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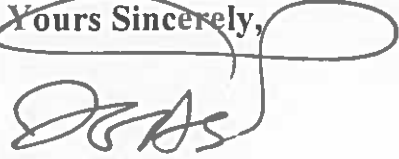
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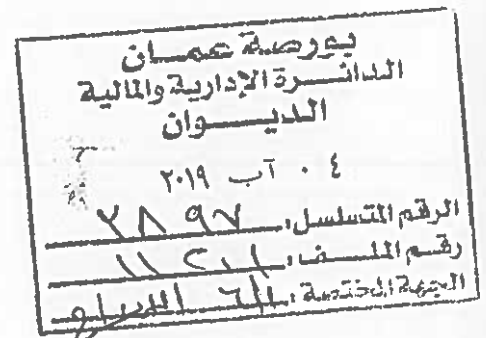
Messer's Jordan Securities Commission  
Messer's Amman Stock Exchange

السادة هيئة الأوراق المالية المحترمين  
السادة بورصة عمان المحترمين

Subject: Semi- Annual Report as of  
30/6/2019

الموضوع : التقرير نصف السنوي كما في  
2019/6/30

<p>Attached the Semi-Annual Report for Islamic International Arab Bank plc (English) as of 30/6/2019. Reviewed by the Bank's external auditors.</p>	<p>مرفق طيه نسخة من البيانات المالية نصف السنوية لشركة البنك العربي الإسلامي الدولي باللغة الانجليزية كما هي بتاريخ 2019/6/30، مراجعة من قبل مدققي حسابات البنك.</p>
<p>Yours Sincerely,</p>  <p>Iyad Asali General Manager</p>	<p>وتفضلوا بقبول فائق الاحترام،،،</p> <p>إياد العسلي المدير العام</p>



**ISLAMIC INTERNATIONAL ARAB BANK**

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

**FOR THE PERIOD ENDED 30 JUNE 2019**

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

**Introduction**

We have reviewed the accompanying interim condensed financial statements of ISLAMIC INTERNATIONAL ARAB BANK (Public Shareholding Company) as at 30 June 2019, comprising of interim condensed statement of financial position as at 30 June 2019 and the related interim condensed statements of income, comprehensive income, changes in owners' equity, cash flows, and sources and uses of funds of Al Qard Al Hasan Fund for the six months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim in condensed financial statements accordance with the accounting policies described in Note (2) to the interim condensed financial statements. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies described in Note (2) to the interim condensed financial statements.

Amman – Jordan  
29 July 2019



**ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**As At 30 JUNE 2019**

	Notes	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
<b>ASSETS</b>			
Cash and balances with Central Bank	4	622,867,887	573,279,125
Balances with banks and financial institutions	5	17,795,312	20,438,681
Deferred sales receivables and other receivables – Net	6	738,699,303	779,119,614
Deferred sales receivables through income statement	7	-	-
Ijara muntahia bittamleek assets – Net	8	660,801,489	657,162,067
Financial assets at fair value through shareholder's equity - Self		5,531,131	5,324,798
Financial assets at fair value through joint investment accounts holder's equity		1,607,730	1,607,730
Financial assets at amortized cost – Net	9	34,269,841	31,786,910
Investments in real estates	10	23,048,050	21,794,384
Qard Al - Hasan – Net		44,099,666	40,510,079
Property and equipment – Net		16,644,173	18,042,080
Intangible assets – Net		1,297,431	277,636
Deferred tax assets	12	4,251,774	3,348,751
Other assets		15,172,286	6,355,697
<b>TOTAL ASSETS</b>		<b>2,186,086,073</b>	<b>2,159,047,552</b>
<b>LIABILITIES</b>			
Banks and financial institutions' accounts		2,432,432	1,808,186
Customers' current accounts	11	661,889,770	665,748,540
Cash margin		30,211,423	30,914,889
Other provisions		3,202,518	3,006,658
Provision for income tax	12	8,339,065	12,124,837
Deferred tax liabilities	12	258,948	180,541
Other liabilities		38,914,619	31,382,960
<b>TOTAL LIABILITIES</b>		<b>745,248,775</b>	<b>745,166,611</b>
<b>Joint Investment Accounts Holders' Equity</b>			
Unrestricted investment accounts	13	1,224,605,535	1,193,071,250
<b>Total Joint Investment Accounts Holder's Equity</b>		<b>1,224,605,535</b>	<b>1,193,071,250</b>
Provision for future expected credit losses	14	19,060,699	23,994,101
Provision for income tax on provision for expected credit losses	14	1,406,326	2,924,470
		<b>20,467,025</b>	<b>26,918,571</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in capital		100,000,000	100,000,000
Statutory reserve		30,412,149	30,412,149
Voluntary reserve		4,262,322	4,262,322
Fair value reserve - net		422,492	294,566
Retained earnings		44,663,619	58,922,083
Profit for the period		16,004,156	-
<b>Total Shareholders' Equity</b>		<b>195,764,738</b>	<b>193,891,120</b>
<b>Total Liabilities Joint Investment Accounts Holders and Shareholders' Equity</b>		<b>2,186,086,073</b>	<b>2,159,047,552</b>
Restricted investments		<b>269,414,132</b>	<b>206,637,799</b>
Wakalah investments		<b>35,789,120</b>	<b>36,294,140</b>

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM CONDENSED FINANCIAL STATEMENTS.

**ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY**  
**INTERIM CONDENSED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)**

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	JD	JD	JD	JD
Deferred sales revenues	13,240,951	12,315,957	25,674,637	23,950,728
Revenues from financial assets at amortized cost	326,971	259,359	652,335	545,842
Net (expenses) from Investment in Real Estates	225,457	(187,854)	(27,089)	(381,450)
Revenues from Ijara muntahia bittamleek assets	13,252,875	12,625,658	26,683,038	24,906,284
Ju'alah commissions	156,098	170,184	361,924	269,581
Total Revenues from Joint Investments Accounts	27,202,352	25,183,304	53,344,845	49,290,985
Unrestricted investment accounts holders share	(8,142,422)	(5,518,128)	(14,289,853)	(10,537,429)
Provision for future expected credit losses share	(898,568)	(2,518,631)	(3,512,818)	(4,929,099)
Bank's share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)	18,161,362	17,146,545	35,542,174	33,824,457
Bank's revenues from its own investments	20,511	41,639	32,188	46,675
Bank's share in restricted investment revenues as Mudarib	267,787	144,596	516,780	251,107
Bank's share in restricted investment revenues as agent (Wakeel)	104,322	167,109	251,092	209,320
Gains from foreign currencies	453,680	404,428	818,978	782,132
Banking services revenues	2,784,162	2,478,910	5,553,209	4,918,217
Other revenues	92,997	81,794	192,761	155,470
<b>Gross Income</b>	<b>21,884,821</b>	<b>20,465,021</b>	<b>42,907,182</b>	<b>40,187,378</b>
Expenses				
Employees' expenses	5,818,557	5,310,466	11,554,164	10,491,815
Depreciation and amortization	888,647	734,761	1,561,426	1,456,171
Other expenses	2,662,362	2,518,959	5,200,144	4,625,094
Depreciation of Ijara Muntahia Bittamleek assets	5,708	5,359	11,360	10,623
Provision for expected credit loss – self	6 30,000	10,000	30,000	10,000
Other provisions	119,261	115,890	220,753	246,652
Total expenses	9,524,535	8,695,435	18,577,847	16,840,355
Profit for the period before income tax	12,360,286	11,769,586	24,329,335	23,347,023
Income tax expense	12 (4,229,528)	(3,761,861)	(8,325,179)	(7,639,297)
<b>Profit for the period</b>	<b>8,130,758</b>	<b>8,007,725</b>	<b>16,004,156</b>	<b>15,707,726</b>
Earnings per Share - Basic / Diluted	0,081	0,080	0,160	0,157

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (20) CONSTITUTE AN INTEGRAL PART OF THESE INTRIM  
CONDENSED FINANCIAL STATEMENTS.

**ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY**  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)**

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	JD	JD	JD	JD
Profit for the period:	8,130,758	8,007,725	16,004,156	15,707,726
Comprehensive income items: items will not be reclassified to income statement				
Net Change in the fair value reserve	64,582	(29,692)	127,926	(70,536)
<b>Total Comprehensive Income for the period - attributable to the Bank's shareholder</b>	<b>8,195,340</b>	<b>7,978,033</b>	<b>16,132,082</b>	<b>15,637,190</b>

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY  
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

	Paid-in Capital	Statutory Reserve	Voluntary Reserve	General Banking Reserve	Fair Value Reserve - Net (self)	Retained Earnings*	Profit for the period	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>For the six months ended 30 June 2019</b>								
Balance at the beginning of the period	100,000,000	30,412,149	4,262,322	-	294,566	58,922,083	-	193,891,120
Effect of IFRS (16) adoption	-	-	-	-	-	(258,464)	-	(258,464)
Balance at the beginning of the period (adjusted)	100,000,000	30,412,149	4,262,322	-	294,566	58,663,619	-	193,632,656
Profit for the period	-	-	-	-	-	-	16,004,156	16,004,156
Net change in fair value reserve, after tax	-	-	-	-	127,926	-	-	127,926
Total comprehensive income for the period	-	-	-	-	127,926	-	16,004,156	16,132,082
Distributed profits**	-	-	-	-	-	(14,000,000)	-	(14,000,000)
<b>Balance at the end of the period</b>	<b>100,000,000</b>	<b>30,412,149</b>	<b>4,262,322</b>	<b>-</b>	<b>422,492</b>	<b>44,663,619</b>	<b>16,004,156</b>	<b>195,764,738</b>
<b>For the six months ended 30 June 2018</b>								
Balance at the beginning of the period	100,000,000	25,735,842	4,262,322	882,000	421,895	43,281,000	-	174,583,059
Effect of IFRS (9) adoption	-	-	-	-	-	(455,512)	-	(455,512)
Balance at the beginning of the period (adjusted)	100,000,000	25,735,842	4,262,322	882,000	421,895	42,825,488	-	174,127,547
Profit for the period	-	-	-	-	-	-	15,707,726	15,707,726
Net change in the fair value reserve - after tax	-	-	-	-	(70,536)	-	-	(70,536)
Other comprehensive income for the period	-	-	-	-	(70,536)	-	15,707,726	15,637,190
Distributed profits **	-	-	-	-	-	(12,000,000)	-	(12,000,000)
Transferred form general banking reserve	-	-	-	(882,000)	-	882,000	-	-
<b>Balance at the end of the period</b>	<b>100,000,000</b>	<b>25,735,842</b>	<b>4,262,322</b>	<b>-</b>	<b>351,359</b>	<b>31,707,488</b>	<b>15,707,726</b>	<b>177,764,737</b>

\* Retained earnings include an amount of JD 2,974,619 as of 30 June 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 own operations (JD 2,897,830 as of 31 December 2018).

\*\* The General Assembly of shareholders approved the distribution of cash dividends in the meeting held on 3 April 2019 of JD 14,000,000 to the sole shareholder (Arab Bank), representing 14% of the authorized and Paid In Capital distributable retained earnings for the year 2018.

**ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)**

	For the six months ended 30 June	
Note	2019	2018
	JD	JD
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Profit for the period before income tax	24,329,335	23,347,023
<b><u>Adjustments to Non- Cash Items:</u></b>		
Depreciation and amortization	1,561,426	1,456,171
Depreciation of investment in real estate	99,251	411,584
Depreciation of Ijara muntahia bittamleek assets	31,169,538	31,828,733
ECL provision for deferred sales receivables and self transfers	30,000	10,000
Provision on future expected credit losses	3,512,818	4,929,099
Other provisions	220,753	246,652
Effect of exchange rate fluctuations on cash and cash equivalents	(4,815)	(2,968)
<b>Cash flows from operating activities before change in the working capital</b>	<b>60,918,306</b>	<b>62,226,294</b>
<b><u>Change in working capital Items</u></b>		
Decrease (Increase) in deferred sales receivables and other receivables	34,545,737	(70,154,757)
(Increase) in Ijara muntahia bittamleek assets	(36,161,877)	(61,786,693)
(Increase) in other assets	(9,642,823)	(5,097,252)
(Increase) in Qard Al - Hasan	(3,589,587)	(7,503,878)
(Decrease) in customers' current accounts	(3,858,770)	(30,480,246)
(Decrease) in cash margins	(703,466)	(6,199,694)
Increase in other liabilities	7,526,839	6,098,593
<b>Net cash flows from (used in) operating Activities before Tax and Provisions paid</b>	<b>49,034,359</b>	<b>(112,897,633)</b>
Tax paid	(16,551,560)	(15,100,000)
Provisions paid	(24,893)	(70,496)
<b>Net cash flows from (used in) operating Activities</b>	<b>32,457,906</b>	<b>(128,068,129)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
(Purchase) Sale of financial assets at amortized costs – Net	(2,492,545)	4,906,893
Sale of investment in real estate	-	111,975
(Purchase) of property and equipment	(1,030,660)	(832,393)
(Purchase) of intangible assets	(152,654)	(52,859)
(Purchase) of financial assets through shareholder's equity	-	(73,332)
<b>Net cash flows (used in) from investing activities</b>	<b>(3,675,859)</b>	<b>4,060,284</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Increase in joint investment accounts holders' equity	31,534,285	45,594,947
Distributed dividends	(14,000,000)	(12,000,000)
<b>Net cash flows from Financing Activities</b>	<b>17,534,285</b>	<b>33,594,947</b>
Effect of exchange rate fluctuations on cash and cash equivalents	4,815	2,968
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>46,321,147</b>	<b>(90,409,930)</b>
Cash and Cash Equivalents - beginning of the period	591,909,620	610,108,349
<b>Cash and cash equivalents - End of the Period</b>	<b>638,230,767</b>	<b>519,698,419</b>



ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY  
INTERIM CONDENSED STATEMENT OF SOURCES AND USES OF AL – QARD AL – HASAN FUND  
AS AT 30 JUNE 2019

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	40,140,627	27,348,846
<b><u>Sources of the fund:</u></b>		
Shareholders' equity	(25,902,135)	(42,398,647)
Total sources of fund for the period/ year	(25,902,135)	(42,398,647)
<b><u>Uses of Fund's</u></b>		
Personal advances	1,779,994	2,912,117
Revolving Cards	27,519,655	52,278,311
<b>Total uses during the period /year</b>	<b>29,299,649</b>	<b>55,190,428</b>
Total balance	43,538,141	40,140,627
Current and overdrawn accounts	1,170,656	832,919
<u>Less:</u> provision for expected credit losses for the period / year	(609,131)	(463,467)
<b>Balance at the end of the period / year – Net</b>	<b>44,099,666</b>	<b>40,510,079</b>

**1. General**

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

The Bank 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 activities are subject to the provisions of the Banks' Law in force.

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

The interim condensed financial statements have been approved by Sharia Supervisory Board in its meeting held on 29 July 2019.

The interim condensed financial statements have been approved by the Bank's Board of Directors in their meeting No. (4/2019) held on 29 July 2019.

**2. Significant Accounting Policies**

**Basis of Preparation of the Interim Condensed Financial Statements:**

The accompanying interim condensed financial statements of the Bank financed from the Bank's funds and the joint investment funds have been prepared in accordance with the Financial Accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and in conformity applicable laws and regulations of the Central Bank of Jordan and 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 Bank applies the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

The interim condensed financial statements are prepared on the historical cost basis except for the financial assets at the fair value through owners' equity and the financial assets at the fair value through the joint investment account holder's equity, financial assets at amortized cost and investment in real estate.

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

The interim condensed financial statements do not contain all information and disclosures for annual financial statements prepared in accordance with Sharia' rules and principles determined by the Bank's Sharia Supervisory Board and in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and it shall be read in conjunction with the Bank's annual report as of 31 December 2018. In addition, the results for the six months period ended 30 June 2019 do not necessarily indicate the expected results for the year ended 31 December 2019 and no appropriation was made for the six months profit ended 30 June 2019 since it is made at year-end.

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 for expected credit losses for to encounter any future risks.

#### **Changes in accounting policies**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019.

#### **IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Bank has adopted IFRS 16 until a corresponding accounting standard is issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

### **3. Uses of Estimates**

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

We believe that our accounting estimates used in the financial statements are reasonable and detailed as follows:

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

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

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

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

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

**Useful lives of tangible and intangible assets:**

Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general status of such assets and the estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the interim condensed 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 provision on future expected credit losses.

During 2019, the Bank has changed the estimate for the depreciation rates used for the real estate portfolio, to be 2% instead of 10%. Accordingly, the depreciation expense for the real estate decreased by JD 397 thousand for the period ended 30 June 2019.

#### **Significant judgement in determining the lease term of contracts with renewal options**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

#### **4. Cash and balances with Central Bank**

Restricted statutory cash reserve amounted to JD 118,158,496 as of 30 June 2019 (JD 111,144,003 as of 31 December 2018).

Except for the statutory cash reserve as of 30 June 2019 and 31 December 2018, there are no restricted cash balances.

#### **5. Balances with banks and financial institutions**

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Current and call accounts	16,014,899	17,714,126	1,780,413	2,724,555	17,795,312	20,438,681
	16,014,899	17,714,126	1,780,413	2,724,555	17,795,312	20,438,681

- There are no restricted cash balances as of 30 June 2019 and 31 December 2018.

