بنك ABC

1687

الــــــرقم :
التــــاريخ: 2019/04/1

للإيداع
* بورصة عمان
* المدير

السادة/ هيئة الأوراق المالية المحترمين
عمان - الأردن

٤/٢

الموضوع : **البيانات المالية السنوية كما في 2018/12/31**

تحية و بعد ،

بالإشارة الى الموضوع أعلاه، نرفق لكم البيانات المالية باللغة الإنجليزية كما في 31 كانون الأول 2018 و المدققة من قبل السادة ديلويت آند توش بالإضافة الى قرص مدمج بالبيانات المالية باللغة الإنجليزية.

وتفضلوا بقبول فائق الاحترام ،،،

المدير العام
سيمونا سابيلا

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٢ نيسان ٢٠١٩
الرقم المتسلسل ....٢١٨٧........
الجهة المختصة ....

- مرفق قرص مدمج بالبيانات المالية باللغة الإنجليزية .

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Bank ABC (Arab Banking Corporation - Jordan)

ص.ب ٩٢٦٦٩١، عمان ١١١٩٠، الأردن
بنك ABC (بنك المؤسسة العربية المصرفية - الأردن)

ARAB BANKING CORPORATION (JORDAN)
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

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

ARAB BANKING CORPORATION (JORDAN)
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
DECEMBER 31, 2018

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Deloitte.

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Audit Report on the Consolidated Financial Statements

AM/ 003305

To the Shareholders of
Arab Banking Corporation (Jordan)
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the Consolidated Financial statements

Opinion
We have audited the consolidated financial statements of Arab Banking Corporation (A Public Shareholding Limited Company) "The Bank" and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2018, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

A description was provided on how to examine each of the matters referred to below in the audit procedures:

Key Audit Matters	Scope of Audit to Address the Risks
1. Adequate provision for credit losses for credit facilities The Bank's management exercises significant judgment and uses assumptions to determine both timing and the amount of provision to be recorded as expected credit losses. Credit facilities are a major part of the Bank's assets. Due to the importance of the judgments used in the classification of credit facilities at the various stages set forth in International Financial Reporting Standards (9) and the related provision requirements, they have been considered as key audit risks. The total direct credit facilities of the Bank amounted to about JD 653 million as of December 31, 2018 and the provision for expected credit losses related to it amounted to JD 31 million, which includes a provision amounted to JD 11 million against the exposures of stage (1) and stage (2) amounted to JD 20 million against the exposures classified within stage (3).	We have understood the Bank's key credit operations that include granting, certifying, controlling and allocating provisions and reviewing the internal control system on these operations. We have also read out the Bank's expected credit loss provisioning policy in relation to International Financial Reporting Standard (9) and the regulatory directives. Furthermore, we have understood the methodology used by the Bank to determine the provisions against exposures classified as in (stages 1,2 and 3). The reasonableness of the underlying assumptions, the adequacy of the data used by the Bank. Review the completeness of credit facilities included in the expected credit loss calculation process. The appropriateness of the Bank's determination of the significant increase in credit risk and the basis for the classification of exposures to different stages. The appropriateness of determining exposure when default occurs and the probability of default and loss in the event of default in the calculation of the expected credit loss of a sample of exposures.

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Key Audit Matters	Scope of Audit to Address the Risks
The expected credit loss provision was disclosed in Note (9), and the bank's strategy for the expected credit losses provision within the accounting policies disclosed in Note (2) to the consolidated financial statements.	We have selected a sample of credit facilities to review the following: Estimate the reasonableness of the basic assumptions and the adequacy of the date used by the Bank. Credit facilities whose impairment has been determined individually and classified as in phase 3. Management's estimate of future cash flows and their reasonableness and the outcome of the calculation of provisions. The reasonableness of the underlying assumptions and the adequacy of the data used by the Bank, and the use of experts where appropriate to satisfy ourselves about these data.
2. Application of the International Financial Reporting Standard number (9) The International Accounting Standards Board issued International Financial Reporting Standard (9) "Financial Instruments", which replaces International Accounting Standards (39). The Bank has adopted International Financial Reporting Standard (9) as from January 1, 2018 retroactively without restating the comparative figures in accordance with the above standard. The differences between the previously recorded carrying values and the new carrying values of the financial instruments have been amounted to 9 million as at December 31, 2017 and January 1, 2018 in the opening balance of retained earnings. The key changes resulting from the adoption of International Financial Reporting Standard (9) are that the Bank's credit losses are currently based on the expected loss approach instead of the loss method incurred and the change in the classification and measurement of the Bank's financial assets and liabilities, in which it has been detailed in note (3) to the consolidated financial statements. The significant accounting policies, accounting estimates and credit risk management disclosures are set out in notes (2), (3), and (41) to the consolidated financial statements.	We have complied with the Bank's policy for the classification and measurement of financial assets and liabilities in accordance with International Financial Reporting Standard (9) and have compared them with the requirements of International Financial Reporting Standard (9) and the regulatory directives in this regard. We also understood the expected credit loss methodology adopted by the Bank through the use of experts, where appropriate, to satisfy ourselves about these data, which included several items, the most important of which are: • Observing the Bank's expected credit loss policy in accordance with IFRS (9). • Determining the significant increase in credit risk. • Classification of credit exposures to various stages, through a study of a sample of credit facilities granted by the Bank. • Understand the key data sources and assumptions for the data used in the expected credit loss models to determine the expected credit loss provisions and the forecast assumptions used in calculating their expected credit loss. • Review the amount of exposure when a payment is impaired for a sample of exposures.

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Key Audit Matters	Scope of Audit to Address the Risks
	• Review the probability of default in the calculation of expected credit loss calculated based on several economic cycles with the information declared and appropriate, and turn it into the possibility of default in accordance with a specific economic cycle. • Review the calculation of expected credit loss in case of default in use, including the adequacy of collateral and consequential calculations. • Review the effect of the adjustments on the beginning balances as of January 1, 2018. • Review the completion of credit facilities, investment securities and deposits used in the calculation of expected credit loss as of January 1, 2018. • Estimate the financial statements disclosures resulted from the implementation of IFRS (9) to determine whether it was in accordance with the requirements and instructions of the Central Bank of Jordan in this regard.
3. Suspension of interests on non-performing loans Interest is suspended after 90 days from impairment event (default date) in accordance with Central Bank of Jordan regulations. Judgement is applied as to determine when the default date occurred which affects the amount of interests to be suspended. The disclosure related to suspended interests on non-performing loans are stated in note (9) within the consolidated financial statements.	Our audit procedures included the assessment of the framework used and the adequacy of the assessments frameworks and the inputs used to estimate the non-trading investments. And as part of the audit procedures, we have reasonably reviewed the main inputs used in the estimation process such as the expected cash flows, and the market rates through comparing it with the marker information.

Other Information

Management is responsible for other information. The other information comprises the other information in the annual report, excluding the consolidated financial statements and the independent auditors' report thereon. We expect that the annual report will be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
The Bank maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Deloitte & Touche

Amman - Jordan
February 28, 2019

Deloitte & Touche (M.E.) – Jordan

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

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2018	December 31, 2017
Assets:		JD	JD
Cash and balances at central Bank of Jordan	5	49,020,779	72,984,906
Balances at Banks and financial institutions	6	85,029,146	70,518,441
Deposits at Banks and financial institutions	7	27,956,035	14,180,000
Financial assets at fair value through profit or loss	8	-	670,416
Direct credit facilities-net	9	613,531,362	597,025,387
Financial assets at fair value through other comprehensive income	10	104,257,480	175,317
Financial assets at amortized cost - net	11	177,868,562	322,727,016
financial assets at amortized cost - Mortgaged	12	35,018,148	-
Property and equipment - net	13	17,320,761	12,852,791
Intangible assets - net	14	1,494,202	487,572
Deferred tax assets	21/B	6,401,306	720,116
Other assets	15	28,005,310	35,721,095
Total Assets		1,145,903,091	1,128,063,057
Liabilities and owner's equity			
Liabilities:			
Banks and financial institutions deposits	16	182,846,643	187,143,257
Customers' deposits	17	647,518,189	654,114,098
Margin accounts	18	51,534,691	52,234,932
Loans and borrowings	19	79,130,476	49,169,010
Sundry provisions	20	767,226	1,862,793
Income tax provision	21/A	4,998,955	5,952,374
Deferred tax liabilities	21/B	6,894	1,139
Other liabilities	22	18,921,251	17,343,650
TOTAL LIABILITIES		985,724,325	967,821,253
Owner's Equity			
Bank shareholder's equity:			
Issued and paid in capital	23	110,000,000	110,000,000
Additional paid in capital	23	66,943	66,943
Statutory reserve	24	27,613,436	26,192,302
Voluntary reserve	24	197,281	197,281
General banking risks reserve	24	-	5,930,328
Fair value reserve	25	(77,148)	(84,566)
Retained earnings	26	22,378,254	17,939,516
TOTAL OWNERS' EQUITY		160,178,766	160,241,804
TOTAL LIABILITIES AND OWNERS' EQUITY		1,145,903,091	1,128,063,057

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended December 31, 2018	2017
		JD	JD
Interest income	28	66,552,468	60,152,460
Interest expense	29	(33,645,669)	(25,018,316)
Net Interest Income		32,906,799	35,134,144
Net commission income	30	3,545,519	3,445,957
Net Interest and commission income		36,452,318	38,580,101
Gain from foreign currencies	31	1,223,845	954,838
Gains from financial assets at fair value through profit or loss	32	-	26,339
Net gain on sale of financial assets at amortized cost		-	3,900
Gains from financial assets at fair value through other comprehensive income	33	459,957	-
Other income - Net	34	3,961,586	3,915,045
Total Income		42,097,706	43,480,223
Employees' expenses	35	13,921,761	13,655,344
Depreciation and amortization	13&14	1,547,679	1,789,413
Other expenses	36	8,301,343	8,430,034
Provision for (surplus) expected credit loss on financial assets	27	4,253,240	(492,293)
Impairment provision of assets seized by the bank	15	218,881	333,006
Sundry provisions reversal	20	(356,539)	332,000
Total expenses		27,886,365	24,047,504
Profit for the period before income tax expense		14,211,341	19,432,719
Income tax expense	21/A	(4,495,127)	(6,467,808)
Profit for the Year		9,716,214	12,964,911
		Fills/JD	Fills/JD
Basic and diluted earnings per share for the period attributable to the Bank's Shareholders	37	-/088	-/118

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Profit for the Year	9,716,214	12,964,911
Comprehensive income items		
Non-transferable items to profit or loss in the subsequent period		
Net Change in valuation reserve of financial assets at fair value through comprehensive income after tax	7,418	69,312
Total Comprehensive Income for the Year	9,723,632	13,034,223

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

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	Issued and Paid in Capital	Additional Paid in Capital	Reserves				Retained Earnings	Total
			Statutory	Voluntary	General Banking Risks	Fair Value		
For the Year Ended December 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD
Beginning balance for the year	110,000,000	66,943	26,192,302	197,281	5,930,328	(84,566)	17,939,516	160,241,804
Effect of implementation of International Financial Reporting Standard No. (9)	-	-	-	-	-	-	(9,368,807)	(9,368,807)
Calculate deferred tax assets resulted from implementation of International Financial Reporting Standard No. (9)	-	-	-	-	-	-	5,082,137	5,082,137
Transferred from general banking risks	-	-	-	-	(5,930,328)	-	5,930,328	-
Adjusted beginning balance	110,000,000	66,943	26,192,302	197,281	-	(84,566)	19,583,174	155,955,134
Total Comprehensive Income	-	-	-	-	-	7,418	9,716,214	9,723,632
Transferred to reserves	-	-	1,421,134	-	-	-	(1,421,134)	-
Dividends paid (Note 23)	-	-	-	-	-	-	(5,500,000)	(5,500,000)
Ending Balance for the Year	110,000,000	66,943	27,613,436	197,281	-	(77,148)	22,378,254	160,178,766
For the Year Ended December 31, 2017								
Beginning balance for the year	110,000,000	66,943	24,249,030	197,281	5,584,213	(153,878)	17,163,992	157,107,581
Total Comprehensive Income	-	-	-	-	-	69,312	12,964,911	13,034,223
Transfers to/from reserves	-	-	1,943,272	-	346,115	-	(2,289,387)	-
Dividends paid (Note 23)	-	-	-	-	-	-	(9,900,000)	(9,900,000)
Ending Balance for the Year	110,000,000	66,943	26,192,302	197,281	5,930,328	(84,566)	17,939,516	160,241,804

- An amount of JD 6,401,306 as of December 31, 2018 is restricted from the retained earnings (JD 720,116 as of December 31, 2017), which represents deferred tax assets, and an amount of JD 77,148 is restricted from the retained earnings (JD 84,566 as of December 31, 2017) which represents the negative fair value reserve according to Jordan Securities Commission and Central Bank of Jordan instructions.

- The general banking risk reserve cannot be used without The pre-approval of The Central Bank of Jordan.

- Included in retained earnings an amount of JD 2,017 as of December 31, 2018 (JD 2,114 as of December 31, 2017) which is restricted, representing the effect of IFRS (9) early adoption, except for the amounts realized through the actual sale. The amount includes an unrecognized loss from the retained earnings amounted JOD 102,804 which represent valuation losses from assets at fair value.

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31, 2018	2017
Operating Activities:		JD	JD
Profit before Income tax		14,211,341	19,432,719
Adjustments for non-cash items			
Depreciation and amortization	13,14	1,547,679	1,789,413
Provision for expected credit loss	27	4,253,240	(492,293)
Impairment provision for assets seized by the bank	15	218,881	333,006
Unrealized loss from financial assets	32	-	21,460
Realized (gain) from sale of financial assets at fair value through profit or loss		-	(31,949)
Realized (gain) from sale of financial assets at fair value through other comprehensive Income		(430,486)	-
Realized gain from sale of financial assets at amortized cost		-	(3,900)
Gains from sale of assets seized by the bank		-	(78,062)
Accrued interests		225,705	1,001,981
Impairment in land held for sale		-	242,018
(Gains) from sale of property and equipment	34	(8,937)	(21,459)
Sundry provisions (reversal) expense	20	(356,539)	332,000
Exchange rate fluctuation effect on cash and cash equivalents		(192,530)	97,829
Cash flows from operating activities before changes in assets and liabilities		19,468,354	22,622,763
Changes in assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		-	80,561
(Increase) decrease in deposits at banks and financial Institutions maturing after three months		(13,776,035)	14,180,000
(Decrease) In banks' and financial institutions deposits maturing after three months		-	(33,577,024)
(Increase) In direct credit facilities		(29,375,191)	(44,888,625)
Decrease In other assets		8,687,088	7,290,419
(Decrease) in financial assets at amortized cost - mortgaged		(35,018,148)	-
(Decrease) Increase in customers' deposits		(6,595,909)	17,857,633
(Decrease) Increase in margin accounts		(700,241)	2,833,124
(Increase) In other liabilities		(295,459)	(4,533,011)
Net Cash Flows (used in) from Operating Activities before income tax		(57,605,541)	(18,134,160)
Income tax paid	21/A	(6,040,094)	(5,444,864)
Sundry provisions paid	20	(739,028)	(140,215)
Net Cash Flows (used in) from Operating Activities		(64,384,663)	(23,719,239)
Investing Activities			
(Purchase) of financial assets at fair value through comprehensive Income		(100,364,677)	(175,317)
Sale of financial assets at fair value through comprehensive income		70,997,034	-
(Purchase) of financial assets at amortized cost		(43,938,822)	(141,849,551)
Matured financial assets at amortized cost		114,885,571	113,341,039
(Purchase) of property and equipment		(5,834,629)	(3,005,525)
Proceeds from sale of property and equipment	13	11,019	34,455
(Purchase) of Intangible assets	14	(1,189,731)	(220,732)
Net Cash Flows (used in) Investing Activities		34,565,765	(31,875,631)
Financing Activities			
Dividends paid to shareholders		(5,484,657)	(9,846,451)
Increase In borrowing funds		29,961,466	1,283,832
Net Cash Flows (used in) Financing Activities		24,476,809	(8,562,619)
Net (Decrease) in cash and cash equivalent		(5,342,089)	(64,157,489)
Effect of the change in exchange rates on cash and cash equivalents		192,530	(97,829)
Cash and cash equivalents - Beginning of the year		(43,639,910)	20,615,408
Cash and cash equivalents - Ending of the Year	38	(48,789,469)	(43,639,910)

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

1. General Information

Arab Banking Corporation (Jordan) was established as a public shareholding company on 21 January 1990 in accordance with the Companies Law No (1) of 1989 with headquarter in Amman.

The Bank provides banking services through its head office in Amman and its 27 branches in Jordan and the subsidiary Company.

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

The Bank and its subsidiary "the Group" financial statements are consolidated in the Arab Banking Corporation – Bahrain financial statements.

The consolidated financial statements were approved for issuance by the group's Board of Directors on February 24, 2019. These financial statements are subject to the approval of the General Assembly of shareholders.

2. Significant Accounting Policies:

Basis of Preparation

- The accompanying consolidated financial statements of the Bank and its subsidiary are prepared in accordance with the International Accounting Standards Board (IASB), the interpretations issued by the International Financial Reporting Interpretation Committee of the IASB, the prevailing rules of the countries where the Bank operates, and the instructions of the Central Bank of Jordan.

- The consolidated financial statements are prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income which are stated at fair value as of the date of the consolidated financial statements. Furthermore, hedged financial assets and financial liabilities are also stated at fair value.

- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank.

- The accounting policies adopted in preparing the consolidated financial statements are consistent with those applied in the year ended December 31, 2017, except for the effect of the application of the new and revised standards applied on or after January 1, 2018 as stated in Notes (3 – (a) & (b)).

- Basis of Consolidation financial statements

- The accompanying consolidated financial statements include the financial statements of the Bank and the subsidiary under its control. Moreover, control is achieved when the Bank has the ability to control on the investee company and the company is exposed to variable returns or has rights to participate in the investee company and the Bank is able to use its authority over the investee company, which affects its revenues.

- The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

- When the Bank has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

In this regard, the Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders, or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

- Transactions, balances, revenues and expenses are eliminated between the Bank and the subsidiary.

- The financial statements of the subsidiary are prepared for the same financial year, using the same accounting policies adopted by the Bank. If the accounting policies adopted by the company are different from those used by the Bank, the necessary adjustments to the financial statements of the subsidiary are made to comply with the accounting policies followed by the Bank.

- The results of the subsidiary are incorporated into the consolidated statement of income from the effective date of acquisition, which is the date on which actual control over the subsidiaries is assumed by the Bank. Moreover, the operating results of the disposed subsidiary are incorporated into the consolidated statement of income up to the effective date of disposal, which is the date on which the Bank loses control over it's subsidiary.

- Non-controlling interests represent that part of the equity that is not owned by the Bank. Non-controlling interests are presented in the net assets of the subsidiary are presented separately in the Bank's statement of equity.

The Bank's subsidiary as of December 31, 2018 are as follows:

- <u>Arab Co-operation for Financial Investments (ABCI)</u>

  Arab Co-operation for Financial Investments is wholly owned by the Bank. The Company's objective is to perform brokerage investments on behalf of its client's in addition to providing financial consultation services on stock exchange investing. Its paid-up capital amounted to JD 15,600,000, total assets amounted to JD 35,498,083 and total liabilities amounted to JD 11,296,606 as at December 31, 2018. Its total revenue amounted to JD 3,627,658 and total expenses amounted to JD 1,871,643 for the year ended December 31, 2018, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

  Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect the investee's returns.

  The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

  When the Bank has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

In this regard, the Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders, or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Bank loses control of the subsidiary, the Bank performs the following:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests.
- Derecognizes the transfer difference accumulated in Owners' Equity.
- Derecognizes the fair value to the next controlling party.
- Derecognizes the fair value of any investment retained.
- Derecognizes any gain or loss in the income statement.
- Reclassifies owners' equity already booked in other comprehensive income to the profit or loss statement, as appropriate.

The subsidiaries' financial statements are prepared under the same accounting policies adopted by the Bank. If the subsidiaries apply different accounting policies than those used by the Bank, the necessary modifications shall be made to the subsidiaries' financial statements to make them comply with the accounting policies used by the Bank.
The non-controlling interests represent the portion not owned by the Bank relating to ownership of the subsidiaries.

<u>Segment Information</u>
- Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors (measured in accordance with the reports sent to the operations management and decision makers in the Bank).

- The geographical sector relates to providing products or services in a specific economic environment subject to risk and returns different from those of sectors functioning in other economic environments.

<u>Net Interest Income</u>
Interest income and expense for all financial instruments, except for those classified as held for trading, or those measured or designated as at fair value through the statement of income, are recognized in 'Net Interest Income' as 'Interest Income' and 'Interest Expense' in the statement of income using the effective interest method. Interest on financial instruments measured as at fair value through the statement of income is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated, taking into account all the contractual terms of the instrument.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

For financial assets originated or purchased credit-impaired (POCI), the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Group's consolidated statement of the statement of income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk related to interest income and expense, the effective portion of the fair value changes of the designated derivatives, as well as the fair value changes of the designated risk of the hedged item, are also included in interest income and expense.

Net Fee and commission
Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in this part of the Group's consolidated statement of the statement of income include, among other things, fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement, and loan syndication fees.

Fee and commission expenses concerning services are accounted for as the services are received.

