



البنك العربي الإسلامي الدولي
ISLAMIC INTERNATIONAL ARAB BANK



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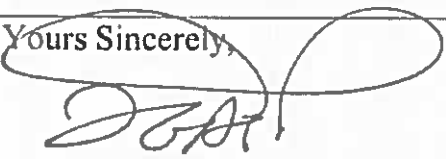
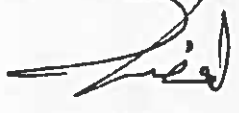
الرقم: درم/2020/88
التاريخ: 18/5/2020

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

السادة هيئة الأوراق المالية المحترمين
السادة بورصة عمان المحترمين

**Subject: English Audited Financial
Statements for the fiscal year ended
31/12/2019**

**الموضوع : البيانات المالية السنوية المدققة
باللغة الإنجليزية للسنة المنتهية في 2019/12/31**

Attached the English Audited Financial Statements of Islamic International Arab Bank plc. For the fiscal year ended 31/12/2019 After External Auditor and CBJ approval.	مرفق طيه نسخة من البيانات المالية المدققة باللغة الإنجليزية لشركة البنك العربي الإسلامي الدولي عن السنة المالية المنتهية في 2019/12/31 معتمدة من المدقق الخارجي وموافق عليها من البنك المركزي الأردني.
Yours Sincerely,  Iyad Asali General Manager	وتفضلوا بقبول فائق الاحترام،،،  إياد العسلي المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان

١٩ أيار ٢٠٢٠

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الرقم المتسلسل: ١١٢٥١
رقم الملف: ١١٢٥١
الجهة المختصة: ١١٢٥١

ISLAMIC INTERNATIONAL ARAB BANK

(PUBLIC SHAREHOLDING LIMITED COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholder OF ISLAMIC INTERNATIONAL ARAB BANK

Public Shareholding Company

Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Islamic International Arab Bank (Public Shareholding Company) (the "Bank"), which comprise the statement of financial position as at 31 December 2019, and statement of income, statement of other comprehensive income, statement of changes in shareholders' equity, statement of cash flows, and statement of sources and uses of funds of Al Qard Al Hasan fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and in accordance with Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

We conducted our audit in accordance with Auditing Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank 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 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.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

Expected credit loss of receivables and financing (Deferred sales receivables, Ijarah Muntahia Bittamleek receivables, Al Qard Al Hasan and other receivables), and financial assets at amortized cost.

Disclosures related to the expected credit loss of receivables and financing and financial assets at amortized cost are detailed in notes (6), (11) and (22) of the financial statements.

Key audit matter:

The expected credit loss of customer receivables and financing (Deferred sales receivables, Ijarah Muntahia Bittamleek receivables, Al Qard Al Hasan and other receivables), and financial assets at amortized cost is one of the most significant matters which affect the results of the Bank's business; Due to the significance of the judgments used in classifying receivables and financing into various stages and determining related provision requirements, this audit area is considered a key audit risk.

How the key audit matter was addressed in the audit:

Our audit procedures included the assessment of controls over the granting, booking and monitoring processes of receivables and financing, and measuring the expected credit loss including consideration of Central Bank of Jordan (CBJ) requirements, to validate the operating effectiveness of the key controls in place, which identify the expected credit loss of receivables, financing and financial assets at amortized cost and the required expected credit loss against them. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively.

<p>Judgment is applied on the inputs of impairment measurement process including the valuation of collaterals and the determination of the default date, and accordingly calculating the expected credit loss starting from the date thereof.</p>	<p>In addition, we performed procedures to evaluate the following:</p> <ul style="list-style-type: none"> - Appropriateness of the Bank's staging. - Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations. - Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages. - Appropriateness and objectivity of the internal rating. - Soundness and mathematical integrity of the ECL Model. - For exposures moved between stages, we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. - For exposures determined to be individually impaired we re-performed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. - We inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. - We assessed collateral valuation techniques against the Bank's valuation guidelines. - We also assessed whether the financial statement disclosures appropriately reflect the requirements of the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).
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Other information included in the Bank's 2019 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2019 annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and in accordance with the Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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's 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 Financial Statements

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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's to cease to continue as a going concern.



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 financial statements

Amman – Jordan
5 February 2020

A blue ink signature of 'Ernst & Young' is written in a cursive, handwritten style.

**ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 JD	2018 JD
<u>ASSETS</u>			
Cash and balances with Central Bank of Jordan	4	699,887,946	573,279,125
Balances with banks and financial institutions	5	18,802,906	20,438,681
Deferred sales receivables and other receivables – Net	6	751,650,832	779,119,614
Deferred sales receivables through statement of income	7	-	-
Ijara Muntahia Bittamleek assets – Net	8	682,859,790	657,162,067
Financial assets at fair value through shareholders' equity – Self financed	9	5,616,930	5,324,798
Financial assets at fair value through joint investment accounts holders' equity	10	2,662,444	1,607,730
Financial assets at amortized cost – Net	11	33,342,745	31,786,910
Investments in real estate	12	23,177,139	21,794,384
Al-Qard Al-Hasan loans – Net		48,098,103	40,510,079
Property and equipment – Net	13	16,394,117	18,042,080
Intangible assets – Net	14	1,109,708	277,636
Right of use assets	15	5,708,265	-
Deferred tax assets	21	2,960,558	3,348,751
Other assets	16	8,117,328	6,355,697
TOTAL ASSETS		2,300,388,811	2,159,047,552
<u>LIABILITIES</u>			
Banks and financial institutions' accounts	17	2,103,089	1,808,186
Customers' current accounts	18	677,546,280	665,748,540
Cash margin	19	31,372,032	30,914,889
Other provisions	20	3,248,220	3,006,658
Provision for income tax	21	10,737,299	12,124,837
Deferred tax liabilities	21	291,552	180,541
Lease liability / long term	15	4,800,214	-
Other liabilities	22	41,452,567	31,382,960
TOTAL LIABILITIES		771,551,253	745,166,611
<u>Joint Investment Accounts Holders' Equity</u>			
Unrestricted investment accounts	23	1,301,329,325	1,193,071,250
Fair value reserve- net	27	(153,767)	-
Total Joint Investment Accounts Holders' Equity		1,301,175,558	1,193,071,250
<u>INVESTMENT RISKS FUND</u>			
Investment risk fund	24/a	-	23,994,101
Provision for income tax on investment risk fund	24/a	384,283	2,924,470
Provision for future expected investment risks	24/b	13,079,838	-
		13,464,121	26,918,571
<u>SHAREHOLDERS' EQUITY</u>			
Paid-in capital	25	100,000,000	100,000,000
Statutory reserve	26	35,260,929	30,412,149
Voluntary reserve	26	4,262,322	4,262,322
Fair value reserve - net	27	475,688	294,566
Retained earnings	28	74,198,940	58,922,083
Total Shareholders' Equity		214,197,879	193,891,120
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		2,300,388,811	2,159,047,552
Restricted investments		294,970,929	206,637,799
Wakalah investments		33,842,397	36,294,140

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	For the Year Ended 31 December	
		2019	2018
		JD	JD
Revenues			
Deferred sales revenues	29	50,920,786	49,063,565
Revenue from financial assets at amortized cost	30	1,304,031	1,116,486
Net expense from Investment in Real Estate	31	(39,085)	(810,635)
Revenue from Ijara Muntahia Bittamleek Assets	32	53,603,014	50,729,523
Ju'alah commissions	33	711,351	521,331
Other revenue	42	-	41,129
Recoveries from expected credit loss provision	34	3,914,207	-
Total Revenue from Joint Investments Accounts		110,414,304	100,661,399
Deposit insurance fees on Joint investment accounts	35	(1,397,218)	-
Unrestricted investment accounts share	36	(33,249,811)	(22,799,683)
Investment risks fund share	24	(3,512,818)	(10,066,140)
Banks' Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)			
Bank's self-financed revenues	37	72,254,457	67,795,576
Bank's share in restricted investment profit as Mudarib	38	49,219	69,562
Bank's share in restricted investment profit as agent (Wakeel)	39	1,015,194	645,274
Gains from foreign currencies	39	502,115	427,749
Banking services revenues	40	1,620,350	1,372,702
Other revenues	41	11,679,777	10,163,275
Deposit insurance fees on current accounts	42	380,896	328,705
	35	(1,367,149)	-
Gross Income		86,134,859	80,802,843
Expenses			
Employees' expenses	43	23,174,565	21,086,994
Depreciation and amortization	13&14	3,224,359	3,007,400
Other expenses	44	9,207,915	8,420,557
Depreciation of Ijara Muntahia Bittamleek assets	8	23,045	21,631
Provisions for (recoveries from) expected credit loss - self financed	6	195,000	(125,000)
Amortization of right of use assets	45	1,091,402	-
Lease obligations discount / Finance costs	45	147,198	-
Rental expenses	45	243,562	1,296,884
Other provisions	20	340,010	331,309
Total Expenses		37,647,056	34,039,775
Profit before income tax		48,487,803	46,763,068
Income tax	21	(14,103,702)	(14,872,166)
Profit for the year		34,384,101	31,890,902
Earnings per Share for the year - basic / diluted	46	0,344	0,319

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	For the Year Ended 31 December	
	2019	2018
	JD	JD
Profit for the year	34,384,101	31,890,902
Other comprehensive income:		
Items that will not be reclassified subsequently to statement of income		
Net change in fair value reserve	181,122	(127,329)
Total other comprehensive income for the year	34,565,223	31,763,573

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Notes	Paid-in capital	Reserves			General banking reserve	Fair value reserve net (self)	Retained earnings *	Total
		Statutory	Voluntary					
	JD	JD	JD		JD	JD	JD	JD
For the year ended 31 December 2019								
Balance at beginning of the year	100,000,000	30,412,149	4,262,322	-	294,566	58,922,083	193,891,120	
Impact of adopting IFRS (16)	2	-	-	-	-	(258,464)	(258,464)	
Balance at the beginning of the year (Amended)	100,000,000	30,412,149	4,262,322	-	294,566	58,663,619	193,632,656	
Profit for the year	-	-	-	-	-	34,384,101	34,384,101	
Net change in fair value reserve after tax	27	-	-	-	181,122	-	181,122	
Total comprehensive income for the year	-	-	-	-	181,122	34,384,101	34,565,223	
Transferred to reserves	-	4,848,780	-	-	-	(4,848,780)	-	
Distributed dividends **	-	-	-	-	-	(14,000,000)	(14,000,000)	
Balance at the end of the year	100,000,000	35,260,929	4,262,322	-	475,688	74,198,940	214,197,879	
For the year ended 31 December 2018								
Balance at beginning of the year	100,000,000	25,735,842	4,262,322	882,000	421,895	43,281,000	174,583,059	
Impact of adopting of IFRS (9)	-	-	-	-	-	(455,512)	(455,512)	
Balance at the beginning of the year (Amended)	100,000,000	25,735,842	4,262,322	882,000	421,895	42,825,488	174,127,547	
Profit for the year	-	-	-	-	-	31,890,902	31,890,902	
Net change in fair value reserve after tax	27	-	-	-	(127,329)	-	(127,329)	
Total comprehensive income	-	-	-	-	(127,329)	31,890,902	31,763,573	
Transferred to reserves	-	4,676,307	-	-	-	(4,676,307)	-	
Distributed dividends **	-	-	-	-	-	(12,000,000)	(12,000,000)	
Transferred from general banking Reserve	-	-	-	(882,000)	-	882,000	-	
Balance at the end of the year	100,000,000	30,412,149	4,262,322	-	294,566	58,922,083	193,891,120	

* Retained earnings include an amount of JD 2,960,558 as at 31 December 2019 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets related to the Bank's self-financed operations (JD 2,897,830 as at 31 December 2018).

* Retained earnings include a restricted amount of JD 181,121, which represents general banking reserve surplus resulted from IFRS 9 adoption.

** On 3 April 2019, the General Assembly of Shareholders approved the distribution of cash dividends of JD 14,000,000 to the sole shareholder (Arab Bank plc.), representing 14% of the authorized and paid in capital from distributable retained earnings for the year 2019 (2018: JD 12,000,000).

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 JD	2018 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Profit before tax		48,487,803	46,763,068
<u>Adjustments to non- cash items:</u>			
Depreciation and amortization	13 & 14	3,224,359	3,007,400
Depreciation of investments in real estate	12	224,226	932,435
Depreciation of Ijara Muntahia Bittamleek assets	8 & 32	63,229,048	65,145,358
Provision for (recoveries from) expected credit loss - self	6	195,000	(125,000)
Recoveries from expected credit loss - joint		(3,914,207)	-
Investment risks fund	24	3,512,818	10,066,140
Other provisions	20	340,010	331,309
Right of use assets amortization	45	1,091,402	-
Lease obligations/ finance costs	45	147,198	-
Effect of exchange rate fluctuations on cash and cash equivalents	40	(8,286)	(2,401)
Net cash from operating activities before change in the working capital		116,529,371	126,118,309
<u>Change in working capital items</u>			
Decrease (increase) in deferred sales receivables and other receivables		20,012,580	(86,538,844)
Increase in Ijara Muntahia Bittamleek assets		(90,332,602)	(102,023,431)
Increase in other assets		(8,436,674)	(1,976,565)
Increase in Al-Qard Al-Hasan loans		(7,588,024)	(12,814,661)
Increase (decrease) in customers' current accounts		11,797,740	(40,325,159)
Increase (decrease) in cash margins		457,143	(4,737,450)
Increase in other liabilities		15,483,991	2,286,683
Net cash from (used in) operating activities before Tax and provisions paid		57,923,525	(120,011,118)
Provisions paid	20	(98,448)	(70,497)
Tax paid	21 & 24	(20,675,560)	(19,100,000)
Net cash from (used in) operating activities		37,149,517	(139,181,615)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Purchase of financial assets at fair value through joint investments accounts holders' equity		(1,208,480)	(1,301,981)
(Purchase) sale of financial assets at amortized costs – net		(1,480,800)	6,127,076
Purchase of investment in real estates		(325,774)	(1,241,117)
Purchase of property and equipment		(2,219,236)	(2,065,494)
Purchase of intangible assets	14	(226,280)	(52,854)
Proceed from sale of property and equipment		37,048	23,184
Net cash (used in) from Investing Activities		(5,423,522)	1,488,814
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Increase in joint investment account holders' equity		108,258,075	131,491,671
Paid lease obligations	15	(1,314,213)	-
Distributed dividends	28	(14,000,000)	(12,000,000)
Net Cash Flows from Financing Activities		92,943,862	119,491,671
Effect of exchange rate fluctuations on cash and cash equivalents		8,286	2,401
Net increase (decrease) in cash and cash equivalents		124,678,143	(18,198,729)
Cash and cash equivalents at beginning of the year		591,909,620	610,108,349
Cash and cash equivalents at the end of the year	47	716,587,763	591,909,620
<u>Non-cash items:</u>			
Investment in real estates resulted from termination of Ijara contracts		1,698,963	757,042
Capitalization of property and equipment		-	42,305
Intangible assets		1,051,274	-

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)
STATEMENT OF SOURCES AND USES OF AL - QARD AL - HASAN FUND
AS AT 31 DECEMBER 2019

	31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	40,140,627	27,348,846
<u>Sources of the fund:</u>		
Shareholders' equity	(54,819,614)	(42,398,647)
Total sources of Fund's assets during the year	(54,819,614)	(42,398,647)
<u>Uses of the Fund:</u>		
Personal advances	4,538,719	2,912,117
Revolving cards	57,906,763	52,278,311
Total uses during the year	62,445,482	55,190,428
 Balance at the end of the year	 47,766,495	 40,140,627
Currents and overdraft accounts	1,030,239	832,919
<u>Less:</u> Expected credit losses	(698,631)	(463,467)
Balance at the end of the year – net	48,098,103	40,510,079

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)

STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS
AS AT 31 DECEMBER 2019

	Note	International Murabaha		Cash Balances		Total	
		For the year ended 31		For the year ended 31		For the year ended 31	
		December		December		December	
		2019	2018	2019	2018	2019	2018
		JD	JD	JD	JD	JD	JD
Investments at the beginning of the year		202,563,040	126,702,984	4,074,759	5,003,983	206,637,799	131,706,967
Add: Deposits		182,575,680	139,850,274	111,026	-	182,686,706	139,850,274
Less: Withdrawals		(99,147,477)	(66,657,632)	-	(929,224)	(99,147,477)	(67,586,856)
Less: Bank's fees as Mudarib	39	(1,015,194)	(645,274)	-	-	(1,015,194)	(645,274)
Add: Investment gains		5,809,095	3,312,688	-	-	5,809,095	3,312,688
Investments at the end of the year		290,785,144	202,563,040	4,185,785	4,074,759	294,970,929	206,637,799
Revenues for distribution		50	15,413	-	-	50	15,413
Total		50	15,413	-	-	50	15,413

ISLAMIC INTERNATIONAL ARAB BANK
(PUBLIC SHAREHOLDING LIMITED COMPANY)

STATEMENT OF CHANGES IN WAKALAH INVESTMENT
AS AT 31 DECEMBER 2019

	Note	Local Murabaha		Cash Balances		Total	
		For the year ended 31		For the year ended 31		For the year ended 31	
		December		December		December	
		2019	2018	2019	2018	2019	2018
		JD	JD	JD	JD	JD	JD
Investments at the beginning of the year		28,634,957	23,153,420	7,659,183	9,167,237	36,294,140	32,320,657
<u>Add:</u> Deposits		4,866,581	22,296,453	4,932,500	-	9,799,081	22,296,453
<u>Less:</u> Withdrawals		(12,250,824)	(16,814,916)	-	(1,508,054)	(12,250,824)	(18,322,970)
<u>Add:</u> Investments' gains		1,094,930	1,055,560	-	-	1,094,930	1,055,560
<u>Less:</u> Bank's fees as Agent (Wakeel)	39	(502,115)	(427,749)	-	-	(502,115)	(427,749)
<u>Less:</u> Client's share		(592,815)	(627,811)	-	-	(592,815)	(627,811)
Investments at the end of the year		21,250,714	28,634,957	12,591,683	7,659,183	33,842,397	36,294,140
Revenue received in advance		1,795,909	2,521,825	-	-	1,795,909	2,521,825
		1,795,909	2,521,825	-	-	1,795,909	2,521,825

1. General

Islamic International Arab Bank ("the Bank") was established as a Public Shareholding Limited Company on 30 March 1997 pursuant to the provisions of the company's law No. (22) of 1997 Head office is in Amman.

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

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

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (1) held on 28 January 2020 and its subject to the approval of the General Assembly and Central Bank of Jordan.

The Bank's Shari'a Supervisory Board reviewed the financial statements on 28 January 2020 and issued their Shari'a report thereon.

2. Significant Accounting Policies

Basis of Financial Statements Preparation

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

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

The financial statements have been presented in Jordanian Dinar, which is the functional currency of the Bank.

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

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

The Bank adopted the principle of mixing owner's equity with the accounts of the holders of joint investment as from the beginning of May 2013, maintaining the existing investments financed by the holders of equity (self) until maturity.

In case of revoking an Ijara (lease to own) contract, the real estates resulting from the revoked contracts will be presented within the Bank's investment in real estate portfolio according to the Bank's investment policy.

Changes in accounting policies:

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2018, except for the adoption of the following new standards effective as at 1 January 2019:

IFRS (16) "Lease Contracts"

The International Accounting Standards Board issued the International Financial Reporting Standard No. (16) "Lease Contracts". The standard defines principles relating to recognition, measurement, presentation and disclosure of rents. The standard requires tenants to recognize most lease contracts according to a standard template within the statement of financial position.

The recognition of lease contracts for lessors under IFRS 16 has not changed significantly in comparison to the requirements of IAS 17. The lessor will continue to classify lease contracts as either operating or financing contracts, using principles similar to those in IAS 17. Consequently, the application of IFRS 16 has not affected on lease contracts in case the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Hence, the previous year have not been modified. The Bank decided to use the practical transfer method that allows the standard to be applied only for contracts which previously identified as lease contracts in accordance with International Accounting Standard No. (17). The Bank also decided to use exemptions related to the recognition of lease contracts of 12 months or less, as at the date of application, which do not contain a purchase option ("short-term lease contracts") and lease contracts in which the leased asset is of low value ("low value assets").

The Bank has applied International Financial Reporting Standard No. (16) optionally. The Accounting Standard for Islamic Financial Institutions No. (32) "Lease Contracts" was issued as at 31 December 2019 and is applicable for financial periods beginning on 1 January 2020 with early adoption permitted. The requirements of this standard are very similar to the requirements of the IFRS 16. Bank's management does not believe that there are any fundamental differences between the two standards.

The impact of implementing IFRS 16 is as follows:

Impact on the statement of financial position as at 1 January 2019:

	2019 JD
Right of use assets	5,328,510
Lease obligations – long term	(4,873,072)
<u>Less: prepaid expenses</u>	<u>(713,902)</u>
Owners' equity	<u>(258,464)</u>

The nature of the impact of the application of International Financial Reporting Standards No. (16)

The Bank has different lease contracts for some properties. Before applying IFRS (16), the Bank would classify lease contracts (in which they represent the leasing party) at the start of it either as finance lease contracts (if any) or operating lease contracts. The lease contract was classified as a finance lease (if any) if the contract transferred substantially all the risks and benefits associated with owning the leased asset to the Bank. In the case of a contract that does not transfer all the risks and benefits associated with owning the leased asset, it will be classified as an operating lease. The Bank used to capitalize the finance lease contracts (if any) at the beginning of the contract at the fair value of the leased asset or at the present value of the lease payments, whichever is less. Actual lease payments are divided by costs on lease contracts (recognized as finance costs) and the reduction of finance lease obligations. In the case of operating lease contracts, the Bank did not capitalize the leased asset, but lease payments are recognized as a rental expense in profit or loss on a straight-line basis and on the lease term. Prepaid and accrued rent are recognized in receivables and other payables, respectively.

