	-	121,785,766
International Wakala Investment	67,355,000	-	3,533,829	-	-	70,888,829
Financial assets at fair value through unrestricted investment accounts	27,022,906	-	-	-	-	27,022,906
Financial assets at low value through income statement	3,536,138	-	-	-	-	3,536,138
Other assets	280,231	-	12,901	-	-	293,132
Total assets	**257,908,612**	**21,344,625**	**6,149,972**	**380,128**	**2,026,464**	**287,809,801**
liabilities :						
Banks and financial institutions' accounts	583,474	47,675	-	-	22,110	653,259
Customers' accounts(current, saving, term)	207,818,261	18,059,546	5,117,372	-	1,685,270	232,680,449
Cash margins accounts	19,475,993	1,103,267	929,025	-	-	21,508,285
Other liabilities	11,770,306	2,204,696	34,685	-	-	14,009,687
Total liabilities	**239,648,034**	**21,415,184**	**6,081,082**	**-**	**1,707,380**	**268,851,680**
Net concentration in current year's financial position	**18,260,578**	**(70,559)**	**68,890**	**380,128**	**319,084**	**18,958,121**
Contingent liabilities outside current year's financial position	47,803,476	4,262,543	-	949,640	19,745,383	72,761,042

	31 December 2018					
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Total Assets	155,495,397	15,436,478	6,170,213	71,140	2,831,617	180,004,845
Total Liabilities	151,912,338	15,532,879	6,210,781	-	2,662,307	176,318,305
Net concentration in current year's financial position	**3,583,059**	**(96,401)**	**(40,568)**	**71,140**	**169,310**	**3,686,540**
Contingent liabilities outside current year's financial position	**42,088,900**	**1,902,448**	**-**	**1,519,672**	**16,343,297**	**61,854,317**

3- Stocks price risk:

Financial assets price risk is related to the supply and demand in the financial markets which causes a change in the fair value of the investments portfolio. The Treasury Department uses scientific and advanced financial bases to mitigate the risk of price change and to ensure that the Bank and the Bank's customers get better rates of return on their investments. The Department uses segmental and geographical distribution methodology and the credit ratings of the best credit rating agencies (Moody's, Standard & Poor, etc...). Moreover, the department analyses the financial indicators of these prices and evaluates them with a fair estimate of the weighted weight for the total investment portfolios managed by the bank to manage them accurately to ensure the risk of price fluctuations .

Below is the effect of market index movement by 5% with the other variables being constant:

2019	increase in the indicator (5٪)	Impact on consolidated statements of income	Impact on equity	Impact on unrestricted investment accounts holders
Indicator		JD	JD	JD
Amman Stock Market	13,826	-	-	13,826
Foreign markets	-	-	-	-

2018	increase in the indicator (5٪)	Impact on consolidated statements of income	Impact on equity	Impact on unrestricted investment accounts holders
Indicator		JD	JD	JD
Amman Stock Market	10,524	-	-	10,524
Foreign markets	-	-	-	-

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

4- Commodities Risks

Commodities risks are caused by any fluctuations in the prices of tradable or leasable assets, and relate to the current and future fluctuations in the market values of specific assets. The Bank is exposed to fluctuations in prices of fully-paid commodities after concluding the sale contracts during the year of possession, in addition to being exposed to the fluctuation in the residual value of leased asset at the end of the lease term.

(50/C) Liquidity Risks

The Cash Liquidity Division ensures the Bank's ability to meet short and long-term cash obligations. The Bank's cash liquidity is reviewed and managed regularly. The cash obligations and available funds are assessed daily by the finance department and treasury department. Moreover, review and analysis of cash liquidity of the Bank's assets and liabilities are performed on a monthly basis. Moreover, the maturity of assets and liabilities is analysed. This also includes analysis of the sources of funds according to the nature of the sources and their uses.

First: below is a summary of the maturities of the Bank's undiscounted liabilities and unrestricted investment accounts holders' , based on the contractual payment date as of the date of the consolidated financial statements :

