disclosure

From:	Diwan <Diwan@Bank-ABC.com> on behalf of ABCJ Diwan <ABCJDiwan@Bank-ABC.com>
Sent:	11 أيار، ٢٠٢٠ ١٢:٢٧ م
To:	disclosure; info
Cc:	Adnan Shobaki; Khaled Nassraween; Nisreen Hamati; Faisal AbuZunaimeh; Rasha Taher
Subject:	البيانات المالية كما في ٣١/١٢/٢٠١٩ باللغة الانجليزية لبنك المؤسسة العربية المصرفية (الأردن)
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• السيد عمر
السيد خالد
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السادة هيئة الأوراق المالية الأكرم

عمان – الأردن

تحية وبعد ،،،

أرجو أن أرفق لكم نسخة من البيانات المالية كما في 2019/12/31 باللغة الإنجليزية لبنك المؤسسة العربية المصرفية (الأردن).

وتفضلوا بقبول فائق الاحترام والتقدير ،،،

بنك المؤسسة العربية المصرفية (الأردن)

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Bank ABC (Arab Banking Corporation - Jordan)

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

ARAB BANKING CORPORATION (JORDAN)
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
DECEMBER 31, 2019

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

AM/ 003305

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Arab Banking Corporation (Jordan) (the "Bank") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019, and its consolidated financial performance and its cash flows for the year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Central Bank of Jordan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matters

1. **1- Impairment of carrying value of the credit facilities in accordance with IFRS 9**

The Group's credit facilites are stated in the statement of financial position at around JD 621 million as at December 31, 2019. The expected credit loss (ECL) allowance was around JD 42.5 million as at this date, which comprised an allowance of JD 9.4 million against Stages 1 and 2 exposures and an allowance of JD around 33.1 million against exposures classified under Stage 3.

The audit of the impairment of credit facilities of financing and investing assets is a key area of focus because of its size (representing 55% of total assets) and due to the significance of the estimates made and judgments applied in classifying credit facilities into various stages, determining related allowance requirements and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models. Refer to Note (2) to the consolidated financial statements for the accounting policy, Note (4) for critical judgements and estimates used by management and Note (40) for disclosures about credit risk.

The Group recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is compared to the ECL amount calculated according to the instructions of the Central Bank of Jordan, and the higher of the two amounts is recorded after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan.

How Our Audit Addressed the Key Audit Matter

We obtained a detailed understanding of the Group's credit facilities business processes and the related accounting policies, including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the ECL models as at December 31, 2019.

We assessed the design and implementation of relevant controls and tested the operating effectiveness of the relevant controls which included testing:

- System-based and manual controls over the timely recognition of impaired credit facilities and financing and investing assets and advances;
- Controls over the ECL calculation models;
- Controls over collateral valuation estimates;
- Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management.

We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the minimum requirements of IFRS 9 Financial Instruments. We tested the mathematical integrity of the ECL model by performing recalculations. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Group employs statistical models for ECL calculations, and the key variables used in these calculations are probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are defined in Note (40) to the consolidated financial statements. The Corporate portfolio of credit facilities and financing and investment assets is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging override as per the Group's policies. The measurement of ECL amounts for retail exposures classified as Stage 1 and Stage 2 are calculated using models with limited manual intervention. However, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period. Moreover, retail exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms. Impaired credit facilities are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the credit facilities carrying value compared to the net present value of future cash flows using the original effective profit rate after comparing it with the ECL amount calculated according to the instructions of the Central Bank of Jordan and recording the higher of the two amounts, excluding credit exposures with/guaranteed by the Jordanian government, and any other special arrangements with the Central Bank of Jordan. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral, probability of successful repossession, and the costs involved to recover the debts.	For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology to determine the allowance and assess the underlying assumptions and the sufficiency of the data used by management. We assessed the Group's determination of a significant increase in credit risk and the resultant basis for classifying exposures into various stages. For samples of exposures, we checked the appropriateness of the Group's staging. For forward-looking assumptions used by the Group's management in its ECL calculations, we held meetings with management to discuss these assumptions and corroborated the assumptions using publicly available information. We selected samples of credit facilities and financing and investment assets and assessed the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by management in their ECL calculations. For exposures determined to be individually impaired, we tested samples of credit facilities and financing and investment assets, examined management's estimate of future cash flows, and assessed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
2. IT systems and controls over financial reporting	
We identified IT systems and controls over the Group's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls, and therefore, the following procedures were designed to test access and control over IT systems. We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations. We examined computer-generated information used in financial reports from relevant applications and key controls over their reporting logics. We performed testing of key automated controls on significant IT systems relevant to business processes.

Other Matter

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

Other Information

Management is responsible for other information. The other information consists of information provided in the annual report other than the consolidated financial statements and the related auditor's report. We expect that the annual report will be provided to us after the date of our report. Our opinion on the consolidated financial statements does not include other information, and we do not express any form of assurance or conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the Central Bank of Jordan. and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 Group'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 Group'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 Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Amman – Jordan
March 25, 2020

Deloitte & Touche
Deloitte & Touche (M.E.) – Jordan

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

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
Assets:		JD	JD
Cash and balances at the Central Bank of Jordan	5	68,048,129	49,020,779
Balances at banks and financial institutions	6	59,257,664	85,029,146
Deposits at banks and financial institutions	7	2,603,874	27,956,035
Direct credit facilities-net	8	621,003,454	613,531,362
Financial assets at fair value through other comprehensive income	9	148,822,213	104,257,480
Financial assets at amortized cost	10	137,461,461	177,868,562
Financial assets at amortized cost - Mortgaged	11	35,012,800	35,018,148
Property and equipment - net	12	22,459,789	17,320,761
Intangible assets - net	13	1,699,611	1,494,202
Right of use assets	14	3,357,169	-
Deferred tax assets	21/B	7,078,498	6,401,306
Other assets	15	32,254,803	28,005,310
Total Assets		1,139,059,465	1,145,903,091
Liabilities and Owners' Equity			
Liabilities:			
Banks and financial institutions deposits	16	170,016,352	182,846,643
Customers' deposits	17	666,361,035	647,518,189
Margin accounts	18	49,424,077	51,534,691
Loans and borrowings	19	57,866,314	79,130,476
Sundry provisions	20	3,440,448	767,226
Income tax provision	21/A	2,478,661	4,998,955
Deferred tax liabilities	21/B	1,977,939	6,894
Lease contracts liabilities	14	3,223,659	-
Other liabilities	22	27,378,684	18,921,251
TOTAL LIABILITIES		982,167,169	985,724,325
Owners' Equity			
Bank shareholders' equity:			
Issued and paid-in capital	23	110,000,000	110,000,000
Additional paid-in capital	23	66,943	66,943
Statutory reserve	24	27,958,998	27,613,436
Voluntary reserve	24	197,281	197,281
Fair value reserve	25	2,943,308	(77,148)
Retained earnings	26	15,725,766	22,378,254
TOTAL OWNERS' EQUITY		156,892,296	160,178,766
TOTAL LIABILITIES AND OWNERS' EQUITY		1,139,059,465	1,145,903,091

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the Year Ended December 31,	
	Note	2019	2018
		JD	JD
Interest income	28	71,372,525	66,552,468
Interest expense	29	(38,344,004)	(33,645,669)
Net Interest Income		33,028,521	32,906,799
Net commission income	30	3,561,461	3,545,519
Net Interest and Commission Income		36,589,982	36,452,318
Gain from foreign currencies	31	1,036,187	1,223,845
Gains from financial assets at fair value through other comprehensive income	32	43,435	459,957
Other income - Net	33	3,812,104	3,961,586
Total Income		41,481,708	42,097,706
Employees' expenses	34	13,569,571	13,921,761
Depreciation and amortization	12, 13, 14	2,465,579	1,547,679
Other expenses	35	7,431,139	8,301,343
Provision for expected credit loss on financial assets	27	12,389,882	4,253,240
(Surplus) Impairment provision for assets seized by the Bank	15	(503,303)	218,881
Sundry provisions reversal	20	2,673,222	(356,539)
Total expenses		38,026,090	27,886,365
Profit for the period before income tax expense		3,455,618	14,211,341
Income tax expense	21/A	(1,520,344)	(4,495,127)
Profit for the Year		1,935,274	9,716,214
		Fills/JD	Fills/JD
Basic and diluted earnings per share for the period attributable to the Bank's Shareholders	36	-/018	-/088

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Profit for the period	1,935,274	9,716,214
Other comprehensive income items:		
Other comprehensive income items which may be reclassified to profit or loss in the subsequent period:		
Net Change in valuation reserve of financial assets at fair value through comprehensive income after tax – Debt Instruments	3,286,076	(61,673)
(Loss) Gain in the fair value of derivatives	(100,136)	93,797
Items not to be subsequently transferred to statement of profit or loss:		
Net Change in valuation reserve of financial assets at fair value through comprehensive income after tax – Equity Instruments	(165,484)	(24,706)
Total Comprehensive Income for the Period	4,955,730	9,723,632

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF

THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH

THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Issued and Paid-in Capital	Additional Paid-in Capital	Reserves				Retained Earnings	Total
			Statutory	Voluntary	General Banking Risks	Fair Value		
For the Year Ended December 31, 2019	JD	JD	JD	JD	JD	JD	JD	JD
Beginning balance for the year	110,000,000	66,943	27,613,436	197,281	-	(77,148)	22,378,254	160,178,766
Transferred to reserves	-	-	345,562	-	-	-	(345,562)	-
Dividends paid (Note 23)	-	-	-	-	-	-	(8,250,000)	(8,250,000)
Gain from the disposal of financail instruments (OCI)	-	-	-	-	-	-	7,800	7,800
Total Comprehensive Income	-	-	-	-	-	3,020,456	1,935,274	4,955,730
Ending Balance for the Year	110,000,000	66,943	27,958,998	197,281	-	2,943,308	15,725,766	156,892,296
For the Year Ended December 31, 2018								
Beginning balance for the year	110,000,000	66,943	26,192,302	197,281	5,930,328	(84,566)	17,939,516	160,241,804
Effect of implementation of International Financial Reporting Standard No. (9)	-	-	-	-	-	-	(9,368,807)	(9,368,807)
Calculation of deferred tax assets resulting from the implementation of International Financial Reporting Standard No. (9)	-	-	-	-	-	-	5,082,137	5,082,137
Transferred from general banking risks	-	-	-	-	(5,930,328)	-	5,930,328	-
Adjusted beginning balance	110,000,000	66,943	26,192,302	197,281	-	(84,566)	19,583,174	155,955,134
Total Comprehensive Income	-	-	-	-	-	7,418	9,716,214	9,723,632
Transferred to reserves	-	-	1,421,134	-	-	-	(1,421,134)	-
Dividends paid (Note 23)	-	-	-	-	-	-	(5,500,000)	(5,500,000)
Ending Balance for the Year	110,000,000	66,943	27,613,436	197,281	-	(77,148)	22,378,254	160,178,766

- An amount of JD7,078,498 as of December 31, 2019 is restricted from retained earnings (JD 6,401,306 as of December 31, 2018), which represents deferred tax assets, and an amount of JD 2,943,308 is restricted from retained earnings (JD 77,148 as of December 31, 2018) which represents the negative fair value reserve according to the instructions of the Jordan Securities Commission and the Central Bank of Jordan instructions.
- Included in retained earnings is an amount of JD2,761 as of December 31, 2019 (JD 2,017 as of December 31, 2018) which is restricted, representing the effect of IFRS (9) early adoption, except for the amounts realized through the actual sale.