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**6. Deferred Sales Receivables and other Receivables - Net**

This item consists of the following:

	Joint		Self		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
<b>Individuals (Retail)</b>						
Murabaha to the purchase order	254,591,249	255,076,989	-	-	254,591,249	255,076,989
Ju'alah guarantees	5,604,500	4,682,498	-	-	5,604,500	4,682,498
Receivables– Ijara Muntahia						
Bittamleek	1,349,489	1,357,651	-	-	1,349,489	1,357,651
Real estate financing	152,909,970	166,586,092	-	-	152,909,970	166,586,092
<b>Corporates</b>						
International Murabaha	140,329,004	167,539,110	458,372	457,595	140,787,376	167,996,705
Murabaha to the purchase order	217,428,186	211,449,354	3,304,216	3,143,302	220,732,402	214,592,656
Receivables – Ijara Muntahia						
Bittamleek	2,792,495	1,446,187	-	-	2,792,495	1,446,187
<b>Small and Medium Enterprises</b>						
Murabaha to the purchase order	55,087,256	57,095,434	-	-	55,087,256	57,095,434
Ju'alah guarantees	11,360	16,281	-	-	11,360	16,281
Receivables – Ijara muntahia						
bittamleek	610,812	627,890	3,862	3,972	614,674	631,862
<b>Total</b>	<b>830,714,321</b>	<b>865,877,486</b>	<b>3,766,450</b>	<b>3,604,869</b>	<b>834,480,771</b>	<b>869,482,355</b>
<b>Less: Deferred revenues</b>	<b>63,626,543</b>	<b>65,975,328</b>	<b>363</b>	<b>426</b>	<b>63,626,906</b>	<b>65,975,754</b>
Provision for expected credit losses	27,157,025	19,740,160	3,460,996	3,298,434	30,618,021	23,038,594
Revenues in suspense	1,519,570	1,331,531	16,971	16,862	1,536,541	1,348,393
<b>Net Deferred Sales Receivables and Other Receivables</b>	<b>738,411,183</b>	<b>778,830,467</b>	<b>288,120</b>	<b>289,147</b>	<b>738,699,303</b>	<b>779,119,614</b>

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**Expected credit loss Provision for Deferred Sales Receivables, Ijara Muntahia bettamleek Al-Qard Al-Hasan - Self**

The following are the movements on the expected credit losses:

<b>30 June 2019 (Unaudited)</b>	<b>Retail</b>	<b>Corporates</b>	<b>Small and Medium Enterprises</b>	<b>Total</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Balance at the beginning of the period	345,613	3,213,789	202,499	3,761,901
Deducted from the profits	-	30,000	-	30,000
Settlements during the period	111,505	151,506	15,215	278,226
<b>Balance at the end of the period</b>	<b>457,118</b>	<b>3,395,295</b>	<b>217,714</b>	<b>4,070,127</b>
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	433,409	3,388,918	215,021	4,037,348
Expected credit losses on watch list receivables- stage 2 on individual customer basis	7,752	4,337	195	12,284
Expected credit losses on performing receivables- stage 1 on individual customer basis	15,957	2,040	2,498	20,495
<b>Balance at the end of the period</b>	<b>457,118</b>	<b>3,395,295</b>	<b>217,714</b>	<b>4,070,127</b>
<b>31 December 2018 (Audited)</b>				
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	-
<b>Balance at the end of the year</b>	<b>345,613</b>	<b>3,213,789</b>	<b>202,499</b>	<b>3,761,901</b>
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	331,604	3,206,831	199,585	3,738,020
Expected credit losses on watch list receivables- stage 2 on individual customer basis	1,867	5,719	227	7,813
Expected credit losses on performing receivables- stage 1 on individual customer basis	12,142	1,239	2,687	16,068
<b>Balance at the end of the year</b>	<b>345,613</b>	<b>3,213,789</b>	<b>202,499</b>	<b>3,761,901</b>

- The provision for expected credit losses is calculated on an individual customer basis.
- Provisions that are no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 948,155 as at 30 June 2019 (JD 1,421,680 as at 31 December 2018).

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The following is the movement on expected credit losses as of 30 June 2019 (Unaudited):

Item	Joint			Self			Total		
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Total balance at the beginning of the period</b>	1,029,006	883,649	17,827,505	19,740,160	16,068	7,813	3,738,020	3,761,901	23,502,061
Deducted from profits/ expected credit loss	-	-	-	-	-	-	30,000	30,000	30,000
Transferred to stage 1	984,712	(297,628)	(687,084)	-	10,108	(568)	(9,540)	-	-
Transferred to stage 2	(24,479)	639,080	(614,601)	-	(127)	1,906	(1,779)	-	-
Transferred to stage 3	(1,159)	(235,044)	236,203	-	(62)	(592)	654	-	-
Adjustments during the period	(529,771)	38,118	7,908,518	7,416,865	(5,492)	3,725	279,993	278,226	7,695,091
<b>Total balance at the end of period</b>	1,458,309	1,028,175	24,670,541	27,157,025	20,495	12,284	4,037,348	4,070,127	31,227,152

The following is the movement on expected credit losses as of 31 December 2018 (Audited):

Item	Joint			Self			Total		
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Balance at beginning of the year (adjusted)</b>	966,488	429,718	10,317,763	11,713,969	35,411	32,186	3,819,304	3,886,901	15,600,870
Deducted from profits	-	-	-	-	-	-	10,000	10,000	10,000
Recoveries	-	-	-	-	-	-	(135,000)	(135,000)	(135,000)
Transferred to stage 1	71,905	(71,905)	-	-	119	(119)	-	72,024	-
Transferred to stage 2	(182,152)	182,152	-	-	(3,943)	3,943	-	(186,095)	-
Transferred to stage 3	(69,012)	(33,784)	102,796	-	(5,514)	(21,528)	27,042	(74,526)	129,838
Adjustments during the year	241,777	377,468	7,406,946	8,026,191	(10,005)	(6,669)	16,674	231,772	7,423,620
<b>Total balance at end the year</b>	1,029,006	883,649	17,827,505	19,740,160	16,068	7,813	3,738,020	3,761,901	23,502,061



### Revenue in Suspense

The following are the movements on revenues in suspense:

	Self	
	Large Corporates	
	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	16,862	16,364
<u>Add:</u> Revenue in suspense during the period/ year	2,213	498
<u>Less:</u> Revenue in suspense transferred to income during the period/ year	(2,104)	-
<b>Balance at the end of the period/ year</b>	<b>16,971</b>	<b>16,862</b>

	Joint				
	Retail	Real Estate Finances	Corporates	Small & Medium Enterprises	Total
<u>30 June 2019 (Unaudited)</u>	JD	JD	JD	JD	JD
Balance at the beginning of the period	213,705	79,036	634,305	404,485	1,331,531
<u>Add:</u> Revenue in suspense during the period	104,475	40,242	130,915	76,657	352,289
<u>Less:</u> Revenue in suspense transferred to income during the period/ year	(74,670)	(7,461)	(7,029)	(75,090)	(164,250)
Settlement during the period	(3,798)	31	14,102	(10,335)	-
<b>Balance at the end of the period</b>	<b>239,712</b>	<b>111,848</b>	<b>772,293</b>	<b>395,717</b>	<b>1,519,570</b>
 <u>31 December 2018 (Audited)</u>					
Balance at the beginning of the year	144,429	47,781	336,001	382,856	911,067
<u>Add:</u> Revenue in suspense during the year	145,224	39,060	514,167	72,835	771,286
<u>Less:</u> Revenue in suspense transferred to income during the period/ year	(75,948)	(7,805)	(215,863)	(51,206)	(350,822)
<b>Balance at the end of the year</b>	<b>213,705</b>	<b>79,036</b>	<b>634,305</b>	<b>404,485</b>	<b>1,331,531</b>

### 7. Deferred Sales Receivables through Income Statement

The sales receivables through income statement – self owned amounted to JD 6,513,267. The Bank has booked a provision for expected credit losses amounted to JD 6,513,267.

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**8. Ijara Muntahia bittamleek Assets - Net**

This item consists of the following:

**30 June 2019 (unaudited)**

	Joint			Self			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara muntahia bittamleek Assets– Real Estate	851,561,449	(199,984,600)	651,576,849	1,338,000	(1,007,376)	330,624	852,899,449	(200,991,976)	651,907,473
Ijara muntahia bittamleek Assets– Machinery	9,739,037	(846,406)	8,892,631	-	-	-	9,739,037	(846,406)	8,892,631
Ijara muntahia bittamleek Assets – Vehicles	18,500	(17,115)	1,385	-	-	-	18,500	(17,115)	1,385
<b>Total</b>	<b>861,318,986</b>	<b>(200,848,121)</b>	<b>660,470,865</b>	<b>1,338,000</b>	<b>(1,007,376)</b>	<b>330,624</b>	<b>862,656,986</b>	<b>(201,855,497)</b>	<b>660,801,489</b>

**31 December 2018 (audited)**

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
<b>Total</b>	<b>842,396,397</b>	<b>(185,576,314)</b>	<b>656,820,083</b>	<b>1,338,000</b>	<b>(996,016)</b>	<b>341,984</b>	<b>843,734,397</b>	<b>(186,572,330)</b>	<b>657,162,067</b>

- Total due Ijara installments amounted to JD 4,756,658 as at 30 June 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 1,733,647 representing 0.2% of the balance of Ijara Muntahia Bittamleek as at 30 June 2019 (JD 1,225,071 representing 0.2% as at 31 December 2018).
- Non-performing Ijara Muntahia Bittamleek after deducting revenues in suspense amounted to JD 1,082,128 representing 0.2% of the balance of Ijara Muntahia Bittamleek as at 30 June 2019 (JD 603,336 representing 0.1% as at 31 December 2018).
- Non-performing deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al- Qard Al - Hasan amounted to JD 33,444,918 representing 3.8% of the balance of deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Qard Al - Hasan as at 30 June 2019 (JD 29,635,477 representing 3.3% as at 31 December 2018).
- Non-performing deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al- Qard Al - Hasan after deducting revenues in suspense amounted to JD 32,559,096 representing 3.7% of the balance of deferred sales receivables and other receivables, Ijara Muntahia Bittamleek and Al- Qard Al - Hasan as at 30 June 2019 (JD 28,908,819 representing 3.11% of the balance granted as at 31 December 2018).

## 9. Financial Assets at amortized cost - Net

This item consists of the following:

	Joint	
	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Islamic Sukuk – quoted	27,472,025	23,947,380
Islamic Sukuk – unquoted	6,989,500	8,021,600
Provision for expected credit losses	(191,684)	(182,070)
	<u>34,269,841</u>	<u>31,786,910</u>

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

Cumulative movement on the provision for expected credit loss as of 30 June 2019:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
<b>Balance at the beginning of the period</b>	16,654	165,416	-	182,070
New investments	3,806	-	-	3,806
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Adjustments during the period	29,396	(23,588)	-	5,808
<b>Balance at the end of the period</b>	<u>49,856</u>	<u>141,828</u>	<u>-</u>	<u>191,684</u>

## 10. Investments in Real estates

This item consists of the following:

Investment in Real Estate Held for Use:

	Joint	
	30 June 2019	31 December
	JD (Unaudited)	JD (Audited)
Investment in real estate	30,422,950	29,142,063
Accumulated Depreciation	(2,907,682)	(2,808,431)
Impairment provision	(4,467,218)	(4,539,248)
	<u>23,048,050</u>	<u>21,794,384</u>

- Buildings within the above real estate portfolio are depreciated using the straight-line method with 2% depreciation rate. During 2019, the Bank has changed the estimate for the depreciation rates used for the real estate portfolio, to be 2% instead of 10%. Accordingly, the depreciation expense for the real estate decreased by JD 397 thousand for the period ended 30 June 2019.

