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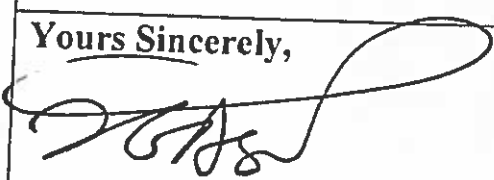

الرقم: درم/2020/134
التاريخ: 13/7/2020

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

السادة هيئة الأوراق المالية المحترمين
السادة بورصة عمان المحترمين

Subject: Quarterly Report as of
31/3/2020

الموضوع: التقرير ربع السنوي كما في
2020/3/31

Attached the Quarterly Report for Islamic International Arab Bank plc (in English) as of 31/3/2020.	مرفق طيه نسخة من البيانات المالية ربع السنوية لشركة البنك العربي الإسلامي الدولي باللغة الإنجليزية كما هي بتاريخ 2020/3/31.
Yours Sincerely,  Iyad Asali General Manager	وتفضلوا بقبول فائق الاحترام،،،  إياد العسلي المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٢ تموز ٢٠٢٠
الرقم المتسلسل: ٢٤٢٨
رقم الملف: ١١٢٠
الجهة المختصة: المدير العام

ISLAMIC INTERNATIONAL ARAB BANK

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

FOR THE PERIOD ENDED 31 MARCH 2020



Building a better
working world

Ernst & Young Jordan

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **ISLAMIC INTERNATIONAL ARAB BANK** (the "Bank") as at 31 March 2020, comprising of interim condensed statement of financial position as at 31 March 2020 and the related interim condensed statements of income, interim condensed comprehensive income, interim condensed changes in shareholders' equity, interim condensed cash flows, and interim condensed sources and uses of funds of Al Qard Al Hasan Fund for the three months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Islamic Shari'a rules and principles as determined by Shari'a Supervisory Board of the Bank and the financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Explanatory Paragraph

The interim condensed financial statements have been prepared for the purposes of Jordan Securities Commission and management and do not require the Central Bank of Jordan approval.

Amman – Jordan

18 May 2020

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As At 31 MARCH 2020

ASSETS	Notes	31 March 2020	31 December 2019
		JD	JD
		(Unaudited)	(Audited)
Cash and balances with Central Bank of Jordan	4	660,188,945	699,887,946
Balances with banks and financial institutions	5	27,211,797	18,802,906
Deferred sales receivables and other receivables – Net	6	771,086,931	751,650,832
Deferred sales receivables through statement of income	7	-	-
Ijara Muntahia Bittamleek assets – Net	8	691,057,302	682,859,790
Financial assets at fair value through shareholder's equity - the self financed		5,613,015	5,616,930
Financial assets at fair value through joint investment accounts holder's equity		2,662,444	2,662,444
Financial assets at amortized cost – Net	9	33,090,097	33,342,745
Investments in real estates	10	23,161,786	23,177,139
AI – Qard AI – Hassan loans - Net		50,995,086	48,098,103
Property and equipment – Net		16,473,837	16,394,117
Intangible assets – Net		1,014,001	1,109,708
Right of use assets		5,957,576	5,708,265
Deferred tax assets		2,958,809	2,960,558
Other assets		21,477,236	8,117,328
TOTAL ASSETS		2,312,948,862	2,300,388,811
LIABILITIES			
Banks and financial institutions' accounts		4,075,135	2,103,089
Customers' current accounts	11	679,265,408	677,546,280
Cash margin		32,460,419	31,372,032
Other provisions		3,286,116	3,248,220
Provision for income tax	12	12,614,216	10,737,299
Deferred tax liabilities		290,064	291,552
Lease Liability / long term of Lease obligation / Long term		5,146,454	4,800,214
Other liabilities		56,470,355	41,452,567
TOTAL LIABILITIES		793,608,167	771,551,253
Joint Investment Accounts Holders' Equity			
Unrestricted investment accounts	13	1,284,689,406	1,301,329,325
Fair value reserve - Net		(153,767)	(153,767)
Total Joint Investment Accounts Holder's Equity		1,284,535,639	1,301,175,558
INVESTMENT RISK FUND			
Investment risk fund	14/a	-	-
Provision for income tax on investment risk fund	14/a	568,088	384,283
Provision for future expected investment risks	14/b	11,556,849	13,079,838
		12,124,937	13,464,121
SHAREHOLDERS' EQUITY			
Paid-in capital		100,000,000	100,000,000
Statutory reserve		35,260,929	35,260,929
Voluntary reserve		4,262,322	4,262,322
Fair value reserve - Net		473,260	475,688
Retained earnings		74,198,940	74,198,940
Profit for the period		8,484,668	-
Total Shareholders' Equity		222,680,119	214,197,879
Total Liabilities Joint Investment Accounts Holders and Shareholders' Equity		2,312,948,862	2,300,388,811
Restricted investments		301,734,647	294,970,929
Wakalah investments		31,869,773	33,842,397