Net Trading Income
Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Group has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense, and dividends.

Net Income from Other Financial Instruments at Fair Value through the Statement of Income
Net income from other financial instruments at fair value through the statement of income includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through the statement of income except those that are held for trading. The Group has elected to present the full fair value movement of assets and liabilities at fair value through the statement of income in this line, including the related interest income, expense, and dividends.

The fair value movement on derivatives held for economic hedging where hedge accounting is not applied are presented in "Net income from other financial instruments at fair value through the statement of income". However, for designated and effective fair value hedge accounting relationships, the gains and losses on the hedging instrument are presented in the same line in the statement of income as the hedged item. For designated and effective cash flow and net investment hedge accounting relationships, the gains and losses of the hedging instrument, including any hedging ineffectiveness included in the statement of income, are presented in the same line as the hedged item that affects the statement of income.

Dividend Income
Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the consolidated statement of the statement of income depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments which are held for trading, dividend income is presented as trading income;
- for equity instruments designated at fair value through other comprehensive income, dividend income is presented in other income; and
- for equity instruments not designated at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through the statement of income.

Financial Instruments

Initial Recognition and measurement:

Financial assets and financial liabilities are recognized in the Bank's consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the statement of income) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in the statement of income on initial recognition (i.e. day 1 profit or loss);

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to the statement of income on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instruments.

Financial Assets

Initial Recognition:

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through the statement of income are recognized immediately in the consolidated statement of income.

Subsequent Measurement

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;

- Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income;

- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the Bank may irrevocably make the following selection /designation at initial recognition of a financial asset on an asset- by-asset basis:

- The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and
- The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through the statement of income, if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value through Other Comprehensive Income
The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at fair value through other comprehensive income, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Assessment of Business Models
An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments, which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

- How the business managers are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain/loss previously recognized in other comprehensive income is reclassified from equity to the statement of income. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

Financial Assets at fair Value through the Statement of Income

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

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at fair value through the statement of income using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognized in the statement of income.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model, which results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Bank holds financial assets; and therefore, no reclassifications were made. The changes in the contractual cash flows are considered under the accounting policy on the modification and de-recognition of financial assets described below.

Foreign Exchange Gains and Losses

The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the statement of income; and

- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through the statement of income that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of income either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through profit or loss, if otherwise held at fair value through the statement of income; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Fair Value Option

A financial instrument with a fair value that can be reliably measured at fair value through income statement (fair value option) can be classified at initial recognition even if the financial instruments are not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option may be used for financial assets if it significantly eliminates or significantly reduces the measurement or recognition inconsistency that would otherwise have resulted in the measurement of the asset or liability or recognized the related gain or loss on a different basis ("accounting mismatch"). The fair value option for financial liabilities can be chosen in the following cases:

- If the selection leads to a significant cancellation or reduction of the accounting mismatch.

- If the financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or

- If a derivative is included in the underlying financial or non-financial contract, and the derivative is not closely related to the underlying contract.

These instruments can not be reclassified from the fair value category through the statement of income while retained or issued. Financial assets at fair value through the income statement are recognized at fair value with any unrealized gain or loss arising from changes in fair value recognized in investment income.

Impairment

The Bank recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through the statement of income:

- Balances and deposits at banks and financial institutions;
- Direct credit facilities (Loans and advances to customers);
- Financial assets at amortized cost (Debt investment securities);
- Financial assets at fair value through other comprehensive income;
- Off statement of financial position exposure subject to credit risk (Financial guarantee contracts issued).

No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- Full lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For unutilized limits, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is utilized; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the client, or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired Financial Assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or fair value through other comprehensive income are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly, and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of *default* includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more. However, in cases where the assets impairment is not recognized after 90 days overdue are supported by reasonable information.

Purchased or Originated Credit-impaired (POCI) Financial Assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in the statement of income. A favorable change for such assets creates an impairment gain.

Definition of Default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk below.

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

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or

- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default that is either developed internally or obtained from external sources.

Significant Increase in Credit Risk

The Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than (12) month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date, based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than for a financial instrument with a higher PD.

As a backstop when an asset becomes more than 45 days past due, the Bank considers that a significant increase in credit risk has occurred, and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default, or default has already happened, and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized, the loss allowance for ECL is re-measured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised nominal amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified, and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-off
Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset, such as a failure by the customer to participate in a payment plan with the bank. The Bank classifies funds or amounts due to be written off after all possible means of payment have been exhausted. But if the financing or receivables are written off, the Bank continues its enforcement activity to attempt to recover the matured receivables, which are recognized in the consolidated statement of income upon recovery.

Presentation of Allowance for ECL in the Consolidation Statement of Financial Position
Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.
- For loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Liabilities and Equity
Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions potentially unfavorable to the Bank, or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity Instruments
Paid up Capital
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Treasury Shares
Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Bank own equity instruments.

Compound Instruments
The component parts of compound instruments (e.g. convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. In the case there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Financial Liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through the statement of income or 'other financial liabilities'.

Financial liabilities at Fair Value through the Statement of Income
Financial liabilities are classified as at fair value through the statement of income when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through the statement of income. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading, or contingent consideration that may be paid by an acquirer as part of a business combination, may be designated as at fair value through the statement of income upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through the statement of income.

Financial liabilities at fair value through the statement of income are stated at fair value, with any gains/losses arising on re-measurement recognized in the statement of income to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at fair value through the statement of income line item in the statement of income.

However, for non-derivative financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts designated as at fair value through profit or loss, all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at fair value through the statement of income.

Other Financial Liabilities
Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR, see the "net interest income section" above.

Derecognition of Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of income.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least (10) per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative Financial Instruments
The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Held derivatives include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Bank designates certain derivatives as either hedges of the fair value of recognized assets, liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than (12) months, and it is not expected to be realized or settled within (12) months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives
Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within (12) months. Other embedded derivatives are presented as current assets or current liabilities.

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS (9); and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position, and the re-measurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at fair value through profit or loss.

Commitments to Provide a Loan at a Below-Market Interest Rate
Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Commitments to provide a loan below market rate not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position and the re-measurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at fair value through profit or loss.

Hedge Accounting
The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS (39) hedge accounting rules, i.e. the Bank applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges, and the quantity of the

hedging instrument that the Bank actually uses to hedge that quantity of the hedged item.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships, the Bank designates only the intrinsic value of options. In this case, the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Bank's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank's risk exposures relate to financial items only.

The hedged items designated by the Bank are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortized from equity to profit or loss on a rational basis (e.g. straight- line) over the term of the hedging relationship.

In some hedge relationships, the Bank excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case, a similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward contract and the currency basis element is optional, and the option is applied on a hedge- by- hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards, or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation, the Bank generally recognizes the excluded element in OCI.

The fair values of the derivative instruments used for hedging purposes and movements in the hedging reserve are determined in equity.

Fair Value Hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income in which case it is recognized in OCI. The Bank has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedging gain/loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains/losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at fair value through other comprehensive income) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If the Bank no longer expects the transaction to occur, that amount is immediately reclassified to profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognized immediately in profit or loss.

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described above.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight line method over their expected useful life.

The depreciation rates used are as follows:

	%
Buildings	2 - 15
Equipment, furniture and fixtures	9 - 20
Vehicles	15
Computer	9 - 25
Lease Hold Improvement	9 - 10

When the recoverable amount of any property and equipment is less than its net book value, its carrying amount is written down to its recoverable amount and the amount of impairment is recognized in the consolidated statement of income.

The useful life of property and equipment is reviewed at each year end, and changes in the expected useful life are treated as changes in accounting estimates.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Projects under construction include the value of the work under completion and the expenses of the related departments, and they are charged to the direct costs that are related to them and are deferred until completion of the project.

Payments for the purchase of property and equipment.

Fair value

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration when determining the price of any asset or liability whether market participants are required to consider these factors at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1), (2) or (3) based on the extent to which the inputs are clear concerning the fair value measurements and the importance of inputs to the full fair value measurements. These are as follows:

Level inputs (1) inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;

Input level (2) inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;

Level inputs (3) are inputs to assets or liabilities that are not based on observable market prices.

Provisions

Provisions are recognized when the Bank has an obligation at the date of the consolidated statement of financial position arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

End-of-Service Indemnity

Provision for end-of-service indemnity is booked by the Bank for any legal or contractual obligations at the end of the employees' services at the date of the consolidated statement of financial position based on the Bank's internal policies.

Compensations paid to employees who leave the service are charged to the end of service indemnity provision when paid. Provision is booked for the Bank's liability for employees' end of service indemnity in the consolidated statement of income

Income Tax

Tax expense comprises of current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non-deductible expenses which may be exempted in the current or subsequent financial years, or accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

Tax is calculated based on tax rates and laws that are applicable in the Hashemite Kingdom of Jordan.

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the assets or liabilities in the consolidated financial statements and the value on which the tax profit is calculated. Deferred taxes are calculated using the commitment method of the consolidated statement of financial position. Deferred taxes are calculated based on the tax rates expected to be applied when the tax liability is settled or the deferred tax asset is realized.

The carrying values of deferred tax assets are reviewed at the date of the consolidated financial statement and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Paid up Capital

- Cost of issuing or purchasing Bank's shares

Any costs arising from the issue or purchase of the Bank's shares are charged to the retained earnings net of the tax effect of such costs, if any. If the issuance or purchase process is not completed, these costs are recognized as an expense in the consolidated statement of income.

Managed accounts for customers

The managed accounts by the Bank on behalf of the customers are not considered assets of the Bank. Fees and commissions for managing such accounts are presented in the consolidated statement of income. A provision is booked for impairment of portfolios that are managed for the benefit of customers on their capital.

Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition and recognition of expenses

Income and expense recognition are recognized on an accrual basis except of the interest and commission on non-performing credit facilities that are not recognized as income and are credited to suspended interest and commissions.

Commissions are recognized as a revenue when rendering related services, and the companies' shares earnings are recognized when realized (Approved by the General Assembly of Shareholders).

Date of recognition of financial assets

The purchase and sale of financial assets are recognized on the trade date (date of the Bank's commitment to sell or buy financial assets).

Financial derivatives and hedge accounting

Hedge financial derivatives

For hedge accounting purposes, financial derivatives are stated at fair value, hedges are classified as follows:

- **Fair value hedges:** Is to hedge the risk of the change in the fair value of the Bank's assets and liabilities.

  In the case that the effective fair value hedges are effective, profits and losses arising from the valuation of a hedging instrument at fair value and on the change in the fair value of the hedged asset or liability are recognized in the consolidated statement of income.

  In the case of effective portfolio hedge conditions, profits or losses arising from revaluation of the hedging instrument are recognized at fair value and the fair value of the asset or liability portfolio is recognized in the consolidated statement of income in the same period.

- **Cash flows hedges:** Is to hedge the risk of the changes in the cash flows of the Bank's current and expected assets and liabilities.

  In the case of effective cash flow hedge conditions, the profits or losses on a hedging instrument is recognized in the consolidated statement of comprehensive income and in equity and is transferred to the consolidated statement of income in the period in which the hedged transaction affects the consolidated statement of income.

Hedging for net investment in foreign units:

In case hedge conditions apply to net investment in foreign units, the fair value of the hedging instrument is measured against the hedged net assets, if the relationship is effective, the effective portion of the profits or losses on the hedging instrument is recognized in the consolidated statement of comprehensive income and in shareholders' equity and the ineffective portion is recognized in the consolidated statement of income, the effective portion is recognized in the consolidated statement of income when the investment in the foreign investee is sold.

- Hedges that do not qualify for effective hedging, gains or losses arising from changes in the fair value of the hedging instrument are recognized in the consolidated statement of income in the same period.

Derivatives for trading

The fair value of derivative financial instruments held for trading (such as future foreign exchange contracts, future interest contracts, swaps contracts, foreign exchange rate option rights) is recognized in the consolidated statement of financial position, fair value is determined at prevailing market prices, if not available, mention the method of assessment, the amount of changes in fair value is recognized in the consolidated statement of income.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements. This is due to the Bank's continuing control of these assets and the fact that exposure to the risks and rewards of these assets remains with the Bank. These assets continue to be evaluated in accordance with the applied accounting policies (where the buyer has the right to use these assets (sell or re-lien), they are reclassified as lined financial assets). The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

- Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements since the Bank is not able to control these assets or the associated risks and benefits. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between the purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

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

Impairment of seized assets is recognized on the basis of new real estate valuations and is approved by authorized sources for impairment purposes, and this impairment is reviewed periodically. As of 2015, a gradual provision has been booked for the seized assets for debts that have been acquired for more than 4 years under the instructions of the Central Bank of Jordan in this regard.

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

- Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over their useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date, and impairment loss is charged to the consolidated income statement.

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

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

- Other intangible assets consist of computer software and key-money are amortized using the straight -line method with annual average 20%.

Foreign Currencies
For the purpose of the consolidated financial statements, the results and financial position of each entity of the Group are presented in the functional currency unit of the Bank and the presentation currency of the consolidated financial statements.

The standalone financial statements of the Bank's subsidiaries are prepared. Moreover, the standalone financial statements of each entity of the Group are presented in the functional currency in which it operates. Transactions in currencies other than the functional currency of the Bank are recorded at the rates of exchange prevailing at the dates of those transactions. At the balance sheet date, financial assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates at the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of income in the period in which they arise except for:

- Foreign exchange differences on transactions made in order to hedge foreign exchange risk.
- Foreign exchange differences on monetary items required to / from a foreign operation that are not planned to be settled, are unlikely to be settled in the near future (and therefore, these differences form part of the net investment in the foreign operation), and are initially recognized in the comprehensive income statement and reclassified from equity to the income statement when selling or partially disposing of net investment.

In order to present the consolidated financial statements, the assets and liabilities of the Bank's foreign operations are translated at the rates of exchange prevailing at the statement of financial position date. Income is also converted to average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates are used on the date of the transactions. Exchange differences arising, if any, are recognized in other consolidated statement of comprehensive income and collected in a separate line item of equity.

When foreign operations are disposed of (i.e. disposal of the Bank's entire share from foreign operations, or resulting from the loss of control of a subsidiary in foreign operations, or partial exclusion by its share in a joint arrangement, or an associate company of a foreign nature in which the share held is a financial asset), all foreign exchange differences accumulated in a separate item under equity in respect of that transaction attributable to the Bank owners are reclassified to the consolidated statement of income.

In addition, in respect of the partial disposal of a subsidiary involving foreign operations that do not result in the Bank losing control of the subsidiary, its share of the accumulated exchange differences is credited to net comprehensive income at a rate that is derecognized and not recognized in the consolidated statement of income. For all other partial liquidation (such as partial liquidation of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the share of accumulated exchange differences is reclassified to the consolidated statement of income.

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

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

<u>As a Lessee</u>
Assets acquired through leases are recognized on initial recognition at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Financial leasing liabilities are recorded at the same value. The lease payments are distributed between the financing expenses and the amortization of the financial lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Direct financing expenses are recognized in the consolidated statement of income.

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

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

3. Application of New and Amended International Financial Reporting Standards

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

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

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

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

New and revised standards	Amendments to new and revised IFRSs
Amendments to IFRS 4: "Insurance contracts".	These amendments relate to the difference between the effective date of IFRS (9) and the new standard for insurance contracts.
IFRS 15 Revenue from Contracts with Customers.	IFRS 15 was issued in May 2014, which established a comprehensive model for enterprises to be used in accounting for revenue generated from contracts with customers. This standard will replace current income recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The basic principle of this standard is that an entity must recognize revenue to indicate the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive for such goods or services. In particular, the standard provides a five-step approach to revenue recognition: Step 1: Determining the contract (s) concluded with the client. Step 2: Defining performance obligations in the contract. Step 3: Determining the selling price. Step 4: Assigning a sale price to the performance obligations in the contract. Step 5: Recognizing revenue when the entity meets (or fulfills) an obligation to perform. Under this Standard, an entity recognizes revenue when (or at the time) it fulfills its performance obligation, that is, when control over the goods or services underlying the performance obligation is transferred to the customer. More mandatory guidelines have been added to the Standard to deal with specific scenarios. In addition, the standard requires comprehensive disclosures.
Amendments to IFRS 15 Revenue from Contracts with Customers.	These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

B) Amendments Affecting the Bank's Consolidated Financial Statements:

IFRS (9) "Financial Instruments"

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

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

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

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

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

Classification and Measurement:

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

Impairment:

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

Hedge accounting:

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

Derecognition:

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

The Bank has adopted IFRS 9 (first phase) for the year 2009 relating to the classification and measurement of financial assets since the beginning of 2010. The Bank has applied the final version of IFRS 9 as of January 1, 2018 retroactivity in accordance with the requirements of the Standard. The Bank has not adjusted the comparative figures. The cumulative effect of the application, net of tax amounted to JD 4,286,670, was recognized as a change in the opening balance of retained earnings as follows:

	Balance as of December 31, 2017	Reclassified Amounts	Excepted Credit Loss*	Balance as of January 1, 2018 after Implementation
	JD	JD	JD	JD
Cash and balances with Central Bank of Jordan	72,984,906	-	-	72,984,906
Balances and deposits at banks and financial institutions	84,698,441	-	(28,923)	84,669,518
Financial assets at fair value through profit or loss	670,416	(670,416)	-	-
Financial assets at fair value through other comprehensive income	175,317	74,521,319	(161,332)	74,535,304
Direct credit facilities	597,025,387	-	(8,201,913)	588,823,474
Debt instruments within financial assets at amortized cost	322,727,016	(73,850,903)	(311,457)	248,564,656
Letter of guarantees*	126,214,394	-	(237,937)	125,976,457
Un utilized limits**	52,125,404	-	(159,882)	51,965,522
Letter of credits**	99,404,209	-	(263,669)	99,140,540
Others	24,250,045	-	(3,694)	24,246,351

* The expected credit loss of the item is calculated after the classification process and after the provision of an amount allocated under observation for the beginning of the period.

** Provision for these items is recorded under other liabilities.

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

	Balance as of December 31, 2017	Amount reclassified	Expected Credit Loss	Balance as of January 1, 2018 after IFRS (9) Application	Effect of application resulted from reclassification	Financial Position Items affected by the application
	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	-	-	(28,923)	(28,923)	-	Retained earnings
Direct credit facilities	(21,621,538)	1,014,669	(9,216,582)	(29,823,451)	-	Retained earnings
Debt instruments within financial assets at amortized cost	-	-	(311,457)	(311,457)	-	Retained earnings
Transferred to financial assets at fair value through other comprehensive income	-	-	(161,332)	(161,332)	-	Retained earnings
Letter of guarantees	-	-	(237,937)	(237,937)	-	Retained earnings
Un utilized limits	-	-	(159,882)	(159,882)	-	Retained earnings
Letter of credits	-	-	(263,669)	(263,669)	-	Retained earnings
Others	-	-	(3,694)	(3,694)	-	
Total	(21,621,538)	1,014,669	(10,383,476)	(30,990,345)	-	

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

	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	28,923	-	-	-	-	28,923
Direct credit facilities	854,637	1,703,178	5,879,777	778,991	20,606,868	29,823,451
Debt instruments within financial assets at amortized cost	136,963	-	174,494	-	-	311,457
Debt instruments within financial assets at fair value through other comprehensive income	26,218	-	135,114	-	-	161,332
Letter of guarantees	119,944	-	117,993	-	-	237,937
Un utilized limits	109,818	-	50,064	-	-	159,882
Letter of credits	106,792	-	156,877	-	-	263,669
Others	3,694	-	-	-	-	3,694
Total	1,386,989	1,703,178	6,514,319	778,991	20,606,868	30,990,345

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

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

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

New and revised standards	Amendments to new and revised IFRSs
Amendments to IFRS 3 Business Combinations (Effective January 2020.)	These amendments clarify the definition of business as the International Accounting Standards Board published the Revised Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation, and disclosure. In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS (2), (3), (6) and (14) and IAS (1), (8), (34), (37) and (38) and IFRIC (12), Interpretation (19), Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards Number (32) in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework.
IFRS 17 "Insurance Contracts" (Effective January 1, 2022.)	Provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS (17) replaces IFRS (4) *Insurance Contracts.* IFRS (17) requires measurement of insurance liabilities at present value to meet.
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)" (The start date has been postponed indefinitely, and the application is still permitted)	These amendments relate to the treatment of the sale or contribution of the assets of the investor in the associate or joint venture.

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

Effect of Application of IFRS 16 "Leases"

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

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

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

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

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

Effect on accounting treatment in the lessee's records

Operating leases

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

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

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

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

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

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

On December 31, 2018, the Bank had non-cancellable operating lease commitments of JD 2.3 M.

Based on the preliminary estimates of the Bank's management, there are operating leases of JD 2.3M except for short-term operating leases. Accordingly, the Bank will record an asset usage value of JD 12.2M and corresponding operating lease commitments of JD 10M. The impact on the income statement represents a decrease in rent expense of JD 2.3M, an increase in depreciation expense of JD 2M and an increase in interest expense of JD 0.4M.

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

Preparation of the consolidated financial statements and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Bank's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

Management believes that its estimates in the consolidated financial statements are reasonable. The details are as follows:

Impairment of property acquired
Impairment in value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically.

Productive lifespan of tangible assets and intangible assets
The Bank's management periodically recalculates the useful lives of tangible assets and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of income for the year.