	Less than one month	1-3 months	3-6 months	6 months to 1 year	1-3 year	More than 3 years	Without maturity	Total
31 December 2019 :	JD	JD	JD	JD	JD	JD	JD	JD
Bank and financial institutions' accounts	1,522,392	-	-	-	-	-	-	1,522,392
Customers' current accounts	181,361,486	-	-	-	-	-	-	181,361,486
Cash margins accounts	33,200,733	-	1,754,023	1,003,067	-	-	-	35,957,823
Borrowed money	-	-	-	-	-	-	-	-
Income tax provisions	6,936,284	-	-	-	-	-	-	6,936,284
Other provisions	421,785	-	-	-	-	-	-	421,785
Lease obligations - long term	9,000	107,818	-	5,262	555,365	10,068,679	-	10,746,124
Other liabilities	21,072,137	17,263,528	84,645	169,289	2,543,552	-	-	41,133,151
Unrestricted investment accounts	188,693,778	214,100,391	262,181,765	408,195,988	76,495,456	-	-	1,149,667,378
Investment risk fund	-	-	-	-	-	-	-	-
Investment Tax Facility Tax Allowance	-	-	787,149	-	-	-	-	787,149
Total	**433,217,595**	**231,471,737**	**264,807,582**	**409,373,606**	**79,594,373**	**10,068,679**	**-**	**1,428,533,572**
Total assets maturities as expected due dates	**456,805,095**	**92,663,455**	**118,329,477**	**111,390,823**	**296,137,395**	**455,665,045**	**25,929,293**	**1,556,920,583**
31 December 2018 :								
Bank and financial institutions' accounts	436,283	-	-	-	-	-	-	436,283
Customers' current accounts	143,608,583	-	-	-	-	-	-	143,608,583
Cash margins accounts	11,213,695	-	301,457	1,015,676	-	-	-	12,530,828
Income tax provisions	4,031,024	-	-	-	-	-	-	4,031,024
Other provisions	380,785	-	-	-	-	-	-	380,785
Other liabilities	17,286,081	10,597,012	747,645	188,670	-	-	-	28,819,408
Unrestricted investment accounts	125,725,323	164,273,112	165,899,137	285,281,833	55,383,965	-	-	796,563,370
Investment risk fund	-	-	-	-	-	-	1,945,997	1,945,997
Investment Tax Facility Tax Allowance	-	-	2,052,566	-	-	-	-	2,052,566
Total	**302,681,774**	**174,870,124**	**169,000,805**	**286,486,179**	**55,383,965**	**-**	**-**	**990,368,844**
Total assets maturities as expected due dates	**248,879,352**	**81,084,841**	**99,417,216**	**87,365,474**	**235,080,410**	**343,793,889**	**25,852,333**	**1,121,473,515**

Second: Off statement of financial position items

	Up to 1 year	
	2019	2018
	JD	JD
letters of credit and acceptances	45,068,969	26,126,973
Guarantees	35,528,282	20,510,172
Unutilized limits	94,043,876	63,856,623
Total	**174,641,127**	**110,493,768**

(51) SEGMENT INFORMATION

a. Information on the Bank's Activities

The Bank is structured for administrative purposes whereby sectors are measured according to the reports used by the executive director and main decision maker at the Bank through three major business sectors :

Retail Accounts:

This sector follows up on the unrestricted investment accounts, deferred sales receivables, financings, and other services related to retail.

Corporate Accounts:

This sector handles unrestricted investment accounts, deferred sales receivables, financings, and other banking services

Treasury:

This sector handles the services of brokerage, treasury and management of the Bank's funds.

Information on the Bank's segments according to activities is shown as follows:

	Retail	Corporate	Treasury	Other	2019 Total	2018 Total
	JD	JD	JD	JD	JD	JD
Total revenues (joint and self financed)	21,390,381	19,080,445	8,620,751	1,274,414	**50,365,991**	**43,586,546**
Investment risks fund share of joint Investment accounts revenues	-	-	-	(2,416,902)	**(2,416,902)**	**(6,217,148)**
Expected credit losses (joint and self financed)	(1,576,668)	(4,670,376)	430,817	564,371	**(5,251,856)**	-
Results of segment's operations	19,813,713	14,410,069	9,051,568	(578,117)	**42,697,233**	**37,369,398**
distributed expenses	(2,414,240)	(1,096,505)	(596,732)	-	**(4,107,477)**	**(3,102,587)**
Undistributed expenses	-	-	-	(21,387,880)	**(21,387,880)**	**(21,196,159)**
Profit for the year before tax	**17,399,473**	**13,313,564**	**8,454,836**	**(21,965,997)**	17,201,876	13,070,652
Income tax expense	-	-	-	(7,185,657)	**(7,185,657)**	**(4,719,991)**
Profit for the year	**17,399,473**	**13,313,564**	**8,454,836**	**(29,151,654)**	**10,016,219**	**8,350,661**
					2019	**2018**
					JD	JD
Segments' assets	480,690,346	481,301,701	261,218,111	-	**1,223,210,158**	**932,904,687**
Undistributed assets	-	-	-	333,710,425	**333,710,425**	**188,568,828**
Total assets	**480,690,346**	**481,301,701**	**261,218,111**	**333,710,425**	**1,556,920,583**	**1,121,473,515**
Segments' liabilities and total equity of unrestricted investment accounts holders	972,239,468	195,029,904	187,846,416	-	**1,355,115,788**	**930,789,602**
Undistributed liabilities	-	-	-	57,354,527	**57,354,527**	**49,388,931**
Total liabilities and Total equity of unrestricted investment accounts holders	**972,239,468**	**195,029,904**	**187,846,416**	**57,354,527**	**1,412,470,315**	**980,178,533**