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

ARAB BANKING CORPORATION (JORDAN)

PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31, 2019	2018
Operating Activities:		JD	JD
Profit before income tax		3,455,618	14,211,341
Adjustments for non-cash items			
Depreciation and amortization	12,13,14	2,465,579	1,547,679
Provision for expected credit loss on financial assets	27	12,389,882	4,253,240
Impairment provision for assets seized by the Bank	15	(503,303)	218,881
Realized (gain) from sale of financial assets at fair value through other comprehensive income		(8,150)	(430,486)
Gains from sale of assets seized by the Bank		(995)	-
Accrued interests		733,269	225,705
(Gains) from sale of property and equipment		(3,648)	(8,937)
Sundry provisions (reversal) expense		2,673,222	(356,539)
Exchange rate fluctuation effect on cash and cash equivalents		(556,809)	(192,530)
Cash flows from operating activities before changes in assets and liabilities		20,644,665	19,468,354
Changes in assets and liabilities:			
Decrease (Increase) in deposits at banks and financial Institutions maturing after three months		25,352,161	(13,776,035)
(Increase) in direct credit facilities		(19,341,737)	(29,375,191)
(Increase) decrease in other assets		(3,727,607)	8,687,088
Increase (decrease) in customers' deposits		18,842,846	(6,595,909)
(Decrease) in margin accounts		(2,110,614)	(700,241)
Increase (Decrease) in other liabilities		6,080,259	(295,459)
Net Cash Flows from (used in) Operating Activities before income tax		45,739,973	(22,587,393)
Income tax paid	21	(4,598,033)	(6,040,094)
Sundry provisions paid	20	-	(739,028)
Net Cash Flows from (used in) Operating Activities		41,141,940	(29,366,515)
Investing Activities			
(Purchase) of financial assets at fair value through comprehensive income		(58,749,277)	(100,364,677)
Sale of financial assets at fair value through comprehensive income		19,311,109	70,997,034
(Purchase) of financial assets at amortized cost	10	(56,565,053)	(43,938,822)
Matured and sale financial assets at amortized cost	10	97,022,825	114,885,571
(Purchase) of property and equipment		(6,458,688)	(5,834,629)
Proceeds from sale of property and equipment		7,162	11,019
Decrease (increase) in financial assets at amortized cost - mortgaged		5,348	(35,018,148)
(Increase) of intangible assets		(646,843)	(1,189,731)
Net (used in) Investing Activities		(6,073,417)	(452,383)
Financing Activities			
Dividends paid to shareholders		(8,275,007)	(5,484,657)
Increase in borrowing funds		(21,264,162)	29,961,466
Net (used in) Cash Flows Financing Activities		(29,539,169)	24,476,809
Net Increase (decrease) in cash and cash equivalents		5,529,354	(5,342,089)
Effect of the change in exchange rates on cash and cash equivalents		556,809	192,530
Cash and cash equivalents - Beginning of the year		(48,789,469)	(43,639,910)
Cash and cash equivalents - Ending of the Year	37	(42,703,306)	(48,789,469)

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

1. General Information

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

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

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

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

The Group's Board of Directors approved the consolidated financial statements for issuance on February 23, 2020. These financial statements are subject to the approval of the General Assembly of Shareholders.

2. Significant Accounting Policies:

Basis of Preparation

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

  The main differences between the IFRSs as they should be applied and what has been approved by the Central Bank of Jordan are as follows:

- Provisions for expected credit losses are calculated in accordance with the Central Bank of Jordan's Instructions No. (2018/13) "Adoption of IFRS 9" on June 6, 2018, and according to the instructions of the supervisory authorities in the countries in which the Bank operates, whichever is tougher. The material differences are as follows:

  Elimination of debt instruments issued or granted by the Jordanian government so that credit exposures are resolved on the Jordanian Government and by its guarantee without credit losses.
  When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan's Instructions No. (2009/47) dated December 10, 2009 for each stage separately. The tougher results are adopted.

- Interest and commissions on non-performing credit facilities granted to clients are suspended, in accordance with the instructions of the Central Bank of Jordan and according to the instructions of the supervisory authorities in the countries in which the Bank operates, whichever is tougher.

- Assets seized by the Bank are shown in the consolidated statement of financial position, among other assets, at their current value when seized by the Bank or at their fair value, whichever is lower. Furthermore, they are reassessed on the date of the consolidated financial statements separately, and any decrease in value is recorded in the consolidated statement of profit or loss while any increase in value is not recorded as revenue. In addition, any subsequent increase is taken to the statement of profit or loss to the extent of not exceeding the previously recorded value. As of the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, according to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. In this respect, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, and confirming postponement of the calculation of the provision until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deduction of the required provisions against the acquired real estate will continue at a rate of 5% of the total book value of these properties (regardless of the violation period) from the year of 2021 until the required percentage is reached (50% of these properties by the end of the year 2029).

- Additional provisions are calculated in the consolidated financial statements against some of the Bank's external investments in some neighboring countries.

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

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

- The accounting policies adopted in preparing the consolidated financial statements are consistent with those applied in the year ended December 31, 2018, except for the effect of the application of the new and revised standards applied on or after January 1, 2019 as stated in Note (3 – a & 3 – b).

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

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

- When the Bank has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.
  In this regard, the Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

The Bank's subsidiary as of December 31, 2019 represents the following:

- Arab Co-operation for Financial Investments (ABCI)

Arab Co-operation for Financial Investments is wholly owned by the Bank, and its objective is to carry out brokerage investments on behalf of its clients, in addition to providing financial consultation services on stock exchange investing. Its paid-up capital amounted to JD 15,600,000, total assets to JD 36,953,237, and total liabilities to JD 12,645,670 as at December 31, 2019. Moreover, its total revenues amounted to JD 3,534,367, and total expenses to JD 2,146,510 for the year ended December 31, 2019, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

Control is achieved when the Bank:

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

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

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

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

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

When the Bank loses control of the subsidiary, the Bank performs the following:

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

The subsidiaries’ financial statements are prepared under the same accounting policies adopted by the Bank. If the subsidiaries apply different accounting policies than those used by the Bank, the necessary modifications shall be made to the subsidiaries’ financial statements to make them comply with the accounting policies used by the Bank.

The non-controlling interests represent the portion not owned by the Bank relating to ownership of the subsidiaries.

Segment Information

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

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

Net Interest Income

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

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

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

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

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

Net Fee and commission

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

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

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

The presentation of dividend income in the consolidated statement of Profit or Loss depends on the classification and measurement of the equity investment:

- For equity instruments which are held for trading, dividend income is presented as trading income;
- For equity instruments designated at fair value through other comprehensive income, dividend income is presented in dividends from financial assets through OCI; and
- For equity instruments not designated at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through the statement of Profit or Loss.

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

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

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

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

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

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

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

Subsequent Measurement

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

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

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

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

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

- The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor for contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

- The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through the statement of Profit or Loss, if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value through Other Comprehensive Income

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Assets at Fair Value through the Statement of Profit or Loss
Financial assets at fair value through the statement of Profit or Loss are:

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

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

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

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

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

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

If the selection leads to an accounting mismatch;

If the financial liabilities are part of a portfolio managed on a fair value basis, according to a documented risk management or investment strategy; or

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

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

Impairment

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

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

No impairment loss is recognized on equity investments.

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

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

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

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

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

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

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

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

When calculating ECL against exposures, the calculation results as per IFRS (9) are compared with those according to the Central Bank of Jordan's Instructions No. (47/2009) dated December 10, 2009 for each stage separately. Moreover, the most severe results are taken, and the debt instruments issued by the Jordanian government or guaranteed by it, in addition to any other credit exposures with the Jordanian government or guaranteed by it, are excluded from the calculation.

Credit impaired Financial Assets

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

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

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

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

Purchased or Originated Credit impaired (POCI) Financial Assets

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

Definition of Default

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

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

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

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

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

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

Significant Increase in Credit Risk

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

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

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

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

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

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

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

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

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

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

As a backstop when an asset's maturity exceeds (30) days, the Bank considers that a significant increase in credit risk has occurred, and the asset is in Stage (2) of the impairment model, i.e. the loss allowance is measured as a lifetime expected credit loss (ECL) balance.

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

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

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

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

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

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

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

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

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

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

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

Write off

Financial assets are written off when the Bank has no reasonable expectations of recovering them, such as failure by the customer to participate in a payment plan with the Bank. Moreover, the Bank classifies funds or amounts due to be written off after all possible means of payment have been exhausted. However, if the financing is/receivables are written off, the Bank continues its enforcement activity in an attempt to recover the due receivables, which are recognized in the consolidated statement of Profit or Loss upon recovery.

Presentation of Allowance for ECL in the Consolidated Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

Financial Liabilities and Equity

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

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

Equity Instruments

Paid-up Capital

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

Treasury Shares

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

Compound Instruments

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

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

Financial Liabilities

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

Financial liabilities at Fair Value through the Statement of Profit or Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives

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

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

Financial Guarantee Contracts

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

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

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

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

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

Commitments to Provide a Loan at a Below Market Interest Rate

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

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

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

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

Hedge Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedges of Net Investments in Foreign Operations

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

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

Property and Equipment

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

The depreciation rates used are as follows:

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

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

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

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

Projects under construction include the value of the work in progress and the expenses of the related departments, and they are charged with their related direct costs and the costs deferred until completion of the project.

Payments for the purchase of property and equipment.

Fair value

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

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

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

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

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

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

Income Tax
Tax expense comprises of current tax and deferred taxes.

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

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

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

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

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

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

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

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

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

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

Financial Derivatives and Hedge Accounting
Hedge Financial Derivatives
For hedge accounting purposes, financial derivatives are stated at fair value, and hedges are classified as follows:

- **Fair value hedges:** These represent hedging the risk of the change in the fair value of the Bank's assets and liabilities.

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

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

- **Cash flows hedges:** These represent hedging the risk of the changes in the cash flows of the Bank's current and expected assets and liabilities.

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

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

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

Derivatives for Trading
The fair value of derivative financial instruments held for trading (such as future foreign exchange contracts, future interest contracts, swaps contracts, foreign exchange rate option rights) is recognized in the consolidated statement of financial position. Moreover, fair value is determined at the prevailing market prices. If these prices are not available, the assessment method should be mentioned, and the amount of changes in fair value should be recognized in the consolidated statement of Profit or Loss.

Repurchase and Resale Agreements

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

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

Assets Seized by the Bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "other assets" at the lower of their carrying value or fair value. These assets are revalued at the date of the consolidated financial statements on an individual basis, and losses from impairment are transferred directly to the consolidated profit ss7 loss statement, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment been charged to the consolidated Profit or Loss statement and loss been recognized for the asset in prior years.

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

Since the beginning of 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, pursuant to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Moreover, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, in which it confirmed postponement of the calculation of the allowance until the end of the year 2019. Pursuant to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deductions shall be made for the provisions required against the seized real estate at a rate of 5% from the total book value of these properties (regardless of the violation period) starting from the year 2021 until the required percentage has been reached, i.e. 50% of the value of these properties by the end of the year 2029.

Intangible Assets

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

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

- Internally generated intangible assets are not capitalized, but rather expensed in the consolidated Profit or Loss statement.

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

- Other intangible assets consist of computer software, and key-money is amortized using the straight -line method at an annual rate of 20%.

Foreign Currencies

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

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

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

- Foreign exchange differences on transactions made in order to hedge foreign exchange risk.

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

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

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

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

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

<u>Lease contracts</u>
Accounting policy used starting from January 1, 2019
<u>The Bank as a Lessee</u>

The Bank assesses whether the contract contains lease when starting the contract. Moreover, the Bank recognizes the right-of-use assets and the corresponding lease obligations in relation to all lease arrangements to which the lessee is a party, except for short-term lease contracts (defined as leases of 12 months or less) and low-value asset leases. For these contracts, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the period of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are utilized.

The lease obligation is initially measured at the present value of the lease payments that were not paid on the start date of the lease, and is discounted using the price implicit in the lease. If this rate cannot be easily determined, the Bank uses its additional expected rate.

The lease payments included in the rental obligation measurement include:

- Fixed rental payments (essentially including fixed payments), minus accrued receivable rental incentives;
- Variable rental payments that depend on an index or rate, initially measured using the indicator or the rate at the date the contract begins;
- The amount expected to be paid by the lessee under the residual value guarantees;
- The price of the exercise of purchase options, if the lessee is reasonably certain of the exercise of the options; and
- Payment of the contract termination fines, if the lease reflects the exercise of the lease termination option.

Rental obligations are presented as a separate note in the consolidated statement of financial position.

Subsequently, lease obligations are measured by increasing the book value to reflect the interest in the rental obligations (using the effective interest method) and by reducing the book value to reflect the rental payments paid.

The lease obligations (and a similar adjustment to the related right-of-use assets) are re-measured whenever:

- The lease term has changed, or there is an event or important change in the conditions that lead to a change in the exercise of the purchase option assessment, in which case the lease obligations are re-measured by deducting the adjusted lease payment using the adjusted discount rate.

- Lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value, in which cases the lease obligation is re-measured by deducting the modified rental payments using a non-variable discount rate (unless the rental payments change due to a change in the floating interest rate. In this case, the adjusted discount rate is used.

- The lease contract is adjusted, and the lease amendment is not accounted for as a separate lease, in which case the lease obligation is re-measured based on the duration of the adjusted lease contract by deducting the adjusted rental payments, using the adjusted discount rate at the actual price at the date of the amendment.

The right-of-use assets are depreciated over the life of the lease or the useful life of the asset (whichever is shorter). If the lease contract transfers the ownership of the underlying asset or the cost of the right to use, which reflects that the company expects to exercise the purchase option, then the relevant value of the right to use is depreciated over the useful life of the asset. Depreciation begins on the date the commencement of the lease.

The right-of-use assets are presented as a separate note in the consolidated statement of financial position.

The Bank applies International Accounting Standard (36) to determine whether the value of the right to use has decreased its value and calculates any impairment losses as described in the policy of "property and equipment".
Variable rents that are not dependent on an index or rate are not included in the measurement of lease obligations and right-of-use assets. Related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs and are included in "Other Expenditures" in the statement of profit or loss.

The Bank as a Lessor

The Bank enters into lease contracts as a lessor regarding some investment properties.

Leases in which the Bank is a lessor are classified as operating or finance leases. In the event that the terms of the lease contract transfer all risks and rewards of ownership to the lessee, the contract is classified as a finance lease, and all other leases are classified as operating leases.