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

Lawsuits provision
A provision is made to meet any potential legal liabilities based on a legal study prepared by the Bank's legal counsel. This study identifies potential future risks and is reviewed periodically.

Provision for end-of-service indemnity
The provision for end-of-service indemnity, representing the Bank's obligations to employees, is calculated in accordance with the Bank's internal regulations.

Assets and liabilities at cost
Management periodically reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of income for the year.

Provision for credit losses
Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Bank's management are detailed in note (41).

Evaluation of business model
The classification and measurement of financial assets depend on the results of the principal and interest payments test on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, the risks that affect the performance of assets and how they are managed, and how asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

Significant increase in credit risk
The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates used by the Bank's management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in details in note (41).

Establish groups of assets with similar credit risk characteristics
When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower's geographic location, etc.). The Bank monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar. This is required to ensure that, in the event of a change in the credit risk characteristics, the asset is properly reallocated. This may result in the creation of new portfolios or the transfer of assets to an existing portfolio that better reflects the credit risk characteristics of that group of assets.

Re-division of portfolios and movements between portfolios
The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a 12-month period or a lifetime, but the amount of the expected credit loss changes due to the varying credit risk of portfolios.

Models and assumptions used
The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note (41). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

A) Classification and measurement of financial assets and liabilities
The Bank classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form.

The Bank shall determine the classification at initial recognition and reassess such determination, if possible and appropriate, at each date of the consolidated statement of financial position.

When measuring financial assets and liabilities, certain assets and liabilities of the Bank are re-measured at fair value for financial reporting purposes. In assessing the fair value of any assets or liabilities, the Bank uses available observable market data. In the absence of Tier 1 inputs, the Bank conducts evaluations using professionally qualified independent evaluators. The Bank works closely with qualified external evaluators to develop appropriate valuation and data valuation techniques.

B) Fair value measurement
If the fair values of financial assets and financial liabilities included in the consolidated statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the entered data for those models will be extracted from the market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities. Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

C) Derivative financial instruments
The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and, where appropriate, recognized pricing models. In the absence of prices, fair values are determined using valuation techniques that reflect observable market data. These techniques include comparison with similar instruments at observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that Management takes into consideration when applying the model are:

- The expected timing and probability of future cash flows on the instrument where such cash flows are generally subject to the terms of the instrument, although Management's judgment may be required where the counterparty's ability to repay the instrument in accordance with contractual terms is in doubt; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rate at a rate higher than the non-risk rate. In assessing the instrument by reference to comparative instruments, Management considers the maturity, structure, and degree of classification of the instrument based on the system in which the existing position is compared. When evaluating tools on a model basis using the fair value of the main components, Management also considers the need to make adjustments for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

Key Sources of Uncertainty Estimates
The principal estimates used by Management in applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario
When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

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

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

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

5. Cash and Balances at Central Bank of Jordan

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Cash on hand	7,181,334	7,496,795
Balances at central banks:		
Current accounts and demand deposits	204,976	383,278
Term and notice deposits	-	-
Statutory cash reserve	41,634,469	40,904,833
Certificates of deposit	-	24,200,000
Total Balances at Central Banks	49,020,779	72,984,906

- The cash reserve amounted to JD 41,634,469 as of December 31, 2018 (JD 40,904,833 as of December 31, 2017).

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

- There are no depositing certificates for more than 3 years as in December 31, 2018 and December 31, 2017.

- The movement on cash and balances at central banks during the year:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	65,488,111	-	-	65,488,111
New balances during the year	-	-	-	-
Settled balances	(23,648,666)	-	-	(23,648,666)
Balance - End of the Year	41,839,445	-	-	41,839,445

6. Balances at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
Description	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	37,500	32,421	8,877,531	9,732,301	8,915,031	9,764,722
Deposits maturing within or less than 3 months	41,165,018	17,725,000	34,956,346	43,028,719	76,121,364	60,753,719
Total	41,202,518	17,757,421	43,833,877	52,761,020	85,036,395	70,518,441
Provision for expected credit loss	-	-	(7,249)	-	(7,249)	-
Net	41,202,518	17,757,421	43,826,628	52,761,020	85,029,146	70,518,441

- Non-interest bearing balances at banks and financial institutions amounted JD 3,234,416 as of December 31, 2018 (JD 4,451,378 as of December 31, 2017).

- No restricted balances as of December 31, 2018 and 2017.

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

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	70,518,441	-	-	70,518,441
New balances during the year	38,948,221	-	-	38,948,221
Settled balances during the year	(24,430,267)	-	-	(24,430,267)
Total	85,036,395	-	-	85,036,395
Provision for expected credit losses	(7,249)	-	-	(7,249)
Balance year end	85,029,146	-	-	85,029,146

Disclosures on the provision for impairment loss:

	December 31, 2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance at January 1, 2018	-	-	-	-
Effect of implementing IFRS (9)	28,923	-	-	28,923
Adjusted balance as in January 1, 2018	28,923	-	-	28,923
Impairment loss on new balances and deposits during the year	(21,674)	-	-	(21,674)
Reversed from impairment loss on settled balances	-	-	-	-
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect on the provision- as year end due to transfers between stages	-	-	-	-
Effect of adjustment	-	-	-	-
written off balances and deposits	-	-	-	-
changes due to rates of exchange	-	-	-	-
total balance as year ends	-	-	-	-
Balance – End of the Year	7,249	-	-	7,249

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Description						
Deposits maturing from 3 months to 6 months	-	-	27,956,035	14,180,000	27,956,035	14,180,000
From 6 months to 9 months	-	-	-	-	-	-
From 9 months to 12 months	-	-	-	-	-	-
Total	-	-	27,956,035	14,180,000	27,956,035	14,180,000
Provision for impairment loss	-	-	-	-	-	-
Net of Deposits at Banks and Financial Institutions	-	-	27,956,035	14,180,000	27,956,035	14,180,000

- The following represents the movement on deposits at banks and financial institutions for the year ended December 31, 2018:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	14,180,000	-	-	14,180,000
New deposits during the year	27,956,035	-	-	27,956,035
Settled deposits during the year	(14,180,000)	-	-	(14,180,000)
Balance - End of the Year	27,956,035	-	-	27,956,035

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted shares in active markets	-	627,460
Unquoted shares in active markets	-	42,956
Total	-	670,416

9. Direct Credit Facilities - net

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Individuals (retail)		
overdraft*	23,977,527	23,778,891
Loans and bills **	247,331,833	234,712,993
Credit cards	4,793,945	5,423,451
Mortgage loans	79,254,369	82,262,177
Corporate Lending		
Overdrafts*	101,956,211	95,367,550
Loans and bills **	175,190,734	165,667,411
Small to Medium Enterprises "SME's" Facilities		
Overdrafts *	7,469,308	7,029,693
Loans and bills **	12,149,454	13,232,046
Government and public sector**	933,726	1,118,950
Total	653,057,107	628,593,162
Less: interest in suspense	(8,123,387)	(9,946,237)
Less: expected credit loss	(31,402,358)	(21,621,538)
Direct Credit Facilities - Net	613,531,362	597,025,387

* Net after deducting the interests and commissions in advance JD 21,008 as in December 31, 2018 (JD 20,290 as in December 31, 2017).

- Net after deducting the interests and commissions in advance JD 281,582 as in December 31, 2018 (JD 222,366 as in December 31, 2017).

- The credit facilities have reached in the third stage (3) to JD 31,413,978 which is 4.810% from the total direct credit facilities as in December 31, 2018 (JD 31,479,153 which is 5.008% from the total direct credit facilities as in December 31, 2017).

- The credit facilities after deducting interest in suspense have reached JD 23,290,591 which is 3.611% from the total direct credit facilities as in December 31, 2018 (JD 21,532,916 which is 3.481% from the total direct credit facilities as of December 31, 2017).

- The Credit facilities that are given and guranteed by the Jordanian government amounted to 933,726 which is 0.143% of the total direct credit facilities as at December 31, 2018 (JD 1,118,950 which is 0.178% of the total direct credit facilities as at December 31, 2017).

The movement on Direct credit facilities during the year were as follow:

	Stage (1)		Stage (2)			
	Individual	collective	Individual	collective	Stage (3)	Total
December 31, 2018	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	177,930,767	314,901,804	89,405,300	14,876,285	31,479,006	628,593,162
New credit facilities during the year	52,590,168	95,156,619	34,020,386	819,189	1,226,636	183,812,998
Settled credit facilities	(41,369,692)	(79,076,065)	(22,126,785)	(1,736,923)	(1,378,040)	(145,687,505)
Transferred to stage (1)	27,940,293	1,500,571	(27,940,292)	(1,197,248)	(303,324)	-
Transferred to stage (2)	(12,364,178)	(18,949,724)	12,364,179	19,269,601	(319,878)	-
Transferred to stage (3)	(849,241)	(2,770,978)	(2,300,901)	(1,459,944)	7,381,064	-
Effect of adjustment	(2,501,955)	(1,050,622)	(3,286,241)	(151,243)	(81,042)	(7,071,103)
Written off credit facilities	-	-	-	-	(6,590,445)	(6,590,445)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	201,376,162	309,711,605	80,135,646	30,419,717	31,413,977	653,057,107

The movement of Impairment loss during the year as follows

	Stage (1)		Stage (2)			
	Individual	collective	Individual	collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	869,777	1,706,647	5,864,635	775,522	20,606,870	29,823,451
New credit facilities during the year	465,186	501,440	3,441,490	72,840	509,061	4,990,017
Settled credit facilities	(381,721)	(523,533)	(1,444,760)	(138,302)	(1,279,453)	(3,767,769)
Transferred to stage (1)	124,107	8,035	(124,107)	(5,939)	(2,096)	-
Transferred to stage (2)	(303,911)	(911,674)	303,911	933,558	(21,884)	-
Transferred to stage (3)	(131,857)	(1,636,217)	(963,132)	(1,102,868)	3,834,074	-
Effect on total exposure during the stages	294,375	2,371,496	273,054	964,209	(458,078)	3,445,056
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(3,088,397)	(3,088,397)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	935,956	1,516,194	7,351,091	1,499,020	20,100,097	31,402,358

The following is the movement of the direct credit facilities:

	Retail	Real Estate	Corporates		Total
			Corporate	SME's	
For the Year ended December 31, 2018	JD	JD	JD	JD	JD
Balance as of January 1, 2018	15,018,731	541,830	5,499,904	561,073	21,621,538
The effect of implementing the IFRS (9)	1,706,291	(98,721)	6,526,062	68,281	8,201,913
Adjusted balance as of January 1, 2018	16,725,022	443,109	12,025,966	629,354	29,823,451
Impairment loss on the new credit facilities during the year	884,625	81,362	3,809,216	214,814	4,990,017
Interest transferred to income	(1,589,373)	(193,960)	(1,793,743)	(190,693)	(3,767,769)
Transferred to stage (1)	(276,188)	(5,805)	(608,076)	(2,396)	(892,465)
Transferred to stage (2)	391,605	64,638	298,185	51,755	806,183
Transferred to stage (3)	2,397,099	206,422	548,176	379,641	3,531,338
Adjustments due to changes	-	-	-	-	-
Written-off loans	(1,718,176)	(57,918)	(1,312,300)	(3)	(3,088,397)
Balance at the Ending of the Year	16,814,614	537,848	12,967,424	1,082,472	31,402,358
For the Year ended December 31, 2017					
Balance at the beginning of the year	14,390,265	589,087	6,802,258	452,357	22,233,967
Add: Interest suspended during the year	637,478	(47,257)	(1,300,449)	217,935	(492,293)
written off debts	(9,012)	-	(1,905)	(109,219)	(120,136)
ending balance	15,018,731	541,830	5,499,904	561,073	21,621,538
Provisions based on individual level	14,397,845	296,162	5,387,617	515,354	20,596,978
provisions based on collectively level	620,886	245,668	112,287	45,719	1,024,560
Balance at the Ending of the Year	15,018,731	541,830	5,499,904	561,073	21,621,538

Provision for impairment losses that were settled or collected and used for other impairment loans amounted to JD 1,335,169 as of December 31, 2018

(JD 2,844,980 as of December 31, 2017).

Interest in Suspense

The following is the movement of the interest suspense:

	Retail	Real Estate	Corporates		Total
			Corporate	SME's	
For the year 2018	JD	JD	JD	JD	JD
Balance at the beginning of the year	6,479,156	246,673	2,952,327	268,081	9,946,237
Add: Interest suspense	1,525,468	102,459	341,273	214,581	2,183,781
less: interest in suspense reserved to income	(409,755)	(58,796)	(21,241)	(14,791)	(504,583)
written off interest in suspense	(1,570,718)	(128,403)	(1,801,139)	(1,788)	(3,502,048)
Balance at the Ending of the Year	6,024,151	161,933	1,471,220	466,083	8,123,387
For the year 2017					
Balance at the beginning of the year	5,362,680	308,791	2,924,337	296,989	8,892,797
Add: Interest suspended during the year	1,534,236	91,076	311,207	38,618	1,975,137
less: interest in suspense reserved to income	(319,928)	(108,865)	(62,832)	(19,684)	(511,309)
written off interest in suspense	(97,832)	(44,329)	(220,385)	(47,842)	(410,388)
Balance at the Ending of the Year	6,479,156	246,673	2,952,327	268,081	9,946,237

Following the exposures according to IFRS (9):

As of December 31, 2018

According to the IFRS number (9)

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Retail	237,770,066	(1,429,314)	-	17,531,294	(1,255,178)	-	20,801,945	(14,130,122)	(6,024,151)	276,103,305	(16,814,614)	(6,024,151)
Real Estate Loans	67,256,405	(78,148)	-	10,892,241	(138,925)	-	1,105,723	(320,775)	(161,933)	79,254,369	(537,848)	(161,933)
Corporate entities	191,591,832	(915,774)	-	78,906,500	(7,381,092)	-	6,648,613	(4,670,558)	(1,471,220)	277,146,945	(12,967,424)	(1,471,220)
SME's	13,535,738	(28,914)	-	3,225,328	(74,916)	-	2,857,696	(978,642)	(466,083)	19,618,762	(1,082,472)	(466,083)
Governmental and Public	933,726	-	-	-	-	-	-	-	-	933,726	-	-
	511,087,767	(2,452,150)	-	110,555,363	(8,850,111)	-	31,413,977	(20,100,097)	(8,123,387)	653,057,107	(31,402,358)	(8,123,387)

As of January 1, 2018

According to the IFRS number (9)

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Retail	232,604,971	(1,586,130)	-	10,055,209	(731,156)	-	21,255,155	(14,407,736)	(6,479,156)	263,915,335	(16,725,022)	(6,479,156)
Real Estate Loans	76,453,022	(102,581)	-	4,821,076	(44,366)	-	988,079	(296,162)	(246,673)	82,262,177	(443,109)	(246,673)
Corporate entities	167,113,597	(846,017)	-	85,515,851	(5,792,331)	-	8,405,513	(5,387,618)	(2,952,327)	261,034,961	(12,025,966)	(2,952,327)
SME's	15,542,031	(41,696)	-	3,889,449	(72,305)	-	830,259	(515,353)	(268,081)	20,261,739	(629,354)	(268,081)
Governmental and Public	1,118,950	-	-	-	-	-	-	-	-	1,118,950	-	-
Total	492,832,571	(2,576,424)	-	104,281,585	(6,640,158)	-	31,479,006	(20,606,869)	(9,946,237)	628,593,162	(29,823,451)	(9,946,237)

The distribution of total credit facilities by internal credit rating for retails as follow:

	2018						2017
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	6,731,028	-	128,959	-	6,859,987	5,606,104
2	-	2,431	-	-	-	2,431	3,166
3	-	3,326,957	-	231,759	-	3,558,716	5,444,283
4	-	33,710,546	-	1,208,693	-	34,919,239	40,573,057
5	-	172,061,105	-	4,097,316	-	176,158,421	157,673,621
6		21,752,943	-	2,281,945	-	24,034,888	25,360,158
7	-	140,203	-	9,061,138	-	9,201,341	6,950,168
8	-	44,853	-	521,484	-	566,337	1,049,623
9	-	-	-	-	872,853	872,853	557,268
10	-	-	-	-	1,749,054	1,749,054	1,337,337
11	-	-	-	-	18,180,038	18,180,038	19,360,550
Total	-	237,770,066	-	17,531,294	20,801,945	276,103,305	263,915,335

The movement on credit facilities for retail as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	232,604,971	-	10,055,209	21,255,155	263,915,335
New credit facilities during the year	-	84,781,138	-	584,300	917,590	86,283,028
Settled credit facilities	-	(67,877,581)	-	(1,117,962)	(762,275)	(69,757,818)
Transferred to stage (1)	-	1,094,340	-	(791,016)	(303,324)	-
Transferred to stage (2)	-	(9,845,061)	-	10,152,355	(307,294)	-
Transferred to stage (3)	-	(2,143,281)	-	(1,227,426)	3,370,707	-
Effect on total exposure during the stages	-	(844,460)	-	(124,166)	(79,720)	(1,048,346)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(3,288,894)	(3,288,894)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	-	237,770,066	-	17,531,294	20,801,945	276,103,305

The movement on provision for credit loss for retail credit facilities as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	1,586,130	-	731,156	14,407,736	16,725,022
Impairment losses on new investment during the year	-	470,590	-	50,888	363,147	884,625
Reversed from impairment losses on matured investments	-	(484,591)	-	(129,618)	(975,164)	(1,589,373)
Transferred to stage (1)	-	7,563	-	(5,466)	(2,097)	-
Transferred to stage (2)	-	(716,093)	-	737,816	(21,723)	-
Transferred to stage (3)	-	(1,470,709)	-	(1,057,200)	2,527,909	-
Effect on total exposure during the stages	-	2,036,424	-	927,602	(451,510)	2,512,516
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(1,718,176)	(1,718,176)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	-	1,429,314	-	1,255,178	14,130,122	16,814,614

The distribution of total credit facilities by internal credit rating for real estates as follow:

	2018						2017
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	2,213,887	-	37,340	-	2,251,227	1,776,970
2	-	-	-	-	-	-	-
3	-	3,612,181	-	385,478	-	3,997,659	5,715,319
4	-	7,291,891	-	721,554	-	8,013,445	8,645,226
5	-	49,023,505	-	4,223,621	-	53,247,126	53,261,535
6	-	5,114,941	-	4,427,309	-	9,542,250	10,106,891
7		-	-	940,537	-	940,537	1,427,269
8	-	-	-	156,402	-	156,402	340,888
9	-	-	-	-	-	-	-
10	-	-	-	-	345,382	345,382	173,532
11	-	-	-	-	760,341	760,341	814,547
Total	-	67,256,405	-	10,892,241	1,105,723	79,254,369	82,262,177

The movement on credit facilities for real estates as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	76,453,022	-	4,821,076	988,079	82,262,177
New exposures during the year	-	9,465,136	-	234,888	3,867	9,703,891
Settled exposures	-	(10,776,794)	-	(618,961)	(546,212)	(11,941,967)
Transferred to stage (1)	-	406,232	-	(406,232)	-	-
Transferred to stage (2)	-	(7,108,482)	-	7,121,065	(12,583)	-
Transferred to stage (3)	-	(627,698)	-	(232,518)	860,216	-
Effect on total exposure during stages	-	(555,011)	-	(27,077)	(1,323)	(583,411)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(186,321)	(186,321)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	-	67,256,405	-	10,892,241	1,105,723	79,254,369

The movement of the provision on impairment loss for real estates as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	102,581	-	44,366	296,162	443,109
Impairment losses on new investment during the year	-	32,129	-	21,951	27,282	81,362
Reversed from impairment losses on matured investments	-	(36,077)	-	(8,684)	(149,199)	(193,960)
Transferred to stage (1)	-	472	-	(472)	-	-
Transferred to stage (2)	-	(90,665)	-	90,825	(160)	-
Transferred to stage (3)	-	(165,508)	-	(45,668)	211,176	-
Effect on total exposure during stages	-	235,216	-	36,607	(6,568)	265,255
Effect of adjustment on provision	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(57,918)	(57,918)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	-	78,148	-	138,925	320,775	537,848

The distribution of total credit facilities by internal credit rating for Corporate as follow:

	2018						2017
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	57,857	-	-	-	-	57,857	-
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	143,313,147	-	5,974,459	-	-	149,287,606	94,405,290
6	44,469,420	-	38,522,531	-	-	82,991,951	148,943,935
7		4,685,134	18,724,815	1,996,182	-	25,406,131	1,257,482
8	-	-	13,688,513	-	-	13,688,513	9,141,691
9	-	-	-	-	200,264	200,264	-
10	-	-	-	-	916,501	916,501	-
11	-	-	-	-	5,531,848	5,531,848	8,405,513
Total	187,840,424	4,685,134	76,910,318	1,996,182	6,648,613	278,080,671	262,153,911

The movement on credit facilities for Corporate as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	162,388,735	5,843,812	85,515,851	-	8,405,513	262,153,911
New credit facilities during the year	49,001,217	910,539	32,463,908	-	239,774	82,615,438
Settled credit facilities	(38,252,520)	(421,884)	(21,246,660)	-	-	(59,921,064)
Transferred to stage (1)	27,413,706	-	(27,413,706)	-	-	-
Transferred to stage (2)	(10,846,266)	(1,996,182)	10,846,266	1,996,182	-	-
Transferred to stage (3)	(177)	-	(1,116,587)	-	1,116,764	-
Effect on total exposure during the stages	(1,864,271)	348,849	(2,138,754)	-	-	(3,654,176)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(3,113,438)	(3,113,438)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	187,840,424	4,685,134	76,910,318	1,996,182	6,648,613	278,080,671