#### 11. Customers' Current Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 30 June 2019 (Unaudited)	JD	JD	JD	JD	JD
Current accounts	515,463,165	51,045,980	88,529,061	6,851,564	661,889,770
<b>Total</b>	<b>515,463,165</b>	<b>51,045,980</b>	<b>88,529,061</b>	<b>6,851,564</b>	<b>661,889,770</b>

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 31 December 2018 (Audited)	JD	JD	JD	JD	JD
Current accounts	527,765,136	36,860,319	94,897,092	6,225,993	665,748,540
<b>Total</b>	<b>527,765,136</b>	<b>36,860,319</b>	<b>94,897,092</b>	<b>6,225,993</b>	<b>665,748,540</b>

- Government of Jordan and public sector deposits inside the Kingdom amounted to JD 6,851,564 as at 30 June 2019 representing 1% of the total customers' current accounts (JD 6,225,993 as at 31 December 2018 representing 0.94%).
- Restricted deposits amounted to JD 4,329,512 as at 30 June 2019 representing 0,65 % of the total customers' current accounts (JD 4,828,492 as at 31 December 2018 representing 0.68%).
- Dormant accounts amounted to JD 9,304,500 as at 30 June 2019 (JD 8,797,438 as at 31 December 2018).

## 12. Income Tax

### a. Provision for Income Tax

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

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	12,124,837	12,003,114
Income tax paid during the period/ year	(12,033,777)	(14,992,730)
Income tax paid for prior years	(153,960)	-
Income tax due on the profit for the period / year	8,401,965	15,114,453
<b>Balance at the End of the period/ year</b>	<b>8,339,065</b>	<b>12,124,837</b>

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

	30 June 2019	30 June 2018
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	8,401,965	7,688,702
Deferred tax assets for the period	(131,385)	(86,328)
Amortization of deferred tax assets	54,599	36,923
	<b>8,325,179</b>	<b>7,639,297</b>

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2017. The Bank submitted its tax returns for 2018 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The accrued income tax for the period ended 30 June 2019 was calculated in accordance with the Income Tax Law no. (38) of 2018 and in accordance with the Income Tax Law no. (34) of 2014 for the period ended 30 June 2018.
- In the opinion of Management and the tax advisor, the allocations taken are sufficient to meet tax obligations as at June 30, 2019.

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Accounts Included	30 June 2019 (Unaudited)			31 December 2018 (Audited)	
	Beginning Balance	Released Amounts	Added Amounts	Ending Balance	Deferred Tax
1. Deferred Tax Assets – Joint	JD	JD	JD	JD	JD
Revenue in suspense	1,186,633	(164,250)	352,288	1,374,671	522,375
Differences in depreciation rates	-	-	1,986,265	1,986,265	754,781
	<u>1,186,633</u>	<u>(164,250)</u>	<u>2,338,553</u>	<u>3,360,936</u>	<u>1,277,156</u>
2. Deferred Tax Assets – Self financed					
Provision for end-of-service indemnity	2,987,591	(23,094)	220,753	3,185,250	1,210,395
Impairment provision for self- financing	1,155,638	(1,287)	-	1,154,351	438,653
Provision for fees for lawsuits against the Bank	19,067	(1,800)	-	17,267	6,562
Impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	1,036,559
Deferred and unacceptable expenses	35,000	(117,500)	125,000	42,500	16,150
Effect of IFRS (9) adoption	700,788	-	-	700,788	266,299
	<u>7,625,870</u>	<u>(143,681)</u>	<u>345,753</u>	<u>7,827,942</u>	<u>2,974,618</u>
<b>Grand Total</b>	<u>8,812,503</u>	<u>(307,931)</u>	<u>2,684,306</u>	<u>11,188,878</u>	<u>4,251,774</u>
					<u>3,348,751</u>

Joint deferred tax assets of JD 1,277,156 as at 30 June 2019 resulted from time differences of the revenue in suspense against unacceptable joint financing and deferred for years to come. These deferred tax assets were calculated at a tax rate of 35% in addition to 3% national tax, with a total income tax 38%. In the Management's opinion, these tax benefits for the future expected credit losses.

Self financed deferred tax assets of JD 2,974,618 as of 30 June 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 tax, with a total income tax 38%. In the Management's opinion, these tax benefits from profits will be utilized in the future.

3. Deferred tax liabilities - self

	30 June 2019 (Unaudited)				31 December 2018 (Audited)
	Beginning balance for the year	Released amounts	Added amounts	Ending balance for the period	Deferred tax
	JD	JD	JD	JD	JD
Financial assets at fair value through shareholders' equity	475,109	-	206,333	681,442	258,948
	475,109	-	206,333	681,442	258,948
					180,541
					180,541

- The deferred tax liabilities amounted to JD 258,948 as of 30 June 2019 (JD 180,541 as of 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 was as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	450,921	-	268,159	-
Additions during the year	888,650	-	305,550	-
Amortized during the year	(62,415)	-	(122,788)	-
Balance at the end of the year	1,277,156	-	450,921	-

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

	30 June 2019		31 December 2018	
	(unaudited)		(audited)	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period/ year	2,897,830	180,541	2,410,268	227,174
Additions during the period/ year	131,386	78,407	597,884	14,253
Amortized during the period/ year	(54,598)	-	(110,322)	(60,886)
<b>Balance at the end of the period/ year</b>	<b>2,974,618</b>	<b>258,948</b>	<b>2,897,830</b>	<b>180,541</b>

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

	30 June 2019	31 December 2018
	JD	JD
	(unaudited)	(audited)
Accounting Income	24,329,335	46,763,068
Add: Unacceptable tax expenses	5,018,071	13,087,999
Tax-exempt Income	(164,250)	(350,822)
Other adjustments	(2,054,995)	(3,316,862)
Taxable Income	27,128,161	56,183,383
Statutory income tax rate	38%	35%
Effective income tax rate	42%	42%
Income Tax Provision - Net	10,308,701	19,664,184
Attributable to:		
Declared provision – Bank	8,414,266	15,114,453
Declared provision – Investment Risks Fund	1,406,325	3,636,937
Declared provision – Mutual insurance fund *	488,110	912,794
	10,308,701	19,664,184

\* 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.