When the Bank is an intermediary lessor, it represents the main lease and sub-contract as two separate contracts. The sublease contract is classified as a finance or operating lease by reference to the original right of use arising from the main lease.

Rental income from operating leases is recognized on a straight-line basis over the period of the relevant lease. The primary direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

The amounts due from the lessee under finance leases are recognized as receivables with the amount of the company's net investment in the rental contracts. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Bank's existing net investment with respect to lease contracts.

When the contract includes leasing components and other components other than leasing, the Bank applies IFRS 15 to distribute the amounts received or to be received under the contract for each component.

Accounting Policies Used until December 31, 2018

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

The Bank as a Lessor

Under finance lease contracts, the amounts due from the lessee are recognized as receivables at the net investment amount in the lease contracts. Moreover, the finance lease income is allocated to accounting periods to reflect a constant periodic return on the net investment as regards rental leases.

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

The Bank as a Lessee

Assets acquired through leases are recognized on initial recognition at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Financial leasing liabilities are recorded at the same value. These obligations are presented in the statement of financial position as finance lease liabilities.

The lease payments are distributed between the financing expenses and the decreasing of the financial lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Direct financing expenses are recognized in the consolidated statement of profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the life of the lease, except in situations there is another regular basis that is more representative of the time pattern in which the economic benefits are utilized from the leased asset. Moreover, contingent lease payments arising from operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into an operating lease, these incentives are recognized as an obligation. The overall interest of incentives is recognized as a reduction in the lease expense on a straight-line basis, unless there is a systematic basis that is more representative of the time pattern in which economic benefits from the leased assets are utilized.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks' and financial institutions' deposits that mature within three months and restricted balances.

3. Application of New and Amended International Financial Reporting Standards

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

The following new and revised IFRSs, which are effective for annual periods beginning on or after January 1, 2019 or later, have been adopted in the preparation of the Bank's consolidated financial statements. These new and revised IFRSs have not materially affected the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs issued between 2015 and 2017	Improvements include amendments to IFRS (3) “Business Combinations”, (11) “Joint Arrangements”, International Accounting Standards (12), “Income Taxes” and (23) “Borrowing Costs” as follows: IFRS (12)”Income Tax” The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IFRS (23)”Borrowing Costs” The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. IFRS (3)”Business Combination” The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. IFRS (11)”Joint Arrangements” The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

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

b. <u>Amendments Affecting the Bank's Consolidated Financial Statements:</u>

Effect of Application of IFRS (16) "Leases":

The Bank adopted IFRS 16 'Leases'. This standard replaces the existing guidance on leases, including IAS 17 "Leases Contracts". IFRIC 4 "Determining whether an Arrangement contains a Lease". SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after January 1, 2019. IFRS (16) stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Bank's financial Position, unless the term is 12 months or less or the lease is a low-value asset. Thus, the classification required under IAS (17) "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, and amortized over the useful life.

The Bank has opted for the simplified approach application permitted by IFRS (16) upon adoption of the new standard. During the first time application of IFRS (16) to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018. Furthermore, there were no adjustments on retained earnings as of January 1, 2019 according to this approach, and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leased properties as of December 31, 2019.

The net effect of the application of IFRS (16) on the beginning balances is as follows:

	December 31, 2018	**Effect of application**	**January 1, 2019**
Right-of-use assets	-	3,947,943	3,947,943
Other debits balances	515,605	(515,605)	-
Lease liabilities	-	3,947,943	3,947,943

The table below shows the effect of the application of IFRS 16 for each financial item at December 31, 2019.

Note	**Balances shown in the financial statements**	**Effect of application**	**Balance if not implemented**
Statement of financial position	**JD**	**JD**	**JD**
Right-of-use assets	3,357,169	3,357,169	-
Other assets	31,528,010	(515,605)	32,043,615
Total effect on assets		515,169	
Lease liabilities	3,223,659	3,223,659	-
Total effect on liabilities		3,223,659	

Note	Balances shown in the financial statements	Effect of application	Balance if not implemented
Statement of profit or loss	JD	JD	JD
Interest (debit)	38,344,004	(202,929)	38,141,075
Depreciation and amortization	2,465,579	(715,762)	1,749,817
Income tax	1,520,344	58,980	1,579,324
Total effect on the statement of profit or loss		(763,470)	

Note	Balances shown in financial statements	Effect of application	Balance if not implemented
Statement of cash flows	JD	JD	JD
Profit before tax,	3,455,618	(155,211)	3,610,829
Depreciation, and amortization	2,465,579	(715,762)	1,749,817
Other assets	(3,727,607)	515,605	4,243,212
Net cash flows from operating activities		(355,368)	
Paid for lease liabilities	1,054,901	1,054,901	-
Net (used in) investing activities		1,054,901	

The Bank's Leasing Activities and Accounting Treatment Mechanism:

The Bank leases real estate for use in its corporate activities, and leases are usually for fixed periods ranging from one to thirty years. Some of these leases may include extension options, and lease terms are negotiated on an individual basis and contain a set of different terms and conditions. Lease contracts do not include any pledges, and they are and not used as collateral for borrowing purposes.

Until the end of the fiscal year 2018, real estate leases were classified as either an operating lease or a finance lease, and amounts paid against operating leases are recorded in the Profit or Loss statement according to the straight-line method during the lease term.

As of January 1, 2019, lease contracts are recognized as right-of-use assets, and their related liabilities are recognized as well, on the date when the asset is ready for use by the Group. In addition, the value of each lease payment is distributed between the lease obligations and financing costs, and financing costs are recorded in the statement of profit or loss during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation for each period. Meanwhile, assets are depreciated during the useful life of the asset or the lease period, whichever is shorter, according to the straight-line method.

Assets and liabilities arising from lease contracts are initially measured based on the present value, and the lease obligations include the net present value of the following lease payments:

- Fixed payments (including fixed payments) minus receivable lease incentives;
- Variable lease payments based on an indicator or rate;
- The amounts expected to be paid by the lessee under the residual value guarantees;
- Purchase option if the tenant is reasonably certain of this option; and
- Payment of the contract termination fines if the terms of the lease include this option.

Lease payments are deducted using the interest rate of the underlying lease or the additional borrowing rate of the lessee, if not available, which is the amount that the lessee must pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right –of-use assets are measured at cost, which includes the following:

- The value of the initial measurement of the lease obligations;
- Any lease payments made on or before the start date minus any lease incentives received;
- Any initial direct costs, and
- Return costs (renewal and restoration).

Payments related to short-term leases and contracts for lease of low-value assets are included on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are 12-month or less, while low-value assets represent low-value IT equipment and small items of office furniture.

When applying the IFRS 16 for the first time, the Bank did the following:

- Used a single discount rate for a portfolio of lease contracts with reasonably similar characteristics;
- Relied on previous evaluations of whether lease contracts are low;
- Accounted for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;
- Excluded the initial direct costs for measuring the right-of-use assets at the date of the initial application; and
- Used the previous perception to determine the term of the lease, as the contract contains options for extending or terminating the lease.

The Bank also chose not to reassess whether the contract contains or does not contain a lease on the date of the initial application. Instead, the Bank relied on the evaluation of contracts that were concluded before the date of the transition, which was applied through the application of International Accounting Standard No. (17) "Lease Contracts" and International Interpretation (4) "Determining whether an arrangement involves a lease contract."

C. New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised standards	Amendments to new and revised IFRSs
Amendments to IAS 1 Presentation of Financial Statements. **(Effective January 2020).**	These amendments relate to the definition of materiality. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

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

Management expects to apply these new standards, interpretations, and amendments to the consolidated financial statements of the Bank when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Bank's consolidated financial statements in the initial application period.

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

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

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods. Management believes that its estimates in the consolidated financial statements are reasonable. The details are as follows:

Impairment of property acquired

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

Productive lifespan of tangible assets and intangible assets

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

Income tax

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

Litigation provision

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

Provision for end-of-service indemnity

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

Assets and liabilities at cost

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

Provision for credit losses

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Bank's management are detailed in Note (40).

When calculating ECL against exposures, the results of the calculation are compared in accordance with the International Financial Reporting Standard (9) with the Central Bank of Jordan’s Instructions No. (47/2009) dated December 10, 2009 for each stage separately. In this respect, the most severe results are taken and excluded from the calculation of debt instruments issued / guarantee by the Jordanian government, in addition to any other credit exposures with the Jordanian government or guaranteed by it.

Evaluation of the business model

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

Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates used by the Bank's management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in details in note (40).

Establishing groups of assets with similar credit risk characteristics

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

Re-division of portfolios and movements between portfolios

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

Models and assumptions used

The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note (40). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

a. Classification and measurement of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

5. Cash and Balances at the Central Bank of Jordan

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Cash on hand	7,440,297	7,181,334
Balances at central banks:		
Current accounts and demand deposits	13,455,319	204,976
Statutory cash reserve	42,052,513	41,634,469
Certificates of deposit	5,100,000	-
Total Balances at Central Banks	68,048,129	49,020,779

- The cash reserve amounted to JD 42,052,513 as of December 31, 2019 (JD 41,634,469 as of December 31, 2018).

- There are no restricted balances as of December 31, 2019 and 2018

- There are no deposit certificates for more than 3 months as of December 31, 2019 and December 31, 2018.

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

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance - beginning of the year	41,839,445	-	-	41,839,445	65,488,111
New balances during the year	-	-	-	-	-
Settled balances	18,768,387	-	-	18,768,387	(23,648,666)
Balance - End of the Year	60,607,832	-	-	60,607,832	41,839,445

6. Balances at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
Description	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	703	37,500	20,848,146	8,877,531	20,848,849	8,915,031
Deposits maturing within or less than 3 months	16,969,865	41,165,018	21,446,203	34,956,346	38,416,068	76,121,364
Total	16,970,568	41,202,518	42,294,349	43,833,877	59,264,917	85,036,395
Provision for expected credit loss	(4,445)	-	(2,808)	(7,249)	(7,253)	(7,249)
Net	16,966,123	41,202,518	42,291,541	43,826,628	59,257,664	85,029,146

- Non-interest bearing balances at banks and financial institutions amounted to JD5,500,318 as of December 31, 2019 (JD 3,234,416 as of December 31, 2018).

- These are no restricted balances as of December 31, 2019 and 2018.

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

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance - beginning of the year	85,029,146	-	-	85,029,146	70,518,441
New balances during the year	8,626,873	14,180,000	-	22,806,873	38,948,221
Balances settled during the year	(48,571,102)	-	-	(48,571,102)	(24,430,267)
Total	45,084,917	14,180,000	-	59,264,917	85,036,395
Provision for expected credit losses	(2,808)	(4,445)	-	(7,253)	(7,249)
Balance at year-end	45,082,109	14,175,555	-	59,257,664	85,029,146

Disclosures on the provision for impairment loss:

	December 31, 2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance at January 1, 2019	-	-	-	-	-
Effect of implementing IFRS (9)	-	-	-	-	28,923
Adjusted balance as of January 1, 2019	7,249	-	-	7,249	28,923
Impairment loss on new balances and deposits during the year	-	4,445	-	4,445	(21,674)
Reversed from impairment loss on settled balances	(4,441)	-	-	(4,441)	-
Transferred to stage (1)	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Effect on the provision- as at year-end due to transfers between stages	-	-	-	-	-
Effect of adjustment	-	-	-	-	-
written-off balances and deposits	-	-	-	-	-
Changes due to rates of exchange	-	-	-	-	-
Total balance as at year-end	-	-	-	-	-
Balance – End of the Year	2,808	4,445	-	7,253	7,249

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Description						
Deposits maturing from 3 months to 6 months	-	-	2,603,874	27,956,035	2,603,874	27,956,035
From 6 months to 9 months	-	-	-	-	-	-
From 9 months to 12 months	-	-	-	-	-	-
Total	-	-	2,603,874	27,956,035	2,603,874	27,956,035
Provision for impairment loss	-	-	-	-	-	-
Net of Deposits at Banks and Financial Institutions	-	-	2,603,874	27,956,035	2,603,874	27,956,035

- The following represents the movement on deposits at banks and financial institutions for the year ended December 31, 2019:

	December 31, 2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance – beginning of the year	27,956,035	-	-	27,956,035	14,180,000
New deposits during the year	-	-	-	-	27,956,035
Deposits settled during the year	(25,352,161)	-	-	(25,352,161)	(14,180,000)
Balance - End of the Year	2,603,874	-	-	2,603,874	27,956,035

8. Direct Credit Facilities - net

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD	JD
Individ als retail		
overdraft	22,441,930	23,977,527
Loans and bills	261,342,865	247,331,833
Credit cards	4,124,525	4,793,945
Mort a e loans	75,441,342	79,254,369
Corporate endin		
Overdrafts	97,272,549	101,956,211
Loans and bills	182,362,319	175,190,734
mall to Medi m nterprises " M s" acilities		
Overdrafts	5,791,976	7,469,308
Loans and bills	13,735,065	12,149,454
overnment and p lic sector	11,748,501	933,726
Total	674,261,072	653,057,107
Less: interest in suspense	(10,712,425)	(8,123,387)
Less: expected credit loss	(42,545,193)	(31,402,358)
Direct Credit Facilities - Net	621,003,454	613,531,362

Net after deducting the interest and commissions in advance of JD 14,356 as of December 31, 2019 (JD 21,008 as of December 31, 2018).