The movement on provision for credit loss for Corporate credit facilities as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	828,082	17,935	5,792,331	-	5,387,618	12,025,966
Impairment losses on new exposures during the year	363,083	(1,277)	3,433,667	-	13,743	3,809,216
Reversed from impairment losses on matured facilities	(358,348)	(2,866)	(1,410,930)	-	(21,599)	(1,793,743)
Transferred to stage (1)	122,346	-	(122,346)	-	-	-
Transferred to stage (2)	(246,399)	(104,917)	246,399	104,917	-	-
Transferred to stage (3)	(58)	-	(603,039)	-	603,097	-
Effect on total exposure during the stages	198,337	99,856	(59,908)	-	-	238,285
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(1,312,300)	(1,312,300)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	907,043	8,731	7,276,174	104,917	4,670,559	12,967,424

The distribution of total credit facilities by internal credit rating for Small to Medium entities (SME's)

	2018						2017
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD		
Credit rating categories based on the bank's internal system:							
1	199,248	-	-	-	-	199,248	-
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	11,898,278	-	1,120,646	-	-	13,018,924	16,114,512
6	1,438,212	-	1,506,181	-	-	2,944,393	2,611,045
7		-	598,501	-	-	598,501	705,923
8	-	-	-	-	-	-	-
9	-	-	-	-	277,660	277,660	-
10	-	-	-	-	1,698,741	1,698,741	38
11	-	-	-	-	881,295	881,295	830,221
Total	13,535,738	-	3,225,328	-	2,857,696	19,618,762	20,261,739

The movement on credit facilities for Small to Medium entities (SME's) as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	15,542,031	-	3,889,449	-	830,259	20,261,739
New credit facilities during the year	3,588,758	-	1,556,476	-	65,407	5,210,641
Settled credit facilities	(3,116,977)	-	(880,124)	-	(69,555)	(4,066,656)
Transferred to stage (1)	526,586	-	(526,586)	-	-	-
Transferred to stage (2)	(1,517,913)	-	1,517,913	-	-	-
Transferred to stage (3)	(849,063)	-	(1,184,313)	-	2,033,376	-
Effect on total exposure during the stage	(637,684)	-	(1,147,487)	-	-	(1,785,171)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(1,791)	(1,791)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total exposures at year end	13,535,738	-	3,225,328	-	2,857,696	19,618,762

The movement on provision for impairment loss for Small to Medium entities (SME's) as follows:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	(3) Stage	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	41,696	-	72,305	-	515,353	629,354
Impairment losses on new Facilities during the year	102,104	-	7,820	-	104,890	214,814
Reversed from impairment losses on matured facilities	(23,373)	-	(33,829)	-	(133,491)	(190,693)
Transferred to stage (1)	1,761	-	(1,761)	-	-	-
Transferred to stage (2)	(57,512)	-	57,512	-	-	-
Transferred to stage (3)	(131,800)	-	(360,093)	-	491,893	-
Effect on total exposure during the stage	96,038	-	332,962	-	-	429,000
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(3)	(3)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	28,914	-	74,916	-	978,642	1,082,472

10. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted shares in active markets	600,090	-
Unquoted shares in active markets	1,069,478	175,317
Government and government guaranteed bonds	92,160,082	-
Other financial bonds	10,525,794	-
Less: Provision of expected credit loss	(97,964)	-
	104,257,480	175,317

- The following represents the movement on the provision for expected credit losses through other comprehensive income:

	December 31, 2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-
Effect of implementing IFRS (9)	26,218	135,114	-	161,332
Adjusted beginning balance for the year	26,218	135,114	-	161,332
Transferred between stages				
Recovery from expected loss on matured investments	(13,896)	(49,472)	-	(63,368)
Balance – End of the Year	12,322	85,642	-	97,964

- The following represents the movement on financial assets through other comprehensive income:

	December 31, 2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
	JD	JD	JD	JD
Balance – beginning of the year	175,317	-	-	175,317
Transferred financial assets at fair value through profit or loss	368,095	302,321	-	670,416
Transferred financial assets at amortized cost	68,274,334	5,576,569	-	73,850,903
Adjusted Balance - beginning of the year	68,817,746	5,878,890	-	74,696,636
New investment during the period	100,364,677	-	-	100,364,677
Transferred between stages				
Matured investments (settled & sold)	(68,147,015)	(2,419,532)	-	(70,566,547)
Changes in fair value	(119,925)	(19,397)	-	(139,322)
Balance – End of the Year	100,915,483	3,439,961	-	104,355,444

11. Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Financial assets available in market value		
Government and governmental guaranteed bonds	140,929,362	266,421,026
Other bonds	37,000,000	56,305,990
	177,929,362	322,727,016
Less: Provision for financial assets at amortized cost	(60,800)	-
	177,868,562	322,727,016
Bonds Analysis:		
With Fixed rate	170,929,362	315,727,016
With Floating rate	7,000,000	7,000,000
Total	177,929,362	322,727,016

Bonds Analysis in accordance with IFRS (9)		
Stage 1	177,929,362	228,876,113
Stage 2	-	20,000,000
Stage 3	-	-
Total	177,929,362	248,876,113

The following is the movement on financial assets at amortized cost:

	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
January 1, 2018	JD	JD	JD	JD
Balance - beginning of the year	302,727,016	20,000,000	-	322,727,016
Transfer to financial assets at air value through other comprehensive	(73,850,903)	-	-	(73,850,903)
Adjusted – beginning balance of the year	228,876,113	20,000,000	-	248,876,113
New Investment during the year	43,938,822	-	-	43,938,822
Settled investment *	(94,885,573)	(20,000,000)	-	(114,885,573)
Change In fair value	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off Investments	-	-	-	-
Adjustments resulting from change In exchange rate	-	-	-	-
Total balance - year end	177,929,362	-	-	177,929,362

* The matured investments balance Includes an amount of 35,018,148 JD as a mortgaged governmental bonds at amortization cost, in exchange for repurchase agreement.

- Following is the movement on provision for expected credit losses for financial assets at amortized cost:

	2018			
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-
Effect of implementing IFRS (9)	136,963	174,494	-	311,457
Adjusted beginning balance for the year	136,963	174,494	-	311,457
Credit losses on new Investments during the year	35,447	-	-	35,447
Recovered amount from losses on paid investments	(111,610)	(174,494)	-	(286,104)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect on the provision - as the year ended- due to transferring between stages	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Written off investments	-	-	-	-
Adjustments resulting from change in exchange rate	-	-	-	-
Deductible revenue for the year	-	-	-	-
Balance - End of the Year	60,800	-	-	60,800

For the year ended December 31, 2018 a reclassification for the financial assets at the amortized cost were made with an amount of 73.85 millions through the other comprehensive income at the fair value.

12. Financial Assets at Amortized Cost - Mortgaged

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Government and governmental guaranteed bonds	35,018,148	-
	35,018,148	-

- On September 3, 2018 the Bank sold one bond of Jordanian treasury bonds with a nominal value of JD 15,000,000 to Arab Bank. The amount of repurchasing agreement for the bond JD 14,873,850, the amount received was JD 14,576,373 as borrowed money at an interest rate of 5.29% per annum, as Indicated. In note No.(19). The Bank did not recognize this transaction as sale transaction, as the bank reserved the right of repurchase of these bonds on September 5, 2021.

- On December 26, 2018 the Bank sold two bonds of Jordanian treasury bonds with a nominal value of JD 20,000,000 to Arab Bank. The agreed upon repurchasing amount was JD 19,773,780, the received amount was JD 19,378,304 as loan with 5.5% annual interest rate as In note No. (19). The Bank did not recognize this transaction as sale transaction, as the bank reserved the right of repurchase of these bonds on December 26, 2021.

13. Property and Equipment

The details of this item are as follows:

For the year ended December 31, 2018	Lands	Buildings	Equipment and Furniture	Vehicles	Computers	Decorations and Leasehold Improvements	Total
	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance - beginning of the year	3,374,438	5,934,268	4,615,041	548,646	3,509,253	4,757,230	22,738,876
Additions	-	-	1,697,433	-	198,339	155,592	2,051,364
Disposals	-	-	(327,096)	(50,971)	(43,495)	-	(421,562)
Balance - End of the Year	3,374,438	5,934,268	5,985,378	497,675	3,664,097	4,912,822	24,368,678
Accumulated Depreciation:							
Balance - beginning of the year	-	3,593,541	3,806,697	325,860	2,629,206	3,929,028	14,284,332
Annual depreciation	-	93,034	534,711	55,936	393,378	287,519	1,364,578
Disposals	-	-	(326,445)	(50,969)	(42,067)	-	(419,481)
Balance - End of the Year	-	3,686,575	4,014,963	330,827	2,980,517	4,216,547	15,229,429
Net book value of property and equipment	3,374,438	2,247,693	1,970,415	166,848	683,580	696,275	9,139,249
Advance payment on property and equipment	-	-	166,299	-	-	-	166,299
Projects under construction *	-	7,754,213	261,000	-	-	-	8,015,213
Net Book Value - End of the Year	3,374,438	10,001,906	2,397,714	166,848	683,580	696,275	17,320,761
For the year ended December 31, 2017							
Cost:							
Balance - beginning of the year	3,347,377	5,934,268	4,313,550	414,996	3,376,051	4,830,698	22,216,940
Additions	27,061	-	454,269	153,650	501,865	2,400	1,139,245
Disposals	-	-	(152,778)	(20,000)	(368,663)	(75,868)	(617,309)
Balance - End of the Year	3,374,438	5,934,268	4,615,041	548,646	3,509,253	4,757,230	22,738,876
Accumulated Depreciation:							
Balance - beginning of the year	-	3,301,180	3,581,578	288,538	2,600,826	3,695,423	13,467,545
Annual depreciation	-	292,361	377,703	47,448	396,456	307,132	1,421,100
Disposals	-	-	(152,584)	(10,126)	(368,076)	(73,527)	(604,313)
Balance - End of the Year	-	3,593,541	3,806,697	325,860	2,629,206	3,929,028	14,284,332
Net book value of property and equipment	3,374,438	2,340,727	808,344	222,786	880,047	828,202	8,454,544
Advance payment on property and equipment	-	-	729,903	-	-	11,800	741,703
Projects under construction *	-	3,422,061	234,483	-	-	-	3,656,544
Net Book Value – End of the Year	3,374,438	5,762,788	1,772,730	222,786	880,047	840,002	12,852,791
Annual Depreciation rate %	-	2-15	9-20	15	9-25	9-10	

* Projects under construction represents the amounts paid on the new management building in Amman / shumaisany. Which estimated cost of JD 26 million, and expected to be complete in July 2020.

- Property and equipment include fully depreciated assets amounted to JD 9,130,035 as of December 31, 2018 (JD 8,323,924 as of December 31, 2017).

14. Intangible Assets

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Balance - beginning of the year	487,572	635,153
Additions	1,189,731	220,732
Amortization for the year	(183,101)	(368,313)
Balance - End of the Year	1,494,202	487,572
Amortization Rate %	20	20

15. Other Assets

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Accrued revenues and interest	5,812,242	4,585,125
Prepaid expenses	967,673	860,795
Assets seized by the Bank against due debts *	1,794,702	1,851,835
Unrealized derivatives gain / assets	419,561	-
Other receivables / brokerage company	185,498	102,299
Land held for sale / brokerage company	1,849,850	1,849,850
Discounted LC's	14,864,902	24,250,045
Others	2,110,882	2,221,146
Total	28,005,310	35,721,095

* The regulations of Central Bank of Jordan require disposing of the assets seized by the Bank during a maximum period of two years from the date of the acquisition. In exceptional cases , the Central Bank may extended this period to a maximum of two consecutive years.

- The following is a summary movement on assets seized by the bank due to outstanding debt:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Balance - beginning of the year	1,851,835	2,327,691
Additions	161,748	223,705
Disposals	-	(366,555)
Provision for Assets seized for the year **	(218,881)	(333,006)
Balance - End of the Year	1,794,702	1,851,835

**Assets seized by the bank provision amounted JD 603,964 as at December 31, 2018 for the assets seized by the bank over 4 years.

16. Bank and Financial Institutions Deposits

The details of this item are as follows:

	2018			2017		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	-	1,365,015	1,365,015	-	1,826,488	1,826,488
Deposits due within 3 months	39,712,674	141,768,954	181,481,628	3,828,585	181,488,184	185,316,769
Deposits due within 9 - 12 months	-	-	-	-	-	-
Total	39,712,674	143,133,969	182,846,643	3,828,585	183,314,672	187,143,257

17. Customers' Deposits

The details of this item are as follows:

	Retail	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
December 31, 2018					
Current accounts and demand deposits	54,103,181	16,158,699	12,690,656	1,878,889	84,831,425
Saving deposits	31,508,592	217,639	493,315	81	32,219,627
Time and notice deposits	279,115,607	163,362,111	9,040,232	78,949,187	530,467,137
Total	364,727,380	179,738,449	22,224,203	80,828,157	647,518,189
December 31, 2017					
Current accounts and demand deposits	63,870,999	19,594,467	11,418,387	1,179,963	96,063,816
Saving deposits	21,833,725	163,277	75,427	80	22,072,509
Time and notice deposits	262,815,366	186,570,906	14,525,862	72,065,639	535,977,773
Total	348,520,090	206,328,650	26,019,676	73,245,682	654,114,098

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD80,828,157 representing 12.483% of total deposits as of December 31, 2018 (JD73,245,682 representing 11.198% of total deposits as of December 31, 2017).

- Non-interest bearing deposits amounted to JD 94,033,662, representing 14.522% of total deposits as of December 31, 2018 (JD 101,408,740, representing 15.503% of total deposits as of December 31, 2017).

- Restricted deposits amounted to JD 19,175,126, representing2.961% of total deposits as of December 31, 2018 (JD 19,378,613, representing 2.963% of total deposits as of December 31, 2017).

- Dormant accounts amounted to JD 15,831,785, as of December 31, 2018 (JD 20,158,400 as of December 31, 2017).

18. Margin Accounts

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Margins on direct credit facilities	41,327,984	41,227,367
Margins on indirect credit facilities	7,545,831	8,657,579
Other margins	2,660,876	2,349,986
Total	51,534,691	52,234,932

19. Loans and Borrowings

The details of this item are as follows:

	Amount	Number of Payments: Total no. of Payments	Number of Payments: Outstanding Payments	Instalments maturity	Collaterals	Interest Rate
	JD					
December 31, 2018						
Arab Bank loan *	14,576,373	1	1	36 Month	Mortgage bonds central bank of	5.290%
Arab Bank loan **	19,378,304	1	1	36 Month	Mortgage bonds central bank of	5.500%
Central Bank of Jordan loan ***	1,066,500	30	24	semi annual		2.500%
Central Bank of Jordan loan ****	220,697	34	34	semi annual		3.000%
Central Bank of Jordan loan	34,860	30	30	Monthly		1.75%
Jordanian Real Estate Mortgage Re-fund Co. *****	1,016,959	236	48	Monthly		6.809%
Jordanian Real Estate Mortgage Re-fund Co.	15,000,000	1	1	24 Month	Mortgage deeds loan Portfolio	5.500%
Jordanian Real Estate Mortgage Re-fund Co.	20,000,783	1	1	24 Month	Mortgage deeds loan Portfolio	5.650%
Jordanian Real Estate Mortgage Re-fund Co.	5,000,000	1	1	24 Month	Mortgage deeds loan Portfolio	6.000%
ABC (Bahrain) ******	2,836,000	1	1	2 weeks		3.300%
Total	79,130,476					
December 31, 2017						
Central Bank of Jordan loan	5,008,494	1	1	24 months	Bill upon request	2.00%
Central Bank of Jordan loan ***	1,256,656	30	28	semi annual		2.50%
Central Bank of Jordan loan ****	220,788	34	34	semi annual		3.00%
Jordanian Real Estate Mortgage Re-fund Co. *****	1,271,239	236	60	Monthly		6.809%
Jordanian Real Estate Mortgage Re-fund Co.	20,000,000	1	1	24 Month		3.80%
Jordanian Real Estate Mortgage Re-fund Co.	20,012,383	1	1	12 Month	Mortgage deeds loan Portfolio	5.65%
Audi Bank *******	1,399,450	-	-	12 Month	Mortgage deeds loan Portfolio	8.25%
Total	49,169,010					

* Borrowed fund from the Arab Bank JD 14,576,373, represents an agreement of repurchase of treasury bonds with a nominal value of 15 millions, that the bank holds the repurchase right of these bonds on the 5th of September 2021.

**Borrowed fund from the Arab Bank JD 19,378,304, represents an agreement of repurchase of treasury bonds with a nominal value of 20 millions, that the bank holds the repurchase right of these bonds on the 26th of December 2021.

***Borrowed fund from the Central Bank JD 1,066,500, as at December 31, 2018 represents the convention on the loan of the Arab fund for economic and social development to finance the corporate sector, micro & SME's (JD1,256,656 as at December 31, 2017).

**** Borrowed fund from the Central Bank JD 220,697, as at 31 December 2018, represents the convention on the loan of the Arab fund for economic and social development to finance the corporate sector, micro & SME's (JD 220,788 as at December 31, 2017).

*****Borrowed funds as at December 31, 2018 amounted JD 1,016,959 at an average interest rate 7.709% (1,271,239 at an average of 7.709% as at 31 December, 2017).

****** Borrowed fund from ABC (Bahrain) JD 2,836,000 represents an agreement to fund it's subsidiary (Arab Corporation Company).

******* Borrowed fund from Audi Bank represents a debt current account of it's subsidiary.

20. Sundry Provisions

The details of this item are as follows:

	Balance - beginning of the year	Provided during the year	Utilized during the year	Transferred from other provisions	Recovered Back to Income	Balance - End of the Year
	JD	JD	JD	JD		JD
For the Year Ended December 31, 2018						
Law suits against the group and other liabilities	638,413	-	-	-	-	638,413
Other Provisions	1,224,380	82,057	(739,028)	-	(438,596)	128,813
Total	1,862,793	82,057	(739,028)	-	(438,596)	767,226
For the Year Ended December 31, 2017						
Law suits against the group and other liabilities	638,413	-	-	-	-	638,413
Other Provisions	1,020,283	682,000	(140,215)	12,312	(350,000)	1,224,380
Total	1,658,696	682,000	(140,215)	12,312	(350,000)	1,862,793

21. Income Tax

a. Income tax provision

The movement on the income tax provision is as follows:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Balance - beginning of the year	5,952,374	5,176,763
Income tax paid	(6,040,094)	(5,444,864)
Accrued income tax	5,086,675	6,220,475
Balance - End of the Year	4,998,955	5,952,374

Income tax expense appearing in the consolidated income statement represents the following:

	2018	2017
	JD	JD
Current income tax liabilities	5,086,675	6,220,475
Deferred tax assets for the year	(1,190,116)	(593,153)
Reversal of deferred tax assets	598,568	848,397
Reversal of deferred tax liabilities	-	(7,911)
Total	4,495,127	6,467,808

b. Deferred Tax Assets / Liabilities

The details of this item are as follows:

	For the Year Ended December 31, 2018					December 31, 2018	December 31, 2017
	Beginning Balance	Effect on Implementing IFRS (9) – Note (3)	Amounts Released	Amounts Added	Ending Balance	Deferred Tax	Deferred Tax
Deferred tax assets	JD	JD	JD	JD	JD	JD	JD
Provision for impairment losses from prior years	23,444	-	(11,156)	-	12,288	4,669	8,205
Fair value reserve	130,101	-	(130,101)	-	-	-	45,535
Difference in Impairment provision	187,745	-	-	142,358	330,103	125,439	65,711
Reserves at fair value for financial assets - socks	-	-	-	39,850	39,850	15,143	-
Reserves at fair value for financial assets - bonds	-	-	-	99,472	99,472	37,799	-
Differed tax assets result from adoption of IFRS (9) from retained earnings	-	14,603,298	-	1,671,438	16,274,736	5,704,879	-
Employees reward provision	1,694,724	-	(1,694,724)	1,350,990	1,350,990	513,377	593,154
Others	21,460	-	(21,460)	-	-	-	7,511
Total	2,057,474	14,603,298	(1,857,441)	3,304,108	18,107,439	6,401,306	720,116
Deferred tax liabilities							
Unrealized gain on financial assets results from adoption of IFRS (9)	3,253	-	-	-	3,253	1,236	1,139
Gains on financial assets at fair value through other Comprehensive income	-	-	-	14,889	14,889	5,658	-
Total	3,253	-	-	14,889	18,142	6,894	1,139

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

	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	720,116	1,139	1,012,682	9,050
Additions	6,387,017	5,755	593,153	-
Released	(705,827)	-	(885,719)	(7,911)
Balance - End of the Year	6,401,306	6,894	720,116	1,139

* In accordance with the new income tax law in the Hashemite Kingdom of Jordan, deferred tax assets and liabilities were calculated at 38% as of December 31, 2018 and at 28% for the subsidiaries.

c. The reconciliation between taxable profit and accounting profit is as follows:

	2018	2017
	JD	JD
Accounting Profit	14,211,341	19,432,719
Non taxable profit	(6,221,301)	(4,450,886)
Non taxable expenses for tax purposes	4,228,150	2,946,302
Realized gains on financial assets in retained earnings	-	14,692
Tax profit	12,218,190	17,942,827
Effective income tax rate	33.99%	33.28%

The legal tax rate for the banks in Jordan is 35% and 24% for the subsidiaries.