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM CONDENSED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	Note	For the three months ended 31 March	
		2020	2019
		JD	JD
Deferred sales revenues		12,558,767	12,433,686
Revenue from financial assets at amortized cost		318,952	325,364
Net (expense) from Investment in Real Estate		(156)	(252,546)
Revenue from Ijara Muntahia Bittmaleek assets		13,234,368	13,430,163
Ju'alah commissions		131,284	205,826
Recoveries From expected credit loss provision - Joint		290,000	-
Total Revenue from Joint Investments Accounts		26,533,215	26,142,493
Unrestricted investment accounts share		(6,767,981)	(6,147,431)
Deposit insurance fees on Joint investment accounts		(623,007)	-
Investment risk fund share		-	(2,614,250)
Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)		19,142,227	17,380,812
Bank's self-financed revenues		5,700	11,677
Bank's share in restricted investment revenues as Mudarib		204,413	248,993
Bank's share in restricted investment revenues as agent (Wakeel)		76,053	146,770
Gain from foreign currencies		350,648	365,298
Banking services revenue		3,068,814	2,769,047
Other revenue		71,888	99,764
Deposit insurance fees on current accounts		(498,287)	-
Gross Income		22,421,456	21,022,361
Expenses			
Employees' expenses		6,322,883	5,735,607
Depreciation and amortization		653,136	672,779
Other expenses		2,267,691	2,166,830
Depreciation of Ijara Muntahia Bittmaleek assets		6,005	5,652
Amortization of right of use assets		287,920	263,549
Lease obligations discount / Finance costs		32,739	36,622
Rental expenses		74,370	70,781
Other provisions		113,029	101,492
Total Expenses		9,757,773	9,053,312
Profit before tax		12,663,683	11,969,049
Income tax expense	12	(4,179,015)	(4,095,651)
Profit for the period		8,484,668	7,873,398
Earnings per Share - Basic / Diluted		0,085	0,0787

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM CONDENSED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	For the three months ended 31 March	
	2020	2019
	JD	JD
Profit for the period	8,484,668	7,873,398
Other comprehensive income:		
Items that will not be reclassified subsequently to statement of		
Net change in the fair value reserve	(2,428)	63,344
Total other comprehensive income for the period	8,482,240	7,936,742

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM
CONDENSED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

Reserve

* Retained earnings include an amount of JD 2,958,809 as of 31 March 2020 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets related to the Bank's self-financed operations (JD 2,960,558 as of 31 December 2019) retained earnings include a restricted amount of JD 181,121 represents a surplus of general banking risk balance, resulted in IFRS 9 application.

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM CONDENSED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	For the three months ended 31 March	
Note	2020	2019
	JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	12,663,683	11,969,049
Adjustments to Non- cash items:		
Depreciation and amortization	653,136	672,779
Depreciation of investment in real estate	55,016	246,524
Depreciation of Ijara Muntahia Bittamaleek Assets	15,718,874	15,362,126
Recoveries from expected credit loss provision - joint	290,000	-
Investment Risks Fund	-	2,614,250
Other provisions	113,029	101,492
Amortization of right of use assets	287,920	263,549
Lease obligations / finance costs	32,739	36,622
Effect of exchange rate fluctuations on cash and cash equivalents	(22,680)	(6,227)
Net cash flows from operating activities before change in the working capital	29,791,717	31,260,164
Change in working capital Items		
Decrease (increase) in deferred sales receivables and other receivables	(20,706,440)	7,152,969
Increase in Ijara Muntahia Bittamaleek Assets	(23,916,386)	(15,085,361)
Increase in other assets	(13,864,755)	(7,034,824)
Increase in Qard Al - Hasan	(2,896,983)	(2,249,402)
Increase (decrease) in cash margins	1,719,128	(14,037,644)
Increase (decrease) in cash margins	1,088,387	(3,651,689)
Increase in other liabilities	15,234,867	10,973,523
Net cash flows (used in) from Operating Activities before Tax and Provisions Paid	(13,550,465)	7,327,736
Provisions paid	(75,133)	(1,798)
Tax paid	(2,413,852)	(3,900,000)
Net cash flows (used in) from Operating Activities	(16,039,450)	3,425,938
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) sale of financial assets at amortized costs – Net	-	(3,526,307)
Sale of investment in real estate	(39,663)	-
Purchase of property and equipment	(652,776)	(324,332)
Purchase of intangible assets	(16,758)	(47,659)
Net Cash flows used in Investing Activities	(709,197)	(3,898,298)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) Increase in joint investment account holders' equity	(16,639,919)	14,627,133
Settled from lease obligation	103,730	331,871
Distributed Dividends	-	-
Net Cash Flows from Financing Activities	(16,536,189)	14,959,004
Effect of exchange rate fluctuations on cash and cash equivalents	22,680	6,227
(Decrease) Net increase in cash and cash equivalents	(33,262,156)	14,492,871
Cash and Cash Equivalents - beginning of the period	716,587,763	591,909,620
Cash and cash equivalents - end of the period	683,325,607	606,402,491
Non-cash items		
Investment in real estates resulted from Termination o Ijara contracts	-	1,052,977

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM CONDENSED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF SOURCES AND USES OF AL – QARD AL – HASAN FUND
As AT 31 MARCH 2020

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period/ year	47,766,495	40,140,627
<u>Sources of the fund</u>		
Shareholders' equity	(14,631,383)	(54,819,614)
Total sources of assets during the period/ year	(14,631,383)	(54,819,614)
<u>Uses of the funds</u>		
Personal advances	1,211,048	4,538,719
Revolving cards	14,517,517	57,906,763
Total uses during the period / year	15,728,565	62,445,482
Balance at the end of the period / year	48,863,677	47,766,495
Current and overdraft accounts	2,851,461	1,030,239
<u>Less:</u> Expected credit losses provision for the period / year	(720,052)	(698,631)
Balance at the end of the period / year – Net	50,995,086	48,098,103

1. General

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

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

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

The interim condensed financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (2) held on 2020.

2. Significant Accounting Policies

Basis of Preparation of the Interim Condensed Financial Statements:

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

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

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

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

On 1 April 2019, amended law of the Deposits Insurance Corporation Law was issued, which included Islamic banks in the umbrella of the Deposit Guarantee Corporation, noting that Islamic banks were not previously covered by the law. The amended law states that the deposits accounts which are classified within the bank consignment (credit accounts and its equivalent and the part that does not participate in the profits from the joint investment accounts) will be subject to deposits guarantee fees that the bank will bear from its own funds, whereas the joint investment accounts will bear the participation fees of the joint investment accounts for these accounts.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

On 1 April 2019, a new law was issued that amends the Banks Law No. (28) of the year 2000, where Article (13) of the law had provisions on the dissolution of Article (55) from the original law. It states that no less than 10% of net recognized investment revenue on different continuing operations during the period should be deducted, with twice the amount of the Paid-in Capital being the maximum. Also, in accordance with the Central Bank of Jordan's Circular No. 9173/1/10, setting aside the surplus of the Investment Risk Fund as a provision to encounter any expected future risk for assets financed through joint investment accounts.

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

Changes in accounting policies

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

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

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

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

Pass-through Investment

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

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

Wakala Venture Approach

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

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

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

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2020, with early adoption permitted.

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

3. Uses of Estimates

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

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

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

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

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

Although the extent and period of these effects are not clear yet as it depends on future developments that can't be forecasted precisely in the meantime, during the first quarter the bank adjusted the macroeconomic indicators depending on the latest issuance of the international Monetary Fund which affected by calculation of the provision for expected credit loss negatively.

The Bank is still undergoing a thorough study to take into consideration all the factors which could be affected by COVID-19 pandemic in order to be able to determine the effect on the second quarter's financial statement.

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

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

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

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

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

1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. Instruments which are 45 days past due have experienced a significant increase in credit risk. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank applies 45 days past due in this regard.

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

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

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

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

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

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

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

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

- **Definition of default**

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

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

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

- **Expected Life**

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

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

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

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

Useful lives of tangible and intangible assets:

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

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

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

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

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

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

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

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

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

4. Cash and balances with Central Bank

- Restricted statutory cash reserve amounted to JD 124,450,015 as of 31 March 2020 (JD 121,523,501 as of 31 December 2019).
- Except for the statutory cash reserve, there are no restricted cash balances.

5. Balances with banks and financial institutions

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Current and call accounts	23,263,284	17,624,133	3,948,513	1,178,773	27,211,797	18,802,906
	23,263,284	17,624,133	3,948,513	1,178,773	27,211,797	18,802,906

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

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

6. Deferred Sales Receivables and other Receivables - Net

This item consists of the following:

	Jointly financed		Self-Financed		Total	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Retail						
Murabaha to the purchase order	273,581,856	259,292,411	-	-	273,581,856	259,292,411
Ju'alah guarantees	6,378,416	6,497,115	-	-	6,378,416	6,497,115
Receivables - Ijara Muntahia						
Bittamleek	1,429,478	1,533,603	-	-	1,429,478	1,533,603
Real estate financing	146,456,943	149,686,987	-	-	146,456,943	149,686,987
Corporates						
International Murabaha	136,705,993	140,271,609	441,212	458,372	137,147,205	140,729,981
Murabaha to the purchase order	227,242,980	222,036,262	3,115,563	3,103,330	230,358,543	225,139,592
Receivables - Ijara Muntahia						
Bittamleek	2,790,819	2,101,727	-	-	2,790,819	2,101,727
Jualah Guarantee	918	-	-	-	918	-
Small and Medium Enterprises						
Murabaha to the purchase order	69,471,502	63,253,216	-	-	69,471,502	63,253,216
Ju'alah guarantees	12,742	12,487	-	-	12,742	12,487
Receivables - Ijara Muntahia						
Bittmaleek	1,060,272	741,487	19,688	11,001	1,079,960	752,488
Total	865,131,919	845,426,904	3,576,463	3,572,703	868,708,382	848,999,607
Less: Deferred revenue	62,668,032	63,690,469	271	301	62,668,303	63,690,770
Expected credit loss provision	29,081,847	28,182,036	3,448,955	3,465,205	32,530,802	31,647,241
Revenues in suspense	2,393,452	1,987,729	28,894	23,035	2,422,346	2,010,764
Net deferred sales receivables and other receivables	770,988,588	751,566,670	98,343	84,162	771,086,931	751,650,832

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

Movement on Expected credit loss Provision for Deferred Sales Receivables and Al-Qard Al-Hasan - Self financed

31 March 2020 (Unaudited)	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the period	608,747	3,341,488	213,601	4,163,836
Settlements during the period	37,066	(42,412)	10,517	5,171
Balance at the end of the period	645,813	3,299,076	224,118	4,169,007
Provision for ECL of non- performing sales receivables – stage 3 on individual customer basis	538,758	3,294,637	217,577	4,050,972
Provision for ECL of watch-list sales receivables-stage 2 on individual customer basis	334	2,449	619	3,402
Provision for ECL on performing sales receivable-stage 1 on individual customer basis	106,721	1,990	5,922	114,633
Balance at the end of the period	645,813	3,299,076	224,118	4,169,007

31 December 2019 (audited)	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the year	345,613	3,213,789	202,499	3,761,901
Deducted from the profits	-	195,000	-	195,000
Settlements during the year	263,134	(67,301)	11,102	206,935
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836
Provision for ECL of non- performing sales receivables – stage 3 on individual customer basis	531,532	3,339,732	213,467	4,084,731
Provision for ECL of watch-list sales receivables-stage 2 on individual customer basis	1,085	1,429	40	2,554
Provision for ECL on performing sales receivable-stage 1 on individual customer basis	76,130	327	94	76,551
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836

- The provision for expected credit losses is calculated on an individual customer basis.
- Provisions no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 22,106 as at 31 March 2020 (JD 120,072 as at 31 December 2019).

The following is the movement on expected credit loss provision of deferred sales receivables and Al - Qard Al-Hasan as of 31 March 2020:

- 15 -

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2020

Revenues in Suspense

The following is the movement on revenues in suspense:

	Self					
	Small & Medium Enterprises		Corporates		Total	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	6,067	-	16,968	16,862	23,035	16,862
Add: Revenue in suspense during the period/ year	5,829	9,610	30	106	5,859	9,716
Less: revenue in suspense transferred to income	-	(3,543)	-	-	-	(3,543)
Balance at the end of the period/ year	11,896	6,067	16,998	16,968	28,894	23,035