When applying IFRS 16, the Bank used a standardized method to recognize all lease contracts, except for short-term lease contracts and lease contracts for low-value assets. The standard provides specific application requirements and practical expedients, which the Bank used when applying the standard.

Lease contracts previously recognized as operating leases:

The Bank recognized the right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate (cost of fund) at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (cost of fund) at the date of initial application.

The Bank has also used the available practical expedients wherein it:

- Used a single discount rate (cost of fund) to a portfolio of leases with reasonably similar characteristics.
- The Bank relied on its previous evaluation prior to the date of initial application and related to lease contracts that will result in a loss.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application.
- The Bank excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

FAS 28 - Murabaha and Other Deferred Payment Sales

The Bank has adopted FAS 28 which is effective on the financial statements on or after 1 January 2019.

This standard prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. This standard supersedes the earlier FAS 2 “Murabaha and Murabaha to the Purchase Order” and FAS 20 “Deferred Payment Sale”. This standard has been applied on a prospective basis for transaction executed on or after the effective date. The standard did not have any significant impact on the financial statements.

Sectors' Information

The business sector represents a group of assets and operations, which jointly provides products or services subject to risks and rewards different from those relating to other business sectors measured in accordance with the reports used by the Chief Operating Officer and key decision maker at the Bank.

The geographical sector relates to providing products or services in a specific economic environment subject to risks and rewards different from those relating to segments operating in other economic environments.

Basis of distributing profits among shareholders equity and joint investment accounts holders.

	Rate	
Share of Joint Investment Accounts Holders According to the slides	40%- 68%	Which is 2.938% for the 1st half and from 3.12% to 5.3% for the 2nd half of 2019, on the Jordanian Dinar (compared with 2% and 2.876% for the 1st and 2nd halves of 2018, respectively) and 1.29% and 1.15% on the US Dollar for the 1st and 2nd halves of 2019, respectively (compared with 0.82% and 1% for 2018, respectively).
Share of Shareholders' Equity According to the slides	32%-60%	
Share of the Investment Risk Fund	10%	Up to 30 April 2019 due to cancelation of Article 55 of banking law

The Bank donates a certain amount from its share in income from joint investment as Mudarib or fund owner (Rab Al-Mal) to raise the percentage of profit distributed to some/ all unrestricted investment accounts holders noting that the donation individually on behalf of customers was canceled according to the instructions of the Central Bank of Jordan, but it was donated individually to some of the customers contracted with before issuing the instructions.

The Bank grants priority in investment to the holders of the joint investment accounts. These accounts are charged with the advertisement and publicity expenses in respect of the products that the Bank releases. Such expenses are life insurance premiums in respect of those financed by Ijara Muntahia Bittamaleek contracts and the expenses related to investment in real estate, which are invested from the deposits accounts that participate in profits.

The rate of distributed profits to the holders of the restricted investment deposits in US Dollars ranged from 1.77% to 2.54% for the year 2019 (compared with 1.55% and 2.4% for the year 2018).

Revenue, Earnings and Losses Not Compliant with Islamic Shari'a

The Bank's revenue, earnings, and losses not in compliance with Islamic Shari'a (if any) are recorded in a special account in the statement of financial position within other credit balances. They are not recorded in the statement of income and are disbursed on charity as determined by the Shari'a Supervisory Board.

Zakah

The responsibility for Zakah is assumed by the holders of deposits and shareholders separately.

Deferred Sales Receivables

Murabaha Contracts

These are sale of a commodity at its first purchase price paid by the seller (the Bank) with known and an agreed upon mark-up. The sale may be on an ordinary Murabaha basis called (Simple Murabaha), in which the Bank practices trade. According to simple Murabaha, the Bank buys the commodities without reliance on a prior promise by a customer to buy them, and then the Bank offers such commodities for sale by Murabaha at an agreed upon price and profit. Otherwise, the sale could be Murabaha coupled with a promise from a customer, i.e. the Bank buys the commodity only after the customer determines his desires with the existence of a prior promise to buy, which is then called (Murabaha to purchase order).

The Bank applies the principle of commitment of promise in the sale contracts of Murabaha to purchase order, but in the event of abstention, the Bank sells the commodity and refers to the commander of purchase to compensate for the actual losses.

Murabaha receivables are recorded upon their occurrence at their nominal value. They are measured at the end of the financial year at the net cash value expected to be realized.

The profits are recorded upon concluding the cash Murabaha contracts or to a period not exceeding the financial year.

Income of deferred sales for a period exceeding the financial year is recorded by distributing it over the future financial years for the term, whereby a share of the profits is allocated for each financial year regardless of whether or not it is a cash delivery.

Al Ju'alah

It is a contract in which one of the parties (the Ja'il) offers specified compensation (the Ju'alah / commission) to anyone who will achieve a determined result (the 'Amil) in a known or unknown period.

Al Istisna'

It is a sale contract between Al Mustasnee (buyer) and Al Sanee' (seller), whereby the latter, upon the request of the former, manufactures a described commodity (Masnou') or obtains it on the delivery date. This is provided that the manufacturing material and/or cost of work is provided by the manufacturer against the price and payment method (immediate, deferred, or installed) agreed on by both.

Cost of Istisna' includes direct and indirect costs related to Istisna' contracts. Such costs do not include general and administrative, marketing expenses and costs of research and development.

The costs of Istisna' process and the costs prior to signing the contract are recorded in the financial year under the item Istisna' under process at the amounts disbursed by the Bank. The invoices sent to Al Mustasnee (the buyer) by the Bank are recorded under Istisna' receivables account and deducted from the account of Istisna' under process in the statement of financial position.

Istisna' revenue is recorded upon concluding the contract either through completion of execution or expiry of the contract, whichever is earlier.

If Al Mustasnee (the buyer) does not fully pay the agreed upon price and reach an agreement to pay in installments during the contract execution or after its completion, deferred profits are recorded and deducted from the balance of Istisna' receivables account in the Bank's statement of financial position. This is carried out whether the method followed in recording Istisna' revenues is the percentage of completion method or the completed contract method. Moreover, the deferred profits distribution is made over the future financial years whereby a share of the profits is allocated for each financial year, whether the settlement is made by cash or not.

If the Bank retains the manufactured item for any reason, such assets are measured at the expected cash value to be realized or at cost, whichever is lower. The difference (if any) is recorded as a loss in the statement of income in the financial year in which it is realized.

Assets Available for Deferred Payment Sale

These are assets which the Bank acquires for the purpose of future sale (by installments). The sale of such assets is called Musawamah sale by installments in order to differentiate it from Murabaha to purchase order.

The assets available for deferred payment sale are recorded at cost at the time of contracting and measured on a cost basis (purchase value and any direct expenses which are acquisition-related).

The assets available for deferred payment sale are measured at the end of the financial period at fair value. The amount of change resulting from the re-valuation process (if any) is measured on the basis of book value compared with fair value, and the unrealized profit (loss) is recorded in the investments fair value reserve.

Profits from the deferred payment sale operations are recorded according to the maturity principle distributed over the financed periods for the contract term. The profits for deferred payment sale are recorded in the revenues of future sales account.

Receivables of deferred payment sale are recorded upon contracting at par value (the contracted for).

Financing Investments

Mudaraba Financing

It is a partnership in profit regarding money and work, and it is instituted between the holders of investment accounts (Rab AlMal) and the Bank (Mudarib). The Bank and the division of gain as agreed, whereby losses are charged to Rab Al-Mal except in the events of infringement of the Bank (Al Mudarib), its default, or violation of the conditions. In such cases, the Bank bears the consequences arising therefrom. The partnership is also instituted between the Bank in its capacity as the capital holder in its own name or on behalf of the holders of investment accounts and craftsmen and other business owners such as farmers and industrialists. Such Mudaraba is different from the traditional speculation that involves adventure and taking risks in sale and purchase activities.

Mudaraba finance is recorded upon delivering the capital to Al Mudarib or putting it under his control. The provided capital is measured by the paid amount or at fair value if in-kind. If a difference results from the valuation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the statement of income. At the end of the financial year, the amount the Bank redeems from the Mudaraba capital is deducted.

The Bank's share of the gains (losses) arising and expiring during a financial year is recorded after the settlement of the Mudaraba process. In events where Mudaraba process continues for more than a financial year, the Bank's share of the profits is recorded upon realization of the profits by accounting for them, in whole or any part thereof, in the financial year in which the profits occur to the extent of distributed profits. Moreover, losses for that year are recorded to the extent of losses by which the Mudaraba capital is reduced.

If losses are incurred due to Mudareb infringement or default, such losses are recorded as receivables debited to Mudareb's account.

Musharaka Financing

It is the provision of funds by the Bank and customer equally or differently in order to set up a new project or participate in an existing one, whereby each of them would own a share in the capital either on a fixed or diminishing basis and would be entitled to its share of the gains. Losses are divided proportionate to the partner's share in capital, whereby it would be inappropriate to stipulate otherwise.

The Bank's share in Musharaka capital is recorded upon delivery to the managing partner or when it is deposited in Musharaka account, as it is measured at the cash paid value or at fair value if in-kind. If a difference results from the evaluation of the in-kind item between fair value and book value, it is recognized as a profit (loss) in the statement of income.

The capital in the diminishing Musharaka is measured at the end of the financial year at the historical value less the historical value of the share sold at the agreed upon fair value, and the difference between both values is recorded as a profit or loss in the statement of income.

The Bank's share of the gains or (losses) of Musharaka financing which arises or expires during the financial year is recorded after settlement. In the event that Musharaka continues for more than a financial year, the Bank's share of the profits is recorded upon their realization by accounting for them, in whole or any part thereof, between the Bank and the partner in the financial year in which the profits occur to the extent of the distributed profits. Moreover, losses for a financial year are recorded in that year to the extent of the losses by which the Bank's share in the Musharaka capital is reduced.

An Additional provision of expected credit losses for Deferred Sale Receivable and Other Receivables in case there is an indication of a significant increase in credit risk.

At the end of the financial year, the financing assets are recorded at cost or at cash value expected to be realized, whichever is lower, and the difference is recorded as a financing's impairment provision.

The income from future sales and non-performing financing granted to customers is held in suspense in accordance with the Central Bank of Jordan instructions.

The deferred sales receivables and funding financed from the joint investment accounts are written off in case efforts relating to their collection are not successful against the Investment Risks Fund (except for what has been granted / financed and then written off from the deferred sales receivables and finances in the same year whereby they are recorded in the statement of income within investment income). Any amounts collected from the previously written-off receivables and finances are added to the Investment Risks Fund, except for what has been recorded in the statement of income within investment income. Moreover, deferred sales receivables and funding financed from the Bank's own funds for which an impairment provision is taken are written off, if the related collection procedures are not successful, and deducted from the impairment provision. Any surplus in the total impairment provision is transferred to the statement of income, and any amounts of the previously written-off receivables and finances collected are added to income.

Financial Assets at Amortized Cost

These represent financial assets the Bank's Management aims to hold according to its business model to collect their contractual cash flows. Moreover, they represent fixed or determinable payments for their capital and gains.

These assets are recorded at cost upon purchase plus acquisition costs, and they are re-valued at the end of the current period based on the effective profit method. Any profits or losses resulting from the amortization process are recognized in the statement of income, and any impairment in value is recorded in the statement of income.

The amount of impairment in the value of these assets represents the difference between the book value and present value of the expected cash flows discounted at the original effective profit rate whereby any provisions resulting from impairment in the value of these assets are deducted. Moreover, any financial assets may not be reclassified to/ from this item.

If any of these assets financed from the Bank's own funds is sold before maturity, the result of the sale is recorded in a separate item within the statement of comprehensive income and disclosed accordingly.

Financial Assets at Fair value through Shareholders' Equity - Self Financed

These assets represent investments in equity instruments financed from the Bank's funds for retaining them for the long term.

These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within shareholders' equity.

If such assets or any part thereof is sold, gains or losses resulting therefore are recorded in retained earnings.

Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.

Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve.

Financial Assets at Fair value through joint investment accounts holder's equity

These assets represent investments in equity instruments financed from joint investment account for retaining them for the long term.

These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within joint investment account holder's equity.

If such assets or any part thereof is sold, gains or losses resulting therefore are recorded in statement of income.

The impairment loss previously recorded in the statement of income may be recovered if it is objectively found that the increase in fair value occurred in a period subsequent to recording the impairment losses through the fair value reserve recognized within joint investment accounts holders' equity

Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.

Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve within joint investment account holders' equity.

Financial assets whose fair value cannot be reliably determined are recognized at cost, and the impairment test is carried out at the end of every financial period. Moreover, the impairment in their value is recorded in the statement of income and may not be recovered during subsequent periods.

Deferred Sales Receivables through the Statement of Income / Self - Financed

These are sale receivables (International Murabaha) due to the Bank's buying of commodities with the purpose of selling them in the near future.

These receivables are recorded at fair value upon sale and subsequently re-valued at fair value through the market indicators of these receivables. Moreover, the change in fair value is recognized in the statement of income.

The Bank may dispose of these receivables by a debt assignment to another person at their net nominal or book value, and the difference is recorded in the statement of income.

Ijara Muntahia Bittamleek (Lease to Own)

It is a benefit contract for a compensation which expires by the lessee's acquisition of the leased assets.

The assets acquired for Ijara are measured, at the date of their acquisition, at historical cost, including direct costs to render them usable. The leased assets are depreciated according to the straight-line method over the life of Ijara contract.

When the recoverable amount from any of the acquired Ijara assets is lower than their net book value, their value is reduced to the recoverable amount, and the impairment amount is recorded in the statement of income.

The income from Ijara is distributed over the financial years covered by the Ijara contract.

Investment in Real Estate

It is the acquisition of real estate to obtain periodical income or in anticipation of the increase of value thereof or both. Initially, the investment in real estate is recognized at cost plus direct cost, and it is subsequently measured depending on its application whether for utilization (cost or fair value model) or for sale. When the Bank approves either model, it has to apply it to all investments in real estate.

a. Investment in Real Estate Held-for-Use

The cost or fair value model is applied as follows:

Cost Model:

Investments in real estate are recorded at cost less accumulated depreciation and impairment (if any). In the event that the Bank decides to apply this model, it has to apply it to all investments in real estate.

Fair Value Model:

Investments are measured at fair value, and the increase in value is recorded in the fair value reserve. Moreover, any decrease in fair value is deducted from previously recorded increase. If there is no increase in the previously recorded value, the difference is recognized in the statement of income. Furthermore, if the Bank decides to apply this model, it has to apply it to all investments in real estate.

b. Investments in Real Estate Held-for-Sale

Investments in real estate are recorded at the book value or fair value less costs of sale, whichever is lower. Moreover, these investments are not depreciated. The difference is recorded in the statement of income.

Real estates may be transferred from the investment portfolio to the property and equipment portfolio or vice versa if the change in the purpose of their utilization can be established. The transfer is made at cost less depreciation if the Bank uses the cost model in measuring the portfolio's real estates. If the Bank uses the fair value model, real estates are transferred at their fair value at the date of transfer.

If real estate is transferred from the Bank's property and equipment to the investment in real estate portfolio, the transfer is made at the cost of the real estate less depreciation and impairment provision (if any) as at the date of cessation of use.

Reposessed assets by the Bank against debts

Assets reposessed by the Bank through calling upon collateral are shown in the statement of financial position under "other assets" at the lower of their carrying value or fair value. Assets are revalued at the financial position date on an individual basis and losses from impairment are transferred directly to the statement of income, 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 statement of income and loss been recognized for the asset in prior years.

Impairment of financial assets

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Provisions

Provisions are recognized when the Bank has obligations at the date of the statement of financial position arising from past events and settlement of these obligations is probable and can be measured reliably.

Investment Risk Fund

The Bank deducted 10% of the gross profits of the joint investment realized on various ongoing operations through the first four months in the year 2019 in accordance with article 55 of Banks' Law.

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

According to Central Bank of Jordan instructions No. 10/1/9173, the Bank allocated the balance of 30 April 2019 from the Investment Risk Fund to the provisions for projected investment losses calculated as at 30 April 2019 and the surplus in the allocations was transferred to the account for future investment losses provisions in the side of liabilities.

In the case that the required provisions are calculated as at 31 December 2019 and the following years, the surpluses in the side of the liabilities will be used until the completion of these surpluses, and in case that there is an increase in the required allocations, they will be refunded to the revenues and not transferred to the surpluses.

Property and Equipment

Property and equipment are stated at cost after deducting accumulated depreciation and any impairment in their value. Property and equipment (except for lands) are depreciated when ready for use according to the straight-line method over their expected useful lives at the following annual rates:

	<u>Percentage</u>
Buildings	2%
Furniture, fixture and equipment	2%-15%
Vehicles	20%
Computers	25%
Improvements and decorations	15%

The useful lives of property and equipment are reviewed at the end of each financial year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimates.

When the recoverable amount of any property and equipment is less than their net carrying value, their value is reduced to the recoverable amount, and the impairment loss is taken to the statement of income.

Intangible Assets

Intangible assets acquired through a method other than merger are recorded at cost.

Intangible assets are classified based on the estimation of their useful life for a definite or an indefinite period. Intangible assets with definite useful economic lives are amortized over their useful lives, and amortization is recorded in the statement of income. Furthermore, the impairment in the value of intangible assets with indefinite useful lives are reviewed at the date of the financial statements, and any impairment in their value is recorded in the statement of income.

Intangible assets resulting from the Bank's operations are not capitalized but included in the statement of income in the same year.

Indications of impairment of intangible assets are reviewed at the date of the financial statements, their useful lives are reassessed, and any adjustments are made in the subsequent years.

Software and systems are stated in the statement of financial position at cost after deducting accumulated amortization. They are amortized when ready for use based on the straight- line method over their expected useful lives at an annual rate of 25%.

End- of- Service Indemnity Provision

Annual indemnities paid to the employees who leave employment are recorded in the end-of-service indemnity provision when paid. Indemnity paid in excess of the provision is taken to the statement of income upon payment, and a provision for the Bank's obligations in respect of staff end- of -service indemnity is taken in the statement of income in accordance with the Bank's personnel by laws and the provisions of the Labor Law.

Income Tax

Tax expenses represent accrued taxes and deferred taxes.

Tax expenses are accounted for based on taxable income which differs from income declared in the financial statements because the latter includes non-taxable revenue or taxable expenses disallowed in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing Laws, Regulations and Instructions of the Hashemite Kingdom of Jordan.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount. Deferred taxes are calculated, using the financial position liability method. Moreover, these deferred taxes are calculated according to the tax rates expected to be applied upon settling the tax liability or the realization of the deferred tax assets.

Deferred tax assets are reviewed at the date of the financial statements and reduced when it is no longer probable to benefit from these tax assets partially or totally.

Accounts Managed on Behalf of Customers (restricted accounts)

These represent the accounts managed by the Bank on behalf of its customers but do not represent part of the Bank's assets. The fees and commissions for managing these accounts are recognized in the statement of income.

Accounts Managed by Wakalah

These represent accounts managed by the Bank as Wakalah according to a program with the Central Bank of Jordan. The funds invested by Wakalah are recognized off-the statement of financial position whereas the Bank's share from the Wakalah (returns) is recorded in the statement of income.

Realization of Income and Recognition of Expenses

Realization of income and recognition of expenses are recognized on the accrual basis, except for revenue from deferred sales and non-performing finances that are not recognized as revenue but recorded in the suspense income accounts.

Commissions are recorded as a revenue upon rendering the related services. Dividend income is recognized when earned (when approved by the General Assembly of Shareholders).

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.

Financial assets and financial liabilities are translated based on the average exchange rates declared by the Central Bank of Jordan on the date of the financial position.

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

Gains and losses resulting from foreign currency translation are recorded in the statement of income.

Cash and Cash Equivalents

This item represents cash and cash balances that mature within three months and comprise cash and balances at the Central Bank, and balances at banks and financial institutions less banks and financial institutions' accounts that mature within three months and restricted balances.

3. Use of estimates

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

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

Determining the provision for impairment of financial assets requires the bank's management to issue important judgments and judgments to estimate future cash flow amounts and times, in addition to estimating any significant increase in the credit risk of financial assets after initial recognition, in addition to taking into account future measurement information for expected credit losses.

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

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

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

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

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

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

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

During the year 2019, the Bank adjusted the depreciation rates for real estate within the real estate investment portfolio to become 2% instead of 10%. This amendment resulted in a decrease in the depreciation expense for buildings in the real estate investment portfolio in the amount of JD 800 thousand for the year ending 31 December 2019.

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

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

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

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

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

4. Cash and Balances with Central Bank of Jordan

This item consists of the following:

	31 December	
	2019	2018
	JD	JD
Cash in vaults	34,257,420	32,914,765
Balances with Central Bank of Jordan		
Current and call accounts	544,107,025	429,220,357
Statutory Cash Reserve	121,523,501	111,144,003
Total	<u>699,887,946</u>	<u>573,279,125</u>

Except for the cash reserve, there are no restricted cash balances as at 31 December 2019 and 2018.