A final settlement with Income Tax Department has been reached for the bank of the year 2014 and 2015 and the subsidiary for the year end 2014.

The Bank and the subsidiary company submitted its income tax declaration with Income Tax Department for the year 2016 & 2017, however, the Income Tax Department did not issue its final decision up until the date of these consolidated financial statements.

The Income Tax Department has issued a preliminary assessment for 2015 for additional tax amounting JD 44,370 The Bank filed an objection with Income Tax Department where the department declined that objection. The Bank will file a claim with the competent courts. Based on the tax consultant opinion, the Bank will not be subject for any additional tax due to this assessment.

22. Other Liabilities

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Accrued interest expense	6,679,768	5,226,946
Revenue received in advance	160,374	288,807
Accounts payables	5,725,893	5,711,369
Accrued expenses	2,258,655	3,036,111
Unrealized derivatives loss/ liability	23,537	145,209
Certified checks	1,167,980	864,158
Provision for indirect facilities' expected credit loss	549,884	-
Board of Directors remuneration	80,000	80,000
Incoming transfers	369,685	477,189
Deferred revenue	101,415	9,755
Other	1,804,060	1,504,106
Total	18,921,251	17,343,650

Below is the movement on indirect facilities during the year:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	183,965,889	7,350,246	36,190,963	128,170	-	227,635,268
New exposure during the period	68,009,058	3,771,666	4,103,374	155	-	75,884,253
Settled exposure	(98,519,480)	(3,695,453)	(17,499,663)	(117,723)	-	(119,832,319)
Transferred to stage (1)	12,738,658	10,152	(12,738,658)	(10,152)	-	-
Transferred to stage (2)	(4,015,701)	-	4,015,701	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect of the reclassification	(687,969)	-	(814,471)	(295)	-	(1,502,735)
Balance at the Ending of the Year	161,490,455	7,436,611	13,257,246	155	-	182,184,467

Below is the movement on the expected credit loss for indirect facilities during the year:

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year 2018	-	-	-	-	-	-
IFRS (9) adoption effect	306,828	29,726	319,903	5,030	-	661,487
Adjusted beginning balance for the year 2018	306,828	29,726	319,903	5,030	-	661,487
Impairment loss on new exposure during the year	255,650	6,945	51,979	7	-	314,581
Recovered from loss on Matured exposure	(133,885)	(22,643)	(180,906)	(4,326)	-	(341,760)
Transferred to stage (1)	24,802	19	(24,802)	(19)	-	-
Transferred to stage (2)	(15,458)	-	15,458	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on provision as of end of year due to reclassification between the stages during the year	4,333	-	(88,072)	(685)	-	(84,424)
Balance at the Ending of the Year	442,270	14,047	93,560	7	-	549,884

The distribution of total indirect credit facilities (letters of guarantee) by internal credit rating as follow:

	December 31, 2018						2017
	Stage (1) Individual	Stage (1) collective	Stage (2) Individual	Stage (2) collective	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	16,675	-	-	-	-	16,675	-
2	143,885	-	-	-	-	143,885	-
3	2,208,328	-	-	-	-	2,208,328	19,533,478
4	4,671,739	-	-	-	-	4,671,739	20,350,975
5	72,545,192	-	-	-	-	72,545,192	61,112,689
6	5,436,296	-	3,564,018	-	-	9,000,314	18,633,321
7	136,183	-	350	-	-	136,533	346,021
8	3,039,229	-	2,460,090	-	-	5,499,319	6,144,808
9	-	-	-	-	-	-	-
10	82,200	-	-	-	-	82,200	-
11	136,941	-	-	-	-	136,941	93,102
Total	88,416,668	-	6,024,458	-	-	94,441,126	126,214,394

The movement of indirect credit facilities - letters of guarantee

	Stage (1)		Stage (2)			
	Individual	collective	Individual	collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	108,051,745	-	18,162,649	-	-	126,214,394
New exposures during the year	27,534,181	-	2,993	-	-	27,537,174
Settled credit facilities	(51,099,055)	-	(7,912,765)	-	-	(59,011,820)
Transferred to stage (1)	7,242,936	-	(7,242,936)	-	-	-
Transferred to stage (2)	(3,016,212)	-	3,016,212	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	(296,927)	-	(1,695)	-	-	(298,622)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	88,416,668	-	6,024,458	-	-	94,441,126

The movement on provision for the indirect credit facilities - letters of guarantee

	stage one		stage two			
	Individual	Collective	Individual	Collective	Stage three	total
	JD	JD	JD	JD	JD	JD
Balance - January 1, 2018	-	-	-	-	-	-
The impact of applying the international standard (9)	119,944	-	117,993	-	-	237,937
The adjusted balance in January 1, 2018	119,944	-	117,993	-	-	237,937
Impairment losses on new Facilities during the year	75,060	-	3,177	-	-	78,237
recoveries on impairment losses on matured exposure	(7,815)	-	(96,303)	-	-	(104,118)
Transferred to stage (1)	988	-	(988)	-	-	-
Transferred to stage (2)	(8,664)	-	8,664	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	2,118	-	(10,462)	-	-	(8,344)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	181,631	-	22,081	-	-	203,712

The distribution of the total indirect credit facilities (unutilized limit facilities) as follows:

	2018						2017
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	22,053	649,490	-	-	-	671,543	101,448
2	-	-	-	-	-	-	-
3	-	246,489	-	-	-	246,489	-
4	-	383,552	-	-	-	383,552	-
5	20,718,955	5,663,434	730,697	-	-	27,113,086	42,863,072
6	19,508,882	481,021	4,224,799	2	-	24,214,704	9,003,711
7		12,625	1,226,713	153	-	1,239,491	(517,421)
8	-	-	53,903	-	-	53,903	674,594
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
Total	40,249,890	7,436,611	6,236,112	155	-	53,922,768	52,125,404

The movement of indirect credit facilities - unutilized limit facilities

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	39,090,729	7,350,246	5,556,259	128,170	-	52,125,404
New credit facilities during the year	16,914,241	3,771,666	3,555,788	155	-	24,241,850
Settled credit facilities	(17,886,863)	(3,695,453)	(2,197,545)	(117,723)	-	(23,897,584)
Transferred to stage (1)	3,493,955	10,152	(3,493,955)	(10,152)	-	-
Transferred to stage (2)	(971,117)	-	971,117	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	(391,055)	-	1,844,446	(295)	-	1,453,098
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	40,249,890	7,436,611	6,236,112	155	-	53,922,768

The movement of Indirect credit facilities' provision - unutilized limit facilities

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS no. (9)	80,092	29,726	45,033	5,031	-	159,882
The adjusted balance for Jan, 2018	80,092	29,726	45,033	5,031	-	159,882
Impairment losses on new Facilities during the year	106,660	6,945	42,367	7	-	155,979
Reversed from impairment losses on matured facilities	(40,483)	(22,643)	(21,109)	(4,327)	-	(88,562)
Transferred to stage (1)	23,580	19	(23,580)	(19)	-	-
Transferred to stage (2)	(6,689)	-	6,689	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	2,161	-	15,091	(685)	-	16,567
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	165,321	14,047	64,491	7	-	243,866

The distribution of the total indirect credit facilities (letters of credit) as follows:

	2018						2017
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
3	3,190,500	-	-	-	-	3,190,500	1,063,500
4	-	-	-	-	-	-	-
5	21,104,705	-	28,372	-	-	21,133,077	22,061,935
6	8,528,690	-	369,004	-	-	8,897,694	24,593,934
7		-	-	-	-	-	-
8	-	-	599,302	-	-	599,302	1,576,101
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
Total	32,823,895	-	996,678	-	-	33,820,573	49,295,470

The movement of the indirect credit facilities- Letters of credit

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	36,823,416	-	12,472,054	-	-	49,295,470
New credit facilities during the year	23,560,634	-	544,595	-	-	24,105,229
Settled credit facilities	(29,533,562)	-	(7,389,353)	-	-	(36,922,915)
Transferred to stage (1)	2,001,767	-	(2,001,767)	-	-	-
Transferred to stage (2)	(28,373)	-	28,373	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	13	-	(2,657,224)	-	-	(2,657,211)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	32,823,895	-	996,678	-	-	33,820,573

The movement of the indirect credit facilities- Letters of credit

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance on Jan, 2018	-	-	-	-	-	-
Effect of implementing IFRS no. (9)	106,792	-	156,877	-	-	263,669
The adjusted balance for Jan, 2018	106,792	-	156,877	-	-	263,669
Impairment losses on new Facilities during the year	73,929	-	6,434	-	-	80,363
Reversed from impairment losses on matured facilities	(85,586)	-	(63,493)	-	-	(149,079)
Transferred to stage (1)	234	-	(234)	-	-	-
Transferred to stage (2)	(105)	-	105	-	-	-
Transferred to stage (3)	-	-	-	-	-	-
Effect on total exposure during the stages	54	-	(92,701)	-	-	(92,647)
Effect of adjustment	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	95,318	-	6,988	-	-	102,306

23. Issued and paid capital

The paid-up capital amounted to JD 110,000,000 divided into 110,000,000 shares at a par value of JD 1 per share as of Dec 31, 2018 and 2017.

Dividends Paid

The General Assembly approved in its meeting held on April 29, 2018, the distribution of cash dividends amounting to JD 5,500,000 equivalent to 5% of the paid in capital.

Proposed Cash Dividends

The Bank Board of Director proposed in its meeting held on 24, Feb, 2019 the distribute cash dividends to the shareholder amounting to JD 8,250,000 equivalent to 7.5% of the paid in capital.

24. Reserves

A- Statutory Reserves

The total amounts in the account includes the transferred profits before taxes in proportion of 10% during the year and the previous years according to the bank's regulations and it is not distributable among shareholders.

B. Voluntary Reserves

The total amounts in this account includes the transferred profits before taxes in proportion of 20% during the year and the previous years. The voluntary reserve is used in specified situations according to the board of directors and the general assembly have the authorization to distribute all of it or any part of it as dividends on shareholders.

C. General banking risk reserves

This item is according the Jordanian Central Bank Instructions

The reserves that are restricted to dispose of as follows:

The name of the reserve	2018	2017	The nature of the Restriction
	JD	JD	
Statutory reserve	27,613,436	26,192,302	According to the Bank's regulations and companies' law
General banking risk reserve	-	5,930,328	According to the Jordanian's central bank's regulations

25. Fair value reserve - Net

This item's details are as follows:

	December 31, 2018				December 31, 2017
	Shares	Bonds	Hedging Derivatives	Total	Total
Balance - beginning of the year	-	-	(84,566)	(84,566)	(153,878)
Unrealized gain (losses) - Shares	(39,849)	(99,472)	99,455	(39,866)	106,634
Deferred tax liabilities	-	-	(5,658)	(5,658)	-
Deferred tax assets	15,143	37,799	-	52,942	(37,322)
Balance at the End of the Year	(24,706)	(61,673)	9,231	(77,148)	(84,566)

The reserve is shown in fair value after deducting deferred tax assets balance which is JD 52,942 and deducting the tax liabilities which is JD 5,658 as in December 31, 2018 (Deferred tax assets are JD 45,533 as in December 31, 2017).

26. Retained Earnings

The movement on retained earnings is as follows:

	For the Year Ended December 31, 2018	2017
	JD	JD
Balance - beginning of the year	17,939,516	17,163,992
Effect of the application of IFRS (9)	(9,368,807)	-
Effect of the application of IFRS9 (9) on deferred tax assets	5,082,137	-
Transferred from general banking risk reserve	5,930,328	-
Adjusted- beginning balance of the year	19,583,174	17,163,992
Income for the year - statement	9,716,214	12,964,911
Transferred from reserves	(1,421,134)	(2,289,387)
Dividends distribution (note 23)	(5,500,000)	(9,900,000)
Balance - End of the Year	22,378,254	17,939,516

- Retained earnings includes a restricted amount of JD 6,401,306 as in December 31, 2018 which represents deferred tax assets (JD 720,116 as of December 31, 2017) and an amount of JD 77,148 represents the negative change in financial assets at fair value as in December 31, 2018 (JD 84,566 as of December 31, 2017) , including capitalization or distribution only to the extent of what is actually recognized in accordance to the instructions of the Central bank of Jordan and the Jordanian Securities Commission.

- The general bank risk reserve is restricted and cannot be withdrawn without the Central Bank of Jordan's approval.

- Retained earnings includes an amount of JD 2,017 as of December 31, 2018 (JD 2,114 as an income for the year 2017) which represents the effect of early implementation of the IFRS no. (9). This amount may not be used except for the amounts actually realized from sale. and it includes unrealized loss amounted JD 102,804 as a loss in evaluating shares.

	Impacts on the Retained Earnings
	JD
Balance of retained earnings as of December 31, 2017	17,939,516
General banking risk reserve	5,930,328
The impact of implementing of international financial reporting standards no. (9)	(9,368,807)
The impact of the implementing of international financial reporting standard no. (9) (effect of the reclassification of the financial assets)	-
The impact of implementing of international financial reporting standards no. (9) on deferred tax assets/liabilities	5,082,137
Total Income	19,583,174
The balance of retained earnings (opening balance) as of January 1, 2018	9,716,214
Transferred to statutory reserve	(1,421,134)
Retained earnings	(5,500,000)
Balance at the end of the period	22,378,254

27. Expected credit loss(surplus) provision

The bank applied IFRS no. (9) starting from January, 2018 which requires calculating the expected credit loss in the financial assets as follows:

	2018	2017
	JD	JD
Deposits balances in Banks and financial institutions	(21,674)	-
Financial assets in fair value from other comprehensive income	(63,368)	-
Financial assets in amortized cost	(250,657)	-
Direct credit facilities	4,667,302	(492,293)
Discounted Letters of credit	30,700	-
Interests and revenues under collection	2,539	-
Contingent liabilities and commitments	(111,602)	-
	4,253,240	(492,293)

28. Interest Income

The details of this item are as follows:

	2018	2017
	JD	JD
Direct Credit Facilities		
Individual (retail)		
Overdraft	95,029	127,406
Loans and discounted bills	22,855,897	21,586,271
Credit cards	905,298	964,975
Real estate mortgages	6,101,731	6,148,803
Corporate lending		
Overdraft	5,734,868	4,694,054
Loans and discounted bills	11,043,977	8,681,433
Small and Medium enterprises lending "SME's)		
Overdraft	472,558	448,615
Loans and discounted bills	963,982	1,033,595
Government and Public Sector	54,114	83,036
Balances at central banks	275,863	344,543
Balances and deposits at banks and financial institutions	1,386,861	1,080,448
Financial assets at fair value through profit or loss	4,479,111	-
Financial assets at amortized cost	8,966,406	11,857,222
Interest income on margin trading financing for the subsidiary customer	2,635,077	2,606,153
Interest income on interest rate swap contracts	581,696	495,906
	66,552,468	60,152,460

29. Interest Expense

The details of this item are as follows:

	2018	2017
	JD	JD
Banks and financial institutions deposits	5,375,976	3,359,150
Customers deposits :		
Current accounts and demand deposits	43,290	41,013
Saving deposits	361,585	37,393
Time and notice deposits	21,890,861	16,265,177
Margin accounts	1,322,813	1,279,818
Loans and borrowings	2,765,610	1,957,550
Deposits guarantee fees	1,186,453	1,274,049
Interests paid on interest rate swap contracts	699,081	804,166
	33,645,669	25,018,316

30. Net income commission

The details are as follows:

	2018	2017
	JD	JD
Direct facilities commissions	1,562,193	1,682,451
Indirect facilities commissions	1,983,326	1,763,506
Net commission income	3,545,519	3,445,957

31. Gains on foreign currency exchange

The details are as follows:

	2018	2017
	JD	JD
Trading in foreign currencies	1,031,315	1,052,667
Revaluation of foreign currencies	192,530	(97,829)
	1,223,845	954,838

32. Gains of financial assets at fair value from Profit or Loss

The details are as follows:

	Realized Gain	Unrealized Gain	Dividends Distribution Income Shares	Total
	JD	JD	JD	JD
2018				
Quoted shares in active market	-	-	-	-
Bonds	-	-	-	-
	-	-	-	-

	Realized Gain	Unrealized Gain	Dividends Income	Total
	JD	JD	JD	JD
2017				
Quoted shares in active market	2,186	(21,460)	15,850	(3,424)
Bonds	29,763	-	-	29,763
	31,949	(21,460)	15,850	26,339

33. Gains of financial assets at fair value from Other comprehensive income

The details are as follows:

	2018	2017
	JD	JD
Depends distribution income for corporations	29,471	-
Gains on selling bonds	430,486	-
	459,957	-

34. Other Income

The details of this item are as follows:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Brokerage commission	912,276	1,046,985
Credit cards income	962,329	739,626
Management and consulting fees	21,149	24,651
Transfers commission	231,633	229,393
Recovery of debts off	174,633	240,023
Gains (loss) selling assets and equipment's	8,937	(142,494)
Returned cheques commission	93,708	124,620
Transferring salaries commission	295,058	291,252
Postal fees	516,276	628,448
Others	745,587	732,541
Total	3,961,586	3,915,045

35. Employees Expenses

The details of this item are as follows:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Salaries, benefits and allowances	10,352,528	9,744,060
Employees Bonuses	1,522,202	1,907,074
Social security contribution	1,252,317	1,199,784
Medical expenses	488,358	432,744
Training expenses	78,818	99,306
Travel and transportation expenses	28,428	43,577
Other	199,110	228,799
Total	13,921,761	13,655,344

36. Other Expenses

The details of this item are as follows:

	2018	2017
	JD	JD
Duties and Licenses	623,135	590,900
Computer expenses	1,145,182	1,040,375
Advertising and marketing expenses	441,057	701,595
Travel expense	27,566	20,096
General Administration expenses	362,202	360,905
Telecommunication expenses	935,244	976,521
Rent expense	1,457,541	1,758,216
Board of directors' expenses	521,322	520,677
Office supplies expenses	367,172	413,638
Lending fees	586,134	500,412
Consulting fees	157,435	137,356
Magazines and newspapers subscription	10,978	10,166
Work-related and statutory fees	633,608	422,786
Board of directors bonuses	80,000	80,000
ATM expenses	203,180	189,346
International Visa fees	162,679	147,400
Other	586,908	559,645
Total	8,301,343	8,430,034

37. Earning per share for the bank's shareholders

The details are as follows:

	2018	2017
	JD	JD
Profit for the year	9,716,214	12,964,911
Weighted Average for the shares number	110,000,000	110,000,000
Basic and diluted earnings per share (JD/Fils)	-/088	-/118

The share of basic stock is equivalent to diluted stock of share from the profit of the period.

38. Cash and cash equivalent

The details for this item are as follows:

	2018	2017
	JD	JD
Cash and balances with Central Bank of Jordan maturing within three months	49,020,779	72,984,906
Add: Balances at banks and financial maturing within 3 month	85,036,395	70,518,441
Less: Banks and financial institutions' deposits maturing within 3 month	(182,846,643)	(187,143,257)
	(48,789,469)	(43,639,910)

39. Derivatives

The following schedule represents the positive and negative fair value for the financial derivatives, beside the nominal value distribution to it's maturity

	Positive fair value	Negative fair value	Total of Nominal Value	The Nominal value Maturity, as the maturity date			
				Within 3 months	3-12 months	1-3 years	More than 3 years
	JD	JD	JD	JD		JD	JD
2018							
Foreign currencies derivatives kept for trading	405	24	245,173	116,994	128,179	-	-
Hedge interests rate swap contracts	15	-	11,415	-	4,325	3,545	3,545
	420	24					
2017							
Foreign currencies derivatives kept for trading	-	15	152,624	79,401	73,223		-
Hedge interests rate swap contracts	-	130	17,867	-	5,672	8,650	3,545
	-	145					

The nominal value represents the value of the current transaction for the year end, and do not reflect the market and the credit risk.

40. Related party transaction

Company name	Ownership percentage	Paid-up Capital 2018	Paid-up Capital 2017
	%	JD	JD
Arab Co- operation for Financial Investments Company Ltd	100	15,600,000	15,600,000

All the balances and transactions between the Bank and the subsidiary company were eliminated.

The bank entered into transactions with parent and affiliated companies, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the loans and advances granted to related parties are performing loans and are free of any provision for impairment.