- Net after deducting interest and commissions in advance of JD 90,291 as of December 31, 2019 (JD 281,582 as of December 31, 2018).

- The credit facilities in the third stage (3) have amounted to JD 51,214,277, which is 7.596 of the total direct credit facilities as of December 31, 2019 (JD 31,413,978, which is 4.810 of the total direct credit facilities as of December 31, 2018).

- The credit facilities after deducting interest in suspense have amounted to JD 40,501,852, which is 6.104 of the total direct credit facilities as of December 31, 2019 (JD 23,290,591, which is 3.611 of the total direct credit facilities as of December 31, 2018).

- The Credit facilities granted to and guranteed by the Jordanian government amounted to JD 11,748,501, which is1.742 of the total direct credit facilities as at December 31, 2019 (JD 933,726, which is 0.143 of the total direct credit facilities as at December 31, 2018).

The movement on direct credit facilities during the year were as follows:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	collective	Individual	collective	Stage (3)	Total	Total
December 31, 2019	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	201,376,162	309,711,605	80,135,646	30,419,717	31,413,977	653,057,107	628,593,162
New credit facilities during the year	60,944,138	138,534,809	24,617,038	1,852,235	1,464,445	227,412,665	183,812,998
Settled credit facilities	(39,228,737)	(125,843,475)	(33,249,407)	(4,842,547)	(1,708,039)	(204,872,205)	(145,687,505)
Transferred to stage (1)	1,811,000	4,895,131	(1,811,000)	(4,607,730)	(287,401)	-	-
Transferred to stage (2)	(10,919,894)	(11,249,784)	10,919,894	11,549,195	(299,411)	-	-
Transferred to stage (3)	-	(1,568,988)	(17,790,898)	(2,187,389)	21,547,275	-	-
Effect of adjustment	(692,398)	(917,615)	1,699,787	(509,700)	(38,262)	(458,188)	(7,071,103)
Written-off credit facilities	-	-	-	-	(878,307)	(878,307)	(6,590,445)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	213,290,271	313,561,683	64,521,060	31,673,781	51,214,277	674,261,072	653,057,107

The movement on Impairment loss during the year is as follows:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	collective	Individual	collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	935,956	1,516,194	7,351,091	1,499,020	20,100,097	31,402,358	29,823,451
New credit facilities during the year	1,075,299	772,282	2,751,881	135,171	1,186,458	5,921,091	4,990,017
Settled credit facilities	(191,291)	(760,437)	(1,798,500)	(230,126)	(1,361,178)	(4,341,532)	(3,767,769)
Transferred to stage (1)	8,773	19,401	(8,773)	(17,479)	(1,922)	-	-
Transferred to stage (2)	(559,949)	(518,666)	559,949	543,708	(25,042)	-	-
Transferred to stage (3)	(87,317)	(1,139,216)	(11,619,454)	(1,599,564)	14,445,551	-	-
Effect on total exposure during the stages	480,080	1,582,139	7,440,435	1,208,010	(420,577)	10,290,087	3,445,056
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(726,811)	(726,811)	(3,088,397)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	1,661,551	1,471,697	4,676,629	1,538,740	33,196,576	42,545,193	31,402,358

The following is the movement on the direct credit facilities:

	Retail	Real Estate	Corporates Corporate	Corporates SME's	Total
For the Year ended December 31, 2019	JD	JD	JD	JD	JD
Adjusted balance as of January 1, 2019	16,814,614	537,848	12,967,424	1,082,472	31,402,358
Impairment loss on the new credit facilities during the year	1,358,042	125,506	3,933,901	416,321	5,833,770
Interest transferred to income	(1,885,728)	(176,138)	(2,100,984)	(91,362)	(4,254,212)
Transferred to stage (1)	(1,533,766)	(40,000)	(534,218)	(16,958)	(2,124,942)
Transferred to stage (2)	(1,074,469)	(35,716)	(10,800,808)	(267,470)	(12,178,463)
Transferred to stage (3)	2,608,235	75,716	11,335,026	284,428	14,303,405
Adjustments due to changes	2,293,558	76,015	7,665,665	254,850	10,290,088
Written-off loans	(134,869)	-	(591,942)	-	(726,811)
Balance at the End of the Year	18,445,617	563,231	21,874,064	1,662,281	42,545,193
For the Year ended December 31, 2018					
Balance as of January 1, 2018	15,018,731	541,830	5,499,904	561,073	21,621,538
The effect of implementing IFRS (9)	1,706,291	(98,721)	6,526,062	68,281	8,201,913
Adjusted balance as of January 1, 2018	16,725,022	443,109	12,025,966	629,354	29,823,451
Impairment loss on the new credit facilities during the year	884,625	81,362	3,809,216	214,814	4,990,017
Interest transferred to income	(1,589,373)	(193,960)	(1,793,743)	(190,693)	(3,767,769)
Transferred to stage (1)	(276,188)	(5,805)	(608,076)	(2,396)	(892,465)
Transferred to stage (2)	391,605	64,638	298,185	51,755	806,183
Transferred to stage (3)	2,397,099	206,422	548,176	379,641	3,531,338
Adjustments due to changes	-	-	-	-	-
Written-off loans	(1,718,176)	(57,918)	(1,312,300)	(3)	(3,088,397)
Balance at the Ending of the Year	16,814,614	537,848	12,967,424	1,082,472	31,402,358

The provision for impairment losses settled or collected and used for other impairment loans amounted to JD 1,805,815 as of December 31, 2019 (JD 1,335,169 as of December 31, 2018).

Interest in Suspense

The following is the movement on interest in suspense:

	Retail	Real Estate	Corporates Corporate	Corporates SME's	Total
For the year 2019	JD	JD	JD	JD	JD
Balance at the beginning of the year	6,024,151	161,933	1,471,220	466,083	8,123,387
Add: interest suspense	1,417,252	100,284	1,336,485	306,483	3,160,504
less: interest in suspense transferred to income	(342,793)	(20,089)	(49,779)	(7,309)	(419,970)
Written-off interest in suspense	(102,956)	(3,266)	(9,288)	(35,986)	(151,496)
Balance at the Ending of the Year	6,995,654	238,862	2,748,638	729,271	10,712,425
For the year 2018					
Balance at the beginning of the year	6,479,156	246,673	2,952,327	268,081	9,946,237
Add: interest suspense	1,525,468	102,459	341,273	214,581	2,183,781
less: interest in suspense reserved to income	(409,755)	(58,796)	(21,241)	(14,791)	(504,583)
Written-off interest in suspense	(1,570,718)	(128,403)	(1,801,139)	(1,788)	(3,502,048)
Balance at the End of the Year	6,024,151	161,933	1,471,220	466,083	8,123,387

The following are the exposures according to IFRS (9):

As of December 31, 2019

According to the IFRS number (9)

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Retail	246,825,817	(1,439,867)	-	17,919,575	(1,360,432)	-	23,163,928	(15,645,318)	(6,995,654)	287,909,320	(18,445,617)	(6,995,654)
Real Estate Loans	62,008,606	(23,076)	-	12,116,012	(87,167)	-	1,316,724	(452,988)	(238,862)	75,441,342	(563,231)	(238,862)
Corporate Entities	193,427,598	(1,496,949)	-	63,192,244	(4,678,828)	-	23,015,026	(15,589,364)	(2,748,638)	279,634,868	(21,765,141)	(2,748,638)
SME's	12,841,432	(64,433)	-	2,967,010	(88,942)	-	3,718,599	(1,508,906)	(729,271)	19,527,041	(1,662,281)	(729,271)
Governmental and Public	11,748,501	(108,923)	-	-	-	-	-	-	-	11,748,501	(108,923)	-
	526,851,954	(3,133,248)	-	96,194,841	(6,215,369)	-	51,214,277	(33,196,576)	(10,712,425)	674,261,072	(42,545,193)	(10,712,425)

As of December 31, 2018

According to the IFRS number (9)

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

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

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	-	8,708,652	-	42,508	-	8,751,160	6,859,987
2	-	-	-	-	-	-	2,431
3	-	2,082,081	-	77,683	-	2,159,764	3,558,716
4	-	28,277,325	-	853,372	-	29,130,697	34,919,239
5	-	188,748,906	-	4,135,467	-	192,884,373	176,158,421
6	-	18,808,126	-	2,491,126	-	21,299,252	24,034,888
7	-	100,082	-	9,764,390	-	9,864,472	9,201,341
8	-	100,645	-	555,029	-	655,674	566,337
9	-	-	-	-	771,394	771,394	872,853
10	-	-	-	-	1,635,908	1,635,908	1,749,054
11	-	-	-	-	20,756,626	20,756,626	18,180,038
Total	-	246,825,817	-	17,919,575	23,163,928	287,909,320	276,103,305

The movement on credit facilities for retail is as follows:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	237,770,066	-	17,531,294	20,801,945	276,103,305	263,915,335
New credit facilities during the year	-	131,156,647	-	1,587,949	938,212	133,682,808	86,283,028
Settled credit facilities	-	(116,310,612)	-	(3,276,110)	(1,016,327)	(120,603,049)	(69,757,818)
Transferred to stage (1)	-	2,722,220	-	(2,434,819)	(287,401)	-	-
Transferred to stage (2)	-	(6,511,511)	-	6,810,922	(299,411)	-	-
Transferred to stage (3)	-	(1,405,782)	-	(1,897,215)	3,302,997	-	-
Effect on total exposure during the stages	-	(595,211)	-	(402,446)	(38,262)	(1,035,919)	(1,048,346)
Effect of adjustment	-	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(237,825)	(237,825)	(3,288,894)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	-	246,825,817	-	17,919,575	23,163,928	287,909,320	276,103,305

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	1,429,314	-	1,255,178	14,130,122	16,814,614	16,725,022
Impairment losses on new investment during the year	-	769,307	-	144,924	443,812	1,358,043	884,625
Reversed from impairment losses on matured investments	-	(723,993)	-	(180,330)	(981,405)	(1,885,728)	(1,589,373)
Transferred to stage (1)	-	17,905	-	(15,983)	(1,922)	-	-
Transferred to stage (2)	-	(479,797)	-	504,839	(25,042)	-	-
Transferred to stage (3)	-	(1,107,113)	-	(1,528,086)	2,635,199	-	-
Effect on total exposure during the stages	-	1,534,244	-	1,179,890	(429,078)	2,285,056	2,512,516
Effect of adjustment	-	-	-	-	8,501	8,501	-
Written off credit facilities	-	-	-	-	(134,869)	(134,869)	(1,718,176)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	-	1,439,867	-	1,360,432	15,645,318	18,445,617	16,814,614

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

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	2,121,908	-	217,215	-	2,339,123	2,251,227
2	-	-	-	-	-	-	-
3	-	2,611,828	-	466,502	-	3,078,330	3,997,659
4	-	6,517,748	-	405,711	-	6,923,459	8,013,445
5	-	46,458,355	-	4,929,420	-	51,387,775	53,247,126
6	-	4,298,767	-	4,430,598	-	8,729,365	9,542,250
7	-	-	-	1,344,560	-	1,344,560	940,537
8	-	-	-	322,006	-	322,006	156,402
9	-	-	-	-	163,206	163,206	-
10	-	-	-	-	196,264	196,264	345,382
11	-	-	-	-	957,254	957,254	760,341
Total	-	62,008,606	-	12,116,012	1,316,724	75,441,342	79,254,369

The movement on credit facilities for real estates is as follows:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	67,256,405	-	10,892,241	1,105,723	79,254,369	82,262,177
New exposures during the year	-	7,109,888	-	222,569	42,614	7,375,071	9,703,891
Settled exposures	-	(9,096,372)	-	(1,377,075)	(281,727)	(10,755,174)	(11,941,967)
Transferred to stage (1)	-	1,681,547	-	(1,681,547)	-	-	-
Transferred to stage (2)	-	(4,481,313)	-	4,481,313	-	-	-
Transferred to stage (3)	-	(163,206)	-	(290,174)	453,380	-	-
Effect on total exposure during stages	-	(298,343)	-	(131,315)	-	(429,658)	(583,411)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(3,266)	(3,266)	(186,321)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	-	62,008,606	-	12,116,012	1,316,724	75,441,342	79,254,369

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	78,148	-	138,925	320,775	537,848	443,109
Impairment losses on new investment during the year	-	2,607	-	1,589	121,310	125,506	81,362
Reversed from impairment losses on matured investments	-	(52,561)	-	(58,764)	(64,813)	(176,138)	(193,960)
Transferred to stage (1)	-	626	-	(626)	-	-	-
Transferred to stage (2)	-	(32,240)	-	32,240	-	-	-
Transferred to stage (3)	-	(8,386)	-	(67,330)	75,716	-	-
Effect on total exposure during stages	-	34,882	-	41,133	-	76,015	265,255
Effect of adjustment on provision	-	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-	(57,918)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	-	23,076	-	87,167	452,988	563,231	537,848