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**13. Unrestricted Investment Accounts**

This item consists of the following:

	Retail		Corporates		Small and Medium Enterprises		Government and Public Sector		Central bank deposits		Total
	JD		JD		JD		JD		JD		JD
<b>30 June 2019 (unaudited)</b>											
Saving accounts	222,306,733		928,052		1,960,687		1,320		3,200,368		228,397,160
Term deposits*	696,799,373		92,544,494		58,151,786		124,576,253		11,398,959		983,470,865
Total	919,106,106		93,472,546		60,112,473		124,577,573		14,599,327		1,211,868,025
Depositors' share of the investment returns	9,962,880		1,151,492		907,416		577,500		138,222		12,737,510
Total Joint Investment Accounts	929,068,986		94,624,038		61,019,889		125,155,073		14,737,549		1,224,605,535
<b>31 December 2018 (audited)</b>											
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 amount of JD 13,981,349 as of 30 June 2019 (JD 13,201,380 as of 31 December 2018) (net after tax). the balance of the Mutual Insurance Fund which was established, during the year 2013, 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.

Unrestricted investment accounts share of profit is calculated as follows:

- 30% of the monthly balance of saving accounts.
- 90% of the minimum balance of term deposits.
- The restricted accounts amounted to JD 1,481,170 as at 30 June 2019 (JD 1,269,647 as at 31 December 2018).
- The joint investment accounts of the Government of Jordan and the Public Sector inside the Kingdom amounted to JD 125,155,073 as at 30 June 2019 representing 10.2% of the total joint investment accounts (JD 77,856,551 as at 31 December 2018 representing 6.5%).
- Dormant accounts amounted to JD 5,360,331 as of 30 June 2019 (JD 3,445,858 as at 31 December 2018).

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**14. Provision for Future Expected Credit Losses**

a. The movement on the provision for future expected credit losses is as follows:

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	48,827,864	42,313,499
<u>Add:</u> Transferred from joint investment revenues during period / year	3,512,818	10,066,140
Amortized losses for the period / Year	-	(95,355)
Difference in valuation of foreign currencies	(139)	(2,245)
<u>Less:</u> income tax	(580,090)	(3,454,175)
Paid for prior years	(697,597)	-
<b>Balance at the end of the period/year</b>	<b>51,062,856</b>	<b>48,827,864</b>

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

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Accrued income tax on the transferred amounts from investment revenues	1,406,326	3,636,937
Deferred tax assets	(888,650)	(305,550)
Amortization of deferred tax assets	62,414	122,788
	<b>580,090</b>	<b>3,454,175</b>

b. The balance of the provision for future expected credit losses is distributed as follows:

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Against expected credit losses on deferred sales receivables	27,157,025	19,740,160
Provision for expected credit losses on financial assets at amortized cost	191,684	182,070
Against impairment of investments in real estate	4,467,218	4,539,248
Against impairment of seized assets	9,571	36,901
Provision for expected credit losses for off-balance sheet items	176,659	335,384
<b>Remaining Balance (undistributed)</b>	<b>19,060,699</b>	<b>23,994,101</b>

- 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 for expected credit losses for to encounter any future risks.

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

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/year	2,924,470	2,594,950
<u>Less:</u> Income tax paid during the period / year	(2,924,470)	(3,307,417)
<u>Add:</u> Accrued income tax for the period/year	1,406,326	3,636,937
<b>Balance at the end of the period/year</b>	<b>1,406,326</b>	<b>2,924,470</b>

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2017. The Bank submitted its tax returns for the year 2018 and they were not reviewed by the Income and Sales Tax Department as of the date of the interim condensed financial statements.

## **15. Cash and Cash Equivalent**

This item consists of the following:

	For the six months ended	
	30 June 2019	30 June 2018
	JD (Unaudited)	JD (Unaudited)
Cash and balances with the Central Bank maturing within three months	622,867,887	507,825,245
<u>Add:</u> Balances with banks and financial institutions maturing within three months	17,795,312	18,147,197
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(2,432,432)	(6,274,023)
	<b>638,230,767</b>	<b>519,698,419</b>

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**16. Transactions with Related Parties**

The Bank regularly enters into transactions with the shareholders, members of the Board of Directors, Executive Management, and Sister Companies using the Murabaha and commercial commissions rates.

Below is a summary of the transactions with related parties:

Statement of Financial Position Items:	Total						
	Arab Bank (Parent Company)	Members of the Board	Subsidiaries of the Parent Companies	Member Of Shari'a Supervisory Board	Executive Management	30 June 2019	31 December 2018
	JD	JD	JD	JD	JD	JD (Unaudited)	JD (Audited)
Balances with banks and financial institutions	16,697,010	-	-	-	-	16,697,010	18,502,301
International Murabaha (investment in commodities)	101,071,762	-	-	-	-	101,071,762	117,780,234
Banks' and financial institutions accounts	391,524	-	-	-	-	391,524	314,018
Joint investment accounts and current accounts	-	19,202	-	142,909	1,566,950	1,729,061	1,375,788
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,531,131	-	-	5,531,131	5,324,798
Sales receivables and Ijara assets	-	631,076	-	-	1,976,096	2,607,172	2,686,608
<b>Off balance sheet items</b>							
Guarantees	10,000	-	-	-	-	10,000	12,547,369
International Murabaha (Investment in Commodity)	232,855,405	-	-	-	-	232,855,405	158,363,980
						For the six months Ended 30 June	
						2019	2018
<b>Income Statement Items:</b>						JD (Unaudited)	JD (Unaudited)
Distributed profit – deposits' accounts	-	-	-	816	14,939	15,755	7,206
Received profit – receivables	-	15,825	-	-	42,207	58,032	41,539
Share's dividends revenue	-	-	11,250	-	-	11,250	31,896
Received commissions-off balance sheet items	47,007	-	-	-	-	47,007	31,338
Salaries and remunerations *	-	12,500	-	42,000	1,173,605	1,228,105	1,130,450
Transportation – committees' membership	-	58,200	-	-	-	58,200	58,200

- The lowest Murabaha rate that the Bank received was (3%), and the highest Murabaha rate was (5.89%). Meanwhile, the dividends distribution rate in JD was 2.934%.