	2019	2018
	JD	JD
Capital expenditure	**3,168,637**	**5,635,309**
Depreciation and amortization	**3,026,261**	**2,523,662**

Geographical Distribution Information

The following disclosure represents the geographical distribution.The Bank performs its operations mainly inside the Kingdom.

Distribution of the Bank's revenue, assets and capital expenditure according to geographical area is as follows:

	31 December 2019			31 December 2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Total assets	1,396,956,121	159,964,462	**1,556,920,583**	1,022,988,374	98,485,141	**1,121,473,515**
Total revenue	46,319,649	4,046,342	**50,365,991**	41,033,463	2,553,083	**43,586,546**
Capital expenditure	3,168,637	-	**3,168,637**	5,635,309	-	**5,635,309**

(52) CAPITAL MANAGEMENT

The Bank's management takes into consideration the Central Bank of Jordan's requirements which require the Bank to have sufficient self-financed resources to cover a certain percentage of its risk-weighted assets based on the nature of the finance granted and direct investment made. Accordingly, the capital considered as per the Central Bank of Jordan's requirements is the regulatory capital (both basic and additional capital) .

Capital management aims to invest the Bank's fund in various risk-weighted investments (low and high risk) to ensure that the Bank obtains a better rate of return and to maintain a capital adequacy of 12% as required by the Central Bank of Jordan.

The capital adequacy ratio is calculated as on December 31, 2019 according to the instructions of the regulatory capital No. (2018/72) issued by the Central Bank of Jordan in accordance with the revised standard No. (15) issued by the Islamic Financial Services Council (IFSB) in support of the provisions of Article (99) / B) from the Banking Law. The following is the capital adequacy ratio in thousands of dinars:

	31 December	
	2019	**2018**
	JD"000	**JD"000**
Basic capital items	**134,456**	**132,349**
Authorised and Paid in capital	100,000	100,000
Retained earnings	18,548	17,138
Statutory reserve	25,902	24,182
proposed dividends	(5,000)	(7,000)
Full fair value reserve - self financed	-	(25)
The bank's share of the fair value reserve in full if the fund's are mixed	22	(285)
Intangible assets	(2,043)	(1,601)
Deferred tax assets (self financed)	(436)	-
The Bank's share of the deferred tax assets (jointly financed)	(564)	-
The bank's share in the capital of banks and financial Institutions	(1,973)	(12)
Investments in non-consolidated subsidiaries' capital accounts with bank's accounts	-	(48)
Additional capital	-	-
Supporting capital	**1,281**	**971**
Self financed general banking risks reserve and the bank's share from the General banking risks reserve (joint) (not to exceed 1.25% of the weighted of financial assets weighted by credit risks)	1,318	1,011
The Bank's share in the capital of insurance companies	(37)	(8)
Investments in non-consolidated subsidiaries' capital accounts with bank accounts	-	(32)
Total regulatory capital	**135,737**	**133,320**
Total risk weighted assets	**701,107**	**522,436**
Capital adequacy ratio (%)	%19.36	%25.52
Basic capital ratio (%)	%19.18	%25.33
First slide ratio Tier 1 (٪)	%19.18	%25.33
Second slide ratio Tier 2 (٪)	%0.18	%0.19
Leverage ratio	%17.79	%26.41

(53) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Analysis of both assets and liabilities, expected to be received or settled, is detailed per period as follows:

31 December 2019	Within one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Bank	278,816,552	-	278,816,552
Balances at Banks and financial institutions	6,513,543	-	6,513,543
International Wakala investments	70,790,378	-	70,790,378
Financial assets at fair value through statement of income	-	3,536,138	3,536,138
Deferred sale receivables and other receivables, net	355,953,950	285,434,319	641,388,269
Unconverted loans-net	-	-	-
Financial assets at fair value through unrestricted investment accounts	5,496,142	27,360,824	32,856,966
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	354,022	-	354,022
Ijara Muntahia Beltamleek assets, net	49,785,290	333,075,001	382,860,291
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	23,886,014	23,886,014
Intangible assets-Net	-	2,043,279	2,043,279
Right to use assets	6,546	9,695,498	9,702,044
Deferred tax assets	1,661,190	-	1,661,190
Other assets	9,811,237	-	9,811,237
Total assets	**779,188,850**	**777,731,733**	**1,556,920,583**
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	1,522,392	-	1,522,392
Customers' current accounts	181,361,486	-	181,361,486
Cash margins accounts	35,875,353	-	35,875,353
Income tax provision	6,936,284	-	6,936,284
Other provisions	421,785	-	421,785
Lease liabilities-long term	121,036	9,247,179	9,368,215
Other liabilities	38,589,599	2,543,552	41,133,151
Fair value reserve – net	48,157	-	48,157
Unrestricted investment accounts	1,057,970,887	77,045,456	1,135,016,343
Provision of investment risk fund tax	787,149	-	787,149
Total liabilities and equity of unrestricted investment accounts holders	**1,323,634,128**	**88,836,187**	**1,412,470,315**
Net	**(544,445,278)**	**688,895,546**	**144,450,268**

31 December 2018	Within one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Bank	118,767,358	-	118,767,358
Balances at Banks and financial institutions	13,264,923	-	13,264,923
International Wakala investments	56,020,856	-	56,020,856
Financial assets at fair value through statement of income	-	688,489	688,489
Deferred sale receivables and other receivables, net	267,148,675	181,649,216	448,797,891
Financial assets at fair value through unrestricted investment accounts	9,753,218	18,362,580	28,115,798
Financial assets at fair value through shareholders' equity -self financed	340,500	-	340,500
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	376,618	-	376,618
Financial assets at fair value through unrestricted investment accounts' holders equity-net	79,717	-	79,717
Ijara Muntahia Beltamleek assets, net	41,779,118	285,473,354	327,252,472
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	24,251,426	24,251,426
Intangible assets-Net	-	1,600,907	1,600,907
Deferred tax assets	723,606	-	723,606
Other assets	8,492,294	-	8,492,294
Total assets	**516,746,883**	**604,726,632**	**1,121,473,515**
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	436,283	-	436,283
Customers' current accounts	143,608,583	-	143,608,583
Cash margins accounts	12,470,264	-	12,470,264
Income tax provision	4,031,024	-	4,031,024
Other provisions	380,785	-	380,785
Other liabilities	28,819,408	-	28,819,408
Fair value reserve – net	(552,665)	-	(552,665)
Unrestricted investment accounts	731,602,323	55,383,965	786,986,288
Investment risk fund	-	1,945,997	1,945,997
Provision of investment risk fund tax	2,052,566	-	2,052,566
Total liabilities and equity of unrestricted investment accounts holders	**922,848,571**	**57,329,962**	**980,178,533**
Net	**(406,101,688)**	**547,396,670**	**141,294,982**

(54) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)

A- Contingent credit and commitments/self financed*

	31 December 2019	31 December 2018
	JD	JD
Letters of credit	37,195,214	25,498,756
Acceptances	7,873,755	628,217
Letters of guarantees:		
Payment	7,763,186	1,362,013
Performance	10,847,499	7,454,186
Others	16,917,597	11,693,973
Total	**80,597,251**	**46,637,145**
B. Contingent credit and commitments/jointly financed		
Direct unutilized credit limits	94,043,876	63,856,623
Total	**94,043,876**	**63,856,623**

* *Indirect unutilized credit limits / self financed amounted to JD (18,799,299) as of 31 December 2019 .

The expected credit losses recorded against contingent credit commitments/self financed amounted under the implementation instructions of IFRS9 to JD 194,295 as at 31 December 2019 and recorded in the other liabilities (note22).

The expected credit losses recorded against contingent credit commitments/jointly financed amounted under the implementation instructions of IFRS9 to JD 347,075 as at 31 December 2019 and recorded in other liabilities (note 22).

(55) LAWSUITS AGAINST THE BANK

The Bank is a defendant in a number of lawsuits, which amounted to JD 410,635 as at 31 December 2019 (JD 2,638,686 31 as at December 2018) and that is within the bank's normal activity. In the opinion of the Bank's Management and its legal advisor, the related provision of JD 60,785 is adequate should any liabilities arise therefrom.

(56) COMPARATIVE FIGURES

The comparative figures for the year 2018 balances in the consolidated financial statements were reclassified to correspond with 31 December 2019 presentation. The reclassifications did not have any effect on profit and equity for the year 2018.