The distribution of total credit facilities by internal credit rating for Corporates is as follows:

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the bank's internal system:							
1	-	-	-	-	-	-	57,857
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	59,626,217	-	-	-	-	59,626,217	149,287,606
6	140,822,622	-	39,900,908	-	-	180,723,530	82,991,951
7	-	4,727,260	17,342,584	1,638,195	-	23,708,039	25,406,131
8	-	-	4,310,557	-	-	4,310,557	13,688,513
9	-	-	-	-	5,266,859	5,266,859	200,264
10	-	-	-	-	11,716,949	11,716,949	916,501
11	-	-	-	-	6,031,218	6,031,218	5,531,848
Total	200,448,839	4,727,260	61,554,049	1,638,195	23,015,026	291,383,369	278,080,671

The movement on credit facilities for Corporates is as follows:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	187,840,424	4,685,134	76,910,318	1,996,182	6,648,613	278,080,671	262,153,911
New credit facilities during the year	55,708,661	268,273	23,102,869	41,718	323,024	79,444,545	82,615,438
Settled credit facilities	(33,755,088)	(436,490)	(31,715,769)	(189,362)	(338,955)	(66,435,664)	(59,921,064)
Transferred to stage (1)	1,291,018	491,364	(1,291,018)	(491,364)	-	-	-
Transferred to stage (2)	(9,963,436)	(256,960)	9,963,436	256,960	-	-	-
Transferred to stage (3)	-	-	(16,983,574)	-	16,983,574	-	-
Effect on total exposure during the stages	(672,740)	(24,061)	1,567,787	24,061	-	895,047	(3,654,176)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(601,230)	(601,230)	(3,113,438)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	200,448,839	4,727,260	61,554,049	1,638,195	23,015,026	291,383,369	278,080,671

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	907,044	8,731	7,276,173	104,917	4,670,559	12,967,424	12,025,966
Impairment losses on new exposures during the year	944,906	366	2,692,254	(11,343)	307,718	3,933,901	3,809,216
Reversed from impairment losses on matured facilities	(179,764)	(7,596)	(1,786,446)	4,819	(131,997)	(2,100,984)	(1,793,743)
Transferred to stage (1)	2,621	871	(2,621)	(871)	-	-	-
Transferred to stage (2)	(536,839)	(6,629)	536,839	6,629	-	-	-
Transferred to stage (3)	-	-	(11,335,026)	-	11,335,026	-	-
Effect on total exposure during the stages	459,148	13,013	7,206,517	(13,013)	-	7,665,665	238,285
Effect of adjustment	-	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	(591,942)	(591,942)	(1,312,300)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	1,597,116	8,756	4,587,690	91,138	15,589,364	21,874,064	12,967,424

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

	2019						2018
	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD		
Credit rating categories based on the bank's internal system:							
1	2,000,001	-	-	-	-	2,000,001	199,248
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	468,534	-	21,559	-	-	490,093	13,018,924
6	10,372,897	-	1,746,070	-	-	12,118,967	2,944,393
7	-	-	1,199,381	-	-	1,199,381	598,501
8	-	-	-	-	-	-	-
9	-	-	-	-	36,439	36,439	277,660
10	-	-	-	-	815,459	815,459	1,698,741
11	-	-	-	-	2,866,701	2,866,701	881,295
Total	12,841,432	-	2,967,010	-	3,718,599	19,527,041	19,618,762

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	13,535,738	-	3,225,328	-	2,857,696	19,618,762	20,261,739
New credit facilities during the year	5,235,478	-	1,514,168	-	160,595	6,910,241	5,210,641
Settled credit facilities	(5,473,650)	-	(1,533,638)	-	(71,030)	(7,078,318)	(4,066,656)
Transferred to stage (1)	519,982	-	(519,982)	-	-	-	-
Transferred to stage (2)	(956,458)	-	956,458	-	-	-	-
Transferred to stage (3)	-	-	(807,324)	-	807,324	-	-
Effect on total exposure during the stage	(19,658)	-	132,000	-	-	112,342	(1,785,171)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	(35,986)	(35,986)	(1,791)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Total exposures at year end	12,841,432	-	2,967,010	-	3,718,599	19,527,041	19,618,762

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	28,914	-	74,916	-	978,642	1,082,472	629,354
Impairment losses on new Facilities during the year	43,071	-	59,632	-	313,618	416,321	214,814
Reversed from impairment losses on matured facilities	(11,526)	-	(12,054)	-	(67,782)	(91,362)	(190,693)
Transferred to stage (1)	6,152	-	(6,152)	-	-	-	-
Transferred to stage (2)	(23,110)	-	23,110	-	-	-	-
Transferred to stage (3)	-	-	(284,428)	-	284,428	-	-
Effect on total exposure during the stage	20,932	-	233,918	-	-	254,850	429,000
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	(3)
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	64,433	-	88,942	-	1,508,906	1,662,281	1,082,472

9. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD	JD
Quoted shares in active markets	597,004	600,090
Unquoted shares in active markets	2,023,688	1,069,478
Government and government guaranteed bonds	135,528,341	92,160,082
Other financial bonds	10,693,743	10,525,794
Less: Provision of expected credit loss	(20,563)	(97,964)
	148,822,213	104,257,480

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

	December 31, 2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-	-
Effect of implementing IFRS (9)	-	-	-	-	161,332
Adjusted beginning balance for the year	12,322	85,642	-	97,964	161,332
New investment during the period	1,559	-	-	1,559	-
Matured investments (settled sold)	(8,783)	-	-	(8,783)	(63,368)
Transferred to stage (1)	15,465	(15,465)	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Changes in fair value	-	-	-	-	-
changes in the adjustment of investment	-	(70,177)	-	(70,177)	-
Recovery from expected loss on matured investments	-	-	-	-	-
Balance – End of the Year	20,563	-	-	20,563	97,964

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

	December 31, 2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-	175,317
Transferred financial assets at fair value through profit or loss	-	-	-	-	670,416
Transferred financial assets at amortized cost	-	-	-	-	73,850,903
Adjusted Balance - beginning of the year	100,915,483	3,439,961	-	104,355,444	74,696,636
New investment during the period	58,749,276	-	-	58,749,276	100,364,677
Matured investments (settled sold)	(19,281,978)	-	-	(19,281,978)	(70,566,547)
Transferred to stage (1)	3,566,101	(3,566,101)	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Changes in fair value	4,893,894	-	-	4,893,894	(139,322)
changes in the adjustment of investment	-	126,140	-	126,140	-
Amortized investment	-	-	-	-	-
Balance – End of the Year	148,842,776	-	-	148,842,776	104,355,444

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Financial assets available at market value		
Government and governmental guaranteed bonds	122,471,590	140,929,362
Other bonds	15,000,000	37,000,000
	137,471,590	177,929,362
Less: Provision for financial assets at amortized cost	(10,129)	(60,800)
	137,461,461	177,868,562
Bonds Analysis:		
With fixed rate	130,471,590	170,929,362
With floating rate	7,000,000	7,000,000
Total	137,471,590	177,929,362

Bonds Analysis in accordance with IFRS (9)		
Stage 1	137,471,590	177,929,362
Stage 2	-	-
Stage 3	-	-
Total	137,471,590	177,929,362

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

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
January 1, 2019	JD	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-	322,727,016
Transfer to financial assets at fair value through other comprehensive	-	-	-	-	(73,850,903)
Adjusted – beginning balance of the year	177,929,362	-	-	177,929,362	248,876,113
New investment during the year	56,565,053	-	-	56,565,053	43,938,822
Settled investment	(97,022,825)	-	-	(97,022,825)	(114,885,573)
Change in fair value	-	-	-	-	-
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Changes resulting from adjustments	-	-	-	-	-
Written-off investments	-	-	-	-	-
Adjustments resulting from change in exchange rate	-	-	-	-	-
Total balance - year end	137,471,590	-	-	137,471,590	177,929,362

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

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

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
January 31, 2019	JD	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-	-
Effect of implementing IFRS (9)	-	-	-	-	311,457
Adjusted beginning balance for the year	60,800	-	-	60,800	311,457
Credit losses on new investments during the year	-	-	-	-	35,447
Recovered amount from losses on paid investments	(50,671)	-	-	(50,671)	(286,104)
Transferred to stage (1)	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Effect on the provision - as the year ended- due to transferring	-	-	-	-	-
between stages	-	-	-	-	
Changes resulting from adjustments	-	-	-	-	-
Written-off investments	-	-	-	-	-
Adjustments resulting from change in exchange rate	-	-	-	-	-
Deductible revenue for the year	-	-	-	-	-
Balance - End of the Year	10,129	-	-	10,129	60,800

11. Financial Assets at Amortized Cost - Mortgaged

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Government and governmental guaranteed bonds	35,012,800	35,018,148
	35,012,800	35,018,148

- On September 3, 2018, the Bank sold one bond of the Jordanian treasury bonds with a nominal value of JD 15,000,000 to Arab Bank. The amount of the bonds repurchase agreement was JD 14,873,850, and the amount received was JD 14,576,373 as borrowed money at an interest rate of 5.29 per annum, as stated in Note (19). Moreover, the Bank did not recognize this transaction as a sale transaction, because the Bank reserves the right to repurchase these bonds on September 5, 2021.

- On December 26, 2018, the Bank sold two bonds of the Jordanian treasury bonds with a nominal value of JD 20,000,000 to Arab Bank. The amount of the bonds repurchase agreement was JD 19,773,780, and the amount received was JD 19,378,304 as a loan at an interest rate of 5.5 per annum, as stated in Note (19). Moreover, the Bank did not recognize this transaction as a sale transaction, because the Bank reserves the right to repurchase these bonds on December 26, 2021.

12. Property and Equipment

The details of this item are as follows:

	Lands	Buildings	Equipment and Furniture	Vehicles	Computers	Decorations and Leasehold Improvements	Total
For the year ended December 31, 2019	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance - beginning of the year	3,374,438	5,934,268	5,985,378	497,675	3,664,097	4,912,822	24,368,678
Additions	-	-	465,802	21,750	223,916	-	711,468
Disposals	-	(24,715)	(297,151)	(14,825)	(183,275)	(333,419)	(853,385)
Balance - End of the Year	3,374,438	5,909,553	6,154,029	504,600	3,704,738	4,579,403	24,226,761
Accumulated Depreciation:							
Balance - beginning of the year	-	3,686,575	4,014,963	330,827	2,980,517	4,216,547	15,229,429
Annual depreciation	-	81,243	571,643	46,365	337,846	271,286	1,308,383
Disposals	-	(24,711)	(294,789)	(14,823)	(182,175)	(332,036)	(848,534)
Balance - End of the Year	-	3,743,107	4,291,817	362,369	3,136,188	4,155,797	15,689,278
Net book value of property and equipment	3,374,438	2,166,446	1,862,212	142,231	568,550	423,606	8,537,483
Advance payment on property and equipment	-	-	138,178	-	1,879	348,342	488,399
Projects under construction	-	13,172,907	261,000	-	-	-	13,433,907
Net Book Value – End of the Year	3,374,438	15,339,353	2,261,390	142,231	570,429	771,948	22,459,789
For the year ended December 31, 2018							
Cost:							
Balance - beginning of the year	3,374,438	5,934,268	4,615,041	548,646	3,509,253	4,757,230	22,738,876
Additions	-	-	1,697,433	-	198,339	155,592	2,051,364
Disposals	-	-	(327,096)	(50,971)	(43,495)	-	(421,562)
Balance - End of the Year	3,374,438	5,934,268	5,985,378	497,675	3,664,097	4,912,822	24,368,678
Accumulated Depreciation:							
Balance - beginning of the year	-	3,593,541	3,806,697	325,860	2,629,206	3,929,028	14,284,332
Annual depreciation	-	93,034	534,711	55,936	393,378	287,519	1,364,578
Disposals	-	-	(326,445)	(50,969)	(42,067)	-	(419,481)
Balance - End of the Year	-	3,686,575	4,014,963	330,827	2,980,517	4,216,547	15,229,429
Net book value of property and equipment	3,374,438	2,247,693	1,970,415	166,848	683,580	696,275	9,139,249
Advance payment on property and equipment	-	-	166,299	-	-	-	166,299
Projects under construction	-	7,754,213	261,000	-	-	-	8,015,213
Net Book Value – End of the Year	3,374,438	10,001,906	2,397,714	166,848	683,580	696,275	17,320,761
Annual Depreciation Rate	-	2-15	9-20	15	9-25	9-10	

Projects under construction represents the amounts paid on the new management building in Amman / shumaisany, the estimated cost of which is JD 26 million. They are expected to be completed in July 2020.

- Property and equipment include fully depreciated assets of JD9,871,954 as of December 31, 2019 (JD 9,130,035 as of December 31, 2018).

13. Intangible Assets

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Balance - beginning of the year	1,494,202	487,572
Additions	646,842	1,189,731
Amortization for the year	(441,433)	(183,101)
Balance - End of the Year	1,699,611	1,494,202
Amortization Rate	20	20

14. Lease Contracts

Right-of-use assets:

The Bank leases many assets including land and buildings, and the average lease term is 5 years.

The following is the movement on the right- of-use assets during the year:

	December 31, 2019
	JD
Balance - beginning of the year (adjusted)	3,947,943
Additions during the year	163,711
Amortization for the year	(708,001)
Cancelled contracts	(46,484)
Balance - End of the Year	3,357,169

The amounts recorded on the statement of profit loss

	December 31, 2019
	JD
Amortization for the year	(715,763)
Interest for the year	(202,929)
Lease expense during the year	(918,692)

	December 31, 2019
	JD
Balance - beginning of the year (adjusted)	3,947,943
Additions during the year	163,711
Interest for the year	202,929
Less: paid during the year	(1,054,901)
Cancelled contracts	(36,023)
Balance - End of the Year	3,223,659

15. Other Assets

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD	JD
Accrued revenues and interest	6,326,852	5,812,242
Prepaid expenses	625,389	967,673
Assets seized by the Bank against due debts	2,429,211	1,794,702
Unrealized derivatives gain / assets	213,032	419,561
Other receivables / brokerage company	74,338	185,498
Land held for sale / brokerage company	1,849,850	1,849,850
Discounted LC's	18,593,834	14,864,902
Others	2,142,297	2,110,882
Total	32,254,803	28,005,310

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

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

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
	JD	JD
Balance - beginning of the year	1,794,702	1,851,835
Additions	164,546	161,748
Disposals	(33,340)	-
Provision for Assets seized for the year	503,303	(218,881)
Balance - End of the Year	2,429,211	1,794,702

Assets seized by the Bank provision amounted to JD 100,661 as at December 31, 2019 (JD 603,964 as at December 31, 2018) for the assets seized by the Bank over 4 years.

16. Bank and Financial Institutions Deposits

The details of this item are as follows:

	2019			2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	-	11,959,649	11,959,649	-	1,365,015	1,365,015
Deposits due within 3 months	1,364,410	156,692,293	158,056,703	39,712,674	141,768,954	181,481,628
Deposits due within 9 - 12 months	-	-	-	-	-	-
Total	1,364,410	168,651,942	170,016,352	39,712,674	143,133,969	182,846,643

17. Customers' Deposits

The details of this item are as follows:

	Retail	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
December 31, 2019					
Current accounts and demand deposits	44,486,572	14,889,968	13,220,196	1,023,878	73,620,614
Saving deposits	28,166,082	180,893	437,575	336,109	29,120,659
Time and notice deposits	292,752,175	190,816,036	6,224,521	73,827,030	563,619,762
Total	365,404,829	205,886,897	19,882,292	75,187,017	666,361,035
December 31, 2018					
Current accounts and demand deposits	54,103,181	16,158,699	12,690,656	1,878,889	84,831,425
Saving deposits	31,508,592	217,639	493,315	81	32,219,627
Time and notice deposits	279,115,607	163,362,111	9,040,232	78,949,187	530,467,137
Total	364,727,380	179,738,449	22,224,203	80,828,157	647,518,189

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD 75,187,017 representing 11.283 of total deposits as of December 31, 2019 (JD 80,828,157 representing 12.483 of total deposits as of December 31, 2018).

- Non-interest bearing deposits amounted to JD 78,313,134, representing 11.752 of total deposits as of December 31, 2019 (JD 94,033,662, representing 14.522 of total deposits as of December 31, 2018).

- Restricted deposits amounted to JD 92,215,864, representing 13.839 of total deposits as of December 31, 2019 (JD 19,175,126, representing 2.961 of total deposits as of December 31, 2018).

- Dormant accounts amounted to JD 12,326,812 as of December 31, 2019 (JD 15,831,785 as of December 31, 2018).

18. Margin Accounts

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD	JD
Margins on direct credit facilities	40,826,130	41,327,984
Margins on indirect credit facilities	5,775,036	7,545,831
Other margins	2,822,911	2,660,876
Total	49,424,077	51,534,691

19. Loans and Borrowings

The details of this item are as follows:

	Amount	Number of Payments: Total Number of Payments	Number of Payments: Outstanding Payments	Instalments Maturity	Collaterals	Interest Rate
	JD					
December 31, 2019						
Arab Bank loan	14,576,373	1	1	36 Months	- Mortgage bonds The Central Bank of Jordan	5.290
Arab Bank loan	19,378,304	1	1	36 Months	- Mortgage bonds The Central Bank of Jordan	5.500
Central Bank of Jordan loan	877,598	30	22	semi annual		2.500
Central Bank of Jordan loan	439,752	34	34	semi annual		3.000
Central Bank of Jordan loan	56,838	30	25	Monthly		1.75
Jordanian Real Estate Mortgage Re-fund Co.	762,689	236	36	Monthly		6.850
Jordanian Real Estate Mortgage Re-fund Co.	15,002,260	1	1	24 Months	Mortgage deeds loan portfolio	5.500
Jordanian Real Estate Mortgage Re-fund Co.	5,000,000	1	1	24 Months	Mortgage deeds loap Portfolio	6.000
ABC (Bahrain)	1,772,500	1	1	2 weeks		1.950
Total	57,866,314					
December 31, 2018						
Arab Bank loan	14,576,373	1	1	36 Months	- Mortgage bonds The Central Bank	5.290
Arab Bank loan	19,378,304	1	1	36 Months	- Mortgage bonds The Central Bank	5.500
Central Bank of Jordan loan	1,066,500	30	24	semi annual		2.500
Central Bank of Jordan loan	220,697	34	34	semi annual		3.000
Central Bank of Jordan loan	34,860	30	30	Monthly		1.75
Jordanian Real Estate Mortgage Re-fund Co.	1,016,959	236	48	Monthly		6.809
Jordanian Real Estate Mortgage Re-fund Co.	15,000,000	1	1	24 Months	Mortgage deeds loan portfolio	5.500
Jordanian Real Estate Mortgage Re-fund Co.	20,000,783	1	1	24 Months	Mortgage deeds loan portfolio	5.650
Jordanian Real Estate Mortgage Re-fund Co.	5,000,000	1	1	24 Months	Mortgage deeds loan portfolio	6.000
ABC (Bahrain)	2,836,000	1	1	2 weeks		3.300
Total	79,130,476					

The fund borrowed from the Arab Bank of JD 14,576,373 represents an agreement to repurchase treasury bonds with a nominal value of JD 15 million. Meanwhile, the Bank holds the right to repurchase these bonds on the 5th of September 2021.

The fund borrowed from the Arab Bank of JD 19,378,304 represents an agreement to repurchase treasury bonds with a nominal value of JD 20 million. Meanwhile, the Bank holds right to repurchase these bonds on the 26th of December 2021.

The fund borrowed from the Central Bank of JD 877,598, as at December 31, 2019, represents the convention on the loan of the Arab Fund for Economic and Social Development to finance the corporate sector, micro SME's (JD 1,066,500 as at December 31, 2018).

The fund borrowed from the Central Bank of JD439,752, as at 31 December 2019, represents the convention on the loan of the Arab Fund for Economic and Social Development to finance the corporate sector, micro SME's (JD 220,697, as at 31 December 2018).

The borrowed funds as at December 31, 2019 amounted to JD 762,689, at an average interest rate of 6.85 (1,016,959 at an average of 7.709 as at 31 December, 2018).

The fund borrowed from ABC (Bahrain) of JD 1,772,500 represents an agreement to fund its subsidiary (Arab Cooperation Company).

20. Sundry Provisions

The details of this item are as follows:

	Balance - Beginning of the Year	Provided During the Year	Utilized During the Year	Transferred from other Provisions	Recovered Back to Income	Balance - End of the Year
For the Year Ended December 31, 2019	JD	JD	JD	JD		JD
Lawsuits against the Group and other liabilities	638,413	-	-	-	-	638,413
Other provisions	128,813	2,673,222	-	-	-	2,802,035
Total	767,226	2,673,222	-	-	-	3,440,448
For the Year Ended December 31, 2018						
Lawsuits against the Group and other liabilities	638,413	-	-	-	-	638,413
Other provisions	1,224,380	82,057	(739,028)	-	(438,596)	128,813
Total	1,862,793	82,057	(739,028)	-	(438,596)	767,226

21. Income Tax

a. Income tax provision

The movement on the income tax provision is as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Balance - beginning of the year	4,998,955	5,952,374
Income tax paid	(4,598,033)	(6,040,094)
Accrued income tax	2,077,739	5,086,675
Balance - End of the Year	2,478,661	4,998,955

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

	2019	2018
	JD	JD
Current income tax liabilities	2,077,739	5,086,675
Deferred tax assets for the year	(1,770,713)	(1,190,116)
Amortization of deferred tax assets	1,212,862	598,568
Deferred tax liabilities for the year	456	-
Total	1,520,344	4,495,127

b. Deferred Tax Assets / Liabilities

The details of this item are as follows:

	For the Year Ended December 31, 2019					2018
	Beginning Balance	Amounts Released	Amounts Added	Ending Balance	Deferred Tax	Deferred Tax
Deferred tax assets	JD	JD	JD	JD	JD	JD
Provision for impairment losses from prior years	12,288	(3,231)	-	9,057	3,442	4,669
loss on valuation of financial instruments available for sale	-	-	146,621	146,621	55,716	-
Difference in impairment provision	268,494	-	2,665,100	2,933,594	1,114,765	102,028
Reserves at fair value for financial assets - socks	39,850	-	266,907	306,757	116,568	15,143
Reserves at fair value for financial assets - bonds	99,472	(99,472)	-	-	-	37,799
Differed tax assets result from adoption of IFRS (9)	16,274,736	(1,989,778)	-	14,284,958	5,006,620	5,704,879
Employees reward provision	1,350,991	(1,350,991)	152,546	152,546	57,968	513,377
Others	61,609	-	1,842,125	1,903,734	723,419	23,411
Total	18,107,440	(3,443,472)	5,073,299	19,737,267	7,078,498	6,401,306
Deferred tax liabilities						
Unrealized gain on financial assets results from adoption of IFRS (9)	3,253	-	1,200	4,453	1,692	1,236
Gains on financial assets at fair value through other comprehensive income	14,889	(14,889)	5,200,651	5,200,651	1,976,247	5,658
Total	18,142	(14,889)	5,201,851	5,205,104	1,977,939	6,894

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

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	6,401,307	6,894	720,116	1,139
Additions	1,927,854	1,976,703	6,387,017	5,755
Released	(1,250,663)	(5,658)	(705,827)	-
Balance - End of the Year	7,078,498	1,977,939	6,401,306	6,894

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

	2019	2018
	JD	JD
Accounting profit	3,455,616	14,211,341
Non-taxable profit	(5,727,086)	(6,221,301)
Non-taxable expenses for tax purposes	5,929,539	4,228,150
Realized gains on financial assets in retained earnings	7,800	-
Tax profit	3,665,869	12,218,190
Effective income tax rate	54.69	33.99

The legal tax rate for banks in Jordan is 35 , plus 3 as national contribution for subsidiaries, it is 24 , plus 4 as national contribution.

A final settlement has been reached with the Income and Sales Tax Department for the Bank for the years 2016 and 2018. In addition, the tax return was accepted by the Department without any amendments. Meanwhile, the tax return for 2017 was submitted, and no final decision has been issued thereon by the Income and Sales Tax Department yet.

A final settlement has been reached with the Income and Sales Tax Department for the subsidiary company up to the year 2016, except for the year 2015. The tax return, for the year 2015, was submitted, and it was reviewed by the Income and Sales Tax Department, which issued a decision claiming additional taxes of JD 44,370. However, the subsidiary company filed an objection against this decison at the Objecyions Committee, which subsequently, issued its decision affirming the tax assessor's decision. Consequently, the subsidiary company appealed the Objection Committee's decision before the TA Court of First Instance, and this case is still pending at court. In additions, the tax returns for the years 2017 and 2018 have been submitted, but no final decisions have been issued thereon by the Income and Sales Tax Department yet.

22. Other Liabilities

The details of this item are as follows:

	December 31,	
	2019	2018
	JD	JD
Accrued interest expense	7,927,646	6,679,768
Revenue received in advance	210,115	160,374
Accounts payable	9,026,309	5,725,893
Accrued expenses	1,161,301	2,258,655
Unrealized derivatives loss/ liability	187,228	23,537
Certified checks drafted over the Bank	2,483,047	1,167,980
Provision for indirect facilities' expected credit loss	1,216,771	549,884
Board of Directors' remunerations	80,000	80,000
Incoming transfers	701,611	369,685
Deferred revenue	76,100	101,415
Other liabilities	4,308,556	1,804,060
Total	27,378,684	18,921,251

Below is the movement on indirect facilities:

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	161,490,456	7,436,611	13,257,246	155	-	182,184,468	227,635,268
New exposure during the period	78,946,101	2,495,719	2,868,624	73	-	84,310,517	75,884,253
Accrued exposure	(75,514,349)	(2,009,719)	(8,117,113)	-	-	(85,641,181)	(119,832,319)
Transferred to stage (1)	1,132,105	3,097	(1,132,105)	(3,097)	-	-	-
Transferred to stage (2)	(1,321,678)	(65)	1,321,678	65	-	-	-
Transferred to stage (3)	(3,277,853)	-	(668,321)	-	3,946,174	-	-
Effect of the reclassification	(29,728)	40	(236,567)	2,944	-	(263,311)	(1,502,735)
Balance at the End of the Year	161,425,054	7,925,683	7,293,442	140	3,946,174	180,590,493	182,184,467

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-	-
IFRS (9) adoption effect	-	-	-	-	-	-	661,487
Adjusted beginning balance for the year	442,270	14,047	93,560	7	-	549,884	661,487
Impairment loss on new exposure during the year	407,979	4,607	386,897	3	-	799,486	314,581
Recovered from loss on matured exposure	(188,451)	(4,412)	(38,202)	0	-	(231,065)	(341,760)
Transferred to stage (1)	2,789	6	(2,789)	(6)	-	-	-
Transferred to stage (2)	(105,878)	3	105,872	3	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
between the stages during the year	100,407	(3)	(1,936)	(2)	-	98,466	(84,424)
Balance at the Ending of the Year	659,116	14,248	543,402	5	-	1,216,771	549,884

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

	December 31, 2019						2018
	Stage (1) Individual	Stage (1) collective	Stage (2) Individual	Stage (2) collective	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	5,125	-	9,800	-	-	14,925	16,675
2	-	-	-	-	-	-	143,885
3	-	-	2,000	-	-	2,000	2,208,328
4	-	-	-	-	-	-	4,671,739
5	66,489,716	-	3,000	-	-	66,492,716	72,545,192
6	42,120,138	-	1,300,109	-	-	43,420,247	9,000,314
7	507,296	-	214,843	-	-	722,139	136,533
8	718,208	-	230,455	-	-	948,663	5,499,319
9	-	-	-	-	15,000	15,000	-
10	-	-	-	-	3,716,083	3,716,083	82,200
11	-	-	-	-	215,091	215,091	136,941
Total	109,840,483	-	1,760,207	-	3,946,174	115,546,864	94,441,126

The movement on indirect credit facilities - letters of guarantee

	2019						2018
	Stage (1)		Stage (2)				
	Individual	collective	Individual	collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	88,416,668	-	6,024,458	-	-	94,441,126	126,214,394
New exposures during the year	52,360,582	-	594,001	-	-	52,954,583	27,537,174
Paid exposures	(28,351,983)	-	(3,180,950)	-	-	(31,532,933)	(59,011,820)
Transferred to stage (1)	971,023	-	(971,023)	-	-	-	-
Transferred to stage (2)	(259,000)	-	259,000	-	-	-	-
Transferred to stage (3)	(3,277,853)	-	(668,321)	-	3,946,174	-	-
Effect on total exposure during the stages	(18,954)	-	(296,958)	-	-	(315,912)	(298,622)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	109,840,483	-	1,760,207	-	3,946,174	115,546,864	94,441,126

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

	2019						2018
	stage one		stage two				
	Individual	Collective	Individual	Collective	Stage three	total	total
	JD	JD	JD	JD	JD	JD	JD
Balance - January 1, 2019	-	-	-	-	-	-	-
Effect of implementing IFRS No. (9)	-	-	-	-	-	-	237,937
The adjusted balance in January 1, 2019	181,631	-	22,081	-	-	203,712	237,937
Impairment losses on new exposures during the year	43,261	-	20,480	-	-	63,741	78,237
recoveries on impairment losses on matured exposure	(47,663)	-	(12,854)	-	-	(60,517)	(104,118)
Transferred to stage (1)	668	-	(668)	-		-	-
Transferred to stage (2)	(1,171)	-	1,171	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
Effect on total exposure during the stages	454	-	(2,975)	-	-	(2,521)	(8,344)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	177,180	-	27,235	-	-	204,415	203,712

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	(3) Stage	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	-	854,046	-	-	-	854,046	671,543
2	-	-	-	-	-	-	-
3	-	230,250	-	-	-	230,250	246,489
4	-	313,671	-	65	-	313,736	383,552
5	3,797,191	5,920,730	-	-	-	9,717,921	27,113,086
6	33,571,505	592,534	4,325,080	75	-	38,489,194	24,214,704
7	-	14,452	314,850	-	-	329,302	1,239,491
8	-	-	191,614	-	-	191,614	53,903
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
Total	37,368,696	7,925,683	4,831,544	140	-	50,126,063	53,922,768

The movement on indirect credit facilities - unutilized limit facilities

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	40,249,891	7,436,611	6,236,112	155	-	53,922,769	52,125,404
New credit exposures during the year	16,460,418	2,495,719	1,601,280	73	-	20,557,490	24,241,850
Settled exposures	(18,429,243)	(2,009,719)	(3,967,835)	0	-	(24,406,797)	(23,897,584)
Transferred to stage (1)	161,082	3,097	(161,082)	(3,097)	-	-	-
Transferred to stage (2)	(1,062,678)	(65)	1,062,678	65	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
Effect on total exposure during the stages	(10,774)	40	60,391	2,944	-	52,601	1,453,098
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	37,368,696	7,925,683	4,831,544	140	-	50,126,063	53,922,768

The movement on indirect credit facilities' provision - unutilized limit facilities

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-	-	-	-
Effect of implementing IFRS No. (9)	-	-	-	-	-	-	159,882
The adjusted balance for Jan, 2018	165,322	14,047	64,490	7	-	243,866	159,882
Impairment losses on new Facilities during the year	323,477	4,607	359,214	3	-	687,301	155,979
Reversed from impairment losses on matured facilities	(47,349)	(4,412)	(18,369)	-	-	(70,130)	(88,562)
Transferred to stage (1)	2,121	6	(2,121)	(6)	-	-	-
Transferred to stage (2)	(104,701)	(3)	104,701	3	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
Effect on total exposure during the stages	99,947	3	1,039	(2)	-	100,987	16,567
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	438,817	14,248	508,954	5	-	962,024	243,866

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Credit rating categories based on the Bank's internal system:							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	3,190,500
4	-	-	-	-	-	-	-
5	4,823,653	-	-	-	-	4,823,653	21,133,077
6	9,392,220	-	555,815	-	-	9,948,035	8,897,694
7	-	-	145,879	-	-	145,879	-
8	-	-	-	-	-	-	599,302
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
Total	14,215,873	-	701,694	-	-	14,917,567	33,820,573

The movement on the indirect credit facilities- Letters of credit

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	32,823,895	-	996,678	-	-	33,820,573	49,295,470
New exposures during the year	10,125,101	-	673,344	-	-	10,798,445	24,105,229
Settled exposures	(28,733,123)	-	(968,328)	-	-	(29,701,451)	(36,922,915)
Transferred to stage (1)	-	-	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
Effect on total exposure during the stages	-	-	-	-	-	-	(2,657,211)
Effect of adjustment	-	-	-	-	-	-	-
Written-off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	14,215,873		701,694	-	-	14,917,567	33,820,573

The movement on indirect credit facilities- Letters of credit

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Balance from January 2018	-	-	-	-	-	-	-
Effect of implementing IFRS no. (9)	-	-	-	-	-	-	263,669
The adjusted balance for Jan, 2018	95,318	-	6,988	-	-	102,306	263,669
Impairment losses on new Facilities during the year	41,240	-	7,204	-	-	48,444	80,363
Reversed from impairment losses on matured facilities	(93,439)	-	(6,979)	-	-	(100,418)	(149,079)
Transferred to stage (1)	-	-	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-	-	-
Effect on total exposure during the stages	-	-	-	-	-	-	(92,647)
Effect of adjustment	-	-	-	-	-	-	-
Written off credit facilities	-	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-	-
Balance - End of the Year	43,119	-	7,213	-	-	50,332	102,306

23. Issued and paid capital

The paid-up capital amounted to JD 110,000,000, divided into 110,000,000 shares at a par value of JD 1 per share as of December 31, 2019 and 2018.

Dividends Paid

In its meeting held on April 21, 2019, the General Assembly approved the distribution of cash dividends amounting to JD 8,250,000, equivalent to 7.5% of the paid-in capital.

24. Reserves

A. Statutory Reserves

The amounts accumulated in this account represent transfers from the annual profits before tax at a rate of 10% during the year and prior years according to the Bank's regulations, and the reserve amounts may not be distributed to shareholders.

B. Voluntary Reserves

The amounts accumulated in this account represent transfers from the annual profits before tax at a rate not exceeding 20% during the year and prior. The voluntary reserve is used for the purposes determined by the Board of Directors, and the General Assembly of Shareholders have the right to distribute it, wholly or partially, as dividends to shareholders.

The restricted reserves are as follows:

Reserve Type	2019	2018	Nature of Restriction
	JD	JD	
Statutory reserve	27,958,998	27,613,436	According to the Bank's regulations and the Companies Law

25. Fair Value Reserve - Net

This item's details are as follows:

	December 31, 2019				December 31, 2018
	Shares	Bonds	Hedging Derivatives	Total	Total
Balance – beginning of the year	(24,706)	(61,673)	9,231	(77,148)	(84,566)
Unrealized gain (losses) - Shares	(266,908)	5,300,122	(161,510)	4,871,704	(39,866)
Deferred tax liabilities	-	(1,976,247)	5,658	(1,970,589)	(5,658)
Deferred tax assets	101,424	(37,799)	55,716	119,341	52,942
Balance at the End of the Year	(190,190)	3,224,403	(90,905)	2,943,308	(77,148)

The reserve is shown at fair value after deducting the deferred tax assets balance of JD 119,341 and tax liabilities of JD1,970,589 as of December 31, 2019

(Deferred tax assets are JD 52,942 as of December 31, 2018 offset tax liabilities are JD 5,685 as of December 31, 2018).

26. Retained Earnings

The movement on retained earnings is as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Balance - beginning of the year	22,378,254	17,939,516
Effect of the application of IFRS (9)	-	(9,368,807)
Effect of the application of IFRS9 (9) on deferred tax assets	-	5,082,137
Gain from sale stocks (OCI)	7,800	-
Transferred from general banking risk reserve	-	5,930,328
Adjusted– beginning balance of the year	22,386,054	19,583,174
Income for the year - statement	1,935,274	9,716,214
Transferred from reserves	(345,562)	(1,421,134)
Dividends distribution (note 23)	(8,250,000)	(5,500,000)
Balance – End of the Year	15,725,766	22,378,254

- Retained earnings includes a restricted amount of JD 7,078,489 as of December 31, 2019, which represents deferred tax assets (JD 6,401,306 as of December 31, 2018) and a restricted amount of JD 2,943,308, representing the negative change in financial assets at fair value as of December 31, 2019 (JD 77,148 as of December 31, 2018) , including capitalization or distribution only to the extent of what is actually recognized according to the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.

- Retained earnings includes an amount of JD 2,761 as of December 31, 2019 (JD 2,017 as an income for the year 2018) which is restricted and represents the effect of early implementation of IFRS No. (9).

27. Expected Credit Loss(Surplus) Provision

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

	2019	2018
	JD	JD
Deposits balances at banks and financial institutions	4	(21,674)
Financial assets at fair value from other comprehensive income	(77,401)	(63,368)
Financial assets at amortized cost	(50,671)	(250,657)
Direct credit facilities	11,869,646	4,667,302
Discounted letters of credit	(18,471)	30,700
Interests and revenues under collection	(112)	2,539
Contingent liabilities and commitments	666,887	(111,602)
	12,389,882	4,253,240

28. Interest Income

The details of this item are as follows:

	2019	2018
	JD	JD
Direct Credit Facilities		
Individ al retail		
Overdraft	82,070	95,029
Loans and discounted bills	23,864,903	22,855,897
Credit cards	763,023	905,298
eal estate mort a es	5,962,644	6,101,731
Corporate lendin		
Overdraft	6,309,354	5,734,868
Loans and discounted bills	12,083,770	11,043,977
mall and medi m enterprises lendin " M s		
Overdraft	439,205	472,558
Loans and discounted bills	876,404	963,982
overnment and P lic ector	145,233	54,114
Balances at central banks	107,453	275,863
Balances and deposits at banks and financial institutions	1,676,714	1,386,861
Financial assets at fair value through profit or loss	6,468,932	4,479,111
Financial assets at amortized cost	9,497,626	8,966,406
Interest income on margin trading financing for the subsidiary customer	2,651,778	2,635,077
Interest income on interest rate swap contracts	443,416	581,696
	71,372,525	66,552,468

29. Interest Expense

The details of this item are as follows:

	2019	2018
	JD	JD
Banks and financial institutions' deposits	5,772,673	5,375,976
C stomers deposits		
Current accounts and demand deposits	48,101	43,290
Saving deposits	188,800	361,585
Time and notice deposits	24,850,814	21,890,861
Margin accounts	1,373,337	1,322,813
Loans and borrowings	4,301,577	2,765,610
Deposits guarantee fees	821,479	1,186,453
interest paid on the lease liabilities	202,929	-
Interest paid on interest rate swap contracts	784,294	699,081
	38,344,004	33,645,669

30. Net income commission

The details are as follows:

	2019	2018
	JD	JD
Direct facilities commissions	2,100,589	1,562,193
Indirect facilities commissions	1,460,872	1,983,326
Net commission income	3,561,461	3,545,519

31. Gains on Foreign Currency Exchange

The details are as follows:

	2019	2018
	JD	JD
Trading in foreign currencies	479,378	1,031,315
Revaluation of foreign currencies	556,809	192,530
	1,036,187	1,223,845

32. Gains on Financial Assets at Fair Value from Other Comprehensive Income

The details are as follows:

	2019	2018
	JD	JD
Dividends distribution income for corporations	35,286	29,471
Gains on selling bonds	8,149	430,486
	43,435	459,957

33. Other Income

The details of this item are as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Brokerage commission	920,400	912,276
Credit cards income	766,460	962,329
Management and consulting fees	19,572	21,149
Transfers commission	203,339	231,633
Recovery of written-off debts	227,181	174,633
Gains (loss) on selling assets and equipment	4,643	8,937
Returned cheques commission	65,571	93,708
Transferring salaries commission	292,732	295,058
Postal fees	616,765	516,276
Others	695,441	745,587
Total	3,812,104	3,961,586

34. Employees Expenses

The details of this item are as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Salaries, benefits and allowances	11,009,856	10,352,528
Employees' bonuses	327,745	1,522,202
Social security contributions	1,363,136	1,252,317
Medical expenses	544,240	488,358
Training expenses	89,027	78,818
Travel and transportation expenses	30,837	28,428
Other	204,730	199,110
Total	13,569,571	13,921,761

35. Other Expenses

The details of this item are as follows:

	2019	2018
	JD	JD
Duties and licenses	680,337	623,135
Computer expenses	1,226,900	1,145,182
Advertising and marketing expenses	441,292	441,057
Travel expense	76,301	27,566
General administration expenses	315,940	362,202
Telecommunication expenses	946,351	935,244
Rent expense	587,602	1,457,541
Board of Directors' expenses	493,596	521,322
Office supplies expenses	421,000	367,172
Lending fees	530,495	586,134
Consulting fees	88,352	157,435
Magazines and newspapers subscription	11,296	10,978
Work-related and statutory fees	555,907	633,608
Board of Directors' bonuses	80,000	80,000
ATM expenses	222,555	203,180
International Visa fees	215,757	162,679
Other	537,458	586,908
Total	7,431,139	8,301,343

36. Earning per Share for the Bank's Shareholders

The details are as follows:

	2019	2018
	JD	JD
Profit for the year	1,935,274	9,716,214
Weighted average of the number of shares	110,000,000	110,000,000
Basic and diluted earnings per share (JD/Fils)	-/018	-/088

The basic earnings per share from the profits for the year is equivalent to the diluted earnings per share from the profi

37. Cash and Cash Equivalent

The details for this item are as follows:

	2019	2018
	JD	JD
Cash and balances with the Central Bank of Jordan maturing within three months	68,048,129	49,020,779
Add: Balances at banks and financial maturing within 3 months	59,264,917	85,036,395
Less: Banks and financial institutions' deposits maturing within 3 months	(170,016,352)	(182,846,643)
	(42,703,306)	(48,789,469)

38. Derivatives

The following schedule represents the positive and negative fair value of financial derivatives, and thedistribution of their nominal value avccording to their maturity :

				Nominal Value Maturity, according to Maturity Dates			
	Positive Fair Value	Negative Fair Value	Total Nominal Value	Within 3 months	3-12 months	1-3 years	More than 3 years
	JD	JD	JD	JD		JD	JD
2019							
Foreign currencies derivatives held for trading	213	41	215,171	76,635	138,536	-	-
Hedge interest rate swap contracts	-	147	10,635	3,545	-	3,545	3,545
	213	188					
2018							
Foreign currencies derivatives held for trading	405	24	245,173	116,994	128,179	-	-
Hedge interest rate swap contracts	15	-	11,415	-	4,325	3,545	3,545
	420	24					

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

39. Related Party Transactions

Company's Name	Ownership Percentage	Paid-up Capital 2019	Paid-up Capital 2018
		JD	JD
Arab Co-operation for Financial Investments Company Ltd	100	15,600,000	15,600,000

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

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

The details for this item are as follows:

	Related Party				December 31,	
	Parent / Subsidiary	Executive Management	Bank's Employees	Board of Directors	2019	2018
	JD	JD	JD	JD	JD	JD
Consolidated Statement of Financial Position Items:						
Direct credit facilities	-	1,849,269	8,698,545	8,829	10,556,643	11,311,189
Balances at banks and financial institutions	17,322,150	-	-	-	17,322,150	63,084,203
Deposits at banks and financial institutions	53,987,887	-	-	-	53,987,887	37,107,620
Customers' deposits	-	1,516,413	1,328,071	1,860,840	4,705,324	4,807,136
Loans and borrowings	1,772,500	-	-	-	1,772,500	2,836,000
Off-Consolidated Statement of Financial Position Items:						
Letters of guarantee	41,178,055	-	-	-	41,178,055	14,320,737
letters of credit	10,482,891	-	-	-	10,482,891	8,041,465
Interest rate swap contracts	10,635,000	-	-	-	10,635,000	11,414,900
Currency swap contracts	76,111,300	-	-	-	76,111,300	121,055,750
					For the year ended December 31	
					2019	2018
Consolidated Statement of Income Items:					JD	JD
Interest and commission income	1,417,750	39,618	188,352	-	1,645,720	2,002,619
Interest and commissions expense	(1,646,187)	(60,008)	(36,722)	(67,385)	(1,810,302)	(2,244,258)

Interest rates on credit facilities range from 3 to 11,169 , and interest rates on customers' deposits range from 0.05 to 0.75 .

In addition to what was disclosed in the above table, the total balance of the credit facilities provided to the Bank's related parties, numbering 153 clients, amounted to JD 3,997,693 as of December 31, 2019, against acceptable guarantees of JD 2,051,550 as of December 31, 2019. The interest rates payable on these credit facilities range from 4 to 12.25 , while the commission rates range from 0.5 to 1 .

Summary of the Bank's Executive Management's Remunerations:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
	JD	JD
Salaries and bonuses	2,836,459	2,889,815
Total	2,836,459	2,889,815

40. Risk Management

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

The risk management process involves identification, measurement, evaluation and monitoring of financial and non-financial risks that can negatively affect the overall performance of the Bank. It is the responsibility of senior management to determine the main principles of risks and the amount of risks that the Group can accept, as well as their optimal distribution to the Bank's various business activities and sectors. During 2019, the internal assessment of capital adequacy ICAAP, which included an assessment of the level of internal capital adequacy, legal liquidity ratios and other ratios, was continued on the basis of the expected business strategy for the next three years.

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

The Central Bank of Jordan (CBJ) has released the Stress Testing Instructions, hence the bank has developed a methodology, Policy and Procedure and approved by Board Risk Committee in order to apply these instructions, where Stress tests are considered a key element in risk management process at various level, as follows:

- Considered a major quantitative tool for understanding the bank’s risk profile and the ability of the bank to withstand various types of shocks.
- An important part of the capital planning process through Internal Capital Adequacy Assessment Process (ICAAP).
- Help the bank to estimate the size of future capital that must be available in the coming years in accordance with its established strategy.
- An important part of identifying, measuring, and controlling liquidity risks in order to assess the bank’s liquidity and the adequacy of liquidity shocks mitigating tools.

These tests are designed to assess the bank’s financial situation in stress but possible scenario, where the necessary reports have been made and submitted to the Board Risk Committee, which adopt the assumptions and scenarios used, discuss the results of the tests, and adopt the actions to be taken based on these results.

Governance of Stress Testing

Stress tests must be a key part of risk governance and risk management culture of the bank in order to enhance the ability of the bank to identify and control risks.

The Role of the Board of Directors:

The board of directors must ensure the existence of an effective framework for stress tests to evaluate the ability of the bank to withstand shocks and confront high risks. In this regard, the stress testing program at the bank will be the ultimate responsibility of the board of directors.

The board of directors must verify that the risk management department conducts the stress tests on a periodic basis. The board of directors must have a major role in setting the assumptions and the scenarios used, analyzing the stress testing results, and approving the measures to be implemented based on the stress testing outcomes.

The Role of the Senior Executive Management:

Executing and monitoring the stress testing program and in line with the methodology adopted by the board of directors in this regard.

Ensuring the availability of a qualified staff at the risk management department to conduct the stress testing and that the department does possess the appropriate tools and means for the tests.

Ensuring the availability of a suitable number of possible scenarios that are related to the business of the bank, given that these scenarios are well- understood and documented.

Using the results of the stress tests in setting and identifying the bank's risk appetite statement, and in planning for capital and liquidity.

The Role of the Risk Management:

Design of stress testing program and use of forms and methodologies to determine their impact on the bank to cover, but not be limited to, the following aspects:

Stress tests must encompass scenarios ranging from the lowest impact to the highest impact

Making sure that the tests cover all the complex financial products as needed

Taken into consideration the possible changes in the market circumstances that might adversely impact the bank's exposure to concentration risks

Stress tests shall include scenarios to evaluate the size and impact of the off- balance sheet assets on other types of risks

Developing methodologies to measure the impact of reputational risks expressed by other risks like credit, market, and liquidity risks through including some scenarios that are related to the reputational risks in stress tests.

The tests used must be appropriate to the degree of risk appetite that the bank has set for itself so that the scenarios selected by the bank commensurate with the size, nature, and complexity of the bank's business as well as the risks associated with the bank.

The stress testing program must include both quantitative and qualitative methods to improve the comprehensiveness of these tests and make them supportive and complementary to the patterns and approaches of risk management used in the bank.

The tests must range from simple sensitivity tests that are based on the change(s) in a single risk factor to scenarios that are based on statistical methods which take into consideration the relationships among the drivers of systemic risks in times of crises (determined by CBJ).

set a suitable dialogue format among the various related parties in order to obtain their views and opinions regarding the possible shocks and stressful situations so that it can then identify the assumptions and scenarios suitable for the internal and external risks that the bank might be exposed to. All concerned parties in the bank, such as Compliance Department, Internal Audit Department, Central Operation Department, Legal Department and Wholesale / Credit Department and others involved must participate in this dialogue in order to identify the possible shocks for Operational Risk on an annual basis.

The results of the tests should be submitted to the Local Assets and Liability Committee and the Board Risk Committee on an annual basis.

The Role of the Internal Audit:

The internal audit department is responsible for reviewing and evaluating the stress testing framework at least once a year, and for reporting the results of the review and evaluation to the board of directors.

During 2019, the Bank reviewed and updated all risk policies including liquidity risk management and a contingency plan document for managing liquidity risk in a crisis, as well as updated the investment ceilings and obtained the Board of Directors' approval thereon. The Bank also pursued the risk strategy for the next three years based on the business plan for those years, including updating the document on the Risk Appetite Statement & Framework and determining the ceilings of the economic sectors within the corporate portfolio. The Bank is also keen on periodically reviewing the various policies in order to deal with the surrounding risks and limit their impact.

During 2019, the Bank continued to implement IFRS (9) requirements through applying the methodology adopted by the parent institution in Bahrain with some adjustments to suit the requirements of the Central Bank of Jordan in this regard. Moreover, the expected credit losses (ECL) have been calculated based on the stages of classification of assets within the stages specified in this standard in accordance with the Bank's financial statements for 2019. These results were presented to the Board of Directors, Risk Committee of the Board of Directors, and the Local Committee of the Bank.

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

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

1) Bank's application of default:

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

2) Mechanism of default treatment:

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

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

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

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

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

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

3. Mechanism adopted for calculating the expected credit losses (ECL) based on financial instruments for each individual item.

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

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

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

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

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

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

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

The draft IFRS (9) application has been implemented through the Arab Banking Corporation/parent company in Bahrain. Moreover, agreement has been reached d to apply this standard at the Group's level through Moody's Company.

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

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

Credit exposure is calculated according to the Central Bank of Jordan's instructions as follows: loans and credit facilities (direct and indirect), debt instruments recorded at amortized cost, debt instruments recorded at fair value through the statement of comprehensive income, financial guarantees, credit exposures to bank and financial institution, the unutilized direct ceilings, taking into consideration the conversion factor for indirect requirements. A rate of 100% has been adopted for calculating the exposure at default.

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

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

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

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

The stress tests required in accordance with IFRS (9), which is part of the expected credit loss calculation process, were adopted in three scenarios to study the future forecasts and their effect on the variables of the expected credit loss measurement model, represented by a normal scenario, worