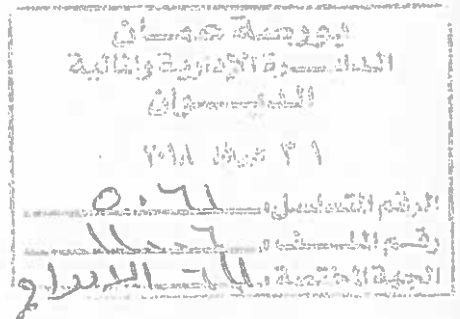




بنك صفوة الإسلامي
Safwa Islamic Bank

<p>To: Jordan Securities Commission Amman Stock Exchange Date : 31/10/2018 Subject: Quarterly Report as of 30/09/2018</p>	<p>السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/10/31 الموضوع: التقرير ربع السنوي باللغة الانجليزية كما هو في 2018/09/30</p>
<p>Attached English Version of Quarterly Financial Statements (Safwa Islamic Bank) as of 30/09/2018.</p>	<p>مرفق طيه نسخة من البيانات المالية ربع السنوية باللغة الانجليزية لبنك صفوة الاسلامي كما هي بتاريخ 2018/09/30 م .</p>
<p>Kindly accept our high appreciation and respect Safwa Islamic Bank Samer Tamimi General Manager</p>	<p>وتفضلوا بقبول فائق الاحترام... بنك صفوة الاسلامي سامر التميمي المدير العام</p>



مبادئ راسخة، حلول مبتكرة Solid Principles, Innovative Solutions

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SAFWA ISLAMIC BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED 30 SEPTEMBER 2018
TOGETHER WITH THE REVIEW REPORT

SAFWA ISLAMIC BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-THE HASHEMITE KINGDOM OF JORDAN
30 SEPTEMBER 2018

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In the Name of Allah, the Beneficent, the Merciful

Review Report

AM/ 014589

To the chairman and the Board of Directors of
Safwa Islamic Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

We have reviewed the condensed consolidated interim statement of financial position of Safwa Islamic Bank (a Public Shareholding limited Company) as of September 30, 2018 and the related condensed consolidated interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the nine month period ended in that date, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Our responsibility is to express a conclusion on these condensed Consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Company. A review of condensed consolidated 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 International Standards on Auditing 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with the Financial accounting standards issued by accounting and auditing organisation for Islamic financial institutions (AAOIFI).

Other matters

1. The fiscal year for the Bank ends on December 31, of each year. However, the accompanying condensed consolidated interim financial statements have been prepared for management purposes and Jordan Securities Commission only.
2. The accompanying condensed consolidated interim financial statements are a translation of the statutory condensed consolidated interim financial statements in the Arabic language to which reference should be made.

Amman – The Hashemite Kingdom of Jordan
22 October 2018


Deloitte & Touche (M.E.) – Jordan

Safwa Islamic Bank
(Public Shareholding Limited Company)
Amman-The Hashemite Kingdom of Jordan
Condensed Consolidated Interim Statement of Financial Position

		30 September 2018 (Reviewed not Audited)	31 December 2017
	Note	JD	JD
Assets			
Cash and balances with the Central Bank	4	96,918,872	119,934,135
Balances at banks and the banking institutions	5	7,124,538	6,570,709
International wakala investments-net	6	64,742,811	33,861,572
Deferred sales receivables and other receivables-net	7	428,032,502	416,155,544
Unconverted loans-net		30,683	37,748
Financial assets at fair value through shareholders' equity -self financed		-	17,700
Financial assets at fair value through unrestricted investment accounts' holders equity-net	8	30,330,315	38,875,345
Financial assets at amortized cost	9	92,191,000	54,878,000
Investment in associate		376,618	377,262
Net investment in a subsidiary under liquidation		79,717	-
Ijara Muntahia Bittamleek assets-net	10	318,963,386	255,708,619
Qard Hasan		509,660	509,660
Property and equipment-net		23,152,591	21,299,772
Intangible assets - net		1,589,214	1,449,583
Deferred tax assets	12/C	599,815	599,815
Other assets	11	10,207,798	7,527,176
Total Assets		1,074,849,520	957,802,640
Liabilities, Unrestricted Investment Accounts' Holders Equity and Shareholders' Equity			
Liabilities			
Banks and financial Institutions accounts		910,020	876,288
Customers' current accounts		135,251,527	120,068,965
Cash margin accounts		11,258,869	22,746,048
Income tax provision	12/A	2,862,893	2,603,048
Other provisions		84,603	84,603
Other liabilities	13	20,234,072	15,331,453
Total Liabilities		170,601,984	161,710,405
Unrestricted Investment Accounts' Holders Equity			
Unrestricted investment accounts	14	764,059,476	652,921,139
Fair value reserve - jointly financed	18	(613,130)	(820,121)
Total Unrestricted Investment Accounts' Holders Equity		763,446,346	652,101,018
Investment Risk Fund			
Investment risk fund	15/B	248,116	4,150,430
Income Tax provision for investment risk fund	15/C	1,527,751	1,695,297
Shareholders' Equity			
Paid up capital	16	100,000,000	100,000,000
Statutory reserve	16	22,874,816	22,874,816
General banking risks reserve		-	300,000
Fair value reserve - self financed		-	(576)
Retained earnings	17	10,094,015	14,971,250
Profit for the period		6,056,492	-
Total Shareholders' Equity		139,025,323	138,145,490
Total Liabilities, Unrestricted Investment Accounts Holders and Shareholders' Equity		1,074,849,520	957,802,640
Wakala Investments accounts		9,447,089	5,062,108

The accompanying notes from (1) to (33) constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report.

Safwa Islamic Bank
(Public Shareholding Limited Company)
Amman-The Hashemite Kingdom of Jordan
Condensed Consolidated Interim Statement of Income and Comprehensive Income
(Reviewed not Audited)

	Note	For The Three Month Period Ended 30 September		For The Nine Month Period Ended 30 September	
		2018	2017	2018	2017
		JD	JD	JD	JD
Deferred sales revenue	19	7,920,878	6,755,044	22,509,898	20,267,065
Ijara Muntahia Bittamleek assets revenue		6,733,578	4,831,250	19,141,285	14,006,723
Gains from International wakala investments		297,990	117,691	716,007	311,671
Gains from financial assets at fair value through unrestricted investment accounts' holders equity	20	304,406	299,968	1,050,055	847,946
(Losses) from financial assets at fair value through statement of income	21	4,619	-	(8,401)	-
Gains from financial assets at amortized cost		525,626	525,626	1,559,738	1,131,314
Share of Joint Funds from Profits of associate company		-	-	8,356	16,900
(losses)From Foreign currencies evaluation		(3,083)	(2,933)	(8,620)	(8,633)
Other revenue - jointly financed		166,321	64,591	441,577	459,542
Total revenue from unrestricted investment		15,950,335	12,591,237	45,409,895	37,032,528
Share of unrestricted investment accounts holders'		(6,630,030)	(5,041,130)	(18,169,584)	(14,167,384)
Share of Investment risk fund	15/A	(1,594,970)	(1,259,124)	(4,540,990)	(3,703,253)
Bank's share of revenue from unrestricted investments as a mudarib and rab mal		7,725,335	6,290,983	22,699,321	19,161,891
Bank's self financed revenue	22	160,111	160,794	508,377	461,765
Banks share from the restricted investments revenue as agent (wakeel)		65,453	5,507	126,898	10,041
Gain from foreign currencies		149,224	99,847	367,987	338,979
Banking services revenue		1,192,421	1,259,807	3,424,724	2,887,989
Other revenue		14,779	31,831	258,070	43,656
Gross Income		9,307,323	7,848,769	27,385,377	22,904,321
Employees' expenses		(3,054,627)	(2,745,362)	(8,958,897)	(7,934,841)
Depreciation and amortization		(632,262)	(696,002)	(1,850,033)	(2,151,914)
Depreciation of Ijara muntahia bittamleek assets- self financed		(94,549)	(101,626)	(323,676)	(288,420)
Provision for deferred sales receivables and other receivables - self financed		1,059	(13,674)	(20,553)	(18,255)
Recovered from expected credit losses for Off - balance sheet items-self financed		53,363	-	70,307	-
Other expenses		(2,115,595)	(1,937,722)	(6,570,382)	(6,140,134)
Total expenses		(5,842,611)	(5,494,386)	(17,653,234)	(16,533,564)
Profit for the period before tax		3,464,712	2,354,383	9,732,143	6,370,757
Income tax expense	12/B	(1,420,376)	(824,143)	(3,675,651)	(2,239,848)
Profit for the period		2,044,336	1,530,240	6,056,492	4,130,909
Add: other comprehensive Income items after tax that will not be reclassified subsequently to the condensed consolidated interim statement of Income:					
Net change in fair value reserve for financial assets		-	138	-	138
(losses) on sale of financial assets through Shareholders' equity Self-Financed		-	-	-	-
Total comprehensive Income for the period		(1,884)	-	(4,172)	-
		2,042,452	1,530,378	6,052,320	4,131,047
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings per share for the period	23	0/020	0/015	0/060	0/041

The accompanying notes from (1) to (33) constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report.

Safwa Islamic Bank
(Public Shareholding Limited Company)
Amman-The Hashemite Kingdom of Jordan
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Reviewed not Audited)

	Paid up capital	Statutory reserve	General banking risks reserve	Fair value reserve - self financed	Retained Earnings *	Profit for the period	Total Shareholders' Equity
	JD	JD	JD	JD	JD	JD	JD
For the Nine month period ended 30 September 2018							
Balance as at the beginning of the period	100,000,000	22,874,816	300,000	(576)	14,971,250	-	138,145,490
Impact of Implementing CBJ Instructions no.(13/2018)	-	-	-	-	(191,603)	-	(191,603)
Amended balance as the beginning of the period	100,000,000	22,874,816	300,000	(576)	14,779,647	-	137,953,887
Total comprehensive Income for the period	-	-	-	576	(4,748)	6,056,492	6,052,320
Impact of disposal of a subsidiary company	-	-	-	-	19,116	-	19,116
Transferred from general banking risks reserve	-	-	(300,000)	-	300,000	-	-
Distributed Dividends**	-	-	-	-	(5,000,000)	-	(5,000,000)
Balance as at the end of the period	100,000,000	22,874,816	-	-	10,094,015	6,056,492	139,025,323
For the Nine month period ended 30 September 2017							
Balance as at the beginning of the period	100,000,000	21,999,743	300,000	-	10,132,368	-	132,432,111
Total comprehensive Income for the period	-	-	-	138	-	4,130,909	4,131,047
Balance as at the end of the period	100,000,000	21,999,743	300,000	138	10,132,368	4,130,909	136,563,158

Retained earnings balance as at 30 September 2018 and 31 December 2017 includes an amount of JD 599,815 which represents deferred tax assets 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 Board of Directors decided at their meeting number(1/2018) held on 28 January 2018 to recommend to the shareholders General Assembly to distribute cash dividends in an amount of JD 5 Millions to the shareholders for the year 2017, which represent 5% from the bank' capital. The General Assembly approved on this recommendation at their meeting held on 28 April 2018.

The accompanying notes from (1) to (33) constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report.

Safwa Islamic Bank
(Public Shareholding Limited Company)
Amman-The Hashemite Kingdom of Jordan
Condensed Consolidated Interim Statement of Cash Flows
(Reviewed not Audited)

	Note	For the nine month period ended 30 September	
		2018	2017
		JD	JD
Cash Flows from Operating Activities			
Profit for the period before tax		9,732,143	6,370,757
Adjustments for non monetary items:			
Depreciation and amortization		1,850,033	2,151,914
Depreciation of Ijara Muntahia Bittamleek assets		34,404,505	34,744,740
Share of joint funds from profits of associate company		(8,356)	(16,900)
Investment risk fund	15	4,540,990	3,703,253
Provision for deferred sales receivables and other receivables - self financed		20,553	18,255
(Recovered from) expected credit losses for Off - balance sheet items-self financed		(70,307)	-
Impairment provision for an investment in a subsidiary under liquidation		19,116	-
Loss from sale of property and equipment		-	88,170
(Gain) from sale of seized assets against debts		(217,791)	(14,434)
Cash Flows from Operating Activities before Changes in working capital		50,270,886	47,045,755
Changes in operating working capital			
		-	-
(Increase) in deferred sales receivables and other receivables		(17,695,767)	(36,169,406)
Decrease in unconverted loans		7,065	7,325
(Increase) in Ijara Muntahia Bittamleek assets		(97,659,272)	(51,183,335)
(Increase) in other assets		(5,571,745)	(1,050,980)
Increase in customers' current accounts		15,182,562	18,471,286
(Decrease) Increase in cash margin accounts		(11,487,179)	13,527,398
Increase in other liabilities		4,220,339	2,964,933
Net cash (used in) operating activities before income tax paid		(62,733,111)	(6,387,024)
Income tax paid	12 & 15	(5,095,119)	(4,330,373)
Net cash (used in) flows from operating activities		(67,828,230)	(10,717,397)
Cash Flows from Investing Activities			
Maturity and sale (purchase) of financial assets at fair value through unrestricted investment accounts holders- net		8,378,410	(19,105,471)
Sale (purchase) of financial assets at fair value through shareholders' equity -self financed		13,528	(9,212)
(Purchase) of financial assets at amortized cost		(37,313,000)	(27,439,000)
Cash dividends from associate company		9,000	10,000
Net investment in a subsidiary under liquidation		(79,717)	-
(Purchase) of intangibles assets		(542,206)	(227,712)
(Purchase) of property and equipment		(3,300,277)	(1,217,435)
Proceeds from sale of property and equipment		-	1,187
Proceeds from sale of seized assets against debts		3,044,533	587,012
(Increase) in International Wakala Investments		(31,183,530)	(147,513)
Net cash (used in) investing activities		(60,973,259)	(47,548,144)
Cash Flows from Financing Activities			
Increase(decrease) in unrestricted investment 'holders quity		111,138,337	5,117,117
Paid dividends distributed to shareholders		(4,832,014)	-
Net cash generated by financing activities		106,306,323	5,117,117
Net (decrease) in cash and cash equivalents		(22,495,166)	(53,148,424)
Cash and cash equivalents at beginning of the period		125,628,556	207,530,878
Cash and cash equivalents at end of the period	24	103,133,390	154,382,454

The accompanying notes from (1) to (33) constitute an integral part of these condensed consolidated interim financial statements and should be read with them and with the accompanying review report.

SAFWA ISLAMIC BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

(1) GENERAL

Safwa Islamic Bank ("the Bank") is a Jordanian public shareholding limited company and is considered the legal successor of Industrial Development Bank that was established in 1965 in accordance with a special law (Industrial Development Bank Law) and the Bank considered a legal successor and a replacement for all its rights and obligation. On 30 April 2008 Law No. (26) for the year 2008 was issued for the cancelation of Industrial Development Bank, which cancelled Industrial Development Bank Law No. (5) for the year 1972.

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 struchured invesment services on a non-Intrest basis in accordance with Islamic shari'a through the Bank's head office and its Twenty Eight branches and its subsidiaries within the Kingdom, in accordance with the effective Banking Law.

Etihad Islamic Investment Company owns 61.8% of Safwa Islamic Bank, and their financial statements are consolidated within the financial statements of Bank Al Etihad.

The condensed consolidated interim financial statements were approved by the Bank's Board of Directors in their meeting No. (6/2018) held on 21 October 2018.

(2) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

- The accompanying condensed consolidated interim financial statements for the Bank have been prepared according to the financial accounting standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in accordance with the applicable local laws and regulations of 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been presented in Jordanian Dinars (JD) which is the functional currency of the Bank.
- The separation between what belongs to the Shareholders' equity and what belongs to the unrestricted investment accounts holders has been taken into consideration.
- Investment risks fund is decreased to cover the impairment loss and expected credit losses for financing and Investing accounts funded by the unrestricted investment accounts.
- Unrestricted investment accounts means joint investment accounts wherever it is mentioned.
- The condensed consolidated interim financial statements do not contain all information and disclosures required for annual consolidated financial statements prepared in accordance with the financial accounting standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and should be read with the Bank's annual report as at 31 December 2017. In addition, the results for the nine month period ended 30 September 2018 do not necessarily indicate the results that may be expected for the financial year ending 31 December 2018. The Bank's profit for the nine month period ended 30 September 2018, have not been appropriated; as such appropriations will be made at the end of the fiscal year.

BASIS OF CONSOLIDATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Condensed interim financial statements comprise of the condensed consolidated interim financial statements of the Bank and its subsidiaries which are financed by the self and Joint Funds of the Bank where the Bank has the control to govern the operational and financial policies of the entities to obtain benefits from their activities. All intra-company balances, transactions, revenues, expenses and off-balance sheet items between the bank and its subsidiaries are eliminated.

The condensed consolidated interim financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using same accounting policies used by the Bank.

The subsidiaries of the Bank as at 30 September 2018 are as follows:

Subsidiary name	Paid in Capital (JD)	Source of Funding	Ownership %	Company Main Activity	Operation location	Acquisition Date
Misc for brokerage company	2,000,000	Self	100%	Brokerage	Amman	2011
Alahjar Real Estate for Construction Company (Jordan Dubai Real Estate for Construction Company Previously) * under liquidation	100,000	Joint	100%	Real state Investment	Amman	2012

Subsidiaries operations results are consolidated in the condensed consolidated interim statement of income and comprehensive income from the acquisition date which is the date the Bank actually obtains control on the subsidiaris. The subsidiaries ceased operations result are consolidated in the condensed consolidated interim statement of income and comprehensive income, and continue to be consolidated until the date that such control ceases.

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

*A decision was issued by the general assembly for Alahjar Real Estate For construction Company in their extraordinary meeting held on 23 May 2018 to liquidate the Company. Therefore, the Company's balances deconsolidated when preparing the condensed consolidated interim financial statements. An impairment provision was recorded for the investment in Alahjar Real Estate for Construction Company .

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2017, Except for the impact of the Central Bank of Jordan instructions No. (13/2018) that was issued on 6 June 2018 related to expected credit losses , and as for the remaining aspects they are subject to the requirements of financial Accounting Standard No. (25) and until the issuance of instructions related to Islamic banks in accordance with the requirements of Financial Accounting Standard No.(30).

The Bank has evaluated the requirements of the Expected Credit Loss model and the amendments related to the classification and measurement of financial instruments. The Bank has applied the instructions retroactively and without adjusting the comparative figures. The effect of applying the instructions was recorded on 1 January 2018 by reversing the effect on retained earnings on the statement of shareholders' equity for self funded investments and financing activities. As for joint investments and financing, the Expected Credit Losses were covered by the investment risks fund.

Effect of the Central Bank instructions No. (13/2018):

The effect of the change in accounting policies on the condensed consolidated interim financial statements as at 1 January 2018 was as follows:

Self financed:

	Before instructions	After instructions	Change
	JD	JD	JD
Direct credit facilities - Net	5,740,583	5,738,710	(1,873)
Banking risks reserve	300,000	-	(300,000)

Jointly financed:

	Before instructions	After instructions	Change
	JD	JD	JD
International Wakala Investments	33,861,572	33,470,213	(391,359)
Financial assets at fair value thorough unrestricted investment accounts holders equity	38,875,345	38,724,752	(150,593)
Direct credit facilities - Net	666,670,988	665,137,556	(1,533,432)

Self and Jointly financed:

	Before instructions	After instructions	Change
	JD	JD	JD
Other liabilities *	15,331,453	14,757,424	(574,029)

*The effect of the change in other liabilities is due to the amount of JD 189,730 related to the provision for expected credit losses for Self financed off-balance sheet items and JD 384,299 for the expected credit losses for jointly financed off-balance sheet items.

(3) USE OF ESTIMATES

The preparation of the condensed consolidated interim financial statements and the application of accounting policies require from the Bank's management to make estimates and judgments that affect the amounts of financial assets, liabilities and disclose potential liabilities. These estimates and judgements also affect income, expenses and provisions, as well as changes in fair value that appear in each of the statement Income and comprehensive income, shareholders' equity and the unrestricted investment accounts holders' equity. In particular, the Bank's management is required to make judgments and significant estimates to measure the amounts and timing of future cash flows. These estimates are necessarily based on assumptions and factors that have varying degrees of estimation and uncertainty and that the actual results may differ from the estimates as a result of changes from the conditions and circumstances of those estimates in the future.

We believe that our estimates in the condensed consolidated interim financial statements are reasonable and consistent with the annual estimates in the financial statements for the year 2017, except for the impact of calculation of expected credit losses based on the instructions of the Central Bank No.(13/2018) , These estimates are detailed as follows:

- Provision for impairment of sales and facilities receivables: The Bank deducts 10% (2017: 10%) of the net revenue from the unrestricted investment accounts which is transferred to the investment risks fund in accordance with Article (55) of the Banking Law. The expected credit losses and impairment losses of these receivables and facilities are compared in accordance with the basis and guidelines set by the Central Bank of Jordan.
- Income tax provision: The fiscal year is charged with the income tax expense, which is related to that fiscal year in accordance with the regulations, laws and accounting standards. Moreover, the required deferred tax assets and liabilities and the required tax provision are calculated and recognized.
- The management periodically reviews the financial assets that are recorded at cost to assess any impairment in value and the impairment is recorded in the financial statements in accordance with the source of funding of investments.
- A provision for legal suits against the Bank is recorded based on a legal study prepared by the Bank's legal department, under which potential risks are identified in the future. These studies are reviewed periodically.
- The management periodically reviews the financial assets that are recorded at cost to assess any impairment in value (if any) and are taken to the condensed consolidated interim statement of income and comprehensive income for the period for self financed investments or the investment risks fund for Jointly financed investments in the condensed consolidated interim statements of financial position.
- The management estimates the useful life and residual value of tangible and intangible assets at initial recognition , and recalculates the useful lives of tangible and intangible assets periodically for calculating depreciation and amortization based on the overall condition of those assets and estimated future production work. The impairment provision (If any)is recorded in the condensed consolidated interim statement of income and comprehensive income. Factors affecting the estimated useful lives of tangible and intangible assets include management's estimates of the expected use of these assets by the Bank, technological development and obsolescence. In the event that the useful lives of tangible and intangible assets differ from management's estimates, it will therefore have a significant impact on the expense of depreciation and / or profit and loss from disposal.
- Expected credit losses:
The Bank applies a three-stage structured approach to measure expected credit losses on facilities and investments, financial assets at amortized cost and debt instruments classified at fair value through unrestricted investment account holders equity. Assets are transferred during the following three stages based on the change in credit quality since the initial recognition.

Stage (1): 12-month Expected Credit Loss

The first Stage includes financial assets at initial recognition that do not involve a significant increase in credit risk since initial recognition or which involve a low credit risk at the date of preparation of the financial statements. With regard to these assets, the expected credit loss is recorded for 12 months and the profit is calculated on the total carrying amount of the asset (without deduction of the credit premium). The Expected Credit Losses for 12 months also result from default events that may occur within 12 months of the reporting date, and do not represent the projected cash deficit over a 12-

month period but rather a full credit loss on an asset weighted by the probability of loss occurring in the next 12 months.

Stage (2): Expected Credit Loss over the lifetime of exposure - No credit impairment

The second stage includes financial assets that have seen a significant increase in credit risk since the initial recognition but there is no objective evidence that indicates a decline in value or a default. In respect of these assets, the Expected Credit Loss is recorded over the life of the exposure, but the profit is calculated on the total carrying amount of the asset. The Expected Credit Loss over the life of the exposure is the expected credit loss arising from all possible default events over the life of the instrument. The expected credit losses are the average of the credit losses with the possibility of default being considered as the lifetime of exposure as the weight.

Stage (3): Expected Credit Loss over the lifetime of exposure - There is an impairment in credit

The third stage includes financial assets that have objective evidence of impairment or default as of the date of preparation of the financial statements in accordance with regulatory requirements. In respect of these assets, the Expected Credit Loss recognizes the lifetime of the exposure and is treated with the profits calculated in accordance with regulatory directives. When transferring financial assets from stage (2) to stage (3), the percentage of provisions for these assets shall not be less than the percentage of the provision taken before conversion.

- **Priority Investment / Equal Investment Opportunities and Profit Sharing:**

The principle of equal investment opportunities between the shareholders' funds and the investment account holders is applied in the joint Mudaraba and the Bank's own investments are shown in separate accounts from the investments funded through the unrestricted Investment Accounts.

The unrestricted investment accounts share the results of the investment profits. The profits are distributed to the unrestricted investment accounts holders based on every account and its proportion taking into consideration the weights of the respective investment accounts and the terms of the account signed between the bank and the depositor.

The Allocation of weights of the unrestricted investment accounts is proposed by the Bank's management and approved by the Bank's Sharia Supervisory Board.

The effect of Implementing Central Bank of Jordan Instructions No.(13/2018) on opening balances for the year 2018:

A - Self financed

Item	Balance as at 1st January 2018	Reclassified amount	Expected credit loss *	Amended balance as at 1st January After 2018 Implementing CBJ instructions	Effect of implementation resulting from reclassification	The financial position items affected by the implementation
	JD	JD	JD	JD	JD	JD
Cash and balances with the central bank	119,934,135	-	-	119,934,135	-	-
Balances at banks and Banking Institutions	6,570,709	-	-	6,570,709	-	-
Direct credit facilities-Net	5,740,583	-	(1,873)	5,738,710	-	Retained earnings
Financial letters of guarantee**	2,392,834	-	(12,628)	2,392,834	-	Retained earnings
Letters of credit and acceptances**	47,499,285	-	(177,102)	47,499,285	-	Retained earnings

B- Jointly financed

	Balance as at 1st January 2018	Reclassified amount	Expected credit loss *	Amended balance as at 1st January After 2018 Implementing CBJ instructions	Effect of implementation resulting from reclassification	The financial position items affected by the implementation
	JD	JD	JD	JD	JD	JD
International wakala Investments	33,861,572	-	(391,359)	33,470,213	-	Investment Risks Fund
Direct credit facilities-Net	666,670,988	-	(1,533,432)	665,137,556	-	Investment Risks Fund
Financial assets at fair value through unrestricted investment accounts' holders equity	38,875,345	-	(150,593)	38,724,752	-	Investment Risks Fund
Financial assets at amortized cost(guaranteed by the Government of the Hashemite Kingdom of Jordan)	54,878,000	-	-	54,878,000	-	-
Unutilized credit limits**	82,461,132	-	(384,299)	82,461,132	-	Investment Risks Fund

* The expected credit loss of the item is calculated after the classification.

** The expected credit losses relating to contingent liabilities and liabilities outside the statement of financial position is shown in other liabilities.

Expected credit losses for 1 st January 2018 :

	Stage 1			Stage 2			Total
	Individual		Collective	Individual		Collective	
	JD		JD		JD	JD	
A - Self financed							
Direct credit facilities	-		2,389	-		22	56,608
Financial letter of guarantees	7,369		-	5,259		-	12,628
Letters of credit and acceptances	173,370		-	3,732		-	177,102

	Stage 1		Stage 2		Total
	Individual	Collective	Individual	Collective	
	JD	JD	JD	JD	
B -Jointly financed					
International wakala investments	391,359	-	-	-	391,359
Direct credit facilities	979,752	152,000	658,995	37,617	14,824,010
Financial assets at fair value through unrestricted investment accounts' holders equity	150,593	-	-	-	150,593
Unutilized credit limits	369,705	-	14,594	-	384,299

Expected credit losses for the period ended 30 September 2018 :

	Stage 1			Stage 2			Total
	Individual		Collective	Individual		Collective	
	JD		JD	JD		JD	
A - Self financed							
Direct credit facilities	-	5,038	5,175	880		66,068	77,161
Financial letter of guarantees	16,904	-	396	-		-	17,300
Letters of credit and acceptances	102,123	-	-	-		-	102,123

	Stage 1		Stage 2		Total
	Individual	Collective	Individual	Collective	
	JD	JD	JD	JD	
B -Jointly financed					
International wakala investments	302,291	-	-	-	302,291
Direct credit facilities	1,255,454	260,658	4,018,244	143,617	19,086,961
Financial assets at fair value through unrestricted investment accounts' holders equity	132,698	-	19,256	-	151,954
Unutilized credit limits	321,609	-	73,262	-	394,871

-The expected credit losses for The direct credit facilities are calculated based on The Central Bank of Jordan instructions No.(47/2009) and instructions No.(13/2018) and compared and select the toughest between them.

***Opening balances for expected credit losses after implementation of Central Bank of Jordan instructions no.(13/2018) :**

A - Self financed

	Provision current amount	Difference due to re-measurement	Balance in accordance with CBJ instructions
	JD	JD	JD
Cash and balances with central banks	-	-	-
Balances and deposits at banks and Banking institutions	-	-	-
Direct credit facilities *	54,735	1,873	56,608
Financial letter of guarantees	-	12,628	12,628
Letters of credit and acceptances	-	177,102	177,102

* Distributed between watch list amounted to JD 538 and non- performing amounted to JD 54,197 .

B - jointly financed

	Provision current amount	Difference due to re-measurement	Balance in accordance with CBJ instructions
	JD	JD	JD
International wakala investments	-	391,359	391,359
Direct credit facilities *	13,290,578	1,533,432	14,824,010
Financial assets at fair value through unrestricted investment accounts' holders equity	-	150,593	150,593
Unutilized credit limits	-	384,299	384,299

Distributed between watch list amounted to JD 294,932 and non- performing amounted to JD 12,995,646 .

(4) CASH AND BALANCES WITH THE CENTRAL BANK

The details of this item are as follows:

	30 September 2018	31 December 2017
	JD	JD
Cash on hand	15,094,652	11,169,468
Balances with the Central Bank of Jordan:		
Current accounts	21,113,551	54,875,638
Statutory cash reserve	60,710,669	53,889,029
Total	96,918,872	119,934,135

Except for the statutory cash reserve, there are no other restricted cash balances as at 30 September 2018 and 31 December 2017.

All balances with the Central Bank are classified as stage(1) in accordance with the instructions of the Central Bank of Jordan No. (13/2018). There are no transfers between the (first, second and third) stages or written-off balances during the nine month ended 30 September 2018. There is no need to record a provision for expected credit losses for balances with the Central Bank of Jordan.

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

	Stage 1 (individual)
	for the period ended 30 september 2018
	JD
Balance at the beginning of the period	108,764,667
New balances during the period	-
Repaid balances	(26,940,447)
Balance at the end of the period	81,824,220

(5) BALANCES AT BANKS AND BANKING INSTITUTIONS

The details of this item are as follows:

	Local banks and banking institutions		Foreign banks and banking institutions		Total	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Current and on -Demand accounts	1,030,506	647,126	6,094,032	5,923,583	7,124,538	6,570,709
Total	1,030,506	647,126	6,094,032	5,923,583	7,124,538	6,570,709

There are no restricted balances as at 30 September 2018 and 31 December 2017.

There are no balances at banks and banking institutions the bank receives profit as at 30 September 2018 and 31 December 2017.

All balances with banks and banking institutions are classified as stage(1) in accordance with the instructions of the Central Bank of Jordan No. 13/2018. There are also no transfers between the (first, second and third) stages or written -off balances during the nine month ended 30 September 2018, there is no need to record aprovision for expected credit losses for balances at banks and banking institutions.

The movement of balances with banks and banking institutions is as follows:

	Stage 1 (individual)
	for the period ended 30 september 2018
	JD
Balance at the beginning of the period	6,570,709
New balances during the period	7,124,538
Repaid balances	(6,570,709)
Balance at the end of the period	7,124,538

(6) INTERNATIONAL WAKALA INVESTMENTS - NET

The details of this item are as follows:

	Jointly financed	
	30 September	31 December
	2018	2017
	JD	JD
Matures:		
Within a month	52,444,344	26,771,572
From a month to three months	12,600,758	4,963,000
From three to six months	-	2,127,000
Total International Wakala Investments	65,045,102	33,861,572
Less: Expected credit losses	302,291	-
Net International Wakala Investments	64,742,811	33,861,572

The movement of International Wakala Investments was as follows:

Item	For the period ended 30 September 2018			
	Stage 1 -Individual	Stage 2 -Individual	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the period	33,861,572	-	-	33,861,572
New balances and deposits during the period	65,045,102	-	-	65,045,102
Repaid balances and deposits	(33,861,572)	-	-	(33,861,572)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Total balance at the end of the period	65,045,102	-	-	65,045,102

The movement on the Expected Credit Losses provisions for the international Wakala investments as at the end of the period:

Item	For the period ended 30 September 2018			
	Stage 1 -Individual	Stage 2 -Individual	Stage 3	Total
	JD	JD	JD	JD
Total balance as at 1 January 2018	-	-	-	-
Effect of implementing the instructions of the Central Bank of Jordan	391,359	-	-	391,359
Amended balance at the beginning of the period	391,359	-	-	391,359
Impairment loss of new balances during the period	302,291	-	-	302,291
Recoverable from impairment loss on balances and outstanding deposits	(391,359)	-	-	(391,359)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Total balance at the end of the period	302,291	-	-	302,291

(7) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES- NET

The details of this item are as follows:

	Jointly financed		Self financed		Total	
	30 September	31 December	30 September	31 December	30 September	31 December
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Individuals (retail)						
Murabaha to the purchase orderer	139,340,892	133,919,513	1,570,592	1,313,278	140,911,484	135,232,791
Ijara Muntahia Bittamleek - receivables	801,426	508,358	1,116	2,872	802,542	511,230
Other receivables	-	-	306,817	232,415	306,817	232,415
Real estate facilities	22,508,556	13,208,972	-	-	22,508,556	13,208,972
Corporate						
International Murabaha	18,543,484	7,122,702	-	-	18,543,484	7,122,702
Murabaha to the purchase orderer	193,932,247	194,099,725	-	-	193,932,247	194,099,725
Ijara Muntahia Bittamleek - receivables	1,433,236	1,370,908	-	-	1,433,236	1,370,908
Other receivables	-	-	215,500	16,629	215,500	16,629
Small and medium enterprises						
Murabaha to the purchase orderer	11,629,335	4,573,484	-	-	11,629,335	4,573,484
Ijara Muntahia Bittamleek - receivables	17,222	12,576	-	-	17,222	12,576
Other receivables	-	-	44,290	70,781	44,290	70,781
Government and the public sector	103,203,066	117,888,781	-	-	103,203,066	117,888,781
Total	491,409,464	472,705,019	2,138,315	1,635,975	493,547,779	474,340,994
Less: deferred revenue	45,148,487	43,743,497	243,855	210,143	45,392,342	43,953,640
Suspended revenue	969,576	897,260	-	-	969,576	897,260
Expected credit losses	19,086,961	13,290,578	66,398	43,972	19,153,359	13,334,550
Net deferred sales receivable and other receivables	426,204,440	414,773,684	1,828,062	1,381,860	428,032,502	416,155,544

- The non- performing deferred sales receivables , other receivables , facilities and Ijara Muntahia bittamleek receivables amounted to JD 18,649,058 as at 30 September 2018 representing 2.30% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 15,809,173 as at 31 December 2017 representing 2.17% 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 after deducting the suspended revenue amounted to JD 17,679,482 as at 30 Spetember 2018 representing 2.18% of deferred sales receivable , other receivables ,facilities and Ijara Muntahia Bittamleek receivables (JD 14,911,913 as at 31 December 2017 representing 2.05% of deferred sales receivable , other receivables ,facilities and Ijara Muntahia bittamleek receivables).
- The balance of the investment risk fund, according to the Banking Law, article (55) amounted to JD 20,248,574 as at 30 September 2018 (JD 17,441,008 as at 31 December 2017). Provision for imparlment of the jointly financed facilities which is calculated based on Central Bank of Jordan instructions no.(47/2009) and based on (watch list)portfolio amounted to JD 598,051 and the provision calculated based on "individual customer"(non-performing) amounted to JD 13,408,988 as at 30 September 2018 (JD 294,932 and JD 12,995,646 respectively as at 31 December 2017).
- The deferred sales receivables , other receivables and facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 103,203,066 as at 30 September 2018 representing 20.91% of the balance of deferred sales receivables , other receivables and facilities (JD 117,888,781 as at 31 December 2017 representing 24.85%f the balance of deferred sales receivables , other receivables and facilities).
- Expected credit losses provision of the self financed facilities which is calculated based on individual customer amounted to JD 66,068 as at 30 September 2018 (JD 54,197 as at 31 December 2017).

- Movement of the deferred sales receivables, Ijara Muntahia Bittamleek, qard Hasan and unconverted loans (after deducting deferred revenue and suspended revenue) was as follows :

A- Self financed

For the period ended at 30 September 2018

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 period	509,660	5,220,170	380	7,976	57,132	5,795,318
New facilities during the period	-	1,205,280	195,375	8,055	19,417	1,428,127
Repaid facilities	-	(574,553)	(380)	(7,900)	(10,481)	(593,314)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	(20,511)	-	20,511	-	-
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period	509,660	5,830,386	195,375	28,642	66,068	6,630,131

Movement of Expected Credit Losses provision of deferred sales receivables, Ijara Muntahia Bittamleek, Qard Hasan and Unconverted loans self financed was as follows :

For the period ended at 30 September 2018

Item	Corporates	Small and medium enterprises	Retail	Real estate loans	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	19,945	2,566	32,224	-	-	54,735
Effect of Implementing the instructions of the central bank of Jordan	(59)	(253)	2,185	-	-	1,873
Amended Balance at the beginning of the period	19,886	2,313	34,409	-	-	56,608
Impairment loss on new facilities during the period	6,499	4,469	15,244	-	-	26,212
Recovered from Impairment loss on repaid facilities	-	(1,746)	(3,913)	-	-	(5,659)
Transfer to Stage 1	-	-	(683)	-	-	(683)
Transfer to Stage 2	-	-	683	-	-	683
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period *	26,385	5,036	45,740	-	-	77,161
Redistribution:						
Provisions at an individual basis	26,385	5,019	39,839	-	-	71,243
Provisions at a collective basis	-	17	5,901	-	-	5,918

* Of which an amount of JD 10,763 belong to unconverted loans.

Movement of the deferred sales receivables and Ijara Muntahia Bittamleek(after deducting deferred revenue and suspended revenue) was as follows :
B- Jointly financed

For the period ended at 30 September 2018

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 period	286,566,183	325,569,489	49,493,249	3,612,089	14,720,556	679,961,566
New facilities during the period	106,895,606	92,079,967	11,294,643	1,918,812	387,918	212,576,946
Repaid facilities	(51,726,820)	(57,530,955)	(20,718,074)	(2,688)	(2,489,753)	(132,468,290)
Transfer to Stage 1	9,071,425	1,843,218	(9,071,425)	(1,843,218)	-	-
Transfer to Stage 2	(19,958,834)	(7,712,303)	19,958,834	8,004,379	(292,076)	-
Transfer to Stage 3	(2,660,317)	(1,687,610)	-	(461,211)	5,009,138	-
Total balance at the end of the period	327,987,243	352,561,806	50,957,227	11,228,163	17,335,783	760,070,222

Movement of the provision for expected credit losses provision(deferred sales receivables and Ijara Muntahia Bittamleek/ jointly financed) was as follows :

For the period ended at 30 September 2018

Item	Corporates	Small and medium enterprises	Retail	Real estate loans	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
	JD	JD	JD	JD	JD	JD
Balance of the beginning of the period	10,987,156	33,890	1,346,095	923,437	-	13,290,578
Effect at Implementation the Instructions of the central bank of Jordan	1,119,288	(2,957)	68,021	349,080	-	1,533,432
Amended balance at the beginning of the period	12,106,444	30,933	1,414,116	1,272,517	-	14,824,010
Impairment loss on new facilities during the period	1,431,945	223,761	634,171	3,695,940	-	5,985,817
Recovered from impairment loss on repaid facilities	(534,573)	(101,708)	(260,348)	(826,237)	-	(1,722,866)
Transfer to Stage 1	(2,652,685)	2,233	(221,463)	(4,687)	-	(2,876,602)
Transfer to Stage 2	705,454	(2,233)	(28,085)	(600)	-	674,336
Transfer to Stage 3	1,947,231	-	249,548	5,487	-	2,202,266
Total balance at the end of the period	13,003,816	152,986	1,787,939	4,142,220	-	19,086,961
Redistribution:						
Provisions at an individual basis	13,003,816	58,983	1,489,774	4,130,113	-	18,682,686
Provisions at a collective basis	-	94,003	298,165	12,107	-	404,275

Suspended revenue

Movement on suspended revenue was as follows:

Jointly financed

	For the period ended 30 September 2018				For the year ended 31 December 2017			
	Retail	Corporates	Small and medium enterprises	Total	Retail	Corporate	Small and medium enterprises	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period/year	203,447	693,320	493	897,260	150,326	481,972	-	632,298
Add: suspended revenue during the period/year	102,666	129,975	1,659	234,300	158,956	211,348	498	370,802
Less: suspended revenue trasfered to revenue	95,289	66,695	-	161,984	105,835	-	5	105,840
Balance at the end of the period/year	210,824	756,600	2,152	969,576	203,447	693,320	493	897,260

Disclosure of credit exposures in accordance with Classification Instructions No. (47/2009) compared with the Central Bank of Jordan Instructions No. (13/2018) as at 30 September 2018:

A - Self Financed

According to the Instructions of classification No. (47/2009)															According to Central Bank of Jordan Instructions No. (13/2018)														
Stage 1															Stage 2														
Total															Total														
JD	Deferred revenue	Suspended revenue	principle	Impairment provision	Total	ECL	Deferred revenue	Suspended revenue	Total	JD	ECL	Deferred revenue	Suspended revenue	Total	JD	ECL	Deferred revenue	Suspended revenue	Total	JD	ECL	Deferred revenue	Suspended revenue	Total	JD	Deferred revenue	Suspended revenue	Total	JD
Performing debt	6,607,104	243,855	-	6,363,249	-	5,038	243,855	-	22,203	736	-	-	-	-	6,607,104	5,774	-	-	6,607,104	5,774	-	-	-	-	243,855	-	-	-	243,855
Watch list debt	200,814	-	-	200,814	6,319	-	-	-	200,814	5,219	-	-	-	-	200,814	5,219	-	-	200,814	5,219	-	-	-	-	-	-	-	-	-
Non-performing debts	73,180	-	7,112	66,068	66,068	-	-	-	-	-	-	-	-	-	73,180	62,723	-	7,112	73,180	62,723	-	7,112	-	-	-	-	-	7,112	7,112
Of which:																													
Substandard	11,639	-	-	11,639	11,639	-	-	-	-	-	-	-	-	-	11,639	11,639	-	-	11,639	11,639	-	-	-	-	-	-	-	-	-
Doubtful	16,950	-	-	16,950	16,950	-	-	-	-	-	-	-	-	-	16,950	16,950	-	-	16,950	16,950	-	-	-	-	-	-	-	-	-
Loss	44,591	-	7,112	37,479	37,479	-	-	-	-	-	-	-	-	-	44,591	34,134	-	7,112	44,591	34,134	-	7,112	-	-	-	-	-	7,112	7,112
Total	6,881,098	243,855	7,112	6,830,131	72,387	5,038	243,855	-	224,017	6,055	-	-	-	-	73,180	62,723	-	7,112	6,881,098	73,816	-	-	-	243,855	-	-	243,855	7,112	7,112

B - Jointly Financed

According to the instructions of classification No. (47/2009)															According to Central Bank of Jordan Instructions No.(13/2018)														
Stage 1															Stage 2														
Total															Total														
JD	Deferred revenue	Suspended revenue	principle	Impairment provision	Total	ECL	Deferred revenue	Suspended revenue	Total	JD	ECL	Deferred revenue	Suspended revenue	Total	JD	Deferred revenue	Suspended revenue	Total	JD	ECL	Deferred revenue	Suspended revenue	Total	JD	Deferred revenue	Suspended revenue	Total	JD	
Performing debt	759,321,156	41,293,194	-	718,027,962	-	1,516,112	39,285,941	-	39,481,099	1,408,802	2,007,253	-	-	-	759,321,156	2,824,914	-	-	759,321,156	2,824,914	-	-	-	-	41,293,194	-	-	-	
Watch list debt	28,273,375	3,566,898	-	24,706,477	598,051	-	-	-	24,276,442	2,752,059	3,566,898	-	-	-	28,276,442	2,752,059	-	-	28,276,442	2,752,059	-	-	-	-	3,566,898	-	-	-	
Non-performing debts	18,593,754	288,395	969,576	17,335,783	13,404,988	-	-	-	-	-	-	-	-	-	18,593,754	11,470,177	-	288,395	18,593,754	11,470,177	-	288,395	-	-	288,395	-	-	969,576	
Of which:																													
Substandard	3,942,016	143,673	9,439	3,788,904	656,968	-	-	-	-	-	-	-	-	-	3,942,016	2,146,861	-	143,673	3,942,016	2,146,861	-	143,673	-	-	143,673	-	-	9,439	
Doubtful	705,933	59,506	20,456	625,971	308,237	-	-	-	-	-	-	-	-	-	705,933	192,088	-	59,506	705,933	192,088	-	59,506	-	-	59,506	-	-	20,456	
Loss	13,945,805	85,216	939,681	12,920,908	12,363,783	-	-	-	-	-	-	-	-	-	13,945,805	9,131,228	-	85,216	13,945,805	9,131,228	-	85,216	-	-	85,216	-	-	939,681	
total	806,188,285	45,148,487	969,576	760,070,222	14,007,039	1,516,112	39,285,941	-	67,759,541	4,161,861	5,574,151	-	-	-	806,188,285	17,148,150	-	288,395	806,188,285	17,148,150	-	288,395	-	45,148,487	-	-	969,576	969,576	

*The facilities which impairment provision were calculated in accordance with instructions no. (47/2009) have been mapped with the result of calculating ECL in accordance with Central Bank of Jordan Instructions No. (13/2018).

Disclosure of credit exposures in accordance with Classification Instructions No. (47/2009) concerned the Central Bank of Jordan Instructions No. (13/2018) as at 31 December 2021:

A - Self financed

	According to the Instructions of classification No. (47/2009)										According to Central Bank of Jordan Instructions No. (13/2018)									
	Stage 1					Stage 2					Stage 3					Total				
	Total	Deferred revenue	Suspended revenue	Principle	Impairment provision	Total	ECL	JD	JD	JD	Deferred revenue	Suspended revenue	Total	ECL	JD	Total	ECL	JD	JD	JD
Performing debt	5,939,973	210,143	-	5,729,830	-	5,939,973	2,389	2,389	210,143	-	-	-	-	-	-	5,939,973	2,389	210,143	-	-
Watch list debt	8,356	-	-	8,356	538	-	-	-	-	-	-	-	-	-	-	8,356	22	-	-	-
Non-performing debts	64,244	-	7,112	57,132	54,197	-	-	-	-	-	-	-	64,244	30,061	-	64,244	30,061	-	7,112	7,112
Of which:																				
Substandard	19,326	-	-	19,326	16,409	-	-	-	-	-	-	-	19,326	11,377	-	19,326	11,377	-	-	-
Doubtful	9,900	-	-	9,900	9,861	-	-	-	-	-	-	-	9,900	5,828	-	9,900	5,828	-	-	-
loss	35,018	-	7,112	27,906	27,907	-	-	-	-	-	-	-	35,018	20,856	-	35,018	20,856	-	7,112	7,112
Total	6,032,573	210,143	7,112	5,796,318	54,735	5,939,973	2,389	2,389	210,143	-	8,356	22	64,244	38,061	-	6,032,573	40,472	210,143	7,112	7,112

B - Jointly financed

	According to the Instructions of classification No. (47/2009)										According to Central Bank of Jordan Instructions No. (13/2018)									
	Stage 1					Stage 2					Stage 3					Total				
	Total	Deferred revenue	Suspended revenue	Principle	Impairment provision	Total	ECL	JD	JD	JD	Deferred revenue	Suspended revenue	Total	ECL	JD	Total	ECL	JD	JD	JD
Performing debt	694,788,516	42,898,238	-	651,890,278	-	650,087,815	1,131,752	1,131,752	37,952,243	-	-	-	694,788,516	1,275,986	-	694,788,516	1,275,986	42,898,238	-	-
Watch list debt	14,051,004	700,272	-	13,350,732	294,932	-	-	-	-	-	-	-	14,051,004	555,378	-	14,051,004	555,378	700,272	-	-
Non-performing debts	15,762,803	144,987	897,260	14,720,556	12,995,646	-	-	-	-	-	-	-	15,762,803	6,991,370	-	15,762,803	6,991,370	144,987	897,260	897,260
Of which:																				
Substandard	252,819	18,481	1,150	233,188	68,476	-	-	-	-	-	-	-	252,819	53,323	-	252,819	53,323	18,481	1,150	1,150
Doubtful	753,539	18,919	9,667	724,953	386,550	-	-	-	-	-	-	-	753,539	334,585	-	753,539	334,585	18,919	9,667	9,667
loss	14,756,445	107,507	886,443	13,762,415	12,540,620	-	-	-	-	-	-	-	14,756,445	6,603,462	-	14,756,445	6,603,462	107,507	886,443	886,443
Total	724,602,323	43,743,497	897,260	679,861,566	13,280,578	650,087,815	1,131,752	1,131,752	37,952,243	-	58,751,605	686,612	724,602,323	8,819,734	-	724,602,323	8,819,734	43,743,497	897,260	897,260

*The facilities which impairment provision were calculated in accordance with instructions no. (47/2009) have been mapped with the result of calculating ECL in accordance with Central Bank of Jordan Instructions No. (13/2018).

The following are credit exposures in accordance with the central bank of Jordan instructions No.(13/2018) as at 30 September 2018

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	509,660	-	-	-	-	195,375	5,176	-	-	-	28,321	21,208	7,112	-	733,356	26,384	7,112	-	-	-
Small and medium enterprises	-	-	-	-	-	677	17	-	-	-	5,019	5,019	-	-	5,696	5,036	-	-	-	-
Retail	6,074,241	5,038	-	-	-	27,965	862	-	-	-	39,840	39,841	-	-	6,142,046	45,741	-	-	243,855	-
Real estate loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and public sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6,583,901	5,038	-	-	-	224,017	6,055	-	-	-	73,180	66,068	7,112	-	6,681,096	77,161	7,112	-	243,855	243,855

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
Corporates	213,566,680	1,156,038	-	3,844,430	27,941,798	772,873	-	1,955,184	14,292,781	11,074,905	641,254	43,593	255,801,259	13,003,816	641,254	5,843,207
Small and medium enterprises	13,060,912	65,081	-	568,530	2,086,804	28,922	-	187,725	309,764	58,983	2,152	2,862	15,457,480	152,986	2,152	759,117
Retail	358,030,713	183,469	-	24,898,073	14,523,058	114,695	-	393,266	2,751,312	1,489,775	210,058	205,491	375,305,083	1,787,939	210,058	25,496,830
Real estate loans	31,973,620	111,524	-	2,681,045	23,207,881	3,245,371	-	3,037,976	1,239,897	785,325	116,112	36,449	56,421,398	4,142,220	116,112	5,755,470
Government and public sector	103,203,065	-	-	7,293,863	-	-	-	-	-	-	-	-	103,203,065	-	-	7,293,863
Total	719,834,990	1,516,112	-	39,285,941	67,759,541	4,161,861	-	5,574,151	18,593,754	13,408,988	969,576	288,395	806,188,285	19,086,961	969,576	45,148,487

The following are credit exposures in accordance with the central bank of Jordan instructions No.(13/2018) as at 31 December 2012

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
	JD		JD			JD		JD			JD		JD			JD		JD		
Corporates	509,660	-	-	-	-	-	380	-	-	-	-	-	-	-	537,037	19,885	7,112	19,886	7,112	-
Small and medium enterprises	-	-	-	-	-	-	3,124	-	-	8	-	-	-	-	5,429	2,305	-	2,314	-	-
Retail	5,430,312	2,389	-	-	-	210,143	4,852	-	-	13	-	-	-	-	5,470,107	32,006	-	34,408	-	210,143
Real estate loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and public sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,939,973	2,389	-	-	-	210,143	8,356	-	-	22	-	-	-	-	6,012,573	54,197	7,112	56,608	7,112	210,143

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
	JD		JD			JD		JD			JD		JD			JD		JD		
Corporates	177,381,156	975,911	-	-	-	3,278,841	33,594,988	179,201	-	179,201	-	-	4,895,563	-	223,068,949	10,951,332	568,594	12,106,444	568,594	8,175,404
Small and medium enterprises	8,580,191	7,474	-	-	-	326,575	85,821	978	-	978	-	-	9,759	-	8,755,810	22,481	493	30,933	493	336,334
Retail	332,182,374	144,259	-	-	-	23,434,844	3,526,268	36,638	-	36,638	-	-	213,737	-	337,841,068	1,233,177	203,447	1,414,114	203,447	23,793,568
Real estate loans	14,055,413	4,068	-	-	-	313,275	21,544,528	479,795	-	479,795	-	-	526,208	-	37,046,715	788,656	124,726	1,272,519	124,726	839,483
Government and public sector	117,888,781	-	-	-	-	10,598,708	-	-	-	-	-	-	-	-	117,888,781	-	-	-	-	10,598,708
Total	650,087,915	1,131,752	-	-	-	37,992,243	58,751,605	696,612	-	696,612	-	-	5,646,267	-	724,602,323	12,995,646	897,260	14,824,010	897,260	43,743,497

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

The details of this item are as follows:

	Jointly financed	
	30 September	31 December
	2018	2017
	JD	JD
Quoted Financial Assets :		
Corporate Shares	633,753	1,112,385
Islamic Sukuk	22,448,298	29,311,693
Total quoted Financial Assets	23,082,051	30,424,068
Unquoted Financial Assets		
Corporate Shares	175,518	194,477
Islamic Sukuk	7,224,700	8,256,800
Total unquoted financial assets	7,400,218	8,451,277
Total Financial Assets At Fair Value Through Unrestricted investment accounts holders equity-net	30,482,269	38,875,345
Less: Expected Credit Losses provision of financial assets	151,954	-
Net Financial Assets At Fair Value Through Unrestricted investment accounts holders equity	30,330,315	38,875,345

Financial assets stated at cost amounted to JD 7,400,218 as at 30 September 2018 (amounted to 8,451,277 as at 31 December 2017), the fair value of these assets is close to the book value as at 30 September 2018.

The movement of the total financial assets at fair value through unrestricted investment accounts' holders equity for the period ended 30 September 2018:

Item	Stage1 -Individual	Stage2 -Individual	Stage3	Total
	JD	JD	JD	JD
Fair value as at the beginning of the period	38,875,345	-	-	38,875,345
New Investments during the period	4,153,870	1,418,553	-	5,572,423
Matured and sold investments	(14,172,490)	-	-	(14,172,490)
Change in fair value	206,991	-	-	206,991
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Total balance at the end of period	29,063,716	1,418,553	-	30,482,269

Movement of the Expected Credit Losses provision for the financial assets at fair value through unrestricted investment accounts' holders equity for the period ended 30 September 2018:

Item	Stage1 -Individual	Stage2 -Individual	Stage3	Total
	JD	JD	JD	JD
Balance at the beginning of the period	-	-	-	-
Effect of implementing CBI Instructions	150,593	-	-	150,593
Amended balance as of the beginning of the period	150,593	-	-	150,593
Impairment loss on new investments during the period	9,770	19,256	-	29,026
Recovered from loss of Matured and sold investments	(27,665)	-	-	(27,665)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Total balance at the end of period	132,698	19,256	-	151,954

(9) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly financed	
	30 September	31 December
	2018	2017
	JD	JD
Unquoted Financial Assets:		
Islamic Sukuk	92,191,000	54,878,000
Total unquoted Financial Assets	92,191,000	54,878,000
Total Financial Assets at Amortized Cost- Net	92,191,000	54,878,000

- 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.

(10) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

The details of this item is as follows:

	Jointly financed			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
30 September 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek assets-Real Estate	334,056,422	(61,625,719)	272,430,703	5,528,698	(1,344,133)	4,184,565	339,585,120	(62,969,852)	276,615,268
Ijara Muntahia Bittamleek assets-Machines	44,695,747	(2,347,629)	42,348,118	-	-	-	44,695,747	(2,347,629)	42,348,118
Total	378,752,169	(63,973,348)	314,778,821	5,528,698	(1,344,133)	4,184,565	384,280,867	(65,317,481)	318,963,386

	Jointly financed			Self financed			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
31 December 2017	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek assets-Real Estate	313,495,944	(65,464,859)	248,035,085	4,942,319	(1,131,004)	3,811,315	318,442,263	(66,595,863)	251,846,400
Ijara Muntahia Bittamleek assets-Machines	6,206,973	(2,344,754)	3,862,219	-	-	-	6,206,973	(2,344,754)	3,862,219
Total	319,706,917	(67,809,613)	251,897,304	4,942,319	(1,131,004)	3,811,315	324,649,236	(68,940,617)	255,708,619

-The accrued Ijara installments amounted to JD 2,253,000 as at 30 September 2018 (JD 1,894,714 as at 31 December 2017), the accrued Ijara installments and the expected credit losses were presented under deferred sales receivables and other receivables-Net (Note 7).

-The non-performing Ijara Muntahia Bittamleek amounted to JD 4,245,820 as at 30 September 2018 representing 1.33% from the balance of Ijara Muntahia Bittamleek assets (JD 4,538,172 as at 31 December 2017 representing 1.77% from the balance of Ijara Muntahia Bittamleek assets).

(11) OTHER ASSETS

The details of this item are as follows:

	30 September 2018	31 December 2017
	JD	JD
Checks under collection	135,145	-
Seized assets by the Bank against debts-Net**	4,748,849	3,977,948
Prepaid expenses	1,495,760	1,380,945
Accrued revenue	964,240	833,834
Stationery and printing inventory	169,038	140,861
withholding income tax	169,133	61,660
Petty cash	106,677	84,465
Other account receivables	621,915	254,646
Advance payments on investments *	888,207	65,628
Others	908,834	727,189
Total	10,207,798	7,527,176

* This item includes an amount of JD 869,100 represents a payment for the bank's investment in Islamic Banks Group Company to contribute in companies(under establishment) , and an amount of JD 19,107 represents a payment for the bank's investment in Jordan Islamic Banks Company for Investment Activities(under establishment).

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

	For the period ended 30 September 2018			For the year ended 31 December 2017
	Seized real estates - self financed	Seized real estates- jointly financed	Total	Total
	JD	JD	JD	JD
Net balance at the beginning of the period/year	621,211	3,356,737	3,977,948	3,969,355
Additions	-	3,662,024	3,662,024	599,629
Amortization	(282,209)	(2,544,533)	(2,826,742)	(591,036)
Total	339,002	4,474,228	4,813,230	3,977,948
Provision for impairment losses/jointly financed	-	(64,381)	(64,381)	-
Net balance at the end of the period/year	339,002	4,409,847	4,748,849	3,977,948

- Central Bank of Jordan regulations requires the 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 exceed the period for additional 2 years.
- The recorded provision for seized assets against debts that violates article no.(48) of bank law no.(28) for the year 2000 and its amendments the provision for seized real estates /self financed amounted to JD 343,441 as at 30 September 2018 and 31 December 2017.

(12) INCOME TAX

A- Income tax provision

The movement of the Income tax provision is as follows :

	For the period ended 30 September 2018	For the year ended 31 December 2017
	JD	JD
Beginning balance for the period/year	2,603,048	2,438,733
Income tax expense	3,488,817	3,043,382
Add: Previous years adjustments	186,834	-
Less : Income tax paid	(3,415,806)	(2,312,785)
Less: Income tax paid for the period/year	-	(566,282)
Ending balance for the period/year	2,862,893	2,603,048

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

	For the period ended 30 September 2018	2017
	JD	JD
Income tax expense for the period /year	(3,488,817)	(2,239,848)
Add: Previous years income tax	(186,834)	-
Total	(3,675,651)	(2,239,848)

The Bank (Parent Company):

The Bank obtained a final settlement from the Income and Sales Tax Department up to end of the year 2013. The years 2014 and 2015 were audited by the Income and Sales Tax Department and it is still pending the court, the Income and Sales Tax Department didn't approve the legal expenses for the related years and in addition not to deduct gain from sale of real state due to considering it as capital gain.

The Bank submitted its tax declarations for the years 2016 and 2017 and were not audited by the Income and Sales Tax Department yet up to the date preparing of the condensed consolidated interim financial statements.

The Subsidiary :

Misc for Brokerage company : the company submitted its tax declarations for the years 2011 ,2012 and 2013 which were audited by the Income and Sales Department and it is still pending the court decision to carry forward the accumulated losses without any tax effect. The tax declarations related to the years 2014,2015,2016 and 2017 were submitted and final settlement was obtained in relation to the tax for the year 2014. The years 2015 and 2016 were accepted according to the sampling system issued by the Income and Sales Tax Department. The tax declarations related to the year 2017 were not audited yet up to the date of preparing the condensed interim financial statements.

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

C- Deferred tax assets

The details of this item are as follows:

	For the period ended 30 September 2018				31 December 2017	
	Beginning Balance for the period	Released Amounts	Additional Amounts	Ending Balance for the period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Deferred tax assets - self financed						
End of services indemnity provision	23,818	-	-	23,818	8,336	8,336
lawsuits against the bank Provision	60,785	-	-	60,785	21,275	21,275
Impairment provision for seized assets	343,441	-	-	343,441	120,204	120,204
Legal expenses	1,500,000	-	-	1,500,000	450,000	450,000
Total	1,928,044	-	-	1,928,044	599,815	599,815

The movement of deferred tax assets self financed was as follows:

	For the period ended	For the year ended
	30 September 2018	31 December 2017
	JD	JD
Balance at the beginning of the period / year	599,815	599,815
Balance at the End of the period / year	599,815	599,815

*There is no material impact from the implementation of CBJ instructions No.(13/2018) on deferred tax assets related to expected credit losses and re-financial assets.

(13) OTHER LIABILITIES

The details of this item are as follows:

	30 September 2018	31 December 2017
	JD	JD
Accrued expenses	1,170,872	892,499
Certified cheques	2,512,369	1,489,006
Expected credit losses for Off - balance sheet Items-self financed(Note 28)	119,423	-
Expected credit losses for unutilized credit limits - Jointly financed(Note 28)	394,871	-
Shareholders and customers deposits	3,579,147	2,841,316
Customers' share of profits from unrestricted investment	8,569,883	7,211,310
Temporary deposits	1,995,733	1,356,383
Transactions in transit	21,844	1,774
Visa company Claims	656,872	460,845
Others	1,213,058	1,078,320
Total	20,234,072	15,331,453

• **Expected credit losses**

Expected credit loss of indirect facilities

A-Self financed

- Movement on Indirect facilities for the period ended 30 September 2018:

Item	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the period	-	48,399,990	-	1,492,129	-	49,892,119
New exposures during the period	-	2,837,894	-	10,000	-	2,847,894
Matured/derecognized exposures	-	(40,499,942)	-	(614,544)	-	(41,114,486)
Transfer to Stage 1	-	844,035	-	(844,035)	-	-
Transfer to Stage 2	-	(5,000)	-	5,000	-	-
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period	-	11,576,977	-	48,550	-	11,625,527

- Movement on the expected credit losses provision for indirect facilities /self financed for the period ended 30 September 2018:

Item	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	-	-	-	-	-	-
Effect of implementing CBJ Instructions No.(13/2018)	-	180,739	-	8,991	-	189,730
Amended balance at the beginning of the period	-	180,739	-	8,991	-	189,730
Loss on new exposures during the period	-	46,554	-	90	-	46,644
Loss of matured / derecognized exposures	-	(113,219)	-	(3,732)	-	(116,951)
Transfer to Stage 1	-	4,957	-	(4,957)	-	-
Transfer to Stage 2	-	(4)	-	4	-	-
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period	-	119,027	-	396	-	119,423

• **Expected credit losses**

Expected credit loss of indirect facilities

B -Jointly financed

Movement on indirect facilities for the period ended 30 September 2018:

Item	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD		
Total balance at the beginning of the period	-	78,912,677	-	3,548,455	-	82,461,132
New exposures during the period	-	36,970,841	-	1,691,962	-	38,662,803
Matured / derecognized exposures	-	(55,877,456)	-	(2,763,214)	-	(58,640,670)
Transfer to Stage 1	-	788,774	-	(788,774)	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period	-	60,794,836	-	1,688,429	-	62,483,265

Movement on the expected credit losses indirect facilities /jointly financed for the period ended 30 September 2018:

Item	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD		
Balance at the beginning of the period	-	-	-	-	-	-
Effect of implementing CBJ instructions No.(13/2018)	-	369,705	-	14,594	-	384,299
Amended balance at the beginning of the period	-	369,705	-	14,594	-	384,299
Loss on new exposures during the period	-	195,366	-	71,673	-	267,039
Loss of matured /derecognized exposures	-	(247,263)	-	(9,204)	-	(256,467)
Transfer to Stage 1	-	3,801	-	(3,801)	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Total balance at the end of the period	-	321,609	-	73,262	-	394,871

(14) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

30 September 2018						
	Retail	Corporate	Small and medium enterprises	Government and the Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	67,412,847	14,440,975	1,592,854	284,450	-	83,731,126
Term accounts/ Investing deposits	428,195,110	88,984,228	54,925,121	33,269,312	994,884	606,388,655
Certificates of investing deposit	26,525,283	3,610,556	3,350,301	12,624,322	9,659,649	55,770,111
Total	522,133,240	107,035,759	59,868,276	46,198,084	10,654,533	745,889,892
Depositors' share from investments' revenue	12,477,277	2,538,721	1,551,115	1,257,004	345,467	18,169,584
Total unrestricted investment accounts	534,610,517	109,574,480	61,419,391	47,455,088	11,000,000	764,059,476

31 December 2017						
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	51,991,272	4,610,509	138,518	10,606	-	56,750,905
Term accounts/ Investing deposits	388,232,370	64,112,259	61,793,069	21,895,787	-	536,033,485
Certificates of investing deposit	16,843,403	8,733,479	2,426,506	7,764,818	4,845,927	40,614,133
Total	457,067,045	77,456,247	64,358,093	29,671,211	4,845,927	633,398,523
Depositors' share from investments' revenue	13,856,152	2,433,966	2,115,902	962,523	154,073	19,522,616
Total unrestricted investment accounts	470,923,197	79,890,213	66,473,995	30,633,734	5,000,000	652,921,139

* Unrestricted investment accounts share of profit is calculated based on the following weights :

- 20% to 31% of the minimum balance of saving accounts in Jordanian Dinar.
- 14% to 25% of the minimum balance of saving accounts in foreign currencies.
- 39% to 90% of the average term accounts in Jordanian Dinar.
- 16% 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 general percentage of the profit on the Jordanian Dinar for the period ended 30 september 2018 was 3.75% (for the period ended 30 September 2017 was 3.16%).
- The general percentage of the profit on USD for the period ended 30 September 2018 was 1.63% (for the period ended 30 September 2017 was 1.26%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 47,455,088 as at 30 September 2018, which represents 6.21% of the total unrestricted investment accounts (JD 30,633,734 as at 31 December 2017: which represents 4.69% of the total unrestricted investment accounts).
- The restricted accounts amounted to JD 1,865,228 as at 30 September 2018 which represents 0.24% of the total unrestricted investment (JD 72,052 as at 31 December 2017 which represent 0.01% of the total unrestricted investment).
- The dormant accounts as at 30 September 2018 amounted to JD7,871,880 (JD 1,177,489 as at 31 December 2017).

(15) INVESTMENT RISKS FUND

The movement of the investment risks fund was as follows:

	For the period ended 30 September 2018	For the year ended 31 December 2017
	JD	JD
Balance at the beginning of the period/year	17,441,008	14,563,298
Additions: transferred from unrestricted investment revenues during the period/year	4,540,990	5,097,073
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 *	217,687	669,827
Less: accrued income tax	1,511,767	1,549,536
Balance at the end of the period/year	20,248,574	17,441,008

- The investment risk fund balance will be transferred to the Zakat fund in case of liquidation.
- The Central Bank of Jordan approved the deduction of the percentage to 10% starting from 1 January 2018 (2017:10%)
- * These represent prior years losses resulted from the sale of shares and sukuk from the portfolio of financial assets at fair value through unrestricted investment accounts holders equity based on article no.(12.4) and (15) of the policy outlining the relationship of the bank as Mudarib and the owners of unrestricted investments(Rab-al-mal), where it stipulates that if losses resulted from unrestricted investment transactions that were initiated in prior years, these losses would be covered through the Investment Risks Fund.

Investment risks fund balance is distributed as follows:

	Note	30 September 2018	31 December 2017
		JD	JD
Balance at the end of the period/year		20,248,574	17,441,008
Against ECL for Financial assets at fair value through unrestricted investment accounts' holders equity	8	151,954	-
Against ECL for International Wakala Investments	6	302,291	-
Against ECL for Ijara Muntahia Bittamleek receivable	7	4,580,229	3,103,632
Against ECL for deferred sales receivables	7	14,506,732	10,186,946
Against ECL for unutilized credit limits/ Jointly financed	13	394,871	-
Against impairment of seized assets by the Bank	11	64,381	-
Remaining balance		248,116	4,150,430

- The remaining balance (the undistributed part) relates to the unrestricted investment accounts.

- The movement of income tax on investment risks fund was as follows:

	For the period ended 30 September 2018	For the year ended 31 December 2017
	JD	JD
Balance at the beginning of the period/year	1,695,297	1,597,067
Income tax on transferred revenue from investment accounts	1,511,767	1,549,536
Less: Income tax paid	(1,679,313)	(1,451,306)
Balance at the end of the period/year	1,527,751	1,695,297

(16) PAID UP CAPITAL AND STATUTORY RESERVES

PAID UP 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 30 September 2018 and 31 December 2017.

STATUTORY RESERVES

The bank has not deducted any statutory reserves according to Jordanian Companies' Law since these consolidated financial statements are condensed interim financial statements that is done at the end of each year.

(17) RETAINED EARNINGS

Movement on retained earnings was as follows:

Item	30 September 2018	31 December 2017
	JD	JD
Balance at the beginning of the period/year	14,971,250	10,132,368
Effect of implementing CBJ instructions No.(13/2018)	108,397	-
The amended Balance as at 1 January 2018	15,079,647	-
(Loss) on sale of financial assets through shareholders' equity-self financed	(4,748)	-
(Transferred) to reserves	-	(875,073)
Dividends distributed	(5,000,000)	-
Disposal of a subsidiary company	19,116	6,605
Profit for the year	-	5,707,350
Balance at end of period/year	10,094,015	14,971,250

(18) Fair value reserve-Jointly financed

movement on fair value reserve -Jointly financed was as follows :

Fair value reserve for financial assets at fair value through unrestricted investment accounts' holders equity	For the period ended 30 September 2018	for the year ended 31 December 2017
	JD	JD
Balance as at 31 December 2017	(820,121)	(976,767)
Effect of implementing CBJ instructions No.(13/2018)	-	-
The amended balance as at 1 January 2018	(820,121)	(976,767)
Unrealized profits(losses)from debt instruments	56,039	(232,145)
Loss on sale of equity instruments at fair value through unrestricted investment accounts' holders equity which was transferred to investment risks fund	217,687	669,827
Unrealized (loss) from shares	(59,112)	(233,966)
(Gain) on sale of financial assets	(7,623)	(47,070)
Balance at the end of the period/year	(613,130)	(820,121)

(19) DEFERRED SALES REVENUE

The details of this item are as follows:

	For the period ended 30 September			
	2018		2017	
	Jointly financed	Self financed	Jointly financed	Self financed
	JD	JD	JD	JD
Individuals(Retail)				
Murabaha to the purchase orderer	8,643,721	66,032	7,839,851	61,521
Real estate facilities	1,142,601	-	767,427	-
Corporate				
International Murabaha	239,453	-	123,179	-
Murabaha to the purchase orderer	11,964,105	-	11,317,130	-
Small and medium enterprises				
Murabaha to the purchase orderer	520,018	-	219,478	-
Total	22,509,898	66,032	20,267,065	61,521

(20) 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 period ended 30 September	
	2018	2017
	JD	JD
Shares dividends	46,633	55,562
Gains on sale of financial assets	56,775	74,867
Islamic Sukuk profits	946,647	717,517
Total	1,050,055	847,946

(21) (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

The details of this item are as follows:

	Jointly financed							
	For the period ended 30 September							
	2018				2017			
	Realized gains	Unrealized losses	Dividends	Total	Realized gains	Unrealized losses	Dividends	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Islamic Sukuk	(8,401)	-	-	(8,401)	-	-	-	-
Total	(8,401)	-	-	(8,401)	-	-	-	-

(22) BANK SELF FINANCED REVENUE

The details of this item are as follows:

For the nine month period ended 30 September			
	Note	2018	2017
		JD	JD
Ijara Muntahia Bittamleek revenue		441,845	400,244
Deferred sales revenue	19	66,032	61,521
Cash dividends - financial assets at fair value through shareholders' equity- self financed		500	-
Total		508,377	461,765

(23) EARNINGS PER SHARE

The details of this item are as follows:

For the nine month period ended 30 September			
		2018	2017
		JD	JD
Profit for the period		6,056,492	4,130,909
Weighted average number of shares		100,000,000	100,000,000
		JD/Fils	JD/Fils
Basic and diluted earnings per share for the period		0/060	0/041

(24) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

For the nine month period ended 30 September			
		2018	2017
		JD	JD
Cash balances with CBJ maturing within three months		96,918,872	150,736,088
Add: cash at banks and banking institutions maturing within three months		7,124,538	6,219,227
Less: banks and financial banking accounts maturing within three months		(910,020)	(2,572,861)
Total		103,133,390	154,382,454

(25) RELATED PARTY TRANSACTIONS

The Bank enters 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 party transactions are detailed as follows :

	Main shareholders	Senior management	Board of Directors members	Bank Al Etihad *	Shari'a Supervisory Board members	30 September 2018	31 December 2017
	JD	JD	JD	JD	JD	JD	JD
<u>Condensed consolidated interim statements of financial position items</u>							
Balances at banks and banking institutions	-	-	-	18,054	-	18,054	33,280
Unrestricted investments accounts and current accounts	10,770	353,564	1,213,602	-	25,163	1,603,099	908,032
Deferred sales receivables and facilities	-	487,397	1,161	-	-	488,558	491,395
Ijara Muntahia Bittamleek assets	-	757,637	-	-	-	757,637	703,721

Off-statement of condensed consolidated interim financial position items

Letter of guaranties

	-	-	-	-	-	-	-
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Condensed consolidated interim statement of Income and Comprehensive Income items

	For the nine month period ended 30 September	
	2018	2017
Dividends	85	4,559
Salaries and bonuses	-	1,228,941
Transportation	-	329,300
		76
		20,439
		39,626
		44,670
		1,314,150
		1,132,137
		16,508
		345,808
		317,325

*Al Etihad Bank is the main shareholder in Al Etihad Islamic For Investment Company which owns 61.8% of Safwa Islamic Bank.

-The lowest and highest received Murabaha rate were 3.43% and 6.63% respectively.

-The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.81% and 7.75% respectively.

-The lowest and highest distributed profit rate were 1.08% and 3.95% respectively.

-Executive management salaries and benefits for the period ended 30 September 2018 amounted to JD 1,228,941 (JD 1,069,615 as at 30 September 2017).

(26) BANK'S SEGMENT INFORMATION

a. Information on the Bank's Activities

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

Retail Accounts :

This sector handles following upon the unrestricted investment accounts, deferred sales receivables, facilities, and other banking services related to retail.

Institutions Accounts

This sector handles unrestricted investment accounts, deferred sales receivables, facilities and other banking services related to Institutions .

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 as follows:

	Retail	Institutions	Treasury	Others	For the nine months period ended 30 September	
					2018	2017
	JD	JD	JD	JD	JD	JD
Total revenue (joint and self financed)	14,893,302	12,519,180	3,817,016	696,869	31,926,367	26,607,574
Investment risks fund share of joint Investment accounts holders revenue	-	-	-	(4,540,990)	(4,540,990)	(3,703,253)
Results of segment's operations	14,893,302	12,519,180	3,817,016	(3,844,121)	27,385,377	22,904,321
distributed expenses	(1,184,626)	(682,214)	(267,031)	-	(2,133,871)	(2,121,619)
Undistributed expenses	-	-	-	(15,519,363)	(15,519,363)	(14,411,945)
Profit for the period before tax	13,708,676	11,836,966	3,549,985	(19,363,484)	9,732,143	6,370,757
(Income tax expense) for the period	-	-	-	(3,675,651)	(3,675,651)	(2,239,848)
Profit for the period	13,708,676	11,836,966	3,549,985	(23,039,135)	6,056,492	4,130,909

	Retail	Institutions	Treasury	Others	30 September 2018	31 December 2017
					JD	JD
					JD	JD
Segments' assets	370,245,037	355,550,483	210,157,596	-	935,953,116	793,499,400
Undistributed assets	-	-	-	138,896,404	138,896,404	164,303,240
Total assets	370,245,037	355,550,483	210,157,596	138,896,404	1,074,849,520	957,802,640
Segments' liabilities and total unrestricted investment accounts' holders equity	697,254,251	119,583,215	96,087,237	-	912,924,703	797,733,422
Undistributed liabilities	-	-	-	22,899,494	22,899,494	21,923,728
Total Liabilities, Unrestricted Investment Accounts Holders and Investment risks fund	697,254,251	119,583,215	96,087,237	22,899,494	935,824,197	819,657,150

	For the nine months period ended 30 September	
	2018	2017
	JD	JD
Capital expenditure	3,842,483	1,445,147
Depreciation and amortization	1,850,033	2,151,914

Information on Geographical Distribution

The following disclosure represents the geographical distribution. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan which represent local operations.

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

	30 September 2018			31 December 2017		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Total assets	963,074,163	111,775,357	1,074,849,520	881,583,100	76,219,540	957,802,640
	30 September 2018			30 September 2017		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Capital expenditure	3,842,483	-	3,842,483	1,445,147	-	1,445,147
Total revenue	30,194,948	1,731,419	31,926,367	25,655,160	952,414	26,607,574

(27) CAPITAL MANAGEMENT

The Bank's management takes into consideration the Central Bank of Jordan requirements which require the Bank to have sufficient self financed resources to cover certain percentage of its risk weighted assets based on the nature of the finance given and the direct investment made. Accordingly, the capital considered for the purpose of the Central Bank of Jordan 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 gets a better rate of return and to maintain a capital adequacy of 12% as required by the Central Bank of Jordan.

Capital adequacy ratio is calculated as at 30 September 2018 based on the regulatory capital Regulation issued by Central Bank of Jordan number (72/2018) according to standard number (15) issued by IFSB and in accordance with article (99/B) of the Banks Law knowing that the sufficiency at the part capital as of the 31 of December 2017 was calculated based on the Islamic Banks Institutions on the capital No.(50/2010) issued by the CBJ based on No.(99/B) of Banks law. The capital adequacy is detailed as follows :

	30 September 2018	31 December 2017
	JD*000	JD*000
Basic capital Items	137,066	130,243
Paid up capital	100,000	100,000
Retained earnings	10,094	14,371
Statutory reserve	22,875	22,875
The Bank's share of the fair value reserve in full if the funds are mixed	(322)	-
profit for the period after tax and after proposed dividends	6,056	-
Proposed dividend distribution	-	(5,000)
Intangible assets	(1,589)	(1,450)
The Bank's share in the deficit of investment risks fund	-	(546)
The bank's share in the capital of insurance companies	-	(7)
Investments in non-consolidated subsidiaries' capital accounts with bank's accounts	(48)	-
Additional capital	-	2,452
The Bank's share of the fair value reserve	-	(397)
General banking risk reserve	-	2,856
The bank's share in the capital of insurance companies	-	(7)
Supporting capital	1,285	-
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)	1,317	-
Investments in non-consolidated subsidiaries' capital accounts with bank accounts	(32)	-
Total regulatory capital	138,351	132,695
Total risk weighted assets	456,672	429,521
Capital adequacy ratio (%)	%30.30	%30.89
Basic capital ratio (%)	%30.01	%30.32
First slide ratio Tier 1 (%)	%30.01	%30.89
Second slide ratio Tier 2 (%)	%0.28	%0.00

(28) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)**A- Contingent credit and commitments/self financed**

	30 September 2018	31 December 2017
	JD	JD
Letters of credit	8,929,328	5,515,404
Acceptances	443,455	41,983,881
Letters of guarantees:		
Payment	991,814	1,249,115
Performance	1,173,763	1,080,654
Others	87,167	63,065
Total	11,625,527	49,892,119
B. Contingent credit and commitments/jointly financed		
Unutilized credit limits	62,483,265	82,461,132
Total	62,483,265	82,461,132

- The expected credit losses recorded against contingent credit commitments/self financed amounted to JD 119,423 as at 30 September 2018 recorded in the other liabilities (note 13).

- The expected credit losses recorded against contingent credit commitments/jointly financed amounted to JD 394,871 as at 30 September 2018 recorded in the other liabilities (note 13).

- A letter was received by the Bank from the Central Bank of Jordan on 9 march 2016 along with a copy of the Prime Minister's letter and the legal opinion issued by the Legislation and Opinion Bureau regarding the balances of the so-called " The accounts of differences in interest rate of the loans given to the Industrial Development Bank previously". In response the management here assures that during the year 2010 the bank has recorded all balances of the Interest differences deposits(which relates to external loans granted to Jordanian institutions) to the Ministry of Planning and International Cooperation upon their request. Whereas the subject related to the Interest differences on the loans given to the Industrial Development Bank previously, in the management's opinion and the legal opinion, all the procedures followed by the Bank in relation to this subject are correct and have no effect on the accompanied condensed consolidated interim financial statements.

(29) LAWSUITS AGAINST THE BANK

The Bank is defendant in number of lawsuits amounted to JD 2,489,086 as at 30 September 2018 (JD 2,512,624 31 as at December 2017). Management and its legal advisor believes that the lawsuits provision which amounts to JD 60,785 is sufficient to face any liabilities that may arise from lawsuits.

(30) STANDARD ISSUED AND NOT YET IMPLEMENTED

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued financial accounting standard 30 "Impairment, credit losses and onerous commitments", which aims to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic Financial Institutions. The requirements of this standard regarding expected credit losses are similar to those of IFRS 9 in accordance with CBJ instructions no.(13/2018). This standard shall be effective from the financial periods beginning on or after 1 January 2020, early adoption is permitted.

(31) COMPARATIVE FIGURES

The comparative figures for the year 2017 balances in the condensed consolidated interim financial statements were reclassified to correspond with 30 September 2018 presentation. The reclassifications did not have any effect on profit and equity for the year 2017.

(32) 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, which requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors affecting original or obligation.

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 gives information about how the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs).

Financial Assets/Financial Liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable	Relationship of unobservable inputs to fair value
	30 September 2018	31 December 2017				
	JD	JD				
Financial assets at fair value through shareholders' equity - self financed						
Quoted shares	-	17,700	Level 1	Quoted in financial markets	Not applicable	Not applicable
Financial assets at fair value through unrestricted investment accounts' holders equity						
Quoted shares	633,753	1,112,385	Level 1	Quoted in financial markets	Not applicable	Not applicable
Quoted sukuk	22,448,298	29,311,683	Level 1	Quoted in financial markets	Not applicable	Not applicable
Financial assets at fair value through unrestricted investment accounts' holders equity						
Unquoted shares	175,518	194,477	Level 1	Equivalent Financial Instrument	Not applicable	Not applicable
Unquoted sukuk	7,224,700	8,256,800	Level 1	Equivalent Financial Instrument	Not applicable	Not applicable
Total	30,482,269	38,893,045				

There were no transfer between level 1 and 2 during the nine month period ended 30 September 2018 and the year 2017.

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

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

	30 September 2018		31 December 2017		Fair value hierarchy
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial assets not measured at fair value					
Deferred sales receivables and other receivables	428,032,502	473,424,844	416,155,544	460,109,184	Level 2
Financial assets at amortized cost	92,191,000	92,625,775	54,878,000	55,315,243	Level 2
Total financial assets not measured at fair value	520,223,502	566,050,619	471,033,544	515,424,427	
Financial liabilities not measured at fair value					
Customers' current accounts and unrestricted investment accounts	899,311,003	907,880,886	772,990,104	780,201,414	Level 2
Cash margin Investment accounts	11,258,869	11,258,869	22,746,048	22,746,048	Level 2
Total financial liabilities not measured at fair value	910,569,872	919,139,755	795,736,152	802,947,462	

For the above items, the fair value of the second and third level financial assets and liabilities has been determined in accordance with agreed pricing models that reflect the credit risk of the parties to be dealt with.

(33) CREDIT RISKS

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

The instructions of the Central Bank of Jordan regarding the concept of default are applied. where the facilities shall be considered as defaulted (Non-performing) if the maturity or the maturity of one of its installments is equal to or more than 90 days or there are clear indications that the facilities may be defaulted .The possibility of non-payment from the financial Sukuk, International Murabaha and International Wakala in banks and banking institutions also falls into Bank's default concept.

Payment of due installments are monitoring through the specialized departments within a general framework and policies approved for this purpose.

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

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

The credit rating system is a tool for assessing the creditworthiness of corporate clients and for improving the quality of the credit decision as well as being considered the base of development of the credit risks management system in accordance with the requirements of Basel and IFRS 9.

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 in default within the concept of loss given default (LGD).

The Credit Rating System (ORR) determine into ten grades and detailed as follows:

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

The client is rated at least once a year in terms that 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 Mechanism of Calculating the Expected Credit Losses (ECL)

The mathematical model for calculating the expected credit loss in accordance with CBJ instructions is as follows:

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. Probability of Default (PD)
Definition and Mechanism of Calculating and monitoring the Probability of Default (PD):

The probability of default is the probability of irregularity in repayment where it measured for the purpose of calculating the expected credit loss for each stage of Expected Credit Losses stages based on historical data that reflecting historical default rates as well as stress testing associated with macroeconomic factors, where the probability of default is calculated for 12 month period for stage 1 facilities and for the lifetime for stage 2 & 3 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 retail portfolio on a collective basis.

2. Exposure at Default (EAD)

Definition and Mechanism of Calculating and monitoring the Exposure at Default (EAD):

The exposure of default is the amount of potential exposure at risks through a future-looking based on the period of time during which the default is likely to be occurred where it measured for the purpose of calculating the expected credit loss for each stage of Expected Credit Losses stages where the exposure at default (EAD) factor is used on-balance exposures and cash transfer factor (CCF) for off-balance 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. Loss Given Default (LGD)

Definition and Mechanism of Calculating and Controlling the Loss Given Default (LGD):

The loss given default is the amount of loss that arises as a result of defaulted that calculated by considering the collateral and sources available to the bank to recover the credit balance in case of default ,where it measured for the purpose of calculating the expected credit loss for each stage of Expected Credit Losses stages by calculating the recoverable amount of the different collateral (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 their conversion into cash (expected cash flow and timing).

Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are periodically followed upon by preparing reports for the Risk Management Committee and the Board of Directors Risks management Committee and making recommendations if necessary.

Governance of Implementing the CBJ regulations' requirements

The Bank adopted an integrated system of corporate governance regarding the implementation of the IFRS 9, Bank's Board of Directors responsibility is to ensure the compliance with the IFRS 9 by adopting the standard implementation methodology and the policies that includes determining the roles of committees and departments, adoption of the IFRS 9 system and provide the necessary infrastructure to ensure the implementation of the standard.

The Board of Directors responsibility also to approve the periodic results of the calculation of expected credit loss in accordance with the IFRS 9 requirements.

The Bank's policy in 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 where the collective basis has been adopted for retail portfolio by adopting a general PD ratio for each one of the product and then calculating the expected credit loss for each retail portfolio product. while the individual basis adopted for corporate portfolio as well as for each investment in the Bank's investment portfolios which is subjected to the requirements of the CBJ instructions through adopting a PD ratio for each corporate and investment portfolio then calculating the expected credit loss for corporate and investment portfolio.

Determinants of the significant change in the credit risk on which the Bank depended on for calculating expected credit losses

A set of standards for significant changes in credit risk have been identified in the automated system for calculating expected credit losses on individual or collective basis at the portfolio level, where these accounts are classified into three stages and based on a set of standards/determinants such as: Number of dues installments, the credit rating of client, the legal account status, the number of restructuring and/or rescheduling and accordingly the expected credit losses are calculated.

The Main Economic Factors Used by the Bank in Calculating the Expected Credit Loss (PD)

The main economic factors (macroeconomic factors) were included in the automated system of CBJ instructions since the probability of default (PD) is based on the calculation of stress testing of the country's macroeconomic factors such as the GDP growth rate. Three scenarios (Baseline Scenario, Medium Scenario, Severe Scenario) were conducted and determine the impact of these scenarios on the probability of default and therefore on the calculation of expected credit losses.