The details for this item are as follows:

	Related Party				December 31,	
	Parent / Subsidiary Company	Executive Management	Bank employees	Board of Directors	2018	2017
	JD	JD	JD	JD	JD	JD
Consolidated Statement of Financial Position Items:						
Direct Credit facilities	-	2,277,541	9,031,003	2,645	11,311,189	10,900,042
Balances in banks and financial institutions	63,084,203	-	-	-	63,084,203	57,682,186
Deposits in banks and financial institutions	37,107,620	-	-	-	37,107,620	85,981,990
Costumers deposits	-	1,683,637	1,070,269	2,053,230	4,807,136	5,181,122
Loans and borrowing	2,836,000	-	-	-	2,836,000	-
Off Consolidated Statement of Financial Position Items:						
Letter of guarantees	14,318,737	-	-	2,000	14,320,737	17,852,555
letter of credit	8,041,465	-	-	-	8,041,465	10,691,749
Interest rate swap contracts	11,414,900	-	-	-	11,414,900	17,866,800
Currency swap contracts	121,055,750	-	-	-	121,055,750	14,224,000
					For the year ended December 31	
					2018	2017
Consolidated statement of Income Items:					JD	JD
Interest and commission income	1,755,577	56,287	190,705	50	2,002,619	1,456,927
Interests and commissions expense	(2,082,749)	(60,472)	(29,303)	(71,734)	(2,244,258)	(2,057,596)

Summary of The Bank's executive management remuneration:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
	JD	JD
Salaries and bonuses	2,889,815	2,983,854
Total	2,889,815	2,983,854

41. Risk Management

Based on the importance of managing the various risks that surround the Bank's business activities to which the Bank is or may be exposed in the future, the Bank continues to follow a risk management strategy in line with the direction of the Board of Directors, senior management, legislations, and laws issued by the Central Bank of Jordan, as well as with the policies and procedures of the parent institution in Bahrain, where the best international practices and the latest methods and techniques of risk management are applied. Moreover, risk management at the Bank is directly linked to the risk Management Committee of the Board of Directors.

The risk management process involves identification, measurement, evaluation and monitoring of financial and non-financial risks that can negatively affect the overall performance of the Bank. It is the responsibility of senior management to determine the main principles of risks and the amount of risks that the group can accept, as well as their optimal distribution to the Bank's various business activities and sectors. During 2018, the internal assessment of capital adequacy ICAAP, which included an assessment of the level of internal capital adequacy, legal liquidity ratios and other ratios, was continued on the basis of the expected business strategy for the next three years.

The Bank has been able to maintain a high level of capital adequacy as well as a comfortable liquidity ratio in anticipation of any stressful situations that may occur. It has also been able to maintain the Bank's durability according to ICAAP and Basel III requirements and to keep up with any modifications to the Basel requirements.

In accordance with the Central Bank's instructions issued and related to Stress Testing, the Bank has prepared a methodology for the application of these tests and adopted the business policy and procedures by the Board of Directors ' Risk committee, where the stressful situation tests are a key part of the Bank's risk management process at various levels, as follows:

- A key tool for understanding the Bank's risk system (risk profile) and its ability to withstand the shocks and high risks it may face.
- An important part of the capital planning process through the process of internal assessment of capital adequacy ICAAP.
- Assisting the Bank to estimate the amount of future capital that should be provided in the coming years in accordance with its established strategy.
- An important part of the process of identifying, measuring and controlling liquidity risk, to assess the liquidity risk of the Bank and the adequacy of liquidity shock attenuators

These tests are designed to assess the Bank's financial situation in a very serious but possible scenario, where the necessary reports have been made and submitted to the Risk Committee of the Board of directors, which in turn will adopt the assumptions and scenarios used, discuss the results of the tests, and adopt the actions to be taken based on these results.

Stressful situation tests governance
Stress tests are an integral and essential part of the corporate governance system, risk governance, and risk management culture, through enhancing the Bank's ability to identify and manage risks.

Board of Directors role:

- Ensuring an effective framework for stressful situation tests to assess the Bank's ability to withstand shocks and face high risks, as the Board has the ultimate responsibility for the stressful situation testing program and the adoption of policies and business processes in this regard.

- Ensuring that the Risk Management Department periodically performs stressful situation tests, and that the Board has a key role in adopting the hypotheses and scenarios used, and analysing the results of the tests and adopting the procedures to be taken on these results.

Senior Executive Management's role:
- Implementing and monitoring the Stress tests program, in accordance with the Board of Directors' approved methodology, which was originally based on the tests of the stressful situations according to the instructions of the Central Bank of Jordan.
- Ensuring that a qualified staff is available at the Risk Management Department to perform stressful situation tests and that the Department has the appropriate tools and means.
- Ensuring that a suitable number of possible scenarios related to the Bank's business are available and that these scenarios are understandable and documented.
- Using the results of Stress tests to establish and determine the risk tolerance of the Bank (Risk appetite) and in the capital and liquidity planning process.

Risk Management Department's role:
Design of the stress testing program and use of models and methodologies to test their impact on the Bank to cover, but not be limited to, the following aspects:

- Stress tests should include scenarios from the least severe to the most severe.
- Stress tests should cover all complex financial products if any.
- Stress test should take into account any possible changes in market that may adversely affect the Bank's risks concentration exposure.
- Stress tests should include scenarios to provide the size and effect of off -budgetary assets on different risk types.
- Stress tests should combine the Stress tests with some reputational risk scenarios by reversing the risk profile of the Bank that may affect the Bank's liquidity and it's liquid assets through deposits withdrawn by the customers.
- The used tests should be consistent with the degree of risk tolerance set by the Bank itself, so that the selected scenarios are suited to the size, nature, and complexity of the Bank's business and the risks associated with it.
- The stress testing program should include quantitative and qualitative methods to improve the comprehensiveness of these tests and to make them supportive of and complementary to the risk management models and methods used in the Bank.
- Stress test should include different types of tests, such as simple sensitivity tests based on changes in a single risk factor, and on scenarios based on statistical methods that take into account relationships between systemic risk factors in times of crisis (Scenario Analysis). The part of the Scenario Analysis tests is determined by the Central Bank of Jordan annually.

- An appropriate dialogue should be between the different stakeholders to take their views on possible shocks and situations in case they occur, in order to identify hypotheses and scenarios that are consistent with the internal and external risks to which the Bank may be exposed. In accordance with the instructions of the Central Bank of Jordan, where the Compliance Department, the Audit Department, the Central Operations Department, the Legal Department, the Department of Business and others are involved as the case may be and on an annual basis
- The results of the tests should be submitted to the Local Assets and Liabilities Committee and the Risk Committee of the Board of Directors of the Bank on an annual basis.

Internal audit role:

The Internal Audit Department is responsible for reviewing and evaluating the Stressfull Situations Test Framework at least annually and that the results of the Board's assessment and review are submitted.

During 2018, the Bank reviewed and updated all risk policies including liquidity risk management, including updating the Bank's credit policy for facilities of large and medium companies, as well as updating the investment ceilings and their approval by the Board of Directors. The Bank also pursued the risk strategy for the next three years based on the business plan for those years, including updating the document on the Risk Appetite Statement & Framework and determining the ceilings of the economic sectors within the corporate portfolio. The Bank is also keen to periodically review the various policies in order to deal with the surrounding risks and limit their impact.

During 2018, the Bank commenced the application of IFRS (9) requirements through applying the methodology adopted by the parent institution in Bahrain with some adjustments to suit the requirements of the Central Bank of Jordan in this regard. Moreover, the expected credit losses (ECL) have been calculated based on the stages of classification of assets within the stages specified in this standard in accordance with the Bank's financial statements for 2018. These results were presented to the Board of Directors, Risk Committee of the Board of Directors and the Local Committee of the Bank.

1. Definition of the Bank's implementation of default and the mechanism of dealing with default

The Bank follows and applies the Central Bank of Jordan's instructions no. (2009/47) dated December 10, 2009 for non-performing accounts of the credit portfolio for both the Arab Banking Corporation and Arab Co-operation for Financial Investments, where it classifies the non-performing debts and interest in suspense automatically in the Bank's system, according to the classifications included in the instructions (sub-standard, doubtful debts, and bad debts).

1) Bank's application of default:

The Central Bank of Jordan's instructions are applied with regards to the classification of impaired debts and suspension of interest. As for provisions, the Central Bank of Jordan's instructions and the internal Bank's policies are applied, whereby the most conservative results are taken.

2) Mechanism of default treatment:

- Scheduling of indebtedness according to the scheduling principles stated in the instructions of the Central Bank of Jordan.
- Effecting final repayment and deducting part of the debt.
- Taking legal procedures to collect the Bank's rights.
- Manually transferring non-performing accounts to performing accounts.

The above points are performed, taking into consideration the instructions of the Central Bank of Jordan and the internal policy adopted by the Bank, where the more conservative and strict procedures are adopted. The classification of risk ratings for non-performing accounts is adopted as follows:

Internal classification for the non performing facilities	Name
Sub-standard	9
Doubtful debt	10
Bad debts	11

2. **Detailed explanation of the Bank's internal credit classification system and its working mechanism.**

The Bank evaluates corporate customers based on an internal evaluation system through Moody's Company. Moreover, the evaluation relies on the financial elements and non-financial elements where the financial statements relating to the results of corporate clients are entered into the internal rating system when granting, reviewing, or modifying the ceilings of the facilities granted to the client within the ratios and financial indicators specific to the system. In addition, there are standards and non-financial requirements entered into the system to extract the customer's degree of risk classification based on the risk classification degree listed below. This degree is entered through the Bank's system, indicating that the classification degree 7 & 8 also includes watch list facilities accounts. On the other hand, the classification rating of (9,10, and 11) relates to the non-performing facilities accounts based on the Central Bank of Jordan's Instructions No. (47/2009). In this respect, the classification related to the watch list and non performing accounts are done automatically in the system.

Internal Risk Grade	**Description**
1	Exceptional
2	Excellent
3	Superior
4	Good
5	Satisfactory
6	Adequate
7	Marginal/Watch list
8	Special mention
NPLs (9,10 &11)	Sub-Standard, Doubtful and Loss

3. **Certified mechanism for calculating the expected credit losses (ECL) based on financial instruments and for each individual item.**

- The expected credit losses are calculated based on financial instruments classified under the amortized cost portfolio or through the other comprehensive income statement based on an individual basis, whether the financial assets are equity instruments or debt instruments. The calculation is performed according to the Treasury Department's business model approved by the Bank's Board of Directors, where these tools are subject to impairment calculation (Expected credit losses) according to IFRS (9) requirements. Meanwhile, loss is recorded in the statement of income.

- The debt instruments issued or guaranteed by the Government of Jordan are excluded from the expected credit loss.

4. Regulatory requirements for the application of International Financial Reporting Standard (9) including the responsibilities of the Board of Directors and Executive Management in ensuring compliance with the said requirements.

- The Board of Directors of the Bank shall adopt the policies and documents relating to the standards, methodologies and the bases for calculating the requirements of IFRS (9) according to the Central Bank of Jordan's instructions, including periodically reviewing the results of the expected credit losses calculation and keeping abreast of the developments, updates, bases, and other matters related to these results.

- The Board of Directors approves any exceptional case in which an allowance is made or expected credit losses are taken, and adjustments with the expected credit losses calculation results according to clear and reliable justifications.

- The Bank's Steering Committee is chaired by the CEO, and its membership consists of each of the heads of the executive departments concerned with the application. The members represent the heads of the business units, backing and support group, risk management, financial control, and information system management. This Committee supervises the draft application of IFRS (9), and is responsible for applying it to ensure that the concerned departments shall implement this plan according to the competence of each to comply with the roles assigned; implement the procedures related to the implementation steps and stages of applying this standard in the Bank; present the completion results once ready; and coordinate with the various credit committees in the Bank to obtain the necessary approvals for the cases that require an adjustment to the results of calculating the expected losses.

- The Credit Committee presents and reviews the list of accounts that need to be monitored closely and under control in order to verify that the size of the provisions calculated are in accordance with the required standard commensurate with the credit risk related to these accounts.

- The draft IFRS (9) application has been implemented through the Arab Banking Corporation/parent company in Bahrain. Moreover, agreement has been reached d to apply this standard at the Group level through Moody's Company and the external auditor of the group management to work together to implement the requirements of the Standard (9).

5. Definition of the mechanism for calculating and controlling the probability of default (PD), credit exposure at default (EAD), and the rate of loss given default (LGD).

- According to standard (9), the expected credit loss measurement model has been applied using the following framework:

- Credit exposure is calculated when there is default using Basel III requirements (standard method): loans and credit facilities (direct and indirect), debt instruments recorded at amortized cost, debt instruments recorded at fair value through the statement of comprehensive income, financial guarantees, as well as credit facilities granted within the Bank's subsidiary (Arab Cooperation for Investments), the unutilized direct ceilings, taking into consideration the conversion coefficient for indirect requirements. A rate of 100% has been adopted for calculating the exposure at default.

- The Probability of Default ratios have been calculated according to the results of the evaluation of the risk degree of the credit portfolio of the customers during the past years. Moreover, the required review has been conducted regarding the customer's risk assessment forms for all corporates and banks through Moody's company's system according to the following table:

Moody's Rating	Notch	ABC - Rating
Aaa	1	01
Aa1	2	02+
Aa2	3	02
Aa3	4	02-
A1	5	03+
A2	6	03
A3	7	03-
Baa1	8	04+
Baa2	9	04
Baa3	10	04-
Ba1	11	05+
Ba2	12	05
Ba3	13	05-
B1	14	06+
B2	15	06
B3	16	06-
Caa1	17	07+
Caa2	18	07
Caa3	19	07-
Ca	20	08
Sub-standard	-	09
Doubtful	-	10
Loss	-	11

- The loss ratio is calculated using the systems approved by the external supplier for Moody's company, assuming that the default happens after calculating the recoverable amount of the credit exposure and the timing of the recovery, taking into consideration the collaterals provided against the credit exposure and the application of the deduction ratios determined in accordance with the internal standards adopted by the Bank.

- The methodology for calculating the expected credit loss in the first and second stages was adopted on a Collective Basis level for the retail portfolio (personal loans, housing loans, credit cards and auto financing loans). Moreover, the Roll Rate Approach was adopted. The loss calculation is adopted on a collective level for the credit portfolio managed by Arab Cooperation for Financial Investments for the margin and cash financing products, where such portfolios or products carry similar credit risk and share several elements such as (type of product, quality of collateral provided, nature of financing, duration of financing, sector, etc.)

- The stress tests required in accordance with the standard, which is part of the expected credit loss calculation process, were adopted in three scenarios to study the future forecasts and their effect on the variables of the expected credit loss measurement model, represented by normal scenario, worse scenario, and better scenario, since we have adopted the weighted probability value for these scenarios.

- As for the calculation of the credit loss under Stage 3, we continue to follow the Central Bank of Jordan Instructions No. (47/2009) for the classification of non-performing debts, suspension of interest, calculation of provisions and acceptable deduction rates for guarantees.

6. Determinants of the significant change in the credit risk on which the Bank relies for calculating the expected credit losses

- To calculate the size of the credit loss for the facilities of corporate customers of all types to be classified as part of the second stage, the investment portfolio, indirect liabilities on individual basis, the determinants of the significant change in credit risk (high credit risk level) were adopted as follows:

- A decrease or deterioration in the actual internal credit rating of the borrower according to the internal rating system applied by the Bank related to comparison with the internal rating of the borrower at the time of granting the loan.

- Accounts with no risk rating degree on the system at the facility granting date classified in the second stage.

- The unpaid accruals on one of the client accounts or the borrower exceeding 30 days.

- Accounts classified as watch list (internal rating 7 and 8).

- Accounts that need to be actively monitored by the Bank within the account.

- Accounts that have restructured obligations of debtor (structuring obligations).

- As for the credit portfolio for retail facilities of all types, the customers' loans with dues for more than 30 days and less than 89 days are classified in the second stage.

7. The Bank's policy in identifying the common elements (s) on which the credit risk and expected loss are based on a collective basis

- The methodology for calculating the expected credit loss in the first and second stages was adopted at the Collective Base level for the retail portfolio (personal loans, housing loans, credit cards and auto financing loans). Moreover, the Roll Rate Approach was adopted. The loss calculation is adopted on a collective level for the credit portfolio managed by the Arab Cooperation for Financial Investments for margin and cash financing products , where such portfolios or products carry similar credit risk and share several elements such as (type of product, quality of collateral provided, nature of financing, duration of financing, sector, etc.).

- The roll-rate approach was used to calculate the probability of default for retail products for each product based on the reports extracted from the Bank during the past years and monthly to determine the distribution of receivables. The loss ratio was calculated by reference to the size of the realized recoveries of the distressed portfolio including demand detection for retail customers since 2014.

- The expected credit loss of the credit portfolio granted by the subsidiary "Arab Cooperation for Financial Investments" was calculated as the financing of the shares in the margin and cash financing product for the first and second stages. As for the risk degree of the clients of the working portfolio classified as stage one is considered to be equal to the level of the country's risk (Jordan).

- As for the degree of risk of the customer classified in the second stage, the country's risk rating is reduced by one degree, and the maturity date of the margin product is one full year. As for the cash financing product, the maturity of these facilities is 3 months, whereas for the loss ratio at default, 5% has been adopted for the facilities classified in stage 1 and 25% for the customers classified in stage 2.

8. **Primary economic indicators used by the Bank in calculating the expected credit loss probability of default (PD)**
   The parent institution in Bahrain used an external supplier to conduct the calculation of expected credit loss by adopting three scenarios to study the future forecasts and their impact on the variables of the credit loss measurement model. The economic factors used in the calculation were the economic growth ratios in Jordan and the stock price index.

The banking significant risk for the group and management tools to handle it.

(41/a) Credit Risk
Credit risk represents the other party's default or inability to meet its obligations to the Group which could result in loss. The Bank divides the direct credit facilities portfolio into four sections which include credit facilities for governments and financial institutions, including banks and companies, which include both corporate and medium size facilities; as well as retail facilities, including personal loans, housing loans and other products such as credit cards and car loans. These policies include rules and procedures that must be adhered to when granting or renewing facilities. They also include a special evaluation for each customer through rating, whereby Moody's Risk Advisor is currently used to classify the facilities of corporates and medium companies. This is performed automatically, and a Credit Scoring model is adopted to assess customers included in the retail portfolio.

The Bank is also pursuing a policy of diversification at the level of customers, economic sectors and geographical regions, which contributes to reducing the degree of credit risk. In order to control the risks of lending, the Risk Management Committee of the Board of Directors holds periodic meetings to discuss all matters related to credit risk, and is provided with quarterly reports on the distribution of the facility portfolio in terms of economic distribution, credit rating, geographical distribution, time limits for facilities, volume of anticipated credit losses, review of the results of regulatory and internal capital adequacy ratios, and the results of stressful situation tests and acceptable risk limits, which determine the direction of the Bank in the upcoming period. The adequacy of the low value of credit facilities is periodically reviewed in accordance with the instructions of the Central Bank of Jordan. Moreover, the volume of anticipated credit losses is reviewed in accordance with IFRS (9).

Details of the direct credit facilities portfolio are stated in Note (9). The Group's other off-balance sheet financial position obligations carrying credit risks are detailed in Note (41).

1 - Credit Exposures Distributions

Internal Rating for the Bank	External institutions classification	Category Classification According to (2009/47)	Total Exposure Value	Expected Credit Loss	Probability of Default	Exposure when Default	Average Loss on Default
			JD	JD	%	JD	%
1	Aaa	Performing Loans	10,127,895	19,574	from 0.0001 - to 0.0002	295,564	from 0.02 - to 0.5071
2	Aa1 , Aa2 , Aa3	Performing Loans	4,337,006	18	from 0.0003 - to 0.0006	3,669,835	from 0.2926 - to 0.4529
3	A1 , A2 , A3	Performing Loans	26,926,497	48,225	from 0.0005 - to 0.0036	18,498,938	from 0.02 - to 0.4927
4	Baa1 , Baa2 , Baa3	Performing Loans	56,969,234	349,178	from 0.0014 - to 0.0083	10,504,440	from 0.02 - to 0.5083
5	Ba1 , Ba2 , Ba3	Performing Loans	594,522,498	2,591,126	from 0.0067 - to 0.0472	322,214,677	from 0.02 - to 0.602
6	B1 , B2 , B3	Performing Loans	479,883,357	3,104,825	from 0.021 - to 0.1161	455,658,298	from 0.02 - to 0.5353
7	Caa1 , Caa2 , Caa3	Performing Loans	32,800,460	2,157,663	from 0.0645 - to 0.1856	29,917,434	from 0.02 - to 0.543
8	Ca	Performing Loans	16,782,787	3,784,482	from 0.2374 - to 0.26	16,806,647	from 0.02 - to 0.527
Unclassified		Performing Loans	60,820,905	-			
Total			1,283,170,639	12,055,091		857,565,833	
Non Performing exposures							
9		Non Performing	998,133	306,770	100%	1,304,903	
10		Non Performing	1,710,308	2,659,329	100%	4,369,637	
11		Non Performing	482,053	17,133,998	100%	17,616,051	
Total			3,190,494	20,100,097		23,290,591	
Net total			1,286,361,133	32,155,188		880,856,424	

2. Credit risk according to economic sectors:

a. Distributions according to financial instruments exposure:

Thousand of JD'S

	Financial	Industrial	Trading	Real Estate	Agriculture	Stock	Individuals	Government and Public	Other Services	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash at central Banks	-	-	-	-	-	-	-	41,839,445	-	41,839,445
Balances at banks and financial institutions	85,029,146	-	-	-	-	-	-	-	-	85,029,146
Deposits at banks and financial institutions	27,956,035	-	-	-	-	-	-	-	-	27,956,035
Direct Credit facilities	4,660,057	145,897,630	56,902,336	92,016,774	1,674,099	26,468,279	233,363,977	933,726	51,614,484	613,531,362
Bonds and bills:										
Within: Financial assets at amortized cost	36,939,200	-	-	-	-	-	-	140,929,362	-	177,868,562
Within: Financial Assets through other comprehensive income	10,427,830	-	-	-	-	-	-	92,160,082	-	102,587,912
Within. Mortgaged financial assets	-	-	-	-	-	-	-	35,018,148	-	35,018,148
Other Assets	15,258,979	274,739	23,535	121,439	463	-	676,934	4,537,707	2,144	20,895,940
Total for the year	180,271,247	146,172,369	56,925,871	92,138,213	1,674,562	26,468,279	234,040,911	315,418,470	51,616,628	1,104,726,550
Letter of guarantees	1,313,512	5,527,658	72,281,611	14,073,051	84,976	-	-	-	956,606	94,237,414
Letter of credit	653,170	15,670,027	15,104,781	1,346,019	-	-	-	-	944,270	33,718,267
Other Liabilities	12,766,298	9,704,267	17,322,656	2,844,366	163,984	-	7,422,712	-	3,454,619	53,678,902
Total	195,004,227	177,074,321	161,634,919	110,401,649	1,923,522	26,468,279	241,463,623	315,418,470	56,972,123	1,286,361,133

b. Distribution of exposure according to staging IFRS (9)

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Financial	191,500,469	-	3,503,758	-	-	195,004,227
Industrial	133,278,016	-	43,057,444	-	738,861	177,074,321
Trading	131,808,651	-	29,267,889	-	558,379	161,634,919
Real Estates	20,115,020	67,178,685	11,076,482	10,753,316	1,278,146	110,401,649
Agriculture	677,165	-	1,246,357	-	-	1,923,522
Stock	-	18,961,970	-	7,231,791	274,518	26,468,279
Individual	617,691	229,569,605	-	10,935,738	340,589	241,463,623
Government and public sector	315,418,470	-	-	-	-	315,418,470
Other Services	55,821,490	-	1,150,633	-	-	56,972,123
Total	849,236,972	315,710,260	89,302,563	28,920,845	3,190,493	1,286,361,133

3. Exposure distribution according to geographical distribution

a. Total exposure distribution according to geographic region:

	Inside Jordan	Other Middle East Countries	Europe	Asia	Africa	America	Other Countries	Thousand of JD'S
	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central Banks	41,839,445	-	-	-	-	-	-	41,839,445
Balances at banks and financial institutions	41,195,274	13,092,504	17,121,148	12,249	81,726	13,524,709	1,536	85,029,146
Deposits at banks and financial institutions	-	14,180,000	13,776,035	-	-	-	-	27,956,035
Credit facilities	613,531,362	-	-	-	-	-	-	613,531,362
Bonds and bills:								
Within: Financial Assets through other comprehensive income	92,160,082	10,427,830	-	-	-	-	-	102,587,912
Within: Financial assets at amortized cost	177,868,562	-	-	-	-	-	-	177,868,562
Mortgaged financial assets (liabilities)	35,018,148							35,018,148
Other Assets	5,908,341	3,940,153	2,204	11,023,617	-	21,625	-	20,895,940
Total for the year	1,007,521,214	41,640,487	30,899,387	11,035,866	81,726	13,546,334	1,536	1,104,726,550
Letter of guarantees	67,735,665	9,579,100	11,901,949	5,020,700	-	-	-	94,237,414
Letter of credit	29,339,159	3,190,064	-	-	1,189,044	-	-	33,718,267
Other Liabilities	53,678,902	-	-	-	-	-	-	53,678,902
Total	1,158,274,940	54,409,651	42,801,336	16,056,566	1,270,770	13,546,334	1,536	1,286,361,133

b. Exposure distribution according to staging (IFRS 9)

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Inside Jordan	721,186,340	315,710,260	89,267,002	28,920,845	3,190,493	1,158,274,940
Other Middle East countries	54,409,651	-	-	-	-	54,409,651
Europe	42,765,775	-	35,561	-	-	42,801,336
Asia	16,056,566	-	-	-	-	16,056,566
Africa	1,270,770	-	-	-	-	1,270,770
America	13,546,334	-	-	-	-	13,546,334
Other Countries	1,536	-	-	-	-	1,536
Total	849,236,972	315,710,260	89,302,563	28,920,845	3,190,493	1,286,361,133

4. Credit exposure that have been reclassified

a. Total credit exposure that have been reclassified:

	Stage (2)		Stage (3)			
	Total Exposure Amount	Exposure that have been Reclassified	Total Exposure Amount	Exposure that have been Reclassified	Total Exposure that have been Reclassified	Percentage of Exposure that have been Reclassified
	JD	JD	JD	JD	JD	%
Direct Credit facilities	101,705,254	30,396,311	3,190,494	3,012,351	33,408,662	2.584%
Within: Financial Assets through other comprehensive income	3,357,232	-	-	-	-	
Total	105,062,486	30,396,311	3,190,494	3,012,351	33,408,662	2.584%
Letter of guarantees	6,002,376	3,007,548	-	-	3,007,548	0.232%
Letter of credit	989,690	28,267	-	-	28,267	0.002%
Other Liabilities	6,258,637	964,428	-	-	964,428	0.075%
Net Total	118,313,189	34,396,554	3,190,494	3,012,351	37,408,905	2.893%

Reclassified credit exposures

b. Expected credit loss for exposure that have been reclassified:

	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
	Exposure Reclassified from Stage (2)	Exposure Reclassified from Stage (3)	Total	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Stage (3) Collective	Total (Thousand of JD'S)
Description	JD	JD	JD	JD	JD	JD	JD	JD
Direct Credit facilities	30,396,311	3,012,351	33,408,662	303,911	933,558	1,094,990	2,739,475	5,071,934
Total	30,396,311	3,012,351	33,408,662	303,911	933,558	1,094,990	2,739,475	5,071,934
Letter of guarantees	3,007,548	-	3,007,548	8,664	-	-	-	8,664
Letter of credit	28,267	-	28,267	105	-	-	-	105
Other Liabilities	964,428	-	964,428	6,689	-	-	-	6,689
Net Total	34,396,554	3,012,351	37,408,905	319,369	933,558	1,094,990	2,739,475	5,087,392

5. Credit Risk Exposures (after provision for impairment, outstanding interest and before collateral and other risk mitigates):

	December 31,	
	2018	2017
	JD	JD
Consolidated Financial Position Items		
Balances at central Banks	41,839,445	65,488,111
Balances at banks and financial institutions	85,029,146	70,518,441
Deposits at banks and financial institutions	27,956,035	14,180,000
Credit facilities- net:		
Individual	253,264,540	242,417,448
Real estate mortgages	78,554,588	81,473,674
Companies		
Corporates	262,708,300	252,582,730
SME's	18,070,208	19,432,585
Government and Public Sector	933,726	1,118,950
Bonds, bills and debentures:		
Within: Financial Assets through profit and loss	-	-
Within: Financial Assets through other comprehensive income	102,587,912	-
Within: Financial assets at amortized cost	177,868,562	322,727,016
Mortgaged financial assets	35,018,148	-
Other Assets	20,895,940	29,026,605
Total	1,104,726,550	1,098,965,560
Items off-consolidated statement of financial Position		
Letter of guarantees	94,237,414	126,214,394
Letter of credit	25,053,007	32,789,789
Acceptances	8,665,260	16,505,681
Un-utilized facilities ceilings	53,678,902	52,125,404
Total	181,634,583	227,635,268
Net total	1,286,361,133	1,326,600,828

The guarantees against the loans and facilities are:

Real Estate Mortgage

Financial instruments mortgage, such as shares

Bank Guarantee

Cash warranty

Governmental Guarantee

The management observes the market value for the collaterals periodically incase there is a decline in the value of the collateral the bank will require additional collaterals to cover the deficiency value in addition to the group will evaluate the collaterals against non-perfuming credit facilities periodically.

6. Expected credit loss as December 31 2018

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
Description	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	7,249	-	-	-	-	7,249
Credit facilities	935,956	1,516,194	7,351,091	1,499,020	20,100,097	31,402,358
Debt instruments within financial assets port filo at amortized cost	60,800	-	-	-	-	60,800
Debt instruments Within financial assets at fair value through other comprehensive income	12,322	-	85,642	-	-	97,964
Letter of guarantees	181,631	-	22,081	-	-	203,712
Un-utilized ceilings	165,321	14,047	64,491	7	-	243,866
Letter o credit	95,318	-	6,988	-	-	102,306
Other	36,127	-	806	-	-	36,933
Total	1,494,724	1,530,241	7,531,099	1,499,027	20,100,097	32,155,188

Expected credit loss as January 1st 2018

	Stage (1)		Stage (2)			
	Individual	Collective	Individual	Collective	Stage (3)	Total
Description	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	28,923	-	-	-	-	28,923
Credit facilities	854,637	1,703,178	5,879,777	778,991	20,606,868	29,823,451
Debt instruments within financial assets port filo at amortized cost	136,963	-	174,494	-	-	311,457
Debt instruments Within: Financial assets at fair value through other comprehensive income	26,218	-	135,114	-	-	161,332
Letter of guarantees	119,944	-	117,993	-	-	237,937
Un-utilized ceilings	109,818	-	50,064	-	-	159,882
Letter of credit	106,792	-	156,877	-	-	263,669
Other	3,693	-	-	-	-	3,693
Total	1,386,988	1,703,178	6,514,319	778,991	20,606,868	30,990,344

Following the collateral fair value distribution against the total credit exposure:

Thousand of JD'S

Description	Total exposure	Collateral Fair Value: Cash Margins	Trading shares	Accepted Bank Guarantees	Real Estate	Cars & Vehicles	Others	Total Collateral Value	Net Exposed -Post collateral	Expected Credit Loss
2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central Bank	41,839,445	-	-	-	-	-	-	-	41,839,445	-
Balances at banks and financial institutions	85,029,146	-	-	-	-	-	-	-	85,029,146	7,249
Deposits at banks and financial institutions	27,956,035	-	-	-	-	-	-	-	27,956,035	-
Credit facilities										
Individuals	253,264,540	17,961,746	20,085,678	-	124,289	655,110	-	38,826,823	214,437,717	16,814,614
Real estate Loans	78,554,588	161,981	-	-	73,708,850		3,820,021	77,690,852	863,736	537,848
Enterprises										
Corporate enterprises	262,708,300	7,352,928	6,702,029	-	20,791,232	7,591,080	360,917	42,798,186	219,910,114	12,967,424
Small and Medium enterprises (SME's)	18,070,208	6,817,166	-	-	5,500,650	14,000	933,726	13,265,542	4,804,666	1,082,472
Governments and public sector	933,726	-	-	-	-	-	-	-	933,726	-
Bonds, bills and debentures										
Within: Financial Assets through profit and loss	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through other comprehensive income	102,587,912	-	-	-	-	-	-	-	102,587,912	97,964
Within: Financial assets at amortized cost	177,868,562	-	-	-	-	-	-	-	177,868,562	60,800
Mortgaged financial assets (Debt Instruments)	35,018,148	-	-	-	-	-	-	-	35,018,148	-
Other assets	20,895,940	-	-	-	-	-	-	-	20,895,940	36,933
Total	1,104,726,550	32,293,821	26,787,707	-	100,125,021	8,260,190	5,114,664	172,581,403	932,145,147	31,605,304
Letter of guarantees	94,237,414	3,155,122	-	-	-	-	-	3,155,122	91,082,292	203,712
Letter of credit	33,718,267	576,440	-	-	-	-	-	576,440	33,141,827	102,306
Other Liabilities	53,678,902	1,059,654	-	-	-	-	-	1,059,654	52,619,248	243,866
Net Total	1,286,361,133	37,085,037	26,787,707	-	100,125,021	8,260,190	5,114,664	177,372,619	1,108,988,514	32,155,188

Following the collateral fair value distribution against the total credit exposure for stage (3) :

		Collateral Fair Value								
Description	Total exposure	Cash Margins	Trading shares	Accepted Bank Guarantees	Real Estate	Cars & Vehicles	Others	Total Collateral Value	Net Exposed - Post collateral	Expected Credit Loss
2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central Banks	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Credit facilities:										
Individuals	647,674	84,575	671,384	-	-	100,408	-	856,367	(208,693)	14,130,121
Real estate Loans	623,015	27,693	-	-	728,673		109,545	865,911	(242,896)	320,775
Enterprises										
Corporate enterprises	506,833	1,338	248,270	-	368,320	37,500	-	655,428	(148,595)	4,670,559
Small and Medium enterprises	1,412,971	9,959	-	-	1,395,669	-	20,700	1,426,328	(13,357)	978,642
Governments and public sector	-	-	-	-	-	-	-	-	-	-
Bonds and bills and debentures:										
Within: Financial Assets through profit and loss	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	-	-	-	-	-	-	-	-	-	-
Mortgaged financial assets (Debt Instruments)	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	3,190,493	123,565	919,654	-	2,492,662	137,908	130,245	3,804,034	(613,541)	20,100,097
Letter of guarantees	-	-	-	-	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-
Net Total	3,190,493	123,565	919,654	-	2,492,662	137,908	130,245	3,804,034	(613,541)	20,100,097

Rescheduled Debts:
These represent the debts pre-classified as non-performing credit facilities or derecognized as non-performing credit facilities according to assets rescheduling, and recognized as debts under Watch list debts. The total rescheduled debts was JD 704,499 as of December 31 2018 (JD 550,405 as for December 31 2017).

Restructured Debts:
Restructuring means rearranging the credit facilities through amending the installments, prolonging the facilities, postponing some other installments, increasing the grace period, or classifying the credit facilities as debts under Watch list. Restructured debts totaled JD 17,715,482, including some accounts that have been restructured twice during the year with a total of JD 1,826,065 as for December 31 2018 (a total of JD 10,924,474, including some accounts than have been restructured twice during the year with a total of JD 2,737,158 as of December 31 2017).

3. Bonds, Bills and debentures.
The following schedule shows the calcinations of Bonds, Bills, and Debentures according to external classifying institutions.

Grade	Institution Name	Within: Financial assets at amortized cost	
		December 31,	
		2018	2017
		JD	JD
A	Fitch	-	3,545,000
Baa2	Moody's	-	2,125,990
Baa3	Moody's	-	3,545,000
BBB+	Fitch	-	3,545,000
BB+	Fitch	-	3,545,000
Unclassied	-	36,939,200	40,000,000
Governmental	-	140,929,362	266,421,026
Total		177,868,562	322,727,016

Grade	Institution Name	Within: Financial assets through comprehensive income	
		December 31,	
		2018	2017
		JD	JD
A3	Moody's	3,521,887	-
Baa3	Moody's	3,439,962	-
BBB+	Fitch Rating	3,465,982	-
Governmental	-	92,160,081	-
Total		102,587,912	-

Grade	Institution Name	Within: Financial assets at amortized cost – Mortgaged	
		December 31,	
		2018	2017
		JD	JD
Governmental	-	35,018,148	-
Total		35,018,148	-

(41/B) Market risk

Market risk relates to the losses from the financial positions on- and off- the statement of financial position arising from the changes in interest rates, exchange rates, and shares' prices. Moreover, market risk is monitored and managed by the Market Risks Department, other committees and regulatory entities, including the Assets and Liabilities Committee and Risk Management Committee.

The Bank manages market risks from the Bank's investments in bonds and shares, exchange of foreign currencies, and certificates of deposit using multiple advanced techniques in order to achieve comprehensive management for this kind of risks such as VaR (Value at Risk) which the Bank calculates daily. Moreover, the Bank uses the (Historical Simulation) which is based on several assumptions such as calculation for one day (one-day time horizon) and a confidence level of 99%. In this respect, VaR results are compared daily with the portfolio profit and losses.

The Bank also calculates the effect of the sensitivity of the change in interest rates for the financial instruments that change in accordance with the change in interest rates; and for the main currencies that the Bank deals with according to (BPV) Basis Point Value based on calculating the expected possible losses for the change in interest rate at one basis point (DV01) .

The following schedule shows the effect of market risk on the income statement according to VaR for 2018:

	Currency risk effect	Effect on property instruments	Effect of connections and Interferences	Total
For the year 2018	JD	JD	JD	JD
Average	-	-	-	-
Maximum	-	-	-	-
Minimum	-	-	-	-
For the year 2017				
Average	-	-	-	-
Maximum	-	-	-	-
Minimum	-	-	-	-

* Trading portfolio.

The following schedule shows the effect of financial instruments risk on the income statement according to the sensitivity analysis if the interest rate declined by one percent:

For the year 2018

According to the financial instruments(BPV=DV01)	
Financial Instrument	DV01 value
	JD
Bonds	(62,595)
Gaps in bond's maturity	-
Finance Market	70
Interest / Currency swaps	2,308
Certificates of deposits	-

For the year 2017

According to the financial instruments(BPV=DV01)	
Financial Instrument	DV01 value
	JD
Bonds	(58,333)
Gaps in bond's maturity	-
Finance Market	406
Interest / Currency swaps	3,080
Certificates of deposits	(1)

The following schedule shows the effect of currency risk on the income statement according to the sensitivity analysis if the currency rates declined by one percent:

For the year 2018

According currencies	
Currency	DV01 value
	JD
Euro	(677)
Sterling Pound	(3)

For the year 2017

According currencies	
Currency	DV01 value
	JD
Euro	(309)
Sterling Pound	(69)

(41/C) Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to provide the necessary funding to meet its liabilities due to the inability to liquidate the assets. To minimize these risks, the Bank's management diversifies its sources of funds, manages and aligns the maturities of assets and liabilities, and maintains with a sufficient balance of cash and cash equivalents.

Within the framework of the general strategy to achieve a return on its investments, the Bank reviews and manages liquidity at various levels, including Treasury, Financial Audit Department, the Risks Management Department, as well as the Compliance Committee. The cash flow review includes an analysis of the maturity profile of assets and liabilities in an integrated manner. It analyzes the sources of funds, which include customers, correspondent banks, affiliates and associate, the Bank's branches in Jordan, and the distribution and concentrations of customer deposits by sector.

The Bank follows a liquidity management strategy approved by the Board of Directors aimed at implementing a comprehensive concept for managing the liquidity risk and associated dependencies efficiently and effectively. It also takes into consideration the diversification and appropriate distribution between sources and uses of funds.

The liquidity contingency plan has been developed and approved and is an integral part of the liquidity risk management policy, which would be activated where liquidity risk arises to manage the risk, and if the bank is exposed to any unexpected withdrawals of customers' deposits exceeding the accepted liquidity ratios.

The contractual maturity dates of the assets and liabilities in the schedule have been determined based on the remaining period from the date of the consolidated statement of financial position until the contractual maturity date regardless of the actual maturities reflected by historical events relating to maintaining deposits and the availability of liquidity.

The Bank complies with the instructions of the Central Bank of Jordan which regulate that the foreign currency ratios should not become lower than 100% and not less than 70% for the Jordan Dinar. In addition, the liquidity ratios are reserved at levels higher than the minimum imposed by the central banks in the countries in which the Bank operates.

In the previous period, the Bank has conducted studies on the calculation of the size of the deposits (the Core Deposits) according to the historical behavior of the customers' deposits over the past five years, and reflected the results of this study in the reports on the management of liquidity risk.

Liquidity Risk(41/C)

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

As in December 31, 2018	less than one month Thousand of JD'S	1-3 months Thousand of JD'S	3-6 months Thousand of JD'S	6 months-1 year Thousand of JD'S	1-3 years Thousand of JD'S	More than 3 years Thousand of JD'S	without maturity Thousand of JD'S	Total Thousand of JD'S
Liabilities								
Deposits at banks and financial institutions	125,041	58,373	-	-	-	-	-	183,414
Deposits from customers	325,925	152,863	86,366	88,400	-	-	-	653,554
Cash margin	25,664	301	2,923	4,641	2,845	16,680	-	53,054
Borrowings	2,865	138	65	21,078	60,889	1,084	-	86,119
Various provisions	-	-	-	-	-	767	-	767
Income tax provision	4,710	289	-	-	-	-	-	4,999
Deferred tax liability	-	-	-	7	-	-	-	7
Other liabilities	8,841	3,915	2,257	3,257	101	550	-	18,921
Total	493,046	215,879	91,611	117,383	63,835	19,081	-	1,000,835
Total assets (as expected maturity)	191,030	139,854	118,639	160,064	197,956	319,546	18,815	1,145,904

As in December 31, 2017	less than one month Thousand of JD'S	1-3 months Thousand of JD'S	3-6 months Thousand of JD'S	6 months-1 year Thousand of JD'S	1-3 years Thousand of JD'S	More than 3 years Thousand of JD'S	without maturity Thousand of JD'S	Total Thousand of JD'S
Liabilities								
Deposits at banks and financial institutions	133,317	54,185	-	-	-	-	-	187,502
Deposits from customers	368,433	131,822	105,428	52,664	-	-	-	658,347
Cash margin	25,322	1,104	3,615	4,198	4,902	14,554	-	53,695
Borrowings	1,430	139	65	26,161	22,509	1,593	-	51,897
Various provisions	-	-	-	-	-	1,863	-	1,863
Income tax provision	2,860	-	3,092	-	-	-	-	5,952
Deferred tax liability	-	-	-	1	-	-	-	1
Other liabilities	9,900	3,256	1,501	2,414	143	130	-	17,344
Total	541,262	190,506	113,701	85,438	27,554	18,140	-	976,601
Total assets (as expected maturity)	246,879	106,752	92,307	139,918	250,236	278,631	13,340	1,128,063

Gap of re-pricing interest rate:
The classification is based on interest or accrual intervals whichever is closer:

The sensitivity of interest rate as follows:

As at December 31, 2018	Less than One Month	1-3 Months	3-6 Months	6 Months -1 Year	1-3 Years	More than 3 Years	Without Maturity	Thousand of JD'S
Assets	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Bank of Jordan	-	-	-	-	-	-	49,020,779	49,020,779
Balances at banks and financial institutions	47,869,879	33,924,851	-	-	-	-	3,234,416	85,029,146
Deposits at banks and financial institutions	-	-	27,956,035	-	-	-	-	27,956,035
Financial assets at Fair value from comprehensive	-	-	-	4,295,976	43,282,931	55,009,005	1,669,568	104,257,480
Direct Credit Facilities - Net	353,373,462	188,431,103	79,828,284	561,672	92,633	326,325	(9,082,117)	613,531,362
Financial assets at amortized cost	5,000,080	23,000,621	16,000,060	53,003,893	11,970,960	68,892,948	-	177,868,562
Mortgaged financial assets	-	-	-	-	35,018,148	-	-	35,018,148
Property and equipment	-	-	-	-	-	-	17,320,761	17,320,761
Intangible assets	-	-	-	-	-	-	1,494,202	1,494,202
Deferred tax assets	-	-	-	-	-	-	6,401,306	6,401,306
Other Assets	488,554	11,426,505	2,883,915	-	-	-	13,206,336	28,005,310
Total Assets	406,731,975	256,783,080	126,668,294	57,861,541	90,364,672	124,228,278	83,265,251	1,145,903,091
Liabilities								
Banks deposits and financial institution	124,747,206	58,099,437	-	-	-	-	-	182,846,643
Customers deposits	230,787,583	151,836,407	85,071,042	85,789,495	-	-	94,033,662	647,518,189
Cash Margins	40,868,812	-	-	-	-	-	10,665,879	51,534,691
Borrowings	2,857,154	136,875	63,562	20,222,407	54,876,033	974,445	-	79,130,476
Other provisions	-	-	-	-	-	-	767,226	767,226
Income tax provision	-	-	-	-	-	-	4,998,955	4,998,955
Deferred tax liability	-	-	-	-	-	-	6,894	6,894
Other Liabilities	-	-	-	-	-	-	18,921,251	18,921,251
Total Liability	399,260,755	210,072,719	85,134,604	106,011,902	54,876,033	974,445	129,393,867	985,724,325
Gap of re-pricing interest rate:	7,471,220	46,710,361	41,533,690	(48,150,361)	35,488,639	123,253,833	(46,128,616)	160,178,766
As at December 31, 2017								
Total assets	409,732,885	185,686,463	131,861,549	70,719,565	174,275,022	75,238,091	80,549,482	1,128,063,057
Total liability	443,151,351	185,274,654	104,221,421	76,640,302	20,898,880	1,417,783	136,216,862	967,821,253
Gap of re-pricing interest rate	(33,418,466)	411,809	27,640,128	(5,920,737)	153,376,142	73,820,308	(55,667,380)	160,241,804

Concentration of Foreign Currency Risk

As December 31, 2018	US Dollar	Euro	Sterling Pound	Japanese Yen	Other	Total
Assets	JD	JD	JD	JD	JD	JD
Cash and balances at Jordanian central bank	13,328,746	76,675	85,551	-	10,890	13,501,862
Balances at banks and financial institutions	63,298,599	16,681,933	3,370,915	12,249	1,665,388	85,029,084
Deposits at banks and financial institutions	14,180,000	13,776,035	-	-	-	27,956,035
Direct credit Facilities	95,034,686	9	-	-	-	95,034,695
Financial assets at fair value through other comprehensive income	11,299,884	50,280	-	-	-	11,350,164
Financial assets at amortized cost	-	-	-	-	-	-
Other assets	15,710,953	45,279	607	153,087	510,652	16,420,578
Total assets	212,852,868	30,630,211	3,457,073	165,336	2,186,930	249,292,418
Liabilities						
Bank deposits and financial institution	70,045,559	917,737	-	-	321,283	71,284,579
Customer deposits	133,244,721	26,628,423	3,288,925	1,224	860,199	164,023,492
Borrowings	2,836,000	-	-	-	-	2,836,000
Margin accounts	4,039,832	1,922,467	1	-	-	5,962,300
Other liabilities	4,518,325	14,129	166,709	-	944,395	5,643,558
Total Liabilities	214,684,437	29,482,756	3,455,635	1,224	2,125,877	249,749,929
Net concentration of consolidated Financial Position Items	(1,831,569)	1,147,455	1,438	164,112	61,053	(457,511)
Off-consolidated financial position Contingent Liabilities	113,875,881	9,508,467	127,567	156,721	9,886,375	133,555,011
As December 31, 2017						
Total Assets	194,898,625	31,487,230	3,734,905	230,802	4,352,027	234,703,589
Total Liabilities	253,128,493	30,078,076	3,730,641	1,235	4,128,927	291,067,372
Net concentration of consolidated Financial Position Items	(58,229,868)	1,409,154	4,264	229,567	223,100	(56,363,783)
Off-consolidated financial position Contingent Liabilities	119,276,315	24,797,191	-	1,078,134	26,109,984	171,261,624

Secondly: This schedule shows the maturity of the financial derivatives upon the residual period of the contractual maturity from the date of the financial statements:

(A) Financial derivatives/ Liabilities that are net (on the declining basis) and it includes:

1- Interest rates derivatives: trading contracts for interest rates, approving on the prices of the deferred interest, options of interest rate in the informal market , contracts of other interests, future contracts for the current interest rates in formal market, contractual options for the current interest rate in the formal market

	1-3 months	3-6 months	6 months -1 year	1-3 years	More than 3 years	Total
	JD	JD	JD	JD	JD	JD
2018						
Hedging Derivatives:						
Interest rate exchange	-	-	13,755	23,326	(22,192)	14,889
Total	-	-	13,755	23,326	(22,192)	14,889
2017						
Hedging Derivatives:						
Interest rate exchange	(13,471)	-	-	(39,350)	(77,281)	(130,102)
Total	(13,471)	-	-	(39,350)	(77,281)	(130,102)

(B) Financial Derivatives/ Liabilities that are settled at gross includes:

1- Foreign currency derivatives: future price, currency exchange

	1-3 months	3-6 months	6 months -1 year	1-3 years	More than 3 years	Total
	JD	JD	JD	JD	JD	JD
2018						
Description						
Trading derivatives:						
Currency exchange contracts						
Outflow	116,836,618	9,601,753	118,378,289	-	-	244,816,660
Inflow	116,994,132	9,582,844	118,596,326	-	-	245,173,202
Total outflows	116,836,618	9,601,753	118,378,289	-	-	244,816,660
Total inflows	116,994,132	9,582,844	118,596,326	-	-	245,173,302
2017						
Trading derivatives:						
Currency exchange contracts						
Outflow	36,466,784	42,968,923	-	73,079,200	128,357	152,643,264
Inflow	36,418,450	42,982,545	-	73,092,000	130,727	152,623,722
Total outflows	36,466,784	42,968,923	-	73,079,200	128,357	152,643,264
Total inflows	36,418,450	42,982,545	-	73,092,000	130,727	152,623,722

Thirdly : Off-financial position items:

	Up to 1 Year	1 - 5 Years	Over 5 Years	Total
	JD	JD	JD	JD
December 31, 2018				
Letters of credit and acceptances	28,533,631	5,184,636	-	33,718,267
Un-utilized limits	53,678,902	-	-	53,678,902
Letters of guarantee	83,178,681	9,884,569	1,174,164	94,237,414
Total	165,391,214	15,069,205	1,174,164	181,634,583
December 31, 2018				
Letters of credit and acceptances	36,803,730	12,491,740	-	49,295,470
Un-utilized limits	52,125,404	-	-	52,125,404
Letters of guarantee	107,019,077	17,749,045	1,446,272	126,214,394
Total	195,948,211	30,240,785	1,446,272	227,635,268

(41/D) Operational risk

Operational risks represent the losses that might impact revenues or paid-up capital due to non-sufficient reserve or the frailure of in internal procedures, information systems, human element, or due to external events that have tangible impact on the Bank's operations. Operation risks also include legal risk, excluding reputation and strategic risk.

For eputation and other risks such as strategic and quantitative risks that directly relate to liquidity risks, the Bank calculates capital to face those risks through evaluating it according to the adopted Scorecard form.

The Operational Risk Department continues to gather information and update the components of the operational risks (losses data, operational events, and other operational risks indicators) in the new operational risk management system which the Bank has started utilizing since the first of 2017. This includes other instruments used in operational risks management wich the system aims at utilizing for all concerned departments whether business departments, risk departments, or compliance departments, in addition to internal thus enabling Executive Management to be aware of financial and non-financial risks.

The methodology for risk assessment and operational controls and standards has also been pursued in terms of risk review at the process level, with the participation of all concerned parties, as well as the development of a tool to determine the controls required to be applied according to international standards by analyzing the gaps between what is applied and what is required and developing the necessary solutions around them to reach the specific goal of this assessment and ensure the availability of control systems that govern operations in the Bank.

As for managing the continuity of the Bank'ss operations, the management has upgraded the plan regarding the continuity and renewed the documents related to the (BIA) Business Impact Analysis, in addition to updating all departments and branches strategies. During 2017, a continuity test process has been conducted to test the efficiency, objectivity , and readiness of the systems in alternative sites.

(41/E) Information Technology Risk

It is the risk that the Bank may face as a result of using information technology in the Bank's operations that could lead to financial losses, legal proceedings, or an adverse impact on the Bank's reputation or its services.

According to Instructions No. (2016/65) dated 25/10/2016 and the related information technology management issued by the Central Bank of Jordan related to the subject of (COBIT5); and Regulations No. (1984/1/1/26) dated 26/02/2018 on adapting with cyber risk issued by the Central Bank of Jordan; and in order to enable the Risks Management Department to manage the information technology risks according to the requirements specifie within the issued instructions, an IT Risks Management has been established during 2018, within the Risks Management Department, to develop and apply the general framework of IT risk management at the Bank through coordinating with all of the Bank's concerned personnel and the parent company, taking into consideration the best practices and international standards in this regard.

The following is a briefing about what has been established:

1- Developing information technology risk strategy.

2- Developing work procedures about managing informational risk in accordance with (COBIT5) and all related tools to generate information and data analysis and prepare the reports.

3- Revising the policies and the procedures about the information system and managing the information security and work continuity.

4- Updating the paper related to the acceptable risk limits (Risk appetite statement and framework) and specifying an acceptable level for operating risks and cyber risks and obtaining the Board of Directors' approval thereon.

42. Segment Information

A. Information on Group business segment:

For management purposes the Bank Is organized into three major operating segments measured In accordance with the reports send to the chief executive decision maker:

- Retail banking.
- Corporate banking.
- Treasury.

These segments are the basis on which the Bank reports its primary segment information:

	Retail	Corporate	Treasury	Other	Total year end December 31, 2018	2017
	JD	JD	JD	JD	JD	JD
Total income	33,489,257	21,167,520	20,957,727	128,871	75,743,375	68,498,539
Provision for expected credit loss on financial assets	(1,867,796)	(2,595,930)	210,486	-	(4,253,240)	492,293
Segmental results	19,108,675	8,891,352	9,715,568	128,871	37,844,466	43,972,516
Unallocated segmental expenses					(23,633,125)	(24,539,797)
Profit before tax					14,211,341	19,432,719
Income tax					(4,495,127)	(6,467,808)
Net profit for the year					9,716,214	12,964,911
Capital expense					7,024,361	3,226,257
Depreciation and amortization					1,547,679	1,789,413
Other information						
Segmental assets	321,329,609	291,813,081	508,500,505	-	1,121,643,195	1,112,540,545
Unallocated segmental assets	-	-	-	24,259,896	24,259,896	15,522,512
Total Assets	321,329,609	291,813,081	508,500,505	24,259,896	1,145,903,091	1,128,063,057
Segmental liabilities	583,376,383	166,605,364	227,100,745	-	977,082,492	957,581,206
Unallocated segmental liabilities	-	-	-	8,641,833	8,641,833	10,240,047
Total Liabilities	583,376,383	166,605,364	227,100,745	8,641,833	985,724,325	967,821,253

b. Geographical distribution information

This disclosure represents the geographical distribution of the Group business. The Group operations are mainly concentrated within the local business.

The following is the geographical distribution of the Bank's Income, assets and Capital expenditures:

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Gross Income	72,386,618	65,591,500	3,356,757	2,907,039	75,743,375	68,498,539
Capital expenditures	5,851,066	3,005,082	1,173,294	221,175	7,024,360	3,226,257

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	1,048,594,849	1,022,220,620	97,308,242	105,842,437	1,145,903,091	1,128,063,057

43. Capital Management

A- The capital adequacy ratio as of December 31, 2018 and 2017 was calculated according to Basel III requirements where the regulatory capital of the bank consist of the primary capital of common stock (CET1) and the additional capital, and TIER 2.

B- Monitoring authority capital requirements

The Central Bank of Jordan's instructions require that the regulatory capital minimum limit is an equivalent to (12%) of the risks weighted off balance sheet assets in addition to market and operational risks. This percentage is considered the minimum limit to the capital adequacy, as the Bank is committed in all cases to maintaining an adequacy percentage exceeding the minimum limit with a suitable margin which conforming to the requirements of BASEL III.

C- Methods in achieving the capital management objectives

Capital management involves in the optimal employment of sources of funds for the purpose of achieving the highest possible revenue on the capital within the acceptable risks limits approved by the Board of Directors, while maintaining the minimum limit required in accordance with laws and regulations. The Bank follows a policy based on striving to reduce cost of funds to the minimal possible limit through originating low-cost fund resources and working on increasing the clients base, and the optimal employment of such resources in investments with reasonable risks to achieve the highest possible return on capital.

d. Capital Adequacy

In addition to subscribed capital, the capital includes the statuary reserve, voluntary reserve, share premium, retained earnings, cumulative change in fair value , general banking risk reserve, other reserves and treasury stocks.

The bank is committed to apply the requirements set forth by regulators concerning capital adequacy as follows:

1- Central Bank of Jordan instructions that capital adequacy ratio does not go below 12%.
2- Comply with the minimum limit set for the paid capital for Jordanian Banks such that it is not less than JD 100 million.
3- The Bank's investments in stocks and shares which should not exceed 50% of the subscribed capital.
4- The ratio of credit limits (credit concentration) to regulatory capital.
5- Banks and Companies laws related to the deduction of the legal reserve at a rate of 10% of the Bank's profit before tax.

	December 31,	
	2018	2017
	JD	JD
Common Equity Shareholders Rights		
Paid-up capital	110,000	110,000
Retained earnings less proposed dividends	14,126	12,438
Cumulative change in fair value of financial assets	(77)	(85)
Share premium	67	67
Statuary reserve	27,613	26,193
Voluntary reserve	197	197
Total Capital of Common Stock	**151,926**	**148,810**
Regulatory amendment (deduction from capital)		
Goodwill and intangible assets	(1,494)	(488)
Mutual investment in the capital of banking, financial and insurance (within CET 1)	-	-
Deferred tax assets	(6,401)	(720)
Total Primary Capital	**144,031**	**147,602**
Additional capital		
Total Capital (Tier 1)	144,031	147,602
Tier 2 Capital		
General Banking risk reserve / Stage 1 (IFRS9)	3,025	5,930
Regulatory amendment (deduction from capital) / Investments in subsidiary	-	-
Total Supporting Capital	**3,025**	**5,930**
Total Regulatory Capital	**147,056**	**153,532**
Total Risk Weighted Assets	**750,459**	**813,019**
Capital Adequacy Ratio (%)	%19.60	%18.88
Primary Capital adequacy Ratio (%)	%19.19	%18.15

Capital adequacy was calculated on December 31, 2018 and December 31, 2017 based on the basel committee III.

44. Maturity Analysis of Assets and Liabilities

The following table illustrates the assets and liabilities according to expected maturity periods:

	Within in 1 Year	More than 1 Year	Total
December 31, 2018	JD	JD	JD
Assets			
Cash and balances at central banks	49,020,779	-	49,020,779
Balances at banks and financial institutions	85,029,146	-	85,029,146
Deposits at banks and financial institutions	27,956,035	-	27,956,035
Financial assets at fair value through other comprehensive income	5,965,544	98,291,936	104,257,480
Direct credit facilities	318,992,720	294,538,642	613,531,362
Financial assets at amortized cost	97,004,654	80,863,908	177,868,562
Financial assets at mortgage cost	-	35,018,148	35,018,148
Property and equipment	1,430,000	15,890,761	17,320,761
Intangible assets	185,000	1,309,202	1,494,202
Deferred tax assets	6,401,306	-	6,401,306
Other assets	19,216,444	8,788,866	28,005,310
Total Assets	611,201,628	534,701,463	1,145,903,091
Liabilities:			
Banks and financial institutions deposits	182,846,643	-	182,846,643
Customers' deposits	647,518,189	-	647,518,189
Margin accounts	33,355,748	18,178,943	51,534,691
Borrowed funds	23,279,998	55,850,478	79,130,476
Sundry provisions	-	767,226	767,226
Income tax provision	4,998,955	-	4,998,955
Deferred tax liabilities	6,894	-	6,894
Other liabilities	18,270,382	650,869	18,921,251
Total Liabilities	910,276,809	75,447,516	985,724,325
Net	(299,075,181)	459,253,947	160,178,766

December 31, 2017	Within in 1 Year	More than 1 Year	Total
	JD	JD	JD
Assets:			
Cash and balances at central banks	72,984,906	-	72,984,906
Balances at banks and financial Institutions	70,518,441	-	70,518,441
Deposits at banks and financial institutions	14,180,000	-	14,180,000
Financial assets at fair value through other comprehensive income	175,317	-	175,317
Financial assets at fair value through profit or loss	670,416	-	670,416
Direct credit facilities	303,106,573	293,918,814	597,025,387
Financial assets at amortized cost	95,503,216	227,223,800	322,727,016
Property and equipment	1,450,000	11,402,791	12,852,791
Intangible assets	300,000	187,572	487,572
Deferred tax assets	720,116	-	720,116
Other assets	27,997,409	7,723,686	35,721,095
Total Assets	587,606,394	540,456,663	1,128,063,057
Liabilities:			
Banks and financial institutions deposits	187,143,257	-	187,143,257
Customers' deposits	654,114,098	-	654,114,098
Margin accounts	34,066,385	18,168,547	52,234,932
Borrowed funds	26,852,346	22,316,664	49,169,010
Sundry provisions	-	1,862,793	1,862,793
Income tax provision	5,952,374	-	5,952,374
Deferred tax liabilities	1,139	-	1,139
Other liabilities	17,070,507	273,143	17,343,650
Total Liabilities	925,200,106	42,621,147	967,821,253
Net	(337,593,712)	497,835,516	160,241,804

45. Contingent Liabilities and Commitments

This item consists of the following:

	December 31,	
	2018	2017
Letters of credit:	JD	JD
Import LCs	59,993,578	55,211,992
Export LCs	20,762,633	28,086,536
Acceptances	8,665,260	16,505,681
Letters of guarantee:		
Payments	34,457,227	36,390,535
Performance	36,998,300	57,735,939
Other	22,985,600	32,087,920
Unutilized commitments	53,922,769	52,125,404
Total	237,785,367	278,144,007

46. Lawsuits

The Bank is a defendant in a number of lawsuits amounting to JD 1,566,389 as of December 31, 2018 (JD 1,489,705 as of December 31, 2017). According to the Bank's lawyer and Bank's Management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided for amounting to JD 638,413 as of December 31, 2018 (JD 638,413 as of December 31, 2017).

47. Contractual Operating Lease

As for December 31, 2018 the bank had un- cancelable contractual operating leases with a total of JD 5,316,405.

Based on the initial estimates of the bank's management, there are operating leaseses of JD 5,316,405 except for short-term operating leases and low-value assets, and the bank will record the use of assets with a value of JD 3,956,553 and corresponding operating lease obligations of JD 3,956,553 , the effect on the income statement is to reduce the lease expense of JD 5,108,613 increase the consumption expense of JD 3,956,553 and increase the interest expense of JD 1,152,060.

48. Fair Value Measurement

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

Some financial assets and liabilities of the Bank are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets	Fair Value December 31, 2018	Fair Value December 31, 2017	The Level of Fair Value	Evaluation Method and Inputs used	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Quoted Shares in active markets	-	627,460	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted Shares in active markets	-	42,956	Level 2	According to last financial information available	N/A	N/A
Total	-	670,416				
Financial Assets at Fair Value Through Other Comprehensive Income:						
Bonds	102,587,912	-	Level 2	According to last financial information available	N/A	N/A
Quoted Shares in active markets	600,090	-	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted Shares in active markets	1,069,478	175,318	Level 2	According to last financial information available	N/A	N/A
Total	104,257,480	175,318				
Total Financial Assets at Fair Value	104,257,480	845,734				
Unrealized gains on financial assets	419,561	-	Level 2	According to last financial information available	N/A	N/A
Financial liabilities						
Unrealized losses on financial derivatives	23,537	145,209	Level 2	According to last financial information available	N/A	N/A
Total liabilities at fair value	23,537	145,209				

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

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

These financial instruments include cash balances and deposits with banks, central banks, direct credit facilities, other financial assets, customer deposits, bank deposits and other financial liabilities.
The fair value of financial instruments is not materially different from their book value.