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

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

## 17. Segment information

### Information about Bank's Activities

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

#### Retail

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

#### Corporate Accounts

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

#### Treasury

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

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

	Retail	Corporates	Treasury	Others	Total For the six months Ended 30 June	
	JD	JD	JD	JD	2019	2018
					JD	JD
					(Unaudited)	(Unaudited)
Gross income (Joint and Self)	26,328	14,198	5,856	38	46,420	45,116
Provision for future expected credit losses share	(2,284)	(1,229)	-	-	(3,513)	(4,929)
ECL of sales receivables value and other receivables - self	-	(30)	-	-	(30)	(10)
Result of operations of segments	24,044	12,939	5,856	38	42,877	40,177
Undistributed expenses	(6,564)	(2,083)	(154)	(9,747)	(18,548)	(16,830)
Profit for the period before tax	17,480	10,856	5,702	(9,709)	24,329	23,347
Income tax	(5,982)	(3,713)	(1,950)	3,320	(8,325)	(7,639)
Profit for the period	11,498	7,143	3,752	(6,389)	16,004	15,708
Segment's assets	906,849	430,302	788,522	-	2,125,673	2,017,639
Undistributed assets to the segments	-	-	-	60,413	60,413	52,425
Total segment's assets	906,849	430,302	788,522	60,413	2,186,086	2,070,064
Segment's liabilities, joint investment equity and provision for future expected credit losses	1,450,523	485,244	2,433	-	1,938,200	1,845,325
Undistributed liabilities to segments, joint investment equity and provision for future expected credit losses	-	-	-	52,121	52,121	46,974
Total segment's liabilities, joint investment account and provision for future expected credit losses	1,450,523	485,244	2,433	52,121	1,990,321	1,892,299
For the six month ended 30 June						
					2019	2018
					JD	JD
Capital expenditures	-	-	-	1,205	1,205	885
Depreciation and amortization	826	2	1	732	1,561	1,456

**18. Commitments and Contingent Liabilities (Off – Balance sheet)**

Credit contingent and commitment

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Letters of credit	13,149,891	20,677,086
Acceptances	6,566,331	8,706,802
Letters of Guarantee:		
Payment	14,813,258	28,890,548
Performance	14,325,587	15,312,376
Others	10,855,470	11,212,923
Unutilized limits – self	51,529,033	47,045,665
Unutilized limits – joint	114,793,310	99,619,300
<b>Total</b>	<b>226,032,880</b>	<b>231,464,700</b>

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

Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at beginning of the period	215,532	73,538	352,224	641,294
Transferred to stage 1	9,414	(7,805)	(1,609)	-
Transferred to stage 2	(2,319)	2,319	-	-
Transferred to stage 3	(1,061)	-	1,061	-
Adjustments during the period	(95,909)	(47,611)	(134,706)	(278,226)
Balance at the end of the period	125,657	20,441	216,970	363,068

The movement on expected credit losses for unutilized limits/ joint is as follow:

Item (JD)	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at beginning of the period	227,331	61,074	46,979	335,384
Transferred to stage 1	19,853	(19,853)	-	-
Transferred to stage 2	(1,129)	1,129	-	-
Transferred to stage 3	-	-	-	-
Adjustments during the period	(90,533)	(21,213)	(46,979)	(158,725)
Balance at the end of the period	155,522	21,137	-	176,659

The expected credit loss provision for the off balance sheet- self and joint included in the other liabilities.

## 19. Lawsuits against the Bank

The lawsuits filed against the Bank amounted JD 731,113 as at 30 June 2019 with a provision of JD 17,267 (JD 752,732 as at 31 December 2018 with a provision of JD 19,067). Based on the opinion of the legal advisor, no additional amounts will be claimed from the Bank in respect of those lawsuits.

## 20. Fair Value Measurement

Financial Instruments are either financial assets or financial liabilities

The Group uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant unobservable Inputs	Relationship between Unobservable Inputs and Fair Value
	30 June 2019	31 December 2018				
	JD	JD				
	(Unaudited)	(Audited)				
<b>Financial Assets at Fair Value:</b>						
<b>Financial Assets at Fair Value through Shareholders' Equity – self</b>						
Quoted shares	5,426,966	5,324,798	Level 1	Quoted prices in the Financial Markets	Not Applicable	Not Applicable
<b>Financial Assets at Fair Value through joint investment account</b>						
Unquoted shares	1,607,730	1,607,730				
<b>Total</b>	<b>7,034,696</b>	<b>6,932,528</b>				

There were no transfers between Level (1) and Level (2) during the second quarter of 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:

	30 June 2019		31 December 2018		Level
	Book Value	Fair Value	Book Value	Fair Value	
	JD (Unaudited)	JD (Unaudited)	JD (Audited)	JD (Audited)	
<b>Financial Assets not measured at Fair Value</b>					
Deferred sales receivables	738,699,303	738,876,268	779,119,614	779,452,706	Level 2
Investments in real estate	23,048,050	25,477,076	21,794,384	25,477,076	Level 2
Financial assets at amortized cost	34,269,841	34,555,739	31,786,910	32,071,729	Level 1
<b>Total financial assets not measured at fair value</b>	<b>796,017,194</b>	<b>798,909,083</b>	<b>832,700,908</b>	<b>837,001,511</b>	
<b>Financial Liabilities not measured at Fair Value</b>					
Customers' current and unrestricted accounts	1,886,495,305	1,894,169,906	1,858,819,790	1,865,159,062	Level 2
Cash margins	30,211,423	30,392,958	30,914,889	31,089,191	Level 2
<b>Total Financial Liabilities not measured at Fair Value</b>	<b>1,916,706,728</b>	<b>1,924,562,864</b>	<b>1,889,734,679</b>	<b>1,896,248,253</b>	

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