List of consolidated Income and consolidated comprehensive income:

	After reclassification	Befour reclassification
	31 December 2018	31 December 2018
Rental expenses	(1,526,349)	-
Other expenses	(6,636,907)	(8,163,256)
	(8,163,256)	(8,163,256)

(57) Analysis of the impact of standards issued and not yet effective

Islamic Accounting Standards:

AAOIFI has issued the following Islamic accounting standards:

IAS 30 "Impairment in value and credit losses and liabilities expected to result in losses". This Standard sets out the accounting treatment of expected impairment and credit losses for financing, investments and high risk commitments in Islamic financial institutions. The requirements of this Standard with respect to expected credit losses Is substantially similar to the requirements of IFRS 9 Financial Instruments (IFRS 9). The Bank has implemented the Central Bank's instructions in this regard and has been reversed On the consolidated financial statements, as the mandatory application of the Islamic Financial Accounting Standard No. Date (30) is the first in January 2020 with earlier application permitted.

Islamic Accounting Standard No. 31, "Investment Agency". The Standard aims at determining the requirements for the preparation of reports related to the Investment Agency and the transactions that are in line with best practices of both the agent and the client. The mandatory implementation date of the Standard is January 1, 2020.

IAS No. (32) "Ijara and Ijara ending in ownership." This standard aims to improve the principles of recognition, classification, measurement and disclosure of Ijara and Ijara transactions ending with ownership, knowing that the mandatory application date for Standard No. 32 is on or after January 1, 2021, with early application permitted.

Islamic Accounting Standard No. 33, "Investments in Sukuk, Shares and Similar Instruments", which replaces Islamic Accounting Standard No. 25, aims to improve the classification, measurement, presentation and disclosure of investments in sukuk, equities and similar financial instruments. The requirements of Islamic Financial Accounting Standard No. 33 are effective on January 1, 2020, with early application permitted.

The new standard aims to ensure transparent and fair reporting to all stakeholders, particularly sukuk holders. The mandatory date of application of Islamic Financial Reporting Standard No. 34 is January 1, 2020 with early application allowed.

- IAS 35 "Risk reserve" . This accounting standard and financial reporting on risk reserves have been developed to mitigate the various risks faced by stakeholders, particularly investors. The mandatory date for applying IFRS 35 is January 1, 2021, with early application allowed.

(58) FAIR VALUE HIERARCHY

The standard requires the identification and disclosure of a level in the fair value hierarchy in which fair value measurements are categorized in full, and the fair value measurements are classified according to the levels specified in IFRS. The difference between level (2) and level (3) for fair value measurements means assessing whether information or inputs are observable and the importance of information that is not observable. This requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors affecting the asset or liability.

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

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair value of these financial assets and financial liabilities is determined(valuation techniques and key inputs).

Financial Assets/Financial Liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable	Relationship of unobservable inputs to fair value
	JD	JD				
Financial assets at fair value through shareholders' equity -self financed						
Quoted shares	-	340,500	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value through unrestricted investment accounts' holders equity						
Quoted shares	276,524	210,477	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Quoted sukuk	27,022,906	20,786,749	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value through statement of income	3,536,138	688,489	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value through unrestricted investment accounts' holders equity						
Unquoted shares	1,671,840	1,063,725	Level 2	A similar financial instrument	Not applicable	Not applicable
Unquoted sukuk	4,128,400	6,192,600	Level 2	A similar financial instrument	Not applicable	Not applicable
Total	**36,635,808**	**29,282,540**				

There were no transfer between level 1 and 2 during the year ended 31 December 2019 and the year 2018.

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

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

	31 December 2019		31 December 2018		
	Book value	**Fair value**	**Book value**	**Fair value**	**Fair value hierarchy**
	JD	JD	JD	JD	
Financial assets not calculated at fair value					
Deferred sales receivables and other receivables	641,388,269	716,785,542	448,797,124	497,280,343	Level 2
Financial assets at amortized cost	92,191,000	93,315,652	92,191,000	92,633,447	Level 2
Total financial assets not calculated at fair value	**733,579,269**	**810,101,194**	**540,988,124**	**589,913,790**	
Financial liabilities not calculated at fair value					
Customers' current accounts and unrestricted investment accounts	1,316,377,829	1,331,111,334	930,594,871	940,232,517	Level 2
Total financial liabilities not calculated at fair val	**1,316,377,829**	**1,331,111,334**	**930,594,871**	**940,232,517**	