5. Balances with Banks and Financial Institutions

The details for this item as follow:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	31 December		31 December		31 December	
	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD
Current and call accounts	17,624,133	17,714,126	1,178,773	2,724,555	18,802,906	20,438,681
	<u>17,624,133</u>	<u>17,714,126</u>	<u>1,178,773</u>	<u>2,724,555</u>	<u>18,802,906</u>	<u>20,438,681</u>

There are no restricted cash balances as at 31 December 2019 and 2018.

6. Deferred Sales Receivables and other Receivables - Net

The details for this item as follow:

	Joint		Self-financed		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Retail						
Murabaha to purchase order	259,292,411	255,076,989	-	-	259,292,411	255,076,989
Ju'alah guarantees	6,497,115	4,682,498	-	-	6,497,115	4,682,498
Receivables – Ijara Muntahia Bittamleek	1,533,603	1,357,651	-	-	1,533,603	1,357,651
Real estate finances	149,686,987	166,586,092	-	-	149,686,987	166,586,092
Corporates						
International Murabaha	140,271,609	167,539,110	458,372	457,595	140,729,981	167,996,705
Murabaha to purchase order	222,036,262	211,449,354	3,103,330	3,143,302	225,139,592	214,592,656
Receivables – Ijara Muntahia Bittamleek	2,101,727	1,446,187	-	-	2,101,727	1,446,187
Small and Medium Enterprises						
Murabaha to purchase order	63,253,216	57,095,434	-	-	63,253,216	57,095,434
Ju'alah guarantees	12,487	16,281	-	-	12,487	16,281
Receivables – Ijara Muntahia Bittamleek	741,487	627,890	11,001	3,972	752,488	631,862
Total	845,426,904	865,877,486	3,572,703	3,604,869	848,999,607	869,482,355
<u>Less:</u> deferred revenue	63,690,469	65,975,328	301	426	63,690,770	65,975,754
Expected credit loss provision	28,182,036	19,740,160	3,465,205	3,298,434	31,647,241	23,038,594
Revenues in suspense	1,987,729	1,331,531	23,035	16,862	2,010,764	1,348,393
Net deferred sales receivables and other receivables	751,566,670	778,830,467	84,162	289,147	751,650,832	779,119,614

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

The following is the movement on the provision:

	Retail	Corporates	Small and Medium Enterprises	Total
<u>2019</u>	JD	JD	JD	JD
Balance at the beginning of the year	345,613	3,213,789	202,499	3,761,901
Deducted from the profits	-	195,000	-	195,000
Settlements during the year	263,134	(67,301)	11,102	206,935
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836
Provision for ECL of non- performing sales receivables stage3 on individual customer basis	531,532	3,339,732	213,467	4,084,731
Provision for ECL of watch-list sales receivables- stage2 on individual customer basis	1,085	1,429	40	2,554
Provision for ECL on performing sales receivable- stage1 on individual customer basis	76,130	327	94	76,551
Balance at the end of the year	608,747	3,341,488	213,601	4,163,836
<u>2018</u>				
Balance at the beginning of the year (adjusted)	247,942	3,500,050	138,909	3,886,901
Deducted from the profits	-	10,000	-	10,000
Recoveries	-	(135,000)	-	(135,000)
Settlements during the year	97,671	(161,261)	63,590	-
Balance at the end of the year	345,613	3,213,789	202,499	3,761,901
Provision for ECL of non- performing sales receivables stage3 on individual customer basis	331,604	3,206,831	199,585	3,738,020
Provision for ECL of watch-list sales receivables- stage2 on individual customer basis	1,867	5,719	227	7,813
Provision for ECL on performing sales receivable- stage1 on individual customer basis	12,142	1,239	2,687	16,068
Balance at the end of the year	345,613	3,213,789	202,499	3,761,901

The total provisions prepared for debts calculated on individual customer basis have been disclosed.

Provisions no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 120,072 as at 31 December 2019 (JD 1,421,680 as at 31 December 2018 self and joint).

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

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Total Deferred sales receivables and Al-Qard Al-Hasan according to Bank's internal rating as at 31 December 2019 as follows:

Item	Joint				Self				Total				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Low risk	13,070,389	-	-	13,070,389	-	-	-	-	13,070,389	-	-	13,070,389	10,108,807
Acceptable	713,732,899	16,935,092	-	730,667,991	47,988,163	102,524	-	48,090,687	761,721,062	17,037,616	-	778,758,678	796,176,614
Watch list	-	11,352,117	-	11,352,117	-	9,574	-	9,574	-	11,361,691	-	11,361,691	7,334,178
Non-performing debt	-	-	26,645,938	26,645,938	-	-	4,268,875	4,268,875	-	-	30,914,813	30,914,813	30,860,548
Substandard	-	-	2,433,701	2,433,701	-	-	38,471	38,471	-	-	2,472,172	2,472,172	943,199
Doubtful	-	-	2,772,868	2,772,868	-	-	134,672	134,672	-	-	2,907,540	2,907,540	6,885,631
Bad debts	-	-	21,439,369	21,439,369	-	-	4,095,732	4,095,732	-	-	25,535,101	25,535,101	23,031,718
Total	<u>726,803,288</u>	<u>28,287,209</u>	<u>26,645,938</u>	<u>781,736,435</u>	<u>47,988,163</u>	<u>112,098</u>	<u>4,268,875</u>	<u>52,369,136</u>	<u>774,791,451</u>	<u>28,399,307</u>	<u>30,914,813</u>	<u>834,105,571</u>	<u>844,480,147</u>

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Following is the movement on total deferred sales receivables and Al-Qard Al-Hasan as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	703,436,195	69,355,467	27,110,496	799,902,158	39,598,799	1,229,138	3,750,052	44,577,989	743,034,994	70,584,605	30,860,548	844,480,147
New facilities granted during the year	297,302,476	17,786,013	3,702,094	318,790,583	13,909,059	69,924	372,847	14,351,830	311,211,535	17,855,937	4,074,941	333,142,413
Settled facilities	(273,522,839)	(56,985,531)	(6,447,936)	(336,956,306)	(5,591,545)	(804,743)	(164,395)	(6,560,683)	(279,114,384)	(57,790,274)	(6,612,331)	(343,516,989)
Transferred to stage 1	7,553,331	(7,123,493)	(429,838)	-	115,193	(115,193)	-	-	7,668,524	(7,238,686)	(429,838)	-
Transferred to stage 2	(4,862,190)	7,810,536	(2,948,346)	-	(18,124)	18,124	-	-	(4,880,314)	7,828,660	(2,948,346)	-
Transferred to stage 3	(3,103,685)	(2,555,783)	5,659,468	-	(25,219)	(285,152)	310,371	-	(3,128,904)	(2,840,935)	5,969,839	-
Total balance at the end of the year	726,803,288	28,287,209	26,645,938	781,736,435	47,988,163	112,098	4,268,875	52,369,136	774,791,451	28,399,307	30,914,813	834,105,571

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Following is the movement on expected credit loss provision as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	1,029,006	883,649	17,827,505	19,740,160	16,068	7,813	3,738,020	3,761,901	1,045,074	891,462	21,565,525	23,502,061
Deducted from profits / ECL	-	-	-	-	-	-	195,000	195,000	-	-	195,000	195,000
Recoveries from profits / ECL	(633,922)	(335,217)	(2,563,435)	(3,532,574)	-	-	-	-	(633,922)	(335,217)	(2,563,435)	(3,532,574)
Transferred to stage 1	259,944	(135,242)	(124,702)	-	546	(546)	-	-	260,490	(135,788)	(124,702)	-
Transferred to stage 2	(17,690)	916,792	(899,102)	-	(36)	36	-	-	(17,726)	916,828	(899,102)	-
Transferred to stage 3	(5,772)	(130,770)	136,542	-	(35)	(757)	792	-	(5,807)	(131,527)	137,334	-
Adjustments during the year	1,762,193	295,623	9,916,634	11,974,450	60,008	(3,992)	150,919	206,935	1,822,201	291,631	10,067,553	12,181,385
Total balance at the end of year	2,393,759	1,494,835	24,293,442	28,182,036	76,551	2,554	4,084,731	4,163,836	2,470,310	1,497,389	28,378,173	32,345,872

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Direct credit facilities at amortized cost according to Bank's internal rating – Large corporates as at 31 December 2019 as follows:

Item	Joint				Self				Total				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Low risk	8,255,533	-	-	8,255,533	-	-	-	-	8,255,533	-	-	8,255,533	5,072,992
Acceptable	317,207,003	9,747,655	-	326,954,658	1,412,736	62,872	-	1,475,608	318,619,739	9,810,527	-	328,430,266	346,689,575
Watch list	-	4,587,740	-	4,587,740	-	1,761	-	1,761	-	4,589,501	-	4,589,501	3,084,535
Non-performing debt	-	-	16,519,556	16,519,556	-	-	3,517,809	3,517,809	-	-	20,037,365	20,037,365	23,060,229
Substandard	-	-	203,630	203,630	-	-	-	-	-	-	203,630	203,630	146,202
Doubtful	-	-	1,230,417	1,230,417	-	-	-	-	-	-	1,230,417	1,230,417	5,405,482
Bad debts	-	-	15,085,509	15,085,509	-	-	3,517,809	3,517,809	-	-	18,603,318	18,603,318	17,508,545
Total	<u>325,462,536</u>	<u>14,335,395</u>	<u>16,519,556</u>	<u>356,317,487</u>	<u>1,412,736</u>	<u>64,633</u>	<u>3,517,809</u>	<u>4,995,178</u>	<u>326,875,272</u>	<u>14,400,028</u>	<u>20,037,365</u>	<u>361,312,665</u>	<u>377,907,331</u>

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Following is the movement on direct credit facilities at amortized cost – large corporates as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	312,720,287	40,293,150	19,841,366	372,854,803	1,440,285	393,380	3,218,863	5,052,528	314,160,572	40,686,530	23,060,229	377,907,331
New facilities granted during the year	134,135,820	12,664,880	1,217,345	148,018,045	28,665	21,865	128,523	179,053	134,164,485	12,686,745	1,345,868	148,197,098
Settled facilities	(123,717,310)	(35,451,591)	(5,386,460)	(164,555,361)	(138,871)	(694)	(96,838)	(236,403)	(123,856,181)	(35,452,285)	(5,483,298)	(164,791,764)
Transferred to stage 1	4,478,598	(4,478,598)	-	-	82,870	(82,870)	-	-	4,561,468	(4,561,468)	-	-
Transferred to stage 2	(1,343,585)	3,023,127	(1,679,542)	-	(136)	136	-	-	(1,343,721)	3,023,263	(1,679,542)	-
Transferred to stage 3	(811,274)	(1,715,573)	2,526,847	-	(77)	(267,184)	267,261	-	(811,351)	(1,982,757)	2,794,108	-
Total balance at the end of year	325,462,536	14,335,395	16,519,556	356,317,487	1,412,736	64,633	3,517,809	4,995,178	326,875,272	14,400,028	20,037,365	361,312,665

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Following is the movement on expected credit loss – large corporates as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	629,277	307,383	12,975,228	13,911,888	538	6,420	3,206,831	3,213,789	629,815	313,803	16,182,059	17,125,677
Deducted from profits / ECL	-	-	-	-	-	-	195,000	195,000	-	-	195,000	195,000
Recoveries from profits / ECL	(349,087)	(275,776)	(1,649,000)	(2,273,863)	-	-	-	-	(349,087)	(275,776)	(1,649,000)	(2,273,863)
Transferred to stage 1	30,052	(30,052)	-	-	210	(210)	-	-	30,262	(30,262)	-	-
Transferred to stage 2	(9,091)	260,725	(251,634)	-	-	-	-	-	(9,091)	260,725	(251,634)	-
Transferred to stage 3	(499)	(75,267)	75,766	-	-	(24)	24	-	(499)	(75,291)	75,790	-
Adjustments during the year	840,950	409,901	6,977,077	8,227,928	(421)	(4,757)	(62,123)	(67,301)	840,529	405,144	6,914,954	8,160,627
Total balance at the end of year	1,141,602	596,914	18,127,437	19,865,953	327	1,429	3,339,732	3,341,488	1,141,929	598,343	21,467,169	23,207,441

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Direct credit facilities at amortized cost according to Bank's internal rating – Small and Medium Enterprises as at 31 December 2019 as follows:

Item	Joint				Self				Total				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Low risk	3,593,322	-	-	3,593,322	-	-	-	-	3,593,322	-	-	3,593,322	3,761,188
Acceptable	47,367,850	3,978,756	-	51,346,606	60,059	10,275	-	70,334	47,427,909	3,989,031	-	51,416,940	45,356,568
Watch list	-	995,353	-	995,353	-	-	-	-	-	995,353	-	995,353	1,714,671
Non-performing debt	-	-	4,377,405	4,377,405	-	-	219,534	219,534	-	-	4,596,939	4,596,939	3,699,874
Substandard	-	-	756,363	756,363	-	-	4,396	4,396	-	-	760,759	760,759	171,219
Doubtful	-	-	355,715	355,715	-	-	29,844	29,844	-	-	385,559	385,559	255,939
Bad debts	-	-	3,265,327	3,265,327	-	-	185,294	185,294	-	-	3,450,621	3,450,621	3,272,716
Total	<u>50,961,172</u>	<u>4,974,109</u>	<u>4,377,405</u>	<u>60,312,686</u>	<u>60,059</u>	<u>10,275</u>	<u>219,534</u>	<u>289,868</u>	<u>51,021,231</u>	<u>4,984,384</u>	<u>4,596,939</u>	<u>60,602,554</u>	<u>54,532,301</u>

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Following is the movement on direct credit facilities at amortized cost – Small and Medium Enterprises as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	44,838,205	5,918,129	3,500,289	54,256,623	57,882	18,211	199,585	275,678	44,896,087	5,936,340	3,699,874	54,532,301
New facilities granted during the year	35,188,780	4,040,932	1,305,021	40,534,733	58,954	11,238	11,522	81,714	35,247,734	4,052,170	1,316,543	40,616,447
Settled facilities	(28,723,332)	(5,281,021)	(474,317)	(34,478,670)	(61,162)	(4,523)	(1,839)	(67,524)	(28,784,494)	(5,285,544)	(476,156)	(34,546,194)
Transferred to stage 1	751,607	(725,004)	(26,603)	-	11,010	(11,010)	-	-	762,617	(736,014)	(26,603)	-
Transferred to stage 2	(872,838)	1,252,184	(379,346)	-	(4,642)	4,642	-	-	(877,480)	1,256,826	(379,346)	-
Transferred to stage 3	(221,250)	(231,111)	452,361	-	(1,983)	(8,283)	10,266	-	(223,233)	(239,394)	462,627	-
Adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the beginning of the year	50,961,172	4,974,109	4,377,405	60,312,686	60,059	10,275	219,534	289,868	51,021,231	4,984,384	4,596,939	60,602,554

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Following is the movement on expected credit loss – Small and Medium Enterprises as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	123,281	64,581	2,356,245	2,544,107	1,951	963	199,585	202,499	125,232	65,544	2,555,830	2,746,606
Deducted from profits / ECL	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries from profits / ECL	(185,053)	(22,471)	(649,922)	(857,446)	-	-	-	-	(185,053)	(22,471)	(649,922)	(857,446)
Transferred to stage 1	31,629	(6,794)	(24,835)	-	323	(323)	-	-	31,952	(7,117)	(24,835)	-
Transferred to stage 2	(1,915)	53,212	(51,297)	-	(29)	29	-	-	(1,944)	53,241	(51,297)	-
Transferred to stage 3	(333)	(2,768)	3,101	-	(18)	(728)	746	-	(351)	(3,496)	3,847	-
Adjustments during the year	291,328	186,381	1,181,871	1,659,580	(2,133)	99	13,136	11,102	289,195	186,480	1,195,007	1,670,682
Total balance at the end of year	258,937	272,141	2,815,163	3,346,241	94	40	213,467	213,601	259,031	272,181	3,028,630	3,559,842

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Direct credit facilities at amortized cost as internal rating of the Bank – Real estates as at 31 December 2019 as follows:

Item	Joint				Self				Total				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Low risk	-	-	-	-	-	-	-	-	-	-	-	-	-
Acceptable	120,321,162	2,180,115	-	122,501,277	-	-	-	-	120,321,162	2,180,115	-	122,501,277	140,966,840
Watch list	-	4,220,946	-	4,220,946	-	-	-	-	-	4,220,946	-	4,220,946	1,221,177
Non-performing debt	-	-	3,202,782	3,202,782	-	-	-	-	-	-	3,202,782	3,202,782	2,224,971
Substandard	-	-	845,758	845,758	-	-	-	-	-	-	845,758	845,758	349,806
Doubtful	-	-	466,082	466,082	-	-	-	-	-	-	466,082	466,082	835,116
Bad debts	-	-	1,890,942	1,890,942	-	-	-	-	-	-	1,890,942	1,890,942	1,040,049
Total	<u>120,321,162</u>	<u>6,401,061</u>	<u>3,202,782</u>	<u>129,925,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,321,162</u>	<u>6,401,061</u>	<u>3,202,782</u>	<u>129,925,005</u>	<u>144,412,988</u>

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Following is the movement on direct credit facilities at amortized cost – Real estates as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	121,157,575	21,030,442	2,224,971	144,412,988	-	-	-	-	121,157,575	21,030,442	2,224,971	144,412,988
New facilities granted during the year	42,228,540	529,119	192,323	42,949,982	-	-	-	-	42,228,540	529,119	192,323	42,949,982
Settled facilities	(42,609,524)	(14,558,065)	(270,376)	(57,437,965)	-	-	-	-	(42,609,524)	(14,558,065)	(270,376)	(57,437,965)
Transferred to stage 1	1,461,725	(1,453,044)	(8,681)	-	-	-	-	-	1,461,725	(1,453,044)	(8,681)	-
Transferred to stage 2	(650,808)	1,181,981	(531,173)	-	-	-	-	-	(650,808)	1,181,981	(531,173)	-
Transferred to stage 3	(1,266,346)	(329,372)	1,595,718	-	-	-	-	-	(1,266,346)	(329,372)	1,595,718	-
Balance at the beginning of the year	<u>120,321,162</u>	<u>6,401,061</u>	<u>3,202,782</u>	<u>129,925,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,321,162</u>	<u>6,401,061</u>	<u>3,202,782</u>	<u>129,925,005</u>

Following is the movement on expected credit loss – Real estates as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	180,284	387,723	1,332,125	1,900,132	-	-	-	-	180,284	387,723	1,332,125	1,900,132
Deducted from profits / ECL	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries from profits / ECL	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to stage 1	67,859	(59,178)	(8,681)	-	-	-	-	-	67,859	(59,178)	(8,681)	-
Transferred to stage 2	(5,949)	535,712	(529,763)	-	-	-	-	-	(5,949)	535,712	(529,763)	-
Transferred to stage 3	(4,637)	(26,677)	31,314	-	-	-	-	-	(4,637)	(26,677)	31,314	-
Adjustments during the year	45,752	(349,483)	731,247	427,516	-	-	-	-	45,752	(349,483)	731,247	427,516
Total balance at the end of year	283,309	488,097	1,556,242	2,327,648	-	-	-	-	283,309	488,097	1,556,242	2,327,648

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Direct credit facilities at amortized cost according to Bank's internal rating – Retail as at 31 December 2019 as follows:

Item	Joint				Self				Total				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Low risk	1,221,534	-	-	1,221,534	-	-	-	-	1,221,534	-	-	1,221,534	1,274,627
Acceptable	228,836,884	1,028,566	-	229,865,450	46,515,368	29,377	-	46,544,745	275,352,252	1,057,943	-	276,410,195	263,163,631
Watch list	-	1,548,078	-	1,548,078	-	7,813	-	7,813	-	1,555,891	-	1,555,891	1,313,795
Non-performing debt	-	-	2,546,195	2,546,195	-	-	531,532	531,532	-	-	3,077,727	3,077,727	1,875,474
Substandard	-	-	627,950	627,950	-	-	34,075	34,075	-	-	662,025	662,025	275,972
Doubtful	-	-	720,654	720,654	-	-	104,828	104,828	-	-	825,482	825,482	389,094
Bad debts	-	-	1,197,591	1,197,591	-	-	392,629	392,629	-	-	1,590,220	1,590,220	1,210,408
Total	<u>230,058,418</u>	<u>2,576,644</u>	<u>2,546,195</u>	<u>235,181,257</u>	<u>46,515,368</u>	<u>37,190</u>	<u>531,532</u>	<u>47,084,090</u>	<u>276,573,786</u>	<u>2,613,834</u>	<u>3,077,727</u>	<u>282,265,347</u>	<u>267,627,527</u>

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Following is the movement on direct credit facilities at amortized cost – Retail as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	224,720,128	2,113,746	1,543,870	228,377,744	38,100,632	817,547	331,604	39,249,783	262,820,760	2,931,293	1,875,474	267,627,527
New facilities granted during the year	85,749,336	551,082	987,405	87,287,823	13,821,440	36,821	232,802	14,091,063	99,570,776	587,903	1,220,207	101,378,886
Settled facilities	(78,472,673)	(1,694,854)	(316,783)	(80,484,310)	(5,391,512)	(799,526)	(65,718)	(6,256,756)	(83,864,185)	(2,494,380)	(382,501)	(86,741,066)
Transferred to stage 1	861,401	(466,847)	(394,554)	-	21,313	(21,313)	-	-	882,714	(488,160)	(394,554)	-
Transferred to stage 2	(1,994,959)	2,353,244	(358,285)	-	(13,346)	13,346	-	-	(2,008,305)	2,366,590	(358,285)	-
Transferred to stage 3	(804,815)	(279,727)	1,084,542	-	(23,159)	(9,685)	32,844	-	(827,974)	(289,412)	1,117,386	-
Adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the beginning of the year	<u>230,058,418</u>	<u>2,576,644</u>	<u>2,546,195</u>	<u>235,181,257</u>	<u>46,515,368</u>	<u>37,190</u>	<u>531,532</u>	<u>47,084,090</u>	<u>276,573,786</u>	<u>2,613,834</u>	<u>3,077,727</u>	<u>282,265,347</u>

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Following is the movement on expected credit loss – Retail as at 31 December 2019:

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	96,164	123,962	1,163,907	1,384,033	13,579	430	331,604	345,613	109,743	124,392	1,495,511	1,729,646
Deducted from profits / ECL	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries from profits / ECL	(99,782)	(36,970)	(264,513)	(401,265)	-	-	-	-	(99,782)	(36,970)	(264,513)	(401,265)
Transferred to stage 1	130,404	(39,218)	(91,186)	-	13	(13)	-	-	130,417	(39,231)	(91,186)	-
Transferred to stage 2	(735)	67,143	(66,408)	-	(7)	7	-	-	(742)	67,150	(66,408)	-
Transferred to stage 3	(303)	(26,058)	26,361	-	(17)	(5)	22	-	(320)	(26,063)	26,383	-
Adjustments during the year	584,163	48,824	1,026,439	1,659,426	62,562	666	199,906	263,134	646,725	49,490	1,226,345	1,922,560
Total balance at the end of year	709,911	137,683	1,794,600	2,642,194	76,130	1,085	531,532	608,747	786,041	138,768	2,326,132	3,250,941

Revenue in Suspense

The following is the movement on the revenue in suspense:

	Self					
	Small and Medium Enterprises		Corporates		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	16,862	16,364	16,862	16,364
Add: Revenue suspended during the year	9,610	-	106	498	9,716	498
Less: Revenue in suspense transferred to income	(3,543)	-	-	-	(3,543)	-
Balance at the end of the year	6,067	-	16,968	16,862	23,035	16,862

	Joint				
	Corporates				
	Real Estate		Small and Medium Enterprises		Total
	Retail	Finances	Large	Enterprises	
	JD	JD	JD	JD	JD
2019					
Balance at the beginning of the year	213,705	79,036	634,305	404,485	1,331,531
Add: Revenue suspended during the year	219,481	141,433	1,134,598	181,474	1,676,986
Less: Revenue in suspense transferred to income	(125,052)	(62,028)	(650,749)	(183,379)	(1,021,208)
Settlements	(20,956)	(181)	14,102	7,455	420
Balance at the end of the year	287,178	158,260	1,132,256	410,035	1,987,729
2018					
Balance at the beginning of the year	144,429	47,781	336,001	382,856	911,067
Add: Revenue suspended during the year	145,224	39,060	514,167	72,835	771,286
Less: Revenue in suspense reversed to income	(75,948)	(7,805)	(215,863)	(51,206)	(350,822)
Balance at the end of the year	213,705	79,036	634,305	404,485	1,331,531

Non-performing Deferred sales receivables, other receivables and Al-Qard Al-Hasan loans amounted to JD 30,914,813, which represents 3.4% of deferred sales receivables and other receivables and Al-Qard Al-Hasan loans balance for the year compared to JD 30,860,548, which represents 3.4% of the granted balance as at 31 December 2018.

Non-performing deferred sales receivables, other receivables and Al-Qard Al-Hasan loans after deducting the suspended revenues amounted to JD 28,906,530, which represents 3.2% of deferred sales receivables and other receivables and Al-Qard Al-Hasan loans balance after deducting the suspended revenue for the year compared to JD 29,512,155, which represents 3.2% of the granted balance as at 31 December 2018.

The movement on segmented expected credit loss as at 31 December 2019 – self as follows:

Item (JD)	Self				Total
	Corporates	Small and Medium Enterprises	Retail	Real estate finances	
Balance at the beginning of the year	3,213,789	202,499	345,613	-	3,761,901
ECL for new facilities during the year	195,000	-	-	-	195,000
Recoveries from ECL for settled facilities	-	-	-	-	-
Transferred to stage 1	210	323	13	-	546
Transferred to stage 2	-	29	7	-	36
Transferred to stage 3	24	746	22	-	792
Effect on provision – as at end of year as a result of reclassification between three stages during a year	234	1,098	42	-	1,374
Adjustments during the year	(67,535)	10,004	263,092	-	205,561
Balance at the end of the year	3,341,488	213,601	608,747	-	4,163,836

The movement on segmented expected credit loss as at 31 December 2019 – joint as follows:

Item (JD)	Joint				
	corporates	Small and Medium Enterprises	Retail	Real estate finances	Total
Balance at the beginning of the year	13,911,888	2,544,107	1,384,033	1,900,132	19,740,160
ECL for new facilities during the year	-	-	-	-	-
Recoveries from ECL for settled facilities	(2,273,863)	(857,446)	(401,265)	-	(3,532,574)
Transferred to stage 1	30,052	31,629	130,404	67,859	259,944
Transferred to stage 2	260,725	53,212	67,143	535,712	916,792
Transferred to stage 3	75,766	3,101	26,361	31,314	136,542
Effect on provision – as at end of year as a result of reclassification between three stages during a year	366,543	87,942	223,908	634,885	1,313,278
Adjustments during the year	7,861,385	1,571,638	1,435,518	(207,369)	10,661,172
Balance at the end of the year	19,865,953	3,346,241	2,642,194	2,327,648	28,182,036

7. Deferred Sales Receivables through the Statement of Income

The sales receivables through the statement of income - self financed amounted to JD 6,513,267 and an impairment provision for sales receivables of JD 6,513,267 was taken.

8. Ijara Muntahia Bittamleek Assets - Net

The details of this item are as follows:

	Joint			Self- financed			Total		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
<u>31 December 2019</u>	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek Assets—Real Estate	879,470,920	(205,835,649)	673,635,271	1,338,000	(1,019,061)	318,939	880,808,920	(206,854,710)	673,954,210
Ijara Muntahia Bittamleek Assets— Machinery	9,300,272	(394,692)	8,905,580	-	-	-	9,300,272	(394,692)	8,905,580
Ijara Muntahia Bittamleek Assets – Vehicles	18,500	(18,500)	-	-	-	-	18,500	(18,500)	-
Total	888,789,692	(206,248,841)	682,540,851	1,338,000	(1,019,061)	318,939	890,127,692	(207,267,902)	682,859,790
<u>31 December 2018</u>	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara Muntahia Bittamleek Assets—Real Estate	832,400,168	(184,911,151)	647,489,017	1,338,000	(996,016)	341,984	833,738,168	(185,907,167)	647,831,001
Ijara Muntahia Bittamleek Assets— Machinery	9,963,229	(636,056)	9,327,173	-	-	-	9,963,229	(636,056)	9,327,173
Ijara Muntahia Bittamleek Assets – Vehicles	33,000	(29,107)	3,893	-	-	-	33,000	(29,107)	3,893
Total	842,396,397	(185,576,314)	656,820,083	1,338,000	(996,016)	341,984	843,734,397	(186,572,330)	657,162,067

Total due Ijara installments amounted to JD 4,387,818 as at 31 December 2019 (JD 3,435,700 as at 31 December 2018). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

Non-performing Ijara Muntahia Bittamleek amounted to JD 1,578,660 which represent 0.2% of Ijara Muntahia Bittamleek balance as at 31 December 2019 (JD 1,225,071 which represents 0.2% as at 31 December 2018).

Non-performing Ijara Muntahia Bittamleek after deducting revenue in suspense amounted to JD 446,104 representing. 0.06% of the balance of Ijara Muntahia Bittamleek balance as at 31 December 2019 (JD 603,336 which represents 0.1% as at 31 December 2018).

9. Financial Assets at Fair Value Through Shareholders' Equity- self financed

The details for this item as follow:

	31 December	
	2019	2018
	JD	JD
Quoted financial assets		
Investment portfolios managed by other parties *	5,616,930	5,324,798
Total financial Assets at fair value through shareholders' equity	<u>5,616,930</u>	<u>5,324,798</u>

* This item represents the investment portfolios managed by Al-Arabi Investment Group Company and includes external shares, Islamic Sukuk and International Murabaha.

- There was no transfer to retained earnings under shareholders' equity related to financial assets through shareholders' equity - self.

10. Financial Assets at Fair Value Through Joint Investment Accounts Holder's Equity

The details for this item as follow:

	Joint	
	31 December	
	2019	2018
	JD	JD
Unquoted financial assets		
Companies shares *	2,662,444	1,607,730
Total	<u>2,662,444</u>	<u>1,607,730</u>

* This represents Bank's share in establishing the following companies:

- Jordan payment and clearing company
- Jordanian Islamic Banks Co. for Investment
- Islamic Banks group Co. for SMEs contribution.

Financial assets stated at cost as their fair value cannot be reliably measured amounted to JD 304,080 as at 31 December 2019 (31 December 2018: JD 1,607,730).

11. Financial Assets at Amortized Costs – Net

The details for this item as follow:

	Joint	
	31 December	
	2019	2018
	JD	JD
Islamic Sukuk - quoted	27,469,115	23,947,380
Islamic Sukuk - unquoted	5,957,400	8,021,600
Expected credit loss for financial assets	(83,770)	(182,070)
Total	33,342,745	31,786,910

The above assets have fixed and determinable payments and mature within 6 years.

The movement on investments as at end of year:

Item	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Balance at the beginning of the year	29,132,980	2,836,000	-	31,968,980	38,096,056
New investments	3,534,732	-	-	3,534,732	6,795,465
Matured investments/ amortization during the year	(2,077,197)	-	-	(2,077,197)	(12,922,541)
Transferred to stage 1	2,836,000	(2,836,000)	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Balance at the end of the year	33,426,515	-	-	33,426,515	31,968,980

The movement on expected credit loss provision in aggregation form as at end of year was as follows:

Item	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Balance at the beginning of the year	16,654	165,416	-	182,070	232,880
New investments	2,974	-	-	2,974	9,266
Recoveries from matured Investments	(75,359)	(127,329)	-	(202,688)	(60,076)
Transferred to stage 1	38,087	(38,087)	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Settlements	101,414	-	-	101,414	-
Balance at the end of the year	83,770	-	-	83,770	182,070

12. Investments in Real Estate

The details for this item as follow:

	Joint	
	31 December	
	2019	2018
	JD	JD
Investments in real estate	31,042,176	29,142,063
Accumulated depreciation	(3,032,657)	(2,808,431)
Impairment provision	(4,832,380)	(4,539,248)
Total	23,177,139	21,794,384

The movement on the investment in real estate portfolio during the year was as follows:

	Balance at the beginning of the year	Additions/ transfers during the year	Sales during the year	Balance at the end of the year
<u>2019</u>	JD	JD	JD	JD
Investments in real estate	29,142,063	1,900,113	-	31,042,176
Accumulated depreciation	(2,808,431)	(224,226)	-	(3,032,657)
Total	26,333,632	1,675,887	-	28,009,519
Real estate impairment provision	(4,539,248)	(293,132)	-	(4,832,380)
Net	21,794,384	1,382,755	-	23,177,139

	Balance at the beginning of the year	Additions/ transfers during the year *	Sales during the year	Balance at the end of the year
<u>2018</u>	JD	JD	JD	JD
Investments in real estate	27,924,456	1,817,472	(599,865)	29,142,063
Accumulated depreciation	(1,899,506)	(932,435)	23,510	(2,808,431)
Total	26,024,950	885,037	(576,355)	26,333,632
Real estate impairment provision	(4,516,175)	(154,595)	131,522	(4,539,248)
Net	21,508,775	730,442	(444,833)	21,794,384

The fair value of investments in real estate portfolio amounted to JD 26,669,851 as at 31 December 2019 (JD 25,477,076 as at 31 December 2018).

13. Property and Equipment - Net

The details for this item as follow:

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
2019	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at the beginning of the year	7,152,508	4,818,668	7,172,180	321,308	6,216,861	12,083,357	37,764,882
Additions	-	-	508,152	176,800	1,206,595	161,775	2,053,322
Disposals	-	-	(195,740)	(161,600)	(313,166)	(564,816)	(1,235,322)
Balance at the end of the year	<u>7,152,508</u>	<u>4,818,668</u>	<u>7,484,592</u>	<u>336,508</u>	<u>7,110,290</u>	<u>11,680,316</u>	<u>38,582,882</u>
Accumulated Depreciation							
Accumulated depreciation at the beginning of the year	-	1,489,688	4,571,737	233,490	4,515,956	10,018,274	20,829,145
Depreciation of the year	-	100,969	665,034	50,912	1,067,159	894,803	2,778,877
Disposals	-	-	(170,721)	(158,098)	(308,294)	(561,162)	(1,198,275)
Accumulated depreciation at the end of the year	<u>-</u>	<u>1,590,657</u>	<u>5,066,050</u>	<u>126,304</u>	<u>5,274,821</u>	<u>10,351,915</u>	<u>22,409,747</u>
Net Book value for property and equipment	<u>7,152,508</u>	<u>3,228,011</u>	<u>2,418,542</u>	<u>210,204</u>	<u>1,835,469</u>	<u>1,328,401</u>	<u>16,173,135</u>
Projects under Process	<u>-</u>	<u>67,640</u>	<u>-</u>	<u>-</u>	<u>18,192</u>	<u>135,150</u>	<u>220,982</u>
Net Property and Equipment at the end of the year	<u><u>7,152,508</u></u>	<u><u>3,295,651</u></u>	<u><u>2,418,542</u></u>	<u><u>210,204</u></u>	<u><u>1,853,661</u></u>	<u><u>1,463,551</u></u>	<u><u>16,394,117</u></u>

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	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
<u>2018</u>	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at the beginning of the year	7,152,508	4,818,668	6,847,052	279,208	6,120,607	11,689,256	36,907,299
Additions / Capitalization	-	-	618,772	82,470	1,012,116	394,441	2,107,799
Disposals	-	-	(293,644)	(40,370)	(915,862)	(340)	(1,250,216)
Balance at the end of the year	<u>7,152,508</u>	<u>4,818,668</u>	<u>7,172,180</u>	<u>321,308</u>	<u>6,216,861</u>	<u>12,083,357</u>	<u>37,764,882</u>
Accumulated Depreciation							
Accumulated depreciation at the beginning of the year	-	1,388,719	4,184,197	251,831	4,580,658	8,892,444	19,297,849
Depreciation of the year	-	100,969	658,888	22,027	850,457	1,125,987	2,758,328
Disposals	-	-	(271,348)	(40,368)	(915,159)	(157)	(1,227,032)
Accumulated depreciation at the end of the year	-	<u>1,489,688</u>	<u>4,571,737</u>	<u>233,490</u>	<u>4,515,956</u>	<u>10,018,274</u>	<u>20,829,145</u>
Net Book value for property and equipment	<u>7,152,508</u>	<u>3,328,980</u>	<u>2,600,443</u>	<u>87,818</u>	<u>1,700,905</u>	<u>2,065,083</u>	<u>16,935,737</u>
Projects under Process	-	53,640	-	-	1,051,275	1,428	1,106,343
Net Property and Equipment at the end of the year	<u>7,152,508</u>	<u>3,382,620</u>	<u>2,600,443</u>	<u>87,818</u>	<u>2,752,180</u>	<u>2,066,511</u>	<u>18,042,080</u>
Depreciation rate %	-	2	2-15	20	25	15	

The cost of fully depreciated property and equipment amounted to JD 11,921,628 as at 31 December 2019 (JD 8,872,315 as at 31 December 2018).

14. Intangible Assets – Net

The details for this item as follow:

	Systems and Software	
	2019	2018
	JD	JD
Balance at the beginning of the year	277,636	473,854
Additions	1,277,554	52,854
Amortization for the Year	(445,482)	(249,072)
Balance at the end of the year	<u>1,109,708</u>	<u>277,636</u>
Amortization rate %	<u>25</u>	<u>25</u>

15. Right of use assets and lease liability – long term

The movement of right of use assets and lease liability – long term was as follows:

	31 December 2019	
	Right of use assets	lease liability – long term
	JD	JD
Balance as at 31 December 2018	-	-
Impact of adopting of IFRS 16	5,328,510	4,873,072
Balance as at 1 January 2019	5,328,510	4,873,072
Addition during the year	1,471,157	1,094,157
Amortization during the year (note 45)	(1,091,402)	-
Finance costs (note 45)	-	147,198
Paid during the year	-	(1,314,213)
Balance as at 31 December 2019	5,708,265	4,800,214

16. Other Assets

The details for this item as follow:

	31 December	
	2019	2018
	JD	JD
Clearing cheques	16,249	228,323
Prepaid expenses	1,002,227	1,791,834
Accrued revenue	409,367	617,911
Reposessed assets	6,014,924	2,593,692
Others	674,561	1,123,937
Total	8,117,328	6,355,697

The following is a summary of the movement on the reposessed assets:

	2019	2018
	JD	JD
Balance at the beginning of the year	2,630,593	2,047,225
Additions	3,410,014	773,240
Disposals	-	(189,872)
Total	6,040,607	2,630,593
Impairment losses	(25,683)	(36,901)
Balance at the end of the year *	6,014,924	2,593,692

* This balance represents the assets reposessed by the Bank against distressed settlement of bad debts. The Bank is prohibited from disposing these assets for one year from the date of registration of the real estate in its name.

Central Bank of Jordan instructions require the disposal of assets repossessed by the Bank during a duration not more than two years from the date of disposal. Central Bank of Jordan can in exceptional cases make the duration longer for no more than two executive years.

17. Banks and Financial Institutions Accounts

The details for this item as follow:

	31 December					
	2019			2018		
	Outside		Total	Outside		Total
	Inside Jordan	Jordan		Inside Jordan	Outside Jordan	
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	2,103,089	2,103,089	4,233	1,803,953	1,808,186
Total	-	2,103,089	2,103,089	4,233	1,803,953	1,808,186

18. Customers' Current Accounts

The details for this item as follow:

	31 December 2019				
	Retail	Corporates	Small and Medium	Government and	Total
			Enterprises	Public Sector	
	JD	JD	JD	JD	JD
Current accounts	522,905,002	47,614,628	102,065,148	4,961,502	677,546,280
Total	522,905,002	47,614,628	102,065,148	4,961,502	677,546,280

	31 December 2018				
	Retail	Corporates	Small and Medium	Government and	Total
			Enterprises	Public Sector	
	JD	JD	JD	JD	JD
Current accounts	527,765,136	36,860,319	94,897,092	6,225,993	665,748,540
Total	527,765,136	36,860,319	94,897,092	6,225,993	665,748,540

Government of Jordan and public sector deposits inside the Jordan amounted to JD 4,961,502 as at 31 December 2019, representing 0.73% of the total customers' current accounts (JD 6,225,993 as at 31 December 2018, representing 0.94%).

Restricted deposits amounted to JD 4,478,527 as at 31 December 2019, representing 0.66% of the total customers' current accounts (JD 4,413,642 as at 31 December 2018, representing 0.66%).

Dormant accounts amounted to JD 5,796,937 as at 31 December 2019 (JD 8,797,438 as at 31 December 2018).

19. Cash Margins

The details for this item as follow:

	31 December	
	2019	2018
	JD	JD
Cash margins against sales receivables and financings	21,453,400	21,221,720
Cash margins against indirect credit facilities	6,673,335	8,262,297
Other cash margins	3,245,297	1,430,872
Total	31,372,032	30,914,889

The Bank distributed an amount of JD 438,210 to the insurance account holders participating in the profit for the year (JD 402,503 for 2018).

20. Other Provisions

The movement on other provisions is as follows:

	Balance at the beginning of the year	Provision (recovery) for the year	Paid during the year	Balance at the end of the year
	JD	JD	JD	JD
<u>2019</u>				
Provision for end-of-service indemnity	2,987,591	340,010	(96,648)	3,230,953
Provision for lawsuits against the Bank	19,067	-	(1,800)	17,267
Total	3,006,658	340,010	(98,448)	3,248,220
<u>2018</u>				
Provision for end-of-service indemnity	2,702,279	353,809	(68,497)	2,987,591
Provision for lawsuits against the Bank	43,567	(22,500)	(2,000)	19,067
Total	2,745,846	331,309	(70,497)	3,006,658

21. Income Tax

a. Provision for Income Tax

The movement on income tax provision is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	12,124,837	12,003,114
Income tax paid during the year	(15,400,004)	(14,992,730)
Income tax paid for previous years	(153,963)	-
Income tax payable for the year	14,166,429	15,114,453
Balance at the end of the year	10,737,299	12,124,837

b. Income tax appearing in the Statement of Income represents the following:

	2019	2018
	JD	JD
Income tax payable for the year	14,166,429	15,114,453
Deferred tax assets for the year	(176,704)	(352,609)
Amortization of deferred tax assets	113,977	110,322
Total	<u>14,103,702</u>	<u>14,872,166</u>

A final settlement was reached with the Income and Sales Tax Department until the end of the year 2018.

The accrued income tax for the year ended 31 December 2019 was calculated in accordance with the Income Tax Law in force.

In the opinion of the Management and the tax consultant, no additional provisions are required for the year ended 31 December 2019.

The statutory income tax rate for the year ended 31 December 2019 was adjusted starting from 1 January 2019 to reach 35% in addition to a national contribution of 3% for a total of 38% in accordance with the income tax law No. (34) of 2014 amended by law No. (38) of the year 2018.