	Joint				
	Retail	Real Estate Finances	Corporates	Small & Medium Enterprises	Total
	JD	JD	JD	JD	JD
	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
31 March 2020 (Unaudited)					
Balance at the beginning of the period	287,178	158,260	1,132,256	410,035	1,987,729
Add: Revenue in suspense during the period	70,230	118,934	198,272	61,862	449,298
Less: Revenue in suspense reversed to revenues	(20,301)	(14,229)	(3,337)	(5,708)	(43,575)
Settlement during the period	863	(1,221)	-	358	-
Balance at the end of the period	337,970	261,744	1,327,191	466,547	2,393,452
31 December 2019 (Audited)					
31 December 2019 (Audited)					
Balance at the beginning of the year	213,705	79,036	634,305	404,485	1,331,531
Add: Revenue in suspense during the year	219,481	141,433	1,134,598	181,474	1,676,986
Less: Revenue in suspense reversed to revenues	(125,052)	(62,028)	(650,749)	(183,379)	(1,021,208)
Settlement during the period	(20,956)	(181)	14,102	7,455	420
Balance at the end of the year	287,178	158,260	1,132,256	410,035	1,987,729

- Non-performing deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Qard Al - Hasan amounted to JD 30,754,540 representing 3.3% of the balance of deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al – Qard Al – Hasan for the period 31 March 2020 (JD 30,914,813 representing 3.4% as at 31 December 2019).
- Non-performing deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al – Qard Al – Hasan after deducting revenues in suspense amounted to JD 28,332,194 representing 3.1% of the balance of deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al – Qard Al – Hasan after deducting revenues in suspense as at 31 March 2020 (JD 28,906,530 representing 3.2% of the balance granted as at 31 December 2019).

7. Deferred Sales Receivables through the Statement of Income

The sales receivables through the statement of income amounted to JD 6,513,267. The Bank booked a provision for expected credit losses of JD 6,513,267 on sales receivables through the statement of income.

8. Ijara Muntahia Bittamaleek Assets - Net

This item consists of the following:

	Joint			Self-financed			Total		
	Accumulated Depreciation		Net Value	Accumulated Depreciation		Net Value	Accumulated Depreciation		Net Value
	Cost	JD		Cost	JD		Cost	JD	
31 March 2020 (unaudited)									
Ijara Muntahia Bittamaleek Assets–Real Estate	891,821,084	(209,958,601)	681,862,483	1,338,000	(1,025,067)	312,933	893,159,084	(210,983,668)	682,175,416
Ijara Muntahia Bittamaleek Assets– Machinery	9,300,271	(418,385)	8,881,886	-	-	-	9,300,271	(418,385)	8,881,886
Total	901,121,355	(210,376,986)	690,744,369	1,338,000	(1,025,067)	312,933	902,459,355	(211,402,053)	691,057,302
31 December 2019 (audited)									
Ijara Muntahia Bittamaleek Assets–Real Estate	879,470,920	(205,835,649)	673,635,271	1,338,000	(1,019,061)	318,939	880,808,920	(206,854,710)	673,954,210
Ijara Muntahia Bittamaleek Assets– Machinery	9,300,272	(394,692)	8,905,580	-	-	-	9,300,272	(394,692)	8,905,580
Ijara Muntahia Bittamaleek Assets – Vehicles	18,500	(18,500)	-	-	-	-	18,500	(18,500)	-
Total	888,789,692	(206,248,841)	682,540,851	1,338,000	(1,019,061)	318,939	890,127,692	(207,267,902)	682,859,790

- Total due Ijara installments amounted to JD 5,300,257 as at 31 March 2020 (JD 4,387,818 as at 31 December 2019). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

- Non-performing Ijara Muntahia Bittamaleek amounted to 1,837,555 JD representing 0.3% of the balance of Ijara Muntahia Bittamaleek as at 31 March 2020 (JD 1,578,660 representing 0.2% as at 31 December 2019).

- Non-performing Ijara Muntahia Bittamaleek after deducting revenues in suspense amounted to JD 434,153 representing 0.06% of the balance of Ijara Muntahia Bittamaleek as at 31 March 2020 (JD 446,104 representing 0.06% as at 31 December 2019).

9. Financial Assets at amortized cost - Net

This item consists of the following:

	Joint	
	31 March 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Islamic Sukuk - quoted	27,467,796	27,469,115
Islamic Sukuk - unquoted	5,957,400	5,957,400
Expected credit loss for financial assets	(335,099)	(83,770)
	<u>33,090,097</u>	<u>33,342,745</u>

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

The movement on provision for expected credit loss summarized as of 31 March 2020:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the period	83,770	-	-	83,770
Transferred to stage 1	-	-	-	-
Transferred to stage 2	(33,279)	33,279	-	-
Transferred to stage 3	-	-	-	-
Adjustment during the period	107,526	143,803	-	251,329
Balance at the end of the period	<u>158,017</u>	<u>177,082</u>	<u>-</u>	<u>335,099</u>

10. Investment in Real estate

This item consists of the following:

Investment in Real Estate Held for Use:

	Joint	
	31 March 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Investment in real estate	31,080,582	31,042,176
Accumulated Depreciation	(3,086,416)	(3,032,657)
Impairment provision	(4,832,380)	(4,832,380)
	<u>23,161,786</u>	<u>23,177,139</u>

- Buildings presented in the real estate portfolio are depreciated under the straight-line method at a rate of 2%.

11. Customers' Current Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 31 March 2020 (Unaudited)	JD	JD	JD	JD	JD
Current accounts	537,373,112	48,258,504	89,304,118	4,329,674	679,265,408
Total	537,373,112	48,258,504	89,304,118	4,329,674	679,265,408

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

- Government of Jordan and public sector deposits inside the Kingdom amounted to JD 4,329,674 as at 31 March 2020 representing 0.64% of the total customers' current accounts (JD 4,961,502 as at 31 December 2019 representing 0.73%).
- Restricted deposits amounted to JD 4,367,255 as at 31 March 2020 representing 0.64% of the total customers' current accounts (JD 4,478,527 as at 31 December 2019 representing 0.66%).
- Dormant accounts amounted to JD 5,762,672 as at 31 March 2020 (JD 5,796,937 as at 31st December 2019).

12. Income Tax

a. Provision for Income Tax

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

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period/ year	10,737,299	12,124,837
Income tax paid during the period/ year	(2,300,349)	(15,400,004)
Income tax paid for previous period	-	(153,963)
Provision for income tax expense for the current period / year	4,177,266	14,166,429
Balance at the end of the period/ year	12,614,216	10,737,299

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

	31 March 2020	31 March 2019
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	4,177,266	4,119,747
Deferred tax assets for the period	(42,951)	(38,568)
Amortization of deferred tax assets	44,700	14,472
Total	4,179,015	4,095,651

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for 2019 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The accrued income tax for the period ended 31 March 2020 was calculated in accordance with the Income Tax Law in force.

13. Unrestricted Investment Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Central Bank deposits	Total
	JD	JD	JD	JD	JD	JD
31 March 2020 (unaudited)						
Saving accounts	218,655,778	310,586	1,867,288	424	9,389,413	230,223,489
Term deposits*	716,685,175	91,573,539	68,420,107	157,765,932	12,458,455	1,046,903,208
Total	935,340,953	91,884,125	70,287,395	157,766,356	21,847,868	1,277,126,697
Depositors' share of the investment returns	5,622,650	650,481	539,019	750,559	-	7,562,709
Total Joint Investment Accounts	940,963,603	92,534,606	70,826,414	158,516,915	21,847,868	1,284,689,406

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Central Bank Deposits	Total
	JD	JD	JD	JD	JD	JD
31 December 2019 (audited)						
Saving accounts	219,247,231	232,404	1,497,000	1,381	7,404,192	228,382,208
Term deposits *	714,591,986	88,892,153	66,936,360	159,992,588	12,413,554	1,042,826,641
Total	933,839,217	89,124,557	68,433,360	159,993,969	19,817,746	1,271,208,849
Depositors' share of the investment returns	22,158,829	3,308,788	2,112,042	2,118,102	422,715	30,120,476
Total Joint Investment Accounts	955,998,046	92,433,345	70,545,402	162,112,071	20,240,461	1,301,329,325

* Term deposits include JD 16,479,720 (net after tax) as at 31 March 2020 (JD 15,530,258 as at 31 December 2019) net of tax. This item is the balance of the Mutual Insurance Fund established during 2013 to cover defaults on repayments of financings due to the death or total disability of the customers as per the Fund's Articles of Association approved by the Central Bank of Jordan.

* Two investment agreements have been signed with the Central Bank of Jordan on 21 February 2019 whereby the Bank will open two accounts, saving account with a 40% contribution rate and time deposit with a 65% contribution rate, these amounts are granted as a loans to specific sectors and with a special revenue rates under the approval of the Central Bank of Jordan, and within the limit mentioned in agreement.

Unrestricted investment accounts share of profit is calculated as follows:

- 30% of the monthly balance of saving accounts.
- 90% of the minimum balance of term deposits.
- The restricted accounts amounted to JD 1,342,221 as at 31 March 2020 (JD 1,409,953 as at 31 December 2019).
- The joint investment accounts of the Government of Jordan and the Public Sector inside the Kingdom amounted to JD 158,516,915 as at 31 March 2020 representing 12.3% of the total joint investment accounts (JD 162,112,071 as at 31 December 2019 representing 12.5%).
- Dormant accounts amounted to JD 3,367,069 as of 31 March 2020 (JD 4,354,469 as at 31 December 2019).

14. Investment Risk Fund

a. The movement on the Investment Risk Fund is as follows:

	31 March 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	-	48,827,864
<u>Add:</u> Transferred from joint investment profits during period / year	-	3,512,818
Amortized losses for the period / year	-	-
Difference in valuation of foreign currencies	-	(375)
<u>Less:</u> income tax	-	(1,397,733)
Paid for previous years tax	-	(697,597)
Transferred to ECL provision as 1 May 2019 as CBJ regulations.	-	-
ECL provision – first stage	-	(1,492,769)
ECL provision – second stage	-	(1,475,620)
ECL provision – third stage	-	(23,769,483)
Impairment provision – Real estate portfolio	-	(4,539,248)
Impairment provision – Foreclosed Assets	-	(36,901)
Transferred to provision of expected future investment risk	-	(18,930,956)
Balance at the end of the period / year	-	-

The Fund's income tax item consists of the following:

	31 March 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Accrued income tax on the transferred amounts from investment revenues	-	946,812
Deferred tax assets	-	-
Amortization of deferred tax assets	-	450,921
	-	1,397,733

- On 1 April 2019 a new amendment was issued for the Banks Law No. (28) of 2000. Article 13 of the said Law stated the cancelation of Article 55 of the original Banks Law which mandated the appropriation of 10% from the revenues of the joint investment accounts on the various operating activities during the period, with a maximum of twice the Paid in Capital, and based on Central Bank Circular No. 10/1/9173, maintaining the surplus of the fund as a provision for facing future expected investment risks.

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

	31 March 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	384,283	2,924,470
<u>Less:</u> Income tax paid	183,805	(3,486,999)
<u>Add:</u> Accrued income tax for the period / year	-	946,812
Balance at the end of the period / year	568,088	384,283

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for 2019 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.

- 14/b – Provision for expected future investment risk

The movement on provision for expected future investment risk

	31 March 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	13,079,838	-
Add: Transferred from the Investment Risk as of May 2019 in accordance with the instructions of the Central Bank (Note 14 / A)	-	18,930,956
<u>Less:</u> released from provisions for expected credit losses	<u>(1,522,989)</u>	<u>(5,851,118)</u>
Balance at the end of the period / year	11,556,849	13,079,838

c - The movement on a provision for expected losses is as follows:

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period / year	33,250,932	-
Transferred from the Investment Risk Fund on 1 May 2019 in accordance with the instructions of the Central Bank		
Provision for expected losses – first stage	-	1,492,769
Provision for expected losses – second stage	-	1,475,620
Provision for expected losses – third stage	-	23,769,483
Impairment provision - real estate investment portfolio	-	4,539,248
Impairment provision – Foreclosed Assets	-	36,901
Adjusted balance	33,250,932	31,314,021
<u>Less : liberated from provisions against expected credit losses ceased to be required</u>	(290,000)	(3,914,207)
<u>Add :-</u>		
Provision for expected losses – stage 1	1,152,230	1,747,873
Provision for expected losses – stage 2	102,281	690,352
Provision for expected losses – stage 3	268,478	3,119,761
Impairment provision - real estate investment portfolio	-	293,132
Total of summation	1,522,989	5,851,118
Total	34,483,921	33,250,932

15. Cash and Cash Equivalent

This item consists of the following:

	For the three months ended	
	31 March 2020 JD (Unaudited)	31 March 2019 JD (Unaudited)
Cash and balances with the Central Bank maturing within three months	660,188,945	589,086,365
<u>Add:</u> Balances with banks and financial institutions maturing within three months	27,211,797	18,526,023
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(4,075,135)	(1,209,897)
	683,325,607	606,402,491

16. Transactions with Related Parties

Below is a summary of the transactions with related parties:

Statement of Income items:

- All financings granted to related parties are performing, and consequently, no related provisions have been booked.

* The Bank has implemented the Central Bank of Jordan Circular No. 4676/2/10 regarding the definition of Executive Management.

17. Segment information

Information about Bank's Activities

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

Retail

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

Corporate Accounts

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

Treasury

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

Below is the information about the Bank's business segments (amounts in thousands 000 JD):

	Retail JD	Corporates JD	Treasury JD	Others JD	Total For the three months Ended 31 March	
					2020	2019
					JD (Unaudited)	JD (Unaudited)
Gross income (Joint and Self-financed)	13,754	6,113	2,256	3	22,126	23,631
Investment risks fund	-	-	-	-	-	(2,614)
Recoveries from ECL-Joint	-	290	-	-	290	-
Result of operations of segments	13,754	6,403	2,256	3	22,416	21,017
Undistributed expenses	(3,846)	(1,001)	(77)	(4,828)	(9,752)	(9,048)
Profit before Tax	9,908	5,402	2,179	(4,825)	12,664	11,969
Income tax	(3,269)	(1,782)	(719)	1,591	(4,179)	(4,096)
Profit for the period	6,639	3,620	1,460	(3,234)	8,485	7,873
Segment's assets	985,974	449,430	806,502	-	2,241,906	2,118,640
Undistributed assets to the segments	-	-	-	71,043	71,043	57,932
Total segment's assets	985,974	449,430	806,502	71,043	2,312,949	2,176,572
Segment's liabilities, joint investment equity and investment risk fund	1,484,576	523,441	4,075	-	2,012,092	1,912,148
Undistributed liabilities to segments, joint investment equity and investment risk fund	-	-	-	78,177	78,177	62,855
Total segment's liabilities, joint investment account and investment risk funds	1,484,576	523,441	4,075	78,177	2,090,269	1,975,003
For the three month ended 31 March						
					2020	2019
					JD	JD
					(Unaudited)	(Unaudited)
Capital expenses						
Depreciation and amortization	403	1	-	249	653	673

18. Commitments and Contingent Liabilities (Off –Statement of Financial Position)

Contingent credit commitment

	31 March 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Letters of credit	25,269,041	30,964,960
Acceptances	15,350,844	13,200,009
Letters of Guarantee:		
Payment	15,465,716	14,629,603
Performance	14,348,415	14,481,465
Others	11,466,902	10,143,530
Unutilized limits – self financed	54,857,883	53,557,095
Unutilized limits - joint	130,032,841	122,854,751
Total	266,791,642	259,831,413

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

Item (JD)	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the period	305,605	42,464	84,290	432,359
Transferred to first stage	-	-	-	-
Transferred to second stage	(255)	255	-	-
Transferred to third stage	-	-	-	-
Adjustment during the period	8,494	2,732	(14,397)	(3,171)
Balance at the end of the period	313,844	45,451	69,893	429,188

Following is the movement on expected credit losses for unutilized limits/ joint:

Item (JD)	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the period	89,986	37,078	-	127,064
Transferred to first stage	-	-	-	-
Transferred to second stage	-	-	-	-
Transferred to third stage	-	-	-	-
Adjustment during the period	71,997	9,852	-	81,849
Balance at the end of the period	161,983	46,930	-	208,913

The expected credit loss provision for the off-balance sheet items - self financed and joint presented within other liabilities.

19. Lawsuits against the Bank

The lawsuits filed against the Bank amounted JD 288,022 as at 31 March 2020 with a provision of JD 17,267 (JD 289,022 as at 31 December 2019 with a provision of JD 17,267). Based on the opinion of the legal advisor, no additional amounts will be claimed from the Bank in respect of those lawsuits.

20. Fair Value Measurement

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

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

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

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant unobservable Inputs	Relationship between Unobservable Inputs and Fair Value
	31 March 2020	31December 2019				
	JD (Unaudited)	JD (Audited)				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity – self						
Quoted	5,613,015	5,616,930	Level 1	Quoted rates in the Financial Markets	Not Applicable	Not Applicable
Financial Assets at Fair Value through joint investment account						
Unquoted	2,662,444	2,662,444	Level 2	Compared to market price for similar	Not Applicable	Not Applicable
Total	8,275,459	8,279,374				

There were no transfers between Level (1) and Level (2) during the first quarter of 2020 and 2019.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2020

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

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

	31 March 2020		31 December 2019		Level
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
Financial Assets not measured at Fair Value					
Deferred sales receivables	771,086,931	771,207,690	751,650,832	751,777,070	Level 2
Investments in real estate	23,161,786	26,603,606	23,177,139	26,669,851	Level 2
Financial assets at amortized cost	27,132,697	27,326,126	27,385,345	27,637,917	Level 1
unquoted Financial assets at amortized cost	5,957,400	6,032,314	5,957,400	5,987,957	Level 2
Total financial assets not measured at fair value	827,338,814	831,169,736	808,170,716	812,072,795	
Financial Liabilities not measured at Fair Value					
Customers' current and unrestricted accounts	1,963,954,814	1,972,692,152	1,978,875,605	1,987,892,579	Level 2
Cash margins	32,460,419	32,629,964	31,372,032	31,559,768	Level 2
Total Financial Liabilities not measured at Fair Value	1,996,415,233	2,005,322,116	2,010,247,637	2,019,452,347	

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