C. Deferred Tax Assets / Liabilities – Self financed and Joint

Accounts Included	31 December 2019					31 December 2018
	Beginning balance	Released amounts	Added amounts	End of year balance	Deferred Tax	Deferred Tax
1. Deferred Tax Assets - Joint	JD	JD	JD	JD	JD	JD
Revenue in suspense	1,186,633	(1,186,633)	-	-	-	450,921
	<u>1,186,633</u>	<u>(1,186,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,921</u>
2. Deferred Tax Assets – Self financed						
Provision for end-of-service indemnity	2,987,591	(96,648)	340,010	3,230,953	1,227,762	1,135,285
Impairment provision for self- financing	1,155,638	(83,989)	-	1,071,649	407,227	439,142
Provision for fees for lawsuits against the Bank	19,067	(1,800)	-	17,267	6,561	7,245
Impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	1,036,559	1,036,559
Unacceptable tax expenses and deferred for coming years	35,000	(117,500)	125,000	42,500	16,150	13,300
Effect of IFRS (9) adoption	700,788	-	-	700,788	266,299	266,299
	<u>7,625,870</u>	<u>(299,937)</u>	<u>465,010</u>	<u>7,790,943</u>	<u>2,960,558</u>	<u>2,897,830</u>
Grand Total	<u>8,812,503</u>	<u>(1,486,570)</u>	<u>465,010</u>	<u>7,790,943</u>	<u>2,960,558</u>	<u>3,348,751</u>

In accordance with the amendment of the Banking Law No. (28) of 2000 and its amendments and the cancellation of the Investment Risk Fund with Islamic banks as at 1 May 2019, the Bank has released the remaining joint deferred tax assets as at 31 December 2019.

Self-financed deferred tax assets of JD 2, 960,558 as at 31 December 2019 resulted from time differences of the provision for end-of- service indemnity, provision for impairment in self – financings, provision for fees on lawsuits against the Bank, impairment in financial assets, and unacceptable tax expenses and deferred for years to come. These deferred tax assets were calculated at a tax rate of 35% in addition to 3% national contribution with a total of 38% and In the Management's opinion, these tax benefits from profits will be utilized in the future.

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	31 December 2019				31 December 2018
	Beginning balance	Released amounts	Added amounts	End of year balance	Deferred Tax
	JD	JD	JD	JD	JD
3. Deferred Tax Liabilities - Self					
Financial assets at fair value through shareholders' equity	475,109	-	292,132	767,241	291,552
	475,109	-	292,132	767,241	291,552

The deferred tax liabilities of JD 291,552 as at 31 December 2019 (JD 180,541 as at 31 December 2018) resulted from gains from valuation of financial assets presented within the fair value reserve of shareholders' equity.

The movement on the deferred tax assets and liabilities – Joint is as follows:

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	450,921	-	268,159	-
Additions during the year	-	-	305,550	-
Amortized during the year	(450,921)	-	(122,788)	-
Balance at the end of the year	-	-	450,921	-

The movement on the deferred tax assets and liabilities – Self is as follows:

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	2,897,830	180,541	2,410,268	227,174
Additions during the year	176,704	111,011	597,884	14,253
Amortized during the year	(113,976)	-	(110,322)	(60,886)
Balance at the end of the year	2,960,558	291,552	2,897,830	180,541

d. Summary of the Reconciliation between Accounting Income with Taxable Income:

	2019	2018
	JD	JD
Accounting Income	48,487,803	46,763,068
<u>Add: Nondeductible tax expenses</u>	<u>9,824,654</u>	<u>13,087,999</u>
<u>Less: Tax-exempt Income</u>	<u>(10,995,194)</u>	<u>(350,822)</u>
Other adjustments	(4,305,107)	(3,316,862)
Taxable Income	43,012,156	56,183,383
Declared income tax rate	38%	35%
Income Tax Provision - Net	16,344,619	19,664,184
Attributable to:		
Declared provision – Bank	14,166,429	15,114,453
Declared provision – Investment Risks Fund	946,812	3,636,937
Declared provision – Mutual insurance fund *	1,231,378	912,794
	<u>16,344,619</u>	<u>19,664,184</u>

* The mutual insurance fund has been established to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

22. Other Liabilities

The details of this item are as follows:

	31 December	
	2019	2018
	JD	JD
Certified cheques	8,602,472	7,611,859
Promissory notes, bills of collection and inward transfers	8,452,993	5,916,160
Accrued and unpaid expenses	40,094	36,599
Customers' share of revenue from joint investments (saving and term deposit)	9,016,974	6,339,272
Customers' share of revenues from joint investments (cash margin)	187,736	174,302
Commissions received in advance	429,952	408,397
Temporary deposit's and others *	13,099,789	9,152,940
Expected credit loss (off Balance sheet)- self (note 56)	434,359	641,294
Expected credit loss (off Balance sheet)- joint (note 56)	127,064	335,384
Income tax of mutual insurance fund (Note 24/d)	1,036,134	741,753
Board of Directors' remunerations	25,000	25,000
	<u>41,452,567</u>	<u>31,382,960</u>

* This item includes intermediate accounts amounting to JD 10,142,676 as at 31 December 2019, (JD 5,606,097 as at 31 December 2018) representing accepted L/C's and deferred customers' bills that will be paid at their maturity date.

23. Unrestricted Investment Accounts

The details of this item are as follows:

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

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	31 December 2018					
	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Central Bank Deposits **	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	220,506,592	891,073	2,229,423	3,316	2,406,863	226,037,267
Term deposits *	691,384,675	99,576,747	67,964,151	76,975,964	9,049,561	944,951,098
Total	911,891,267	100,467,820	70,193,574	76,979,280	11,456,424	1,170,988,365
Depositors' share of the investment returns	17,698,635	1,842,176	1,580,992	877,271	83,811	22,082,885
Total Joint Investment Accounts	929,589,902	102,309,996	71,774,566	77,856,551	11,540,235	1,193,071,250

* Term deposits include JD 15,530,258 as at 31 December 2019 (JD 13,201,380 as at 31 December 2018) net of tax. This item is the balance of the Mutual Insurance Fund established during 2013 to cover defaults on repayments of financings due to the death or total disability of the customers as per the Fund's Articles of Association approved by the Central Bank of Jordan (Note 24/d).

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

- The joint investment accounts participate in profits based on the following:
- 30% from the monthly balance of saving accounts.
- 90% of the lowest balance of term deposits.
- The general rate of profit on the Jordanian Dinar 2.938% for the first half and from 3.12% to 5.3%, for the second half for the year 2019, (2.0% and 2. 876% in the previous year).
- The general rate of profit on USD for the first and second halves of the year 2019, 1.29% and 1.15%, respectively (0.82% and 1% in the previous year).
- The restricted accounts amounted to JD 1,409,953 as at 31 December 2019 (JD 1,269,647 as at 31 December 2018).
- The joint investment accounts of the Government of Jordan and Public Sector inside the Jordan amounted to JD 162,112,071 as at 31 December 2019 at 12.5% of the total joint investment accounts (JD 77,856,551 as at 31 December 2018- 6.5%).
- Dormant accounts amounted to JD 4,354,469 as at 31 December 2019 (JD 3,445,858 as at 31 December 2018).

24/a. Investment Risk Fund

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

	2019	2018
	JD	JD
Balance at the beginning of the year	48,827,864	42,313,499
Add: Transferred from joint investment revenue for the year	3,512,818	10,066,140
Amortized losses for the year	-	(95,355)
Difference in valuation of foreign currencies	(375)	(2,245)
Less: income tax	(1,397,733)	(3,454,175)
Paid for previous year's tax	(697,597)	-
Transferred to a provision for expected credit losses on 1 May 2019 in accordance with Central Bank of Jordan instructions:		
Provision for expected credit losses - first stage	(1,492,769)	-
Provision for expected credit losses - second stage	(1,475,620)	-
Provision for expected credit losses - third stage	(23,769,483)	-
Impairment allowance - real estate investment portfolio	(4,539,248)	-
Impairment allowance - real estate acquired for debts	(36,901)	-
Transferred to provision for expected future investment risks (Note 24 / b)	(18,930,956)	-
Balance at the end of the year	-	48,827,864

The Fund's income tax item represents the following:

	2019	2018
	JD	JD
Accrued income tax on the amounts transferred from investment revenues	946,812	3,636,937
Deferred tax assets	-	(305,550)
Amortization of deferred tax assets	450,921	122,788
	1,397,733	3,454,175

The Balance of the Investment Risk Fund is distributed as follows:

	31 December	
	2019	2018
	JD	JD
Against expected credit loss on deferred sales receivables (Note 6)	-	19,740,160
Expected credit loss provision on financial assets at amortized cost (Note 11)	-	182,070
Against impairment of investments in real estate (Note 12)	-	4,539,248
Against impairment of repossessed assets (Note 16)	-	36,901
Provision for expected credit losses (off-balance sheet) (Note 22)	-	335,384
Remaining Balance (undistributed)	-	23,994,101

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

The movement on the income tax provision of the Investment Risk Fund is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	2,924,470	2,594,950
<u>Less:</u> Income tax paid	(3,486,999)	(3,307,417)
<u>Add:</u> Accrued income tax for the year	946,812	3,636,937
Balance at the end of the year	384,283	2,924,470

A final settlement was reached with the Income and Sales Tax Department until the end of the year 2018.

24/B - Provision for future expected investment risks

The movement on the provision for future expected investment risks is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	-	-
<u>Add:</u> transferred from investment risk fund as at 1 May 2019 in accordance with Central Bank of Jordan instruction (Note 24/a)	18,930,956	-
<u>Less:</u> released from provisions for expected credit losses	(5,851,118)	-
Balance at the end of the year	13,079,838	-

C - The movement of the expected credit losses provision is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	-	-
Transferred from Investment Risk Fund on 1 May 2019 accordance with Central Bank of Jordan instruction:		
Provision for expected losses - first stage	1,492,769	-
Provision for expected losses - second stage	1,475,620	-
Provision for expected losses - third stage	23,769,483	-
Impairment provision - real estate investment portfolio	4,539,248	-
Impairment provision – repossessed assets	36,901	-
Balance as at 1 May 2019	31,314,021	-
Less: released from provisions for expected credit losses which are no longer required (Note 34)	(3,914,207)	-
Add:		
Provision for expected credit losses - first stage	1,747,873	-
Provision for expected credit losses - second stage	690,352	-
Provision for expected credit losses - third stage	3,119,761	-
Impairment provision - real estate investment portfolio	293,132	-
Total of added provisions (Note 34)	5,851,118	-
Total	33,250,932	-

D- Mutual Insurance Fund

The movement on the mutual insurance fund is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	13,201,380	10,621,470
<u>Add:</u> Fund investment profits for the year	578,847	287,410
Insurance installments received during the year	3,536,976	3,622,756
<u>Less:</u> Investment risk fund income tax for the year	(1,231,378)	(912,794)
Administrative Expenses	(1,800)	(1,800)
Subscribers' compensation during the year	(518,340)	(381,610)
Financial stamp's expenses during the year	(35,427)	(34,052)
Balance at the end of the year	15,530,258	13,201,380

The movement on the income tax of the mutual Insurance Fund is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the Year	741,753	628,812
<u>Less:</u> Income tax paid	(936,997)	(799,853)
<u>Add:</u> Accrued income tax for the year	1,231,378	912,794
Balance at the end of year	1,036,134	741,753

The balance of Income tax of Mutual Insurance Fund is included in other liabilities (Note 22).

A final settlement was reached with the Income and Sales Tax Department until the end of the year 2018.

The Mutual Insurance Fund were prepared in accordance to Paragraph No. (D/3) of Article (54) of the Banking Law No. 28 for the Year 2000.

The Central Bank of Jordan's approval is required in case of any amendment to the Mutual Insurance Fund.

In case the Mutual Insurance Fund ceases its activities, the funds shall be disbursed to the Zakat Banks according to the opinion of the Authority

Compensation for Participants to the Fund is made as follows:

- Participant's death.
- Participant's total or permanent physical disability.

25. Paid-in Capital

The authorized and paid-in capital at the end of the fiscal year amounted to JD100 million divided into 100 million shares at a par value of JD 1 per share as at 31 December 2019 (100 million shares at a par value of JD 1 per share as at 31 December 2018).

26. Reserves

Statutory Reserve

The accumulated amounts in this account are appropriated from the annual net income before tax at 10% in accordance with the Banks Law. This reserve may not be distributed to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent appropriations from annual net income before tax during the previous years at a rate not exceeding 20%. This reserve is used for the purposes of determined by the Board of Directors. Moreover, the General Assembly is entitled to distribute it in whole or in part as dividends to shareholders.

The restricted reserves are as follows:

	31 December		Nature of restriction
	2019	2018	
	JD	JD	
Statutory reserve	35,260,929	30,412,149	Requirement of the Law

Proposed Dividends to Shareholders

The Board of Directors recommended the distribution of JD 16,000,000 to the sole shareholder (Arab Bank) during its meeting No. (1) held on 28 January 2020, equivalent to 16% of authorized and paid-up capital from distributable retained earnings, subject to the approval of the Shareholders' General Assembly and Central Bank of Jordan.

Note that the percentage of dividends distributed to the shareholders during 2019 is 14% of the capital (14,000,000) JD.

27. Fair Value Reserve – Net

The details of this item are as follows:

	Joint		Self	
	31 December		31 December	
	2019	2018	2019	2018
	JD	JD	JD	JD
Financial assets at fair value	(153,767)	-	475,688	294,566
Balance at the end of the year	(153,767)	-	475,688	294,566

The movement on the fair value reserve was as follows:

	Joint		Self	
	2019	2018	2019	2018
	JD	JD	JD	JD
Balance at the beginning of the year	-	-	294,566	421,895
Unrealized (losses) gains	(153,767)	-	292,132	(173,962)
Deferred tax liabilities	-	-	(111,010)	46,633
Balance at the end of the year	(153,767)	-	475,688	294,566

The fair value reserve is stated at net (after deducting deferred tax liabilities-self) amounted to JD 475,688 as at 31 December 2019 (JD 294,566 as at 31 December 2018).

The fair value reserve for financial assets at fair value through joint investment account holder's equity amounted to JD 153,767 as at 31 December 2019 (none as at 31 December 2018).

28. Retained Earnings

The movement on retained earnings is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	58,922,083	43,281,000
Transferred from general Banking risk reserve	-	882,000
The impact of applying IFRS (9)	-	(455,512)
The impact of applying IFRS (16) (Note 2)	(258,464)	-
Amended retained earnings (balance as at 31 January 2019)	58,663,619	43,707,488
Profit for the year	34,384,101	31,890,902
Transferred to the statutory reserve	(4,848,780)	(4,676,307)
Dividends profit *	(14,000,000)	(12,000,000)
Balance at the end of the year **	74,198,940	58,922,083

* On 3 April 2019, the Shareholders' General Assembly approved the distribution of cash dividends to the sole shareholder (Arab Bank plc.) at an amount of JD 14,000,000.

29. Deferred Sales Revenue

The details of this item are as follows:

	Joint		Self		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Retail						
Murabaha to purchase order	18,929,585	18,627,546	-	-	18,929,585	18,627,546
Real estate financings	10,214,911	9,625,076	-	-	10,214,911	9,625,076
Large Companies						
International Murabaha	3,312,326	3,073,849	-	-	3,312,326	3,073,849
Murabaha to purchase order	14,373,118	13,744,225	-	-	14,373,118	13,744,225
Small and Medium Enterprises						
Murabaha to purchase order	4,090,846	3,992,869	-	-	4,090,846	3,992,869
Total	50,920,786	49,063,565	-	-	50,920,786	49,063,565

30. Revenue from Financial Assets at Amortized Costs

The details of this item are as follows:

	Joint	
	2019	2018
	JD	JD
Islamic Sukuk	1,304,031	1,116,486
	<u>1,304,031</u>	<u>1,116,486</u>

31. Net Expenses from Investment in Real Estate

The details of this item are as follows:

	Joint	
	2019	2018
	JD	JD
<u>Acquired for Utilization</u>		
Real estate rents	380,261	280,009
Gain from sale real estate	-	9,783
Other expenses	(195,120)	(167,992)
Depreciation of buildings	(224,226)	(932,435)
	<u>(39,085)</u>	<u>(810,635)</u>

Buildings within the real estate portfolio are depreciated according to the straight-line method at a rate of 2% as the Bank adjusted depreciation rate for buildings within the real estate portfolio to be in a line with the newly approved investment policy in real estate where it previously depreciated at 10% leads to decrease in amount of JD 800 thousand reflected in income statement.

32. Revenue from Ijara Muntahia Bittamleek Assets

The details of this item are as follows:

	Joint		Self	
	2019	2018	2019	2018
	JD	JD	JD	JD
Ijara Muntahia Bittamleek – Real estate	114,291,489	113,513,002	37,970	37,666
Ijara Muntahia Bittamleek – Machinery	2,513,496	2,332,689	-	-
Ijara Muntahia Bittamleek - Vehicles	4,032	7,559	-	-
Depreciation of Ijara Muntahia Bittamleek assets	<u>(63,206,003)</u>	<u>(65,123,727)</u>	-	-
Total	<u>53,603,014</u>	<u>50,729,523</u>	<u>37,970</u>	<u>37,666</u>

33. Ju'alah commissions

The details of this item are as follows:

	Joint	
	2019	2018
	JD	JD
Ju'alah commissions (Bargaining)	711,351	521,331
	<u>711,351</u>	<u>521,331</u>

34 – Recoveries from expected credit losses provision

The details of this item are as follows:

	Joint	
	2019	2018
	JD	JD
Provisions recovered to income from expected future losses (formerly the Investment Risk Facility Fund)	9,765,325	-
Provisions for future losses expected (Note 24 / c)	(5,851,118)	-
Net recovered provisions	<u>3,914,207</u>	<u>-</u>

35 - Deposit insurance fees

The details of this item are as follows:

	Joint		Self	
	2019	2018	2019	2018
	JD	JD	JD	JD
Deposit insurance fees on Joint investment accounts	1,397,218	-	-	-
Deposit insurance fees on current accounts	-	-	1,367,149	-
Total	<u>1,397,218</u>	<u>-</u>	<u>1,367,149</u>	<u>-</u>

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

36. Unrestricted Investment Accounts Share

The details of this item are as follows:

	2019	2018
	JD	JD
Customers:		
Revenue of investments saving accounts	1,642,211	1,645,693
Revenue of term deposit accounts	31,155,956	20,752,643
Revenue of cash Margin accounts	451,644	401,347
Total	33,249,811	22,799,683

The Bank donates a certain amount from its share in income from Joint Investment as Mudarib or Fund Owner (Rab Al-Mal) to raise the percentage of profit distributed to some/all Unrestricted Investment Accounts holders. During 2019 the Bank donated an amount of JD 4,848,057 to some account holders representing 14.6% of Unrestricted Investment Accounts' share.

37. Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)

The details of this item are as follows:

	2019	2018
	JD	JD
Bank's share as Mudarib	36,475,451	27,136,150
Bank's share as (Rab Al-Mal)	35,779,006	40,659,426
Total	72,254,457	67,795,576

38. Bank's Self-Financed Revenue

The details of this item are as follows:

	2019	2018
	JD	JD
Income from Ijara Muntahia Bittamleek assets (Note 32)	37,970	37,666
Returns of distributions of financial assets at fair value through shareholders' equity	11,249	31,896
Total	49,219	69,562

39. Bank's Share in Restricted Investment Profit as Mudarib and as agent (Wakeel)

a. Bank's Share in Restricted Investment profit as Mudarib:

	2019	2018
	JD	JD
Income from restricted investments	5,809,095	3,312,688
<u>Less:</u> Share of holders of restricted investments accounts	<u>(4,793,901)</u>	<u>(2,667,414)</u>
Bank's share as Mudarib *	<u>1,015,194</u>	<u>645,274</u>

b. Bank's share in restricted investment profit as agent (Wakeel)*

	2019	2018
	JD	JD
Income from sales receivables	1,094,930	1,055,560
<u>Less:</u> Muwakel's share	<u>(592,815)</u>	<u>(627,811)</u>
Bank's Share as (Wakeel)	<u>502,115</u>	<u>427,749</u>

* This item represents revenue from Murabaha to Purchase order for small entities within the Wakaleh investment agreement signed with the Central Bank of Jordan.

40. Gains from Foreign Currencies

The details of this item are as follows:

	Self	
	2019	2018
	JD	JD
Resulted from trading / dealing	1,628,636	1,375,103
Resulted from revaluation	(8,286)	(2,401)
Total	<u>1,620,350</u>	<u>1,372,702</u>

41. Banking Services Revenue

The details of this item are as follows:

	2019	2018
	JD	JD
Commissions on certified cheques	41,504	45,318
Commissions on letters of credit and bills	915,861	972,574
Commissions on guarantees	717,117	752,387
Commissions on transfers	674,438	464,892
Commissions on Visa	3,297,397	2,749,962
Commissions on cheques	615,629	594,496
Commissions on electronic services	1,418,962	1,255,571
Commissions on execution of financings	1,275,683	718,460
Commissions on transferred salaries	1,667,687	1,623,296
Other commissions	1,055,499	986,319
Total	11,679,777	10,163,275

42. Other Revenues

The details of this item are as follows:

	Joint		Self	
	2019	2018	2019	2018
	JD	JD	JD	JD
Revenues from customers services (post, telephone, custody)	-	-	326,212	309,160
Profit from repossessed real estate	-	41,129	-	-
Other income	-	-	54,684	19,545
Total	-	41,129	380,896	328,705

43. Employees' Expenses

The details of this item are as follows:

	2019	2018
	JD	JD
Salaries, bonuses and employees benefits	19,733,813	17,977,537
Bank's contribution in social security	2,189,660	1,989,736
Medical expenses	1,030,727	888,446
Staff training	95,910	124,969
Others	124,455	106,306
Total	23,174,565	21,086,994

44. Other Expenses

The details of this item are as follows:

	2019	2018
	JD	JD
Stationery and printing	660,330	489,598
Postage and telephone	422,741	411,518
Maintenance and cleaning	732,151	731,072
Advertising	641,879	486,301
Insurance expenses	108,302	102,166
Electricity and water	882,717	1,170,377
Donations	313,917	439,849
Subscriptions and fees	708,812	574,705
Transportation and travel expenses	446,335	471,245
Consultancy and professional fees	481,078	460,821
Information systems expenses	2,616,092	2,050,257
Board of Directors' remunerations	25,000	25,000
Others	1,168,561	1,007,648
Total	9,207,915	8,420,557

45. Amortization of right of use assets / Lease liability discount / rental expenses:

The details of this item are as follows:

	Right of use assets amortization		Lease liability discount/ finance cost		rental expenses	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
	1,091,402	-	147,198	-	243,562	1,296,884
Total	1,091,402	-	147,198	-	243,562	1,296,884

46. Earnings Per Share

The details of this item are as follows:

	2019	2018
	JD	JD
Profit for the year	34,384,101	31,890,902
Weighted-average number of shares	100,000,000	100,000,000
Earnings per share for the year - Basic \ Diluted	0.344	0.319

47. Cash and Cash Equivalent

The details of this item are as follows:

	31 December	
	2019	2018
	JD	JD
Cash and balances with the Central Bank of Jordan maturing within three months	699,887,946	573,279,125
<u>Add:</u> Balances at banks and financial institutions mature within three months	18,802,906	20,438,681
<u>Less:</u> Banks and financial institutions' accounts mature within three months	(2,103,089)	(1,808,186)
	<u>716,587,763</u>	<u>591,909,620</u>

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48. Balances and Transactions with Related Parties

The Bank conducts transactions with shareholders, members of the Board of Directors, Executive Management, and Sister Companies in the ordinary course of its business using the Murabaha and commercial commissions rates.

The following is a summary of the transactions with related parties:

						Total	
						31 December	
	Arab Bank (Parent Company)	Board Members	Parent Company's subsidiaries	Shari'a Supervisory, board members	Executive Management	2019	2018
<u>Statement of Financial Position Items:</u>	JD	JD	JD	JD	JD	JD	JD
Balances with banks and financial institutions	18,120,968	-	-	-	-	18,120,968	18,502,301
International Murabaha (commodities investment)	116,712,610	-	-	-	-	116,712,610	117,780,234
Banks' and financial institutions accounts	541,977	-	-	-	-	541,977	314,018
Joint investment accounts and current accounts	-	8,478	-	163,431	1,654,344	1,826,253	1,375,788
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,616,930	-	-	5,616,930	5,324,798
Sales receivables and Ijara financings	-	601,135	-	-	2,197,479	2,798,614	2,686,608
<u>Off – Statement of Financial Position Items:</u>							
Guarantees	10,000	-	-	-	-	10,000	12,547,369
International Murabaha (Investment in Commodity)	247,824,879	-	-	-	-	247,824,879	158,363,980
						For the Year Ended 31 December	
<u>Statement of Income Items:</u>						2019	2018
						JD	JD
Distributed profit – deposits' accounts	-	-	-	2,073	29,673	31,746	20,310
Received profit - receivables	-	35,553	-	-	91,457	127,010	86,358
Shares' dividends	-	-	11,249	-	-	11,249	31,896
Received commissions-off - statement of financial position items	62,829	-	-	-	-	62,829	62,687
Salaries and remunerations *	-	25,000	-	84,000	1,957,649	2,066,649	1,915,618
Transportation – Committees Membership	-	116,400	-	-	-	116,400	116,400

- The lowest Murabaha rate that the Bank received was 3% and the highest Murabaha rate was 5.89%. Meanwhile, the lowest dividends distribution rate was 2.934%, and the highest rate of dividends distribution was 3.12%.
- All financings granted to related parties are performing, and consequently, no related provisions have been booked.
- * The Central Bank of Jordan Circular No. 10/2/4676 regarding the definition of Executive Management has been implemented.

49. Risk Management

Islamic International Arab Bank deals with the challenges related to banking risks comprehensively within an overall risk management framework according to the best banking standards, conventions, and practices, reinforced by a governance structure at the level of the Board of Directors, in particular the committees emanating from the Board and Executive management level.

Risk management represents one of the main control levels within the institutional structural framework of the Bank's risk management. Moreover, Risk Management is responsible for developing an effective and secured system to identify the risks by the Bank is exposed to, and its tasks include the following:

- Reviewing Bank's risk management framework before approval by the Board of Directors.
- Implementing risk management strategy as well as developing policies and work procedures to manage whole risk types.
- Developing methodologies for identifying, measuring, controlling and detecting each type of risks.
- Submitting reports to the Board members through the risk management committee and a copy of the reports to senior executive management, including information about the actual risk profile compared with accepted risk appetite, and following up and resolving negative deviations.
- Checking the integration of the risk measurement mechanism with management information systems.
- Studying and analyzing all risk types the Bank is exposed to.
- Submitting recommendations to the risk management committee about the Bank's risk exposure, as well as registering the exceptions in the risk management policy.
- Providing the necessary information about the Bank's risks for disclosure purposes.
- Reinforcing and raising awareness about risks through the best banking practices and standards.

Risk Management at the Bank is divided into the following sections:

1. Credit Risk

The Islamic international Arab Bank adopts initiative and a dynamic approach and implements a conservative strategy in managing this type of risk. This is a key factor to achieving its strategic objective in respect of continuous improvement and maintenance of the quality of assets and credit portfolio components. The Bank also relies on well-established, conservative, and prudent credit standards. Furthermore, the Bank implements policies, procedures, methodologies, and general frameworks to manage risks, taking into consideration all the developments in the legislative and banking environment. Additionally, the Bank has in place clear organizational structures and technical systems, close follow-up, and effective controls that enable it to deal with probable risks and challenges arising from the changing environment at a high level of confidence and determination.

Credit management decisions are based on the adopted strategy and the accepted levels of risk. Furthermore, periodic review and analysis of the credit portfolio type and quality are performed periodically based on specific performance indicators. These decisions also focus on diversity, which is considered key to mitigating and diversifying risks on the individual customers' level and sectors levels.

2. Liquidity Risk

Liquidity is the Bank's ability to meet its obligations on their maturity dates without incurring unacceptable losses, according to the definition of Islamic Financial Services Board (IFSB).

The Islamic international Arab Bank has established a strong liquidity infrastructure fulfilled at maturity under all circumstances without additional costs.

The Assets and Liabilities Committee (ALCO) manages the Bank's liquidity strategy. Moreover, the Treasury Department's employees carry out their duties according to the powers granted to them to meet the needs and goals of the Bank's different units.

(ALCO) analyzes the statement of financial position and the statement of income, determines market risk, and takes all the required procedures to amend all the prices and products combination, as needed, to maintain the optimum structure for the Bank's financial position and related risks.

3. Market Risk

Market risk is the probable loss arising from the change in value of the Bank's portfolios due to fluctuation in stock prices, profit rates, foreign exchange rates, and commodity prices. Moreover, market risks are managed on the trading portfolio and banking portfolio in a manner consistent with Islamic Sharia. In addition, three main activities expose the Bank to market risk: trading in cash market instruments, foreign currencies, and capital market instruments; trading in the banking portfolio; and trading in the trading portfolio.

The essential tools in measuring and managing market risk include:

- Net open position for foreign currencies.
- Value at risk.
- Stress testing.

4. Capital Market Risk

Investment in capital market instruments is exposed to market risk because of the change in profit rate.

The Bank's probable risk resulting from this kind of investment is limited due to the strict control on credit risk and profit rate risk. In this regard, the Bank's stocks investment portfolio constitutes a small percentage of the Islamic International Arab Bank's total assets.

5. Foreign Currencies Exchange Rates Risk:

Foreign currencies income is generated basically from the clients' operations. Restrictions are imposed on the Bank as regards trading in foreign currencies for its own account. In addition, these operations are properly hedged against expected currency fluctuations in a manner that reduces exchange rate risk to the minimum.

6. Compliance with Shari'a Standards Risk:

The Islamic International Arab Bank fully adheres to Shari'a Standards in force in all of its deals. For this purpose, IIAB provides its employees from all managerial levels with Shari'a banking courses to reinforce their abilities and efficiencies and enhance their knowledge and understanding of all Shari'a Standards.

In order to ensure its compliance with Shari'a Standards, the Bank established three Shari'a control units:

1. Shari'a Internal Audit Department supervised directly by the Shari'a Supervisory Board.
2. Shari'a control concurrent with implementation.
3. Shari'a compliance in the Compliance Department.

7. Other Risks

Islamic international Arab Bank is exposed to other types of risks, which it manages proactively and prudently.

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50. Credit Risk

1. Distribution of credit Risk according to the Economic sector:

A. Exposure Distribution according Financial instruments (Net) as at 31 December 2019

	Financial	Industrial	Trade	Real Estate	Agriculture	Shares	Retail	Government and public sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank of Jordan	-	-	-	-	-	-	-	665,630,526	665,630,526
Balances with banks and financial institutions	18,802,906	-	-	-	-	-	-	-	18,802,906
Deferred sales Receivables and Other receivables and financings	1,263,119	65,211,533	296,928,718	127,439,097	29,791,282	387,957	278,727,229	-	799,748,935
Sukuk:									
Within financial assets at amortized cost	14,185,328	-	-	-	-	-	-	19,157,417	33,342,745
Other Assets									
Accrued revenues	125,604	-	126,239	-	-	-	-	157,524	409,367
Prepaid expenses	218,104	-	729,383	-	-	-	-	54,740	1,002,227
Total	34,595,061	65,211,533	297,784,340	127,439,097	29,791,282	387,957	278,727,229	685,000,207	1,518,936,706
Off- statement of financial position:									
Guarantees	-	2,850,328	36,046,133	-	176,735	-	-	-	39,073,196
Letters of credit	-	10,357,027	20,219,336	-	176,229	-	-	-	30,752,592
Acceptances	-	3,489,371	4,491,338	-	5,178,711	-	-	-	13,159,420
Unutilized limits	-	33,187,118	123,696,536	-	8,735,216	-	10,665,912	-	176,284,782
Total of financial position items	-	49,883,844	184,453,343	-	14,266,891	-	10,665,912	-	259,269,990
Total as at 31 December 2019	34,595,061	115,095,377	482,237,683	127,439,097	44,058,173	387,957	289,393,141	685,000,207	1,778,206,696
Total as at 31 December 2018	33,569,123	161,717,991	438,306,585	142,433,820	30,945,658	-	276,463,444	561,680,790	1,645,117,411

B. Distribution of exposures by stages according to IFRS (9) (Net) as at 31 December 2019:

Item (JD)	Stage 1	Stage 2	Stage 3	Total
Financial	34,595,061	-	-	34,595,061
Industrial	110,753,839	2,183,464	2,158,074	115,095,377
Trade	454,911,825	29,262,566	(1,936,708)	482,237,683
Real Estate	120,037,853	5,912,964	1,488,280	127,439,097
Agriculture	44,058,173	-	-	44,058,173
Shares	387,957	-	-	387,957
Retail	286,453,657	2,475,066	464,418	289,393,141
Government and public sector	685,000,207	-	-	685,000,207
Total	<u>1,736,198,572</u>	<u>39,834,060</u>	<u>2,174,064</u>	<u>1,778,206,696</u>

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2. Distribution of exposures by geographical region:

Distribution of exposures according to geographical region (Net) as at 31 December 2019:

	Jordan	Other Middle East countries	Europe	Asia	America	Australia	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank of Jordan	665,630,526	-	-	-	-	-	-	665,630,526
Balances with banks and financial institutions	17,624,133	474,891	571,990	459	-	52,643	78,790	18,802,906
Deferred sales Receivables, other Receivables and financings:	659,020,701	101,628,225	23,469,024	15,630,985	-	-	-	799,748,935
Within financial assets at amortized cost	5,957,400	27,385,345	-	-	-	-	-	33,342,745
Other Assets	-	-	-	-	-	-	-	-
Accrued revenues	30,557	306,292	65,764	6,754	-	-	-	409,367
Prepaid expenses	1,002,227	-	-	-	-	-	-	1,002,227
Total	1,349,265,544	129,794,753	24,106,778	15,638,198	-	52,643	78,790	1,518,936,706
Guarantees	39,073,196	-	-	-	-	-	-	39,073,196
Letters of credit	30,752,592	-	-	-	-	-	-	30,752,592
Acceptances	13,159,420	-	-	-	-	-	-	13,159,420
Other obligations	176,284,782	-	-	-	-	-	-	176,284,782
	259,269,990	-	-	-	-	-	-	259,269,990
Total as at 31 December 2019	1,608,535,534	129,794,753	24,106,778	15,638,198	-	52,643	78,790	1,778,206,696
Total as at 31 December 2018	1,450,055,418	134,007,230	40,057,094	20,653,907	-	197,963	145,799	1,645,117,411

Distribution of exposures by stages according to IFRS (9) (Net) as at 31 December 2019:

Item (JD)	Stage 1	Stage 2	Stage 3	Total
Jordan	1,566,527,410	39,834,060	2,174,064	1,608,535,534
Other Middle East countries	129,794,753	-	-	129,794,753
Europe	24,106,778	-	-	24,106,778
Asia	15,638,198	-	-	15,638,198
Australia	52,643	-	-	52,643
Other countries	78,790	-	-	78,790
Total	<u>1,736,198,572</u>	<u>39,834,060</u>	<u>2,174,064</u>	<u>1,778,206,696</u>

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3- Total credit exposures and fair value of collaterals as at 31 December 2019:

A. Total exposures of the Bank's portfolio as at 31 December 2019:

Item (JD)	Total Exposures	Collaterals fair value						Total collaterals	Net exposures after collaterals	(ECL)
		Cash margins	Quoted Shares	Banks guarantees	Real estate	Vehicles and equipment	Other			
Balances with Central Bank of Jordan	665,630,526	-	-	-	-	-	-	-	665,630,526	-
Balances with banks and financial institutions	18,802,906	-	-	-	-	-	-	-	18,802,906	-
Deferred sales Receivables and other Receivables:										
Retail	282,265,348	1,221,534	-	-	20,234,800	57,403,351	-	78,859,685	203,405,663	3,250,941
Real estate financing	129,925,005	-	-	-	13,753,030	2,691,536	-	16,444,566	113,480,439	2,327,648
Corporates:										
Large Companies	361,312,665	8,255,533	-	-	83,224,310	584,216	-	92,064,059	269,248,606	23,207,441
Small and Medium Enterprises	60,602,553	3,593,322	-	-	5,429,734	3,278,823	-	12,301,879	48,300,674	3,559,842
Sukuk:										
Within financial assets at amortized cost	33,426,515	-	-	-	-	-	-	-	33,426,515	83,770
Accrued revenues	409,367	-	-	-	-	-	-	-	409,367	-
Prepaid expenses	1,002,227	-	-	-	-	-	-	-	1,002,227	-
Total	1,553,377,112	13,070,389	-	-	122,641,874	63,957,926	-	199,670,189	1,353,706,923	32,429,642
Off- statement of financial position items:										
Guarantees	39,254,598	4,427,457	-	-	-	-	-	4,427,457	34,827,141	181,402
Letters of credit	30,964,960	1,199,439	-	-	-	-	-	1,199,439	29,765,521	212,368
Acceptances and unutilized limits	189,611,855	-	-	-	54,455,730	65,198	1,121,494	55,642,422	133,969,433	167,653
Total off- statement of financial position items	259,831,413	5,626,896	-	-	54,455,730	65,198	1,121,494	61,269,318	198,562,095	561,423
Total as at 31 December 2019	1,813,208,525	18,697,285	-	-	177,097,604	64,023,124	1,121,494	260,939,507	1,552,269,018	32,991,065

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B. Credit exposures within stage 3 as at 31 December 2019:

Item (JD)	Total Exposures	Collaterals fair value							Net exposures after collaterals	(ECL)
		Cash margins	Quoted Shares	Bank guarantees	Real estate	Vehicles and equipment	Other	Total collaterals		
Balances with Central Bank of Jordan	-	-	-	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deferred sales Receivables and other Receivables:										
Retail	3,077,727	-	-	-	1,546,547	995,455	-	2,542,002	535,725	2,326,132
Real estate financing	3,202,782	-	-	-	2,872,158	-	-	2,872,158	330,624	1,556,242
Corporates:										
Large Companies	20,037,365	36,709	-	-	7,461,183	55,828	-	7,553,720	12,483,645	21,467,169
Small and Medium Enterprises	4,596,939	270,290	-	-	692,565	98,220	-	1,061,075	3,535,864	3,028,630
Sukuk:										
Within financial assets at amortized cost	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Accrued revenues	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Total	30,914,813	306,999	-	-	12,572,453	1,149,503	-	14,028,955	16,885,858	28,378,173
Off- statement of financial position items										
Guarantees	680,425	139,747	-	-	-	-	-	139,747	540,678	84,290
Letters of credit	-	-	-	-	-	-	-	-	-	-
Acceptances and unutilized limits	4,577,679	-	-	-	3,126,179	-	129,910	3,256,089	1,321,590	-
Total off- statement of financial position items	5,258,104	139,747	-	-	3,126,179	-	129,910	3,395,836	1,862,268	84,290
Total	36,172,917	446,746	-	-	15,698,632	1,149,503	129,910	17,424,791	18,748,126	28,462,463

4- Total reclassified credit exposures and total expected credit losses:

A. Total reclassified credit exposure as at 31 December 2019:

Item (JD)	Stage 2		Stage 3		Total reclassified exposures	Percentage of reclassified exposures
	Total exposures	Reclassified exposures	Total exposures	Reclassified exposures		
Deferred sales Receivables and other Receivables	28,399,307	7,828,660	30,914,813	5,969,839	13,798,499	23%
Within financial assets at amortized cost	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Accrued revenues	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total	28,399,307	7,828,660	30,914,813	5,969,839	13,798,499	23%
Off- statement of financial position items:						
Guarantees	646,513	247,221	659,662	17,514	264,735	20%
Letters of credit	-	-	-	-	-	-
Acceptances	524,812	1,512,988	-	-	1,512,988	100%
Unutilized limits	-	-	-	-	-	-
Total off- statement of financial position items	1,171,325	1,760,209	659,662	17,514	1,777,723	97%
Total	29,570,632	9,588,869	31,574,475	5,987,353	15,576,222	25%

B. The amount of expected credit losses as at 31 December 2019:

Item (JD)	Stage 2		Stage 3		Total reclassified exposures	Percentage of exposures
	Total exposures	Reclassified exposures	Total exposures	Reclassified exposures		
Balances with banks and financial institutions	-	-	-	-	-	-
Deferred sales Receivables and other Receivables	1,497,389	916,828	28,378,173	137,334	1,054,162	4%
Financial assets at amortized cost	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Accrued revenues	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total	1,497,389	916,828	28,378,173	137,334	1,054,162	4%
Off- statement of financial position items:						
Guarantees	28,649	562	84,290	97	659	0.5%
Letters of credit	-	-	-	-	-	-
Acceptances	-	11,923	-	-	11,923	100%
Unutilized limits	-	-	-	-	-	-
Total off- statement of financial position items	28,649	12,485	84,290	97	12,582	11%
Total	1,526,038	929,313	28,462,463	137,431	1,066,744	4%

C. Reclassified credit losses:

Item (JD)	Reclassified exposures			ECL for Reclassified exposures				
	Total exposures reclassified from stage 2	Total exposures reclassified from stage 3	Total exposure reclassified	Stage 2 (individual)	Stage 2 (collective)	Stage 3 (individual)	Stage 3 (collective)	Total
Deferred sales Receivables and other Receivables	10,079,621	3,378,184	13,457,805	267,315	-	1,023,804	-	1,291,119
Within financial assets at amortized cost	2,836,000	-	2,836,000	38,087	-	-	-	38,087
Total	12,915,621	3,378,184	16,293,805	305,402	-	1,023,804	-	1,329,206
Off- statement of financial position items:								
Guarantees	983,895	194,600	1,178,495	8,686	-	-	-	8,686
Letters of credit	-	-	-	-	-	-	-	-
Acceptances	-	-	-	-	-	-	-	-
Unutilized limits	-	-	-	-	-	-	-	-
Total off- statement of financial position items	983,895	194,600	1,178,495	8,686	-	-	-	8,686
Total	13,899,516	3,572,784	17,472,300	314,088	-	1,023,804	-	1,337,892

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51\A. Credit Risk

1. Exposures to Credit Risk (after provision for expected credit losses and before collateral held and other risk mitigating factors)

Statement	Joint		Self		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
financial position items:						
Balances with Central Bank	-	-	665,630,526	540,364,360	665,630,526	540,364,360
Balances with banks and financial institutions	-	-	18,802,906	20,438,681	18,802,906	20,438,681
Deferred Sales Receivables and Other Receivables:						
Retail	232,251,886	226,780,006	46,475,343	38,904,170	278,727,229	265,684,176
Real estate financings	127,439,097	142,433,820	-	-	127,439,097	142,433,820
Corporates:						
Large companies	335,319,278	358,308,610	1,636,722	1,821,877	336,956,000	360,130,487
Small and Medium Enterprises	56,556,409	51,308,031	70,200	73,179	56,626,609	51,381,210
Financing Investments:						
Musharaka:						
Retail	-	-	-	-	-	-
Real estate financings	-	-	-	-	-	-
Mudaraba:						
Corporates						
Large companies	-	-	-	-	-	-
Sukuk:						
Within financial assets at amortized cost	33,342,745	31,786,910	-	-	33,342,745	31,786,910
Other assets						
Accrued revenue	409,367	617,911	-	-	409,367	617,911
Prepaid expenses	-	-	1,002,227	1,791,834	1,002,227	1,791,834
Off – Statement of Financial Position:						
Letters of Guarantee	-	-	39,073,196	55,020,872	39,073,196	55,020,872
Letters of credit	-	-	30,752,592	20,622,756	30,752,592	20,622,756
Acceptances	-	-	13,159,420	8,689,586	13,159,420	8,689,586
Unutilized limits	122,727,687	99,283,916	53,557,095	46,870,892	176,284,782	146,154,808
Total	908,046,469	910,519,204	870,160,227	734,598,207	1,778,206,696	1,645,117,411

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2. Distribution of Credit Risk Exposure according to the degree of risk, Central Bank of Jordan regulations, and the International Financial Reporting Standards.

The credit exposure is distributed according to the degree of risk according to the following table:

	Joint							Self						
			Large		Medium		Total			Large		Medium		Total
	Retail	Real Estate	Companies	Enterprises	Financial Institutions	other Banks and Government and Public Sector		Retail	public sector	Financial Institutions	Companies	Enterprises	Total	Total
31 December 2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	1,221,534	-	8,255,533	3,593,322	-	19,380,197	32,450,586	-	665,630,526	-	-	-	665,630,526	698,081,112
Acceptable risk	259,842,836	142,105,912	332,428,425	54,464,442	14,329,446	-	803,171,061	46,536,838	54,740	18,802,906	2,401,950	67,713	67,864,147	871,035,208
Past due														
Up to 30 days	393,337	9,646	127,594	61,389	-	-	591,966	-	-	-	-	-	-	591,966
From 31 to 59 days (stage 2)	1,771,149	147,701	2,616,989	515,279	-	-	5,051,118	7,907	-	-	21,446	2,621	31,974	5,083,092
Watch list	1,548,078	4,220,946	4,587,740	995,353	-	-	11,352,117	7,813	-	-	1,761	-	9,574	11,361,691
Non-performing:														
Sub-standard	627,950	845,758	203,630	756,363	-	-	2,433,701	34,075	-	-	-	4,396	38,471	2,472,172
Doubtful	720,654	466,082	1,230,417	355,715	-	-	2,772,868	104,828	-	-	-	29,844	134,672	2,907,540
Bad debts	1,197,591	1,890,942	15,085,509	3,265,327	-	-	21,439,369	392,629	-	-	3,517,809	185,294	4,095,732	25,535,101
Total	267,323,129	149,686,987	364,535,837	64,007,190	14,329,446	19,380,197	879,262,786	47,084,090	665,685,266	18,802,906	5,942,966	289,868	737,805,096	1,617,067,882
<u>Less:</u>														
Deferred revenue	32,141,871	19,761,982	8,092,111	3,694,505	-	-	63,690,469	-	-	-	301	-	301	63,690,770
Revenues in suspense	287,178	158,260	1,132,256	410,035	-	-	1,987,729	-	-	-	16,968	6,067	23,035	2,010,764
Provision for impairment	2,642,194	2,327,648	19,865,953	3,346,241	18,514	65,256	28,265,806	608,747	-	-	3,341,488	213,601	4,163,836	32,429,642
Net	232,251,886	127,439,097	335,445,517	56,556,409	14,310,932	19,314,941	785,318,782	46,475,343	665,685,266	18,802,906	2,584,209	70,200	733,617,924	1,518,936,706

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	Joint							Self						
					Banks and other		Government and Public			Banks and other		Government and public sector		
	Retail	Real Estate	Large Companies	Medium Enterprises	Financial Institutions		Total	Retail	public sector	Financial Institutions	Large Companies	Medium Enterprises	Total	Total
31 December 2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	1,274,627	-	5,071,374	3,761,188	-	21,267,574	31,374,763	-	540,364,360	-	1,618	-	540,365,978	571,740,741
Acceptable risk	255,703,478	163,051,814	351,265,936	48,337,856	10,804,155	-	829,163,239	39,623,470	48,856	20,438,681	2,358,754	68,032	62,537,793	891,701,032
Past due														
Up to 30 days	342,328	23,276	568,462	75,002	-	-	1,009,068	-	-	-	-	-	-	1,009,068
From 31 to 59 days (stage 2)	951,489	64,854	1,315,365	352,111	-	-	2,683,819	10,343	-	-	109,319	6,549	126,211	2,810,030
Watch list	1,301,346	1,221,177	2,705,240	1,713,159	-	-	6,940,922	12,449	-	-	379,295	1,512	393,256	7,334,178
Non-performing:														
Sub-standard	248,889	349,806	146,202	163,952	-	-	908,849	27,083	-	-	-	7,267	34,350	943,199
Doubtful	324,989	835,116	5,405,482	241,241	-	-	6,806,828	64,105	-	-	-	14,698	78,803	6,885,631
Bad debts	969,992	1,040,049	14,289,682	3,095,096	-	-	19,394,819	240,416	-	-	3,218,863	177,620	3,636,899	23,031,718
Total	261,117,138	166,586,092	380,767,743	57,739,605	10,804,155	21,267,574	898,282,307	39,977,866	540,413,216	20,438,681	6,067,849	275,678	607,173,290	1,505,455,597
Less:														
Deferred revenue	32,739,394	22,173,104	7,579,848	3,482,982	-	-	65,975,328	-	-	-	426	-	426	65,975,754
Revenues in suspense	213,705	79,036	634,305	404,485	-	-	1,331,531	-	-	-	16,862	-	16,862	1,348,393
Provision for impairment	1,384,033	1,900,132	13,911,888	2,544,107	-	-	19,740,160	345,613	-	-	3,213,789	202,499	3,761,901	23,502,061
Net	226,780,006	142,433,820	358,641,702	51,308,031	10,804,155	21,267,574	811,235,288	39,632,253	540,413,216	20,438,681	2,836,772	73,179	603,394,101	1,414,629,389

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Fair value of collaterals against deferred sales receivables, other receivables and financings:

	Joint					Self					Total
	Real Estate		Large	Small and Medium		Real Estate		Large	Small and Medium		
	Retail	Financing	Companies	Enterprises	Total	Retail	Financing	Companies	Enterprises	Total	
2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Collaterals against:											
Low risk	1,221,534	-	8,255,533	3,593,322	13,070,389	-	-	-	-	-	13,070,389
Acceptable risk	73,785,491	13,472,925	77,549,750	7,945,923	172,754,089	-	-	-	-	-	172,754,089
Watch list	725,831	9,231	1,211,332	47,447	1,993,841	-	-	-	-	-	1,993,841
Non-performing:											
Sub-standard	779,611	692,572	-	199,999	1,672,182	-	-	-	-	-	1,672,182
Doubtful	460,195	1,292,903	-	75,833	1,828,931	-	-	-	-	-	1,828,931
Bad debts	768,996	976,935	4,164,791	439,355	6,350,077	1,118,027	-	882,653	-	2,000,680	8,350,757
Total	77,741,658	16,444,566	91,181,406	12,301,879	197,669,509	1,118,027	-	882,653	-	2,000,680	199,670,189
Of which:											
Cash margins	1,221,534	-	8,255,533	3,593,322	13,070,389	-	-	-	-	-	13,070,389
Real estate	19,116,773	13,753,030	82,341,657	5,429,734	120,641,194	1,118,027	-	882,653	-	2,000,680	122,641,874
Quoted shares	-	-	-	-	-	-	-	-	-	-	-
Vehicles and equipment	57,403,351	2,691,536	584,216	3,278,823	63,957,926	-	-	-	-	-	63,957,926
Accepted bank guarantees	-	-	-	-	-	-	-	-	-	-	-
	77,741,658	16,444,566	91,181,406	12,301,879	197,669,509	1,118,027	-	882,653	-	2,000,680	199,670,189

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	Joint					Self					Total
	Real Estate		Large	Small and	Total	Real Estate		Large	Small and		
	Retail	Financing	Companies	Medium Enterprises		Retail	Financing	Companies	Medium Enterprises	Total	
2018	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Collaterals against:											
Low risk	1,274,627	-	5,071,374	3,761,188	10,107,189	-	-	1,618	-	1,618	10,108,807
Acceptable risk	83,821,452	18,007,131	81,730,998	6,874,049	190,433,630	-	-	265,770	-	265,770	190,699,400
Watch list	326,709	821,761	1,223,314	43,927	2,415,711	-	-	-	-	-	2,415,711
Non-performing:											
Sub-standard	-	145,214	654,390	58,898	858,502	-	-	-	-	-	858,502
Doubtful	-	808,819	848,540	2,340,395	3,997,754	-	-	-	-	-	3,997,754
Bad debts	128,824	455,387	4,827,068	1,229,132	6,640,411	-	-	615,321	-	615,321	7,255,732
Total	85,551,612	20,238,312	94,355,684	14,307,589	214,453,197	-	-	882,709	-	882,709	215,335,906
Of which:											
Cash margins	1,274,627	-	5,071,374	3,701,388	10,047,389	-	-	1,618	-	1,618	10,049,007
Real estate	23,010,483	17,914,714	81,661,362	7,357,681	129,944,240	-	-	881,091	-	881,091	130,825,331
Quoted shares	-	-	-	-	-	-	-	-	-	-	-
Vehicles and equipment	61,266,502	2,323,598	7,622,948	3,188,720	74,401,768	-	-	-	-	-	74,401,768
Accepted bank guarantees	-	-	-	59,800	59,800	-	-	-	-	-	59,800
	85,551,612	20,238,312	94,355,684	14,307,589	214,453,197	-	-	882,709	-	882,709	215,335,906

3- Sukuk: The following table shows the classification of Sukuk according to external rating agencies:

Rating Grade	Rating Agency	Within Financial Assets at Amortized Cost
		JD
A+	Fitch	3,531,758
A	Fitch	10,653,569
B+	S & P	2,802,721
BBB+	S & P	3,581,385
BB+	Fitch	6,815,912
Unrated/guaranteed by Jordanian government		5,957,400
Total		33,342,745

Deferred Sales Receivables and Other Receivables and Re-Scheduled Financings:

These are the receivables previously rated as non-performing receivables/financings and excluded from the non-performing receivables and financings framework by virtue of proper scheduling. These receivables have been classified within watch-list receivables/financings and amounted to JD 1,005 thousand as at 31 December 2019, regardless of whether they remain in the watch list or get transferred to the performing receivables (JD 1,210 thousand as at 31 December 2018).

Deferred Sales Receivables and Other Receivables and Re-structured Financings:

Restructuring means re-arranging receivables/financings in terms of amending installments, extending their life of receivables/financings, deferring some installments, or extending their grace period. They are classified as watch-list receivables/financings and amounted to JD 25,208 thousand as at 31 December 2019 (JD 14,561 thousand as at 31 December 2018).

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4. Concentration of Credit Risk Exposures as per Geographical Distribution is as follows:

Item							
Geographical Area	Jordan	Other Middle Eastern Countries	Europe	America	Australia	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank of Jordan	665,630,526	-	-	-	-	-	665,630,526
Balances with banks and financial institutions	17,624,133	474,891	571,990	-	52,643	79,249	18,802,906
Deferred Sales Receivables:							
other Receivables and							
Financings:							
Retail	278,727,229	-	-	-	-	-	278,727,229
Real estate financings	127,439,097	-	-	-	-	-	127,439,097
Corporates:							
Large companies	196,227,766	101,628,225	23,469,024	-	-	15,630,985	336,956,000
Small and Medium Enterprises	56,626,609	-	-	-	-	-	56,626,609
Within financial assets at amortized cost	5,957,400	27,385,345	-	-	-	-	33,342,745
Other Assets:							
Accrued revenue	30,557	306,292	65,764	-	-	6,754	409,367
Prepaid expenses	1,002,227	-	-	-	-	-	1,002,227
Total as at 31 December 2019	1,349,265,544	129,794,753	24,106,778	-	52,643	15,716,988	1,518,936,706
Total as at 31 December 2018	1,219,567,396	134,007,230	40,057,094	-	197,963	20,799,706	1,414,629,389

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5. Concentration of Credit Risk Exposures as per Economic Concentration is as follows:

Item								Government and Public	Total
	Sector	Finance	Industrial	Trade	Real Estate	Agriculture	Shares	Retail	
		JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank of Jordan		-	-	-	-	-	-	-	665,630,526
Balances at banks and financial institutions		18,802,906	-	-	-	-	-	-	18,802,906
Deferred sales Receivables, other receivables, and Financings		1,263,119	65,211,533	296,928,718	127,439,097	29,791,282	387,957	278,727,229	799,748,935
Sukuk:									
Within financial assets at amortized cost		14,185,328	-	-	-	-	-	-	19,157,417
Other assets									
Accrued revenues		125,604	-	126,239	-	-	-	-	157,524
Prepaid expenses		218,104	-	729,383	-	-	-	-	54,740
Total as at 31 December 2019		<u>34,595,061</u>	<u>65,211,533</u>	<u>297,784,340</u>	<u>127,439,097</u>	<u>29,791,282</u>	<u>387,957</u>	<u>278,727,229</u>	<u>685,000,207</u>
Total as at 31 December 2018		<u>32,645,406</u>	<u>66,422,879</u>	<u>320,357,546</u>	<u>142,433,820</u>	<u>24,676,689</u>	<u>-</u>	<u>266,412,259</u>	<u>561,680,790</u>

51\B- Market Risk

The Bank adopts financial policies form an aging various risk within a defined strategy. Moreover, the Bank's Assets and Liabilities Management Committee monitors, and controls risks and carries out the optimal strategic distribution for assets and liabilities, whether on- or off-the statement of financial position. These risks include:

- Up-dating the Bank's investment policies; presenting them periodically to the Board of Directors for approval; reviewing the implementation of the investment policies and evaluating their results in comparison with the market indicators and banking competitiveness.
- Forming investment decision-making committees and vesting authorities in conformity with the Bank's investment policy.
- Setting-up an annual investment plan, taking into consideration projections of the Assets and Liabilities Committee in respect of the expected returns and market rate fluctuations. The plan has to include the investment instruments available in the low-risk market.
- Preparing reports on the market rates and presenting them to the Assets and Liabilities Committee to monitor any sudden drop in the prices of the invested financial instruments to avoid the risks of market rates fluctuations.

1. Rate of Return Risks

- Rate of return risks arise from the increase in long-term fixed rates in the market, which do not correspond immediately with the emerging changes in the high return index. The necessary steps must be taken to ensure availability of administrative measures related to renewal, measurement and follow-up of the average return risk. Moreover, reports should be prepared on rate of return risks. They should also be monitored, and the soundness of their structure should be verified.
- The Bank is exposed to the average return risks due to a gap in the amounts of assets and liabilities as per the multiple maturity times or due to re-pricing of the average return over the subsequent transactions during a specific period. The Bank manages such risks by determining the future profit rates in accordance with the projections of market conditions and developing new instruments that are Shari'a compliant through the Bank's risk management strategy.
- Obtaining the best possible returns available in the market based on the International Market Index (Libor) as a standard and benchmark for both the portfolio and investments managed by the Bank.
-
- Observing the risks arising from these investments based on the diversity option and countries, institutions, and regions; and ensuring mitigation of the risk effects arising from managing investment.
-
- Complying with management of investments by matching the Bank's liabilities, represented by deposits, and assets in foreign currencies comprised of investments in foreign currencies. Accordingly, term restricted deposits are invested on a short-term investment basis while the long- term deposits are invested on a medium- or long- term investment basis.

2. Foreign Exchange Risk

Foreign currencies are managed on a spot basis rather than on a forward basis. Accordingly, the foreign currency positions are monitored daily, and so are the limits for the positions for every currency. Moreover, the Bank's general policy for managing foreign currencies is based on liquidating the position on time and covering the required positions as per the customers' needs. In respect of open foreign currency positions held against each other, the Bank relies on the instructions of the Central Bank of Jordan. These instructions prescribe that licensed banks should hold open positions (long and short) in foreign currencies, not exceeding 5% of the shareholders' equity for each currency separately. This percentage does not apply to the US Dollar, as it is a base currency. As such, the total position for all currencies may not exceed 15% of the shareholders' equity of the Bank.

<u>2019</u>	<u>Change in Currency Exchange Rate</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
	(%)	JD	JD
USD	5	64,390	-
EUR	5	817	-
GBP	5	79	-
Other currencies	5	28,187	-

<u>2018</u>	<u>Change in Currency Exchange Rate</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>
	(%)	JD	JD
Total USD	5	85,366	-
EUR	5	3,331	-
GBP	5	150	-
Other currencies	5	24,925	-

3. Change in Share Prices Risk

The policy adopted by the Treasury Department for managing shares and securities is based on analyzing and fairly evaluating the financial indicators of these prices, depending on the shares' evaluation models. Such analysis and evaluation take into account the changes in fair value risks of the investments that the Bank manages by diversifying investments and economic sectors.

<u>2019</u>	<u>Change in the Index</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>	<u>Effect on joint investments accounts holders</u>
Indicator	(%)	JD	JD	JD
Financial Markets	5	-	280,847	133,122

<u>2018</u>	<u>Change in the Index</u>	<u>Effect on Profit and Loss</u>	<u>Effect on Shareholders' Equity</u>	<u>Effect on joint investments accounts holders</u>
Indicator	(%)	JD	JD	JD
Financial Markets	5	-	266,240	80,387

4. Commodities' Risks

The commodities' risks arise from the fluctuations in the prices of tradable or leasable assets. Moreover, they are associated with the present and future fluctuations in the market values of specific assets. In this respect, the Bank is exposed to the fluctuations in the prices of commodities bought and fully paid for after signing sales contracts and during the year of acquisition. It is also exposed to the fluctuations in the residual value of the leased premises as at the end of the lease period.

Concentration of Foreign Currency Risk

	(To the nearest 000 JDs)					
	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total (JD)
31 December 2019						
Assets:						
Cash and Balances with Central Bank	18,026	107	24	-	58	18,215
Balances with banks and financial institutions	163	15,835	332	1	1,487	17,818
Sales receivables, other receivables, financings and Ijara	138,261	24	3,283	-	6,672	148,240
Financial assets at fair value through shareholders' equity	5,449	-	-	-	-	5,449
Financial assets at amortized cost	27,385	-	-	-	-	27,385
Other assets	371	-	1	-	6	378
Total assets	189,655	15,966	3,640	1	8,223	217,485
Liabilities:						
Banks and financial institutions' account	1,218	196	1	-	146	1,561
Customers' deposits (current, savings and term)	175,334	13,736	3,589	1	7,319	199,979
Cash margins	2,518	374	40	-	9	2,941
Other liabilities	8,700	1,644	9	-	186	10,539
Total Liabilities	187,770	15,950	3,639	1	7,660	215,020
Net concentration within the statement of financial position for the current year	1,885	16	1	-	563	2,465
Contingent liabilities off- statement of financial position for the current year	40,638	6,144	-	38	338	47,158
31 December 2018						
Total Assets	212,280	16,964	3,190	355	8,655	241,444
Total Liabilities	210,267	16,897	3,187	355	8,157	238,863
Net Concentration within the Statement of Financial Position	2,013	67	3	-	498	2,581
Contingent Liabilities off- Statement of Financial Position	23,936	6,177	14	180	546	30,853

51\C- Liquidity Risk

Management of cash liquidity is a clear expression of the Bank's ability to meet its cash obligations in the short and long terms within its general strategic frame work that aims at realizing an optimal return on its investments. Moreover, the Bank's cash liquidity is reviewed and studied over many years. At the branches, the Branch's management and Treasury review and study the cash obligations and the available funds daily. On the Bank's level in general, cash liquidity is studied by the Financial Control Department and General Treasury Department daily. Moreover, the cash liquidity and the Bank's assets and liabilities are studied and analyzed on a monthly basis. The cash liquidity review includes analyzing the maturity dates of assets and liabilities as a whole to ensure that they match properly. The review also includes analyzing the sources of funds in accordance with the nature of their sources and uses.

First: The following table summarizes the distribution of liabilities (not discounted) on the basis of the remainder of the contractual maturity at the date of the financial statements:

	(To the nearest 000JDs)							Total
	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without maturity	
31 December 2019								
Liabilities								
Banks and financial institutions								
accounts	2,103	-	-	-	-	-	-	2,103
Customers' current accounts	252,839	101,296	80,969	60,643	181,800	-	-	677,547
Cash margins	17,553	1,717	3,214	9,076	-	-	-	31,560
Other provisions	-	-	-	-	-	-	3,248	3,248
Income tax provision	2,117	-	8,621	-	-	-	-	10,738
Lease obligation/ long term	-	-	310	525	1,671	2,294	-	4,800
Other Liabilities	19,744	10,727	1,215	-	-	-	853	32,539
Investment risks fund	-	-	384	-	-	-	-	384
Provision of future expected								
investment risks	-	-	-	-	-	-	13,080	13,080
Joint investment accounts	396,174	300,381	179,910	371,173	62,708	-	(154)	1,310,192
Total	690,530	414,121	274,623	441,417	246,179	2,294	17,027	2,086,191
Total Assets (according to expected maturities)	805,311	233,303	137,585	186,390	435,643	445,330	56,827	2,300,389

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	(To the nearest 000JDs)							
	Less than 1	From 1 to	From 3 to	From 6 months	Up to 3	More than 3	Without	
31 December 2018	month	3 months	6 months	to one year	years	years	Maturity	Total
<u>Liabilities</u>								
Banks and financial institutions								
accounts	1,808	-	-	-	-	-	-	1,808
Customers' current accounts	248,811	100,658	80,686	60,713	174,880	-	-	665,748
Cash margins	17,873	1,987	3,348	7,881	-	-	-	31,089
Other provisions	-	-	-	-	-	-	3,007	3,007
Income tax provision	2,921	-	9,204	-	-	-	-	12,125
Other liabilities	16,594	6,273	1,025	-	-	-	1,157	25,049
Investment Risks Fund	743	-	2,182	-	-	-	23,994	26,919
Joint investment accounts	302,032	299,806	162,953	372,880	61,740	-	-	1,199,411
Total	590,782	408,724	259,398	441,474	236,620	-	28,158	1,965,156
Total Assets (according to expected maturities)	677,944	254,326	109,369	159,061	467,564	438,073	52,711	2,159,048

Second: Off-Statement of Financial Position Items

	Up to One Year	
	2019	2018
	JD	JD
Letters of credit and acceptances	44,164,969	29,383,888
Unutilized limits	176,411,846	146,664,965
Letters of Guarantees	39,254,598	55,415,847
Total	259,831,413	231,464,700

52. Information about the Bank's Business Sectors

A. Information about the Bank's Activities

The Bank is organized, for administrative purposes, where by the sectors are measured in accordance with the reports used by the Bank's Executive Manager and decision-maker through the following four major sectors:

Retail Banking

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other services.

Corporate Banking

This includes following up on the joint investment accounts, deferred sales receivables, financings and other banking services.

Treasury

This sector includes providing trading and treasury services and management of the Bank's funds.

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The following represents information about the Bank's business sectors distributed according to activities (amounts in 000 JD):

	Retail	Corporates	Treasury	Others	Total	
					31 December	
					2019	2018
	JD	JD	JD	JD	JD	JD
Gross income (Joint and Self)	48,629	25,982	11,046	54	85,711	90,846
Share of Investment Risks Fund	(2,200)	(1,313)	-	-	(3,513)	(10,066)
ECL of sales receivables and other receivables - self	-	(195)	-	-	(195)	125
Recoveries from ECL - joint	(401)	(3,310)	(203)	-	(3,914)	-
Business Sector Results	46,830	27,784	11,249	54	85,917	80,905
Undistributed expenses	(13,331)	(4,095)	(307)	(19,697)	(37,430)	(34,142)
Income before Tax	33,499	23,689	10,942	(19,643)	48,487	46,763
Income tax	(9,715)	(6,870)	(3,173)	5,655	(14,103)	(14,872)
Income for the Year	23,784	16,819	7,769	(13,988)	34,384	31,891
Segment's Assets	934,588	441,554	866,786	-	2,242,928	2,107,886
Sector's Undistributed Assets	-	-	-	57,461	57,461	51,162
Total Segment's Assets	934,588	441,554	866,786	57,461	2,300,389	2,159,048
Segment's Liabilities, Joint Investment Equity and Investment Risks Fund	1,485,583	537,745	2,103	-	2,025,431	1,915,537
Undistributed Liabilities, Joint Investment Equity and Investment Risk Fund	-	-	-	60,760	60,760	49,619
Total Segment's Liabilities, Joint Investment Equity and Investment Risk Fund	1,485,583	537,745	2,103	60,760	2,086,191	1,965,156
					2019	2018
					JD	JD
Capital expenses	-	-	-	2,446	2,446	2,118
Depreciation and Amortization	157	5	1	3,061	3,224	3,007

b. Information on the Geographical Distribution

This note represents the geographical distribution of the Bank's operations. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan, and these operations represent the local activities.

The following is the distribution of the Bank's income, assets and capital expenditures as per geographical sector based on their measurement method in accordance with the reports used by the Bank's Executive Manager and decision-maker at the Bank:

	(To the nearest 000 JDs)					
	Inside Kingdom		Outside Kingdom			Total
	2019	2018	2019	2018	2019	2018
Gross income	79,408	83,609	10,217	7,237	89,625	90,846
Total assets	2,130,718	1,963,986	169,671	195,062	2,300,389	2,159,048
Capital expenses	2,446	2,118	-	-	2,446	2,118

53. Capital Management

The Bank's Management takes into consideration the requirements of the Central Bank. These requirements necessitate making available sufficient self-funds to cover a specific rate of the risk-weighted assets consistent with the nature of the granted financing and direct investment for this purpose. Moreover, capital consists of what the Central Bank has determined as regulatory capital (being the primary capital and the supplementary capital).

The capital's Management aims at investing the funds in financial instruments with various risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio of 12% required by the Central Bank.

The most significant reason for the change in regulatory capital during the year is that profits realized during the year were not distributed but rather capitalized in shareholders' equity through the statutory, voluntary and special reserves.

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The Capital Adequacy Ratio is calculated based on the Central Bank of Jordan Regulations and the (IFSB). The following represents the Capital Adequacy Ratio compared to prior year:

	(to the nearest 000 JDs)	(to the nearest 000 JDs)
	31 December 2019	31 December 2018
	JD	JD
Common equity Tier 1 – net (CET1)	194,164	176,490
Common equity Tier 1 – (CET1)	214,124	193,892
Authorized and paid up capital	100,000	100,000
Statutory reserve	35,261	30,412
Voluntary reserve	4,262	4,262
Retained earnings	74,199	58,923
Fair value reserve	476	295
Bank's share from fair value reserve – joint	(74)	-
Less:		
Intangible assets	(1,110)	(278)
Proposed profit for distribution	(16,000)	(14,000)
Retained earnings restricted to use	(181)	(181)
Deferred tax assets – self and joint (After deducting deferred tax liabilities)	(2,669)	(2,943)
Tier 2	1,615	12,865
Expected credit losses provisions against direct and indirect facilities, self and joint	1,615	868
The Bank's share from the investment risk fund's surplus - joint	-	11,997
Total Regulatory Capital	195,779	189,355
Total Risk-weighted Assets	960,720	1,001,689
Capital Adequacy Ratio (%)	20.38%	18.90%
CET1 (%)	20.21%	17.62%
Tier1 (%)	20.21%	17.62%
Tier2 (%)	0.17%	1.28%
Leverage Ratio (%)	14.25%	14.44%

54. Assets and Liabilities maturity analysis

The following table analyzes assets and liabilities in accordance with the expected period of their recoverability or settlement:

	(to the nearest 000 JDs)		
	Up to 1 Year	Over 1 Year	Total
31 December 2019	JD	JD	JD
<u>Assets:</u>			
Cash and balances with Central Bank of Jordan	699,888	-	699,888
Balances with banks and financial institutions	18,803	-	18,803
Deferred sales receivables and other receivables – Net	456,446	295,205	751,651
Deferred sales receivables through the statement of income	-	-	-
Financing investments - Net	-	-	-
Financial assets at fair value through shareholders' equity – accounts' holders	-	5,617	5,617
Financial assets at fair value through joint investment	-	2,662	2,662
Financial assets at amortized cost	-	33,343	33,343
Ijara Muntahia Bittamaleek assets – Net	137,405	545,455	682,860
Investments in real estate	-	23,177	23,177
Al-Qard Al-Hasan loans	46,721	1,377	48,098
Property and equipment - Net	-	16,394	16,394
Intangible assets	277	833	1,110
Right-of-use Assets	1,168	4,540	5,708
Deferred tax assets	-	2,961	2,961
Other assets	1,881	6,236	8,117
Total Assets	1,362,589	937,800	2,300,389
<u>Liabilities and Joint Investment Accounts' Holders</u>			
Banks and financial institutions accounts	2,103	-	2,103
Customers' current and demand account	495,747	181,800	677,547
Cash margins	31,560	-	31,560
Other provisions	-	3,248	3,248
Income tax provision	10,738	-	10,738
Lease obligation / long term	835	3,965	4,800
Other liabilities	31,686	853	32,539
Joint investment accounts	1,247,638	62,554	1,310,192
Investment Risks Fund	-	13,080	13,080
Provision for income tax on investment risk fund	384	-	384
Total Liabilities and Joint Investment Accounts Holders	1,820,691	265,500	2,086,191
Net	(458,102)	672,300	214,198

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31 December 2018	(to the nearest 000 JDs)		
	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
<u>Assets:</u>			
Cash and balances with Central Bank of Jordan	573,279	-	573,279
Balances with banks and financial institutions	20,439	-	20,439
Deferred sales receivables and other receivables – Net	463,221	315,899	779,120
Deferred sales receivables through the statement of income	-	-	-
Financing investments - Net	-	-	-
Financial assets at fair value through shareholders' equity – accounts' holders	-	5,325	5,325
Financial assets at fair value through joint investment	-	1,607	1,607
Financial assets at amortized cost	-	31,787	31,787
Ijara Muntahia Bittamaleek assets – Net	101,202	555,960	657,162
Investments in real estate	-	21,794	21,794
Al-Qard Al-Hasan loans	39,177	1,333	40,510
Property and equipment - Net	-	18,042	18,042
Intangible assets	69	209	278
Deferred tax assets	-	3,349	3,349
Other assets	3,313	3,043	6,356
Total Assets	1,200,700	958,348	2,159,048
<u>Liabilities and Joint Investment Accounts' Holders</u>			
Banks and financial institutions accounts	1,808	-	1,808
Customers' current and demand account	490,868	174,880	665,748
Cash margins	31,089	-	31,089
Other provisions	-	3,007	3,007
Income tax provision	12,125	-	12,125
Other liabilities	23,892	1,157	25,049
Joint investment accounts	1,137,671	61,740	1,199,411
Investment Risks Fund	-	23,994	23,994
Provision for income tax on investment risk fund	2,925	-	2,925
Total Liabilities and Joint Investment Accounts Holders	1,700,378	264,778	1,965,156
Net	(499,678)	693,570	193,892

55. Fair Value Measurement

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

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

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

	Fair Value					
	31 December					
Financial Assets / Financial Liabilities	2019	2018	Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant unobservable Inputs	Relationship between Unobservable Inputs and Fair Value
	JD	JD				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity - self						
Quoted shares	5,616,930	5,324,798	Level 1	Quoted rates in the Financial Markets	Not Applicable	Not Applicable
Financial Assets at fair value through joint investment accounts holder						
Unquoted shares	2,662,444	1,607,730	Level 2	Compared to market price for similar financial instruments	Not Applicable	Not Applicable
Total	8,279,374	6,932,528				

There were no transfers between Level (1) and Level (2) during 2019 and 2018.

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

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

	31 December 2019		31 December 2018		Level
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
Financial Assets not measured at Fair Value					
Deferred sales receivables	751,650,832	751,777,070	779,119,614	779,452,706	Level 2
Investments in real estate	23,177,139	26,669,851	21,794,384	25,477,076	Level 2
Financial assets at amortized cost	27,385,345	27,637,917	23,765,310	24,007,641	Level 1
Financial assets at amortized cost – unquoted	5,957,400	5,987,957	8,021,600	8,064,088	Level 2
Total financial assets not measured at fair value	808,170,716	812,072,795	832,700,908	837,001,511	
Financial Liabilities not measured at Fair Value					
Customers' current and unrestricted accounts	1,978,875,605	1,987,892,579	1,858,819,790	1,865,159,062	Level 2
Cash margins	31,372,032	31,559,768	30,914,889	31,089,191	Level 2
Total Financial Liabilities not measured at Fair Value	2,010,247,637	2,019,452,347	1,889,734,679	1,896,248,253	

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

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

Contingent credit commitments:

	31 December	
	2019	2018
	JD	JD
Letters of credit	30,964,960	20,677,086
Acceptances	13,200,009	8,706,802
Letters of Guarantee:		
Payment	14,629,603	28,890,548
Performance	14,481,465	15,312,376
Others	10,143,530	11,212,923
Unutilized limits – self	53,557,095	47,045,665
Unutilized limits – joint	122,854,751	99,619,300
Total	259,831,413	231,464,700

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Off – Statement of Financial Position as internal rating for the bank – Letters of Guarantee:

31 December 2019					
Item (JD)	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Unclassified	37,948,423	646,513	659,662	39,254,598	55,415,847
	<u>37,948,423</u>	<u>646,513</u>	<u>659,662</u>	<u>39,254,598</u>	<u>55,415,847</u>

The movement on guarantees as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	52,900,172	2,030,176	485,499	55,415,847
New exposures during the year	5,157,406	211,042	440,330	5,808,778
Matured exposures	(21,022,915)	(858,031)	(89,081)	(21,970,027)
Transferred to stage 1	995,895	(982,395)	(13,500)	-
Transferred to stage 2	(66,121)	247,221	(181,100)	-
Transferred to stage 3	(16,014)	(1,500)	17,514	-
Total balance as at end of the year	<u>37,948,423</u>	<u>646,513</u>	<u>659,662</u>	<u>39,254,598</u>

The movement on ECL provision for guarantees as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	59,057	17,061	318,857	394,975
ECL on new exposures during the year	-	-	-	-
ECL on matured exposures				
Transferred to stage 1	8,598	(8,598)	-	-
Transferred to stage 2	(562)	562	-	-
Transferred to stage 3	(9)	(88)	97	-
Changes resulted for transfers	<u>1,379</u>	<u>19,712</u>	<u>(234,664)</u>	<u>(213,573)</u>
Total balance as at end of the year	<u>68,463</u>	<u>28,649</u>	<u>84,290</u>	<u>181,402</u>

Off – Statement of Financial Position as internal rating for the Bank – Letters of credit

31 December 2019					
Item (JD)	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Unclassified	30,828,512	136,448	-	30,964,960	20,677,086
	<u>30,828,512</u>	<u>136,448</u>	<u>-</u>	<u>30,964,960</u>	<u>20,677,086</u>

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The movement on Letters of credit as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	19,580,896	1,096,190	-	20,677,086
New exposures during the year	30,133,101	136,448	-	30,269,549
Matured exposures	(18,885,485)	(1,096,190)	-	(19,981,675)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Total balance as at end of the year	<u>30,828,512</u>	<u>136,448</u>	<u>-</u>	<u>30,964,960</u>

The movement on ECL provision for Letters of credit as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	50,768	3,562	-	54,330
ECL on new exposures during the year	-	-	-	-
ECL on matured exposures	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulted for transfers	145,785	12,253	-	158,038
Total balance as at end of the year	<u>196,553</u>	<u>15,815</u>	<u>-</u>	<u>212,368</u>

Off – Statement of Financial Position as internal rating for the Bank – Acceptance:

31 December 2019					
Item (JD)	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Unclassified	12,675,197	524,812	-	13,200,009	8,706,802
	<u>12,675,197</u>	<u>524,812</u>	<u>-</u>	<u>13,200,009</u>	<u>8,706,802</u>

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The movement on Acceptance as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	8,706,802	-	-	8,706,802
New exposures during the year	7,640,969	73,886	-	7,714,855
Matured exposures	(2,159,586)	(1,062,062)	-	(3,221,648)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	(1,512,988)	1,512,988	-	-
Transferred to stage 3	-	-	-	-
Total balance as at end of the year	<u>12,675,197</u>	<u>524,812</u>	<u>-</u>	<u>13,200,009</u>

The movement on ECL provision for Acceptance as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	17,202	-	-	17,202
ECL on new exposures during the year	-	-	-	-
ECL on matured exposures	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	(11,923)	11,923	-	-
Transferred to stage 3	-	-	-	-
Changes resulted for transfers	35,310	(11,923)	-	23,387
Total balance as at end of the year	<u>40,589</u>	<u>-</u>	<u>-</u>	<u>40,589</u>

Off – Statement of Financial Position as internal rating for the Bank – Indirect limits:

31 December 2019					
Item (JD)	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Unclassified	47,218,886	5,267,874	1,070,335	53,557,095	47,045,665
	<u>47,218,886</u>	<u>5,267,874</u>	<u>1,070,335</u>	<u>53,557,095</u>	<u>47,045,665</u>

The movement on Indirect limits as at end of year – self is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as t beginning of the year	41,475,596	5,311,162	258,907	47,045,665
New exposures during the year	5,743,290	-	811,428	6,554,718
Matured exposures	-	(43,288)	-	(43,288)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Total balance as at end of the year	<u>47,218,886</u>	<u>5,267,874</u>	<u>1,070,335</u>	<u>53,557,095</u>

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The movement on ECL provision for Indirect limits as at end of year – self is as follows:

Item (JD)	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	88,506	52,915	33,367	174,788
ECL on new exposures during the year				
ECL on matured exposures	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulted for transfers	(88,506)	(52,915)	(33,367)	(174,788)
Total balance as at end of the year	-	-	-	-

Off – Statement of Financial Position as internal rating for the Bank – Direct limits:

Item (JD)	31 December 2019				2018
	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	JD	JD
Unclassified	116,416,714	6,438,037	-	122,854,751	99,619,300
	<u>116,416,714</u>	<u>6,438,037</u>	<u>-</u>	<u>122,854,751</u>	<u>99,619,300</u>

The movement on Direct limits as at end of year – Joint is as follows:

Item (JD)	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	86,016,678	13,602,622	-	99,619,300
New exposures during the year	30,400,036	-	-	30,400,036
Matured exposures	-	(7,164,585)	-	(7,164,585)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Total balance as at end of the year	<u>116,416,714</u>	<u>6,438,037</u>	<u>-</u>	<u>122,854,751</u>

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The movement on ECL provision for Direct limits as at end of year – Joint is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	227,331	61,074	46,979	335,384
ECL on new exposures during the year	-	-	-	-
ECL on matured exposures	(136,829)	(30,898)	-	(167,727)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes resulted for transfers	(516)	6,902	(46,979)	(40,593)
Total balance as at end of the year	<u>89,986</u>	<u>37,078</u>	<u>-</u>	<u>127,064</u>

Off – Statement of Financial Position as internal rating for the Bank – Total:

31 December 2019					
Item (JD)	Stage 1	Stage 2	Stage 3	Total	2018
	JD	JD	JD	JD	JD
Unclassified	245,087,732	13,013,684	1,729,997	259,831,413	231,464,700
	<u>245,087,732</u>	<u>13,013,684</u>	<u>1,729,997</u>	<u>259,831,413</u>	<u>231,464,700</u>

The movement on total balances for Off – Statement of Financial Position as at end of year –is as follows:

31 December 2019				
Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	208,680,144	22,040,150	744,406	231,464,700
New exposures during the year	79,074,802	421,376	1,251,758	80,747,936
Matured exposures	(42,067,986)	(10,224,156)	(89,081)	(52,381,223)
Transferred to stage 1	995,895	(982,395)	(13,500)	-
Transferred to stage 2	(1,579,109)	1,760,209	(181,100)	-
Transferred to stage 3	(16,014)	(1,500)	17,514	-
Total balance as at end of the year	<u>245,087,732</u>	<u>13,013,684</u>	<u>1,729,997</u>	<u>259,831,413</u>

The movement on ECL provision for total Off – Statement of Financial Position as at end of year – is as follows:

Item (JD)	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Total balance as at beginning of the year	442,864	134,612	399,203	976,679
ECL on new exposures during the year	-	-	-	-
ECL on matured exposures	(136,829)	(30,898)	-	(167,727)
Transferred to stage 1	8,598	(8,598)	-	-
Transferred to stage 2	(12,485)	12,485	-	-
Transferred to stage 3	(9)	(88)	97	-
Changes resulted for transfers	93,452	(25,971)	(315,010)	(247,529)
Total balance as at end of the year	<u>395,591</u>	<u>81,542</u>	<u>84,290</u>	<u>561,423</u>

The expected credit loss provision for the off-balance sheet items – self and joint are shown within other liabilities (Note 22) in accordance with IFRS (9) and CBJ instructions.

57. Lawsuits against the Bank

The lawsuits filed against the Bank amounted to JD 289,022 with a provision of JD 17,267 as at 31 December 2019 (lawsuits amounting to JD 752,732 with a provision of JD 19,067 as at 31 December 2018). Based on the opinion of the legal consultant, no additional amounts will be claimed from the Bank in respect to those lawsuits.

58. Standards issued but not yet effective

FAS 32 (Ijarah)

This standard supersedes FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”. The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.

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

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

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

Pass-through Investment

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

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

Wakala Venture Approach

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

Under this approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share of profit or loss of the wakala venture.

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

(FAS) 30 "Impairment and Credit Losses"

The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions, and related provisions to be in line with ever-changing global best practices. This standard shall be effective beginning or after 1 January 2020, early adoption is permitted.

FAS 35 Risk Reserves

This standard defines the accounting and financial reporting principles for risk reserves to be in line with global best practices for accounting and risk management. This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments". Both standards FAS 35 & FAS 30 together supersede the earlier FAS 11 "Provisions and Reserves". This standard shall be effective beginning or after 1 January 2021, with early adoption is permitted, only if the financial institution decided to early adopt FAS 30.

FAS 34 Financial Reporting for Sukuk -holders

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

59. Comparative Figures

Some of the comparative figures of 2018 have been reclassified to correspond to those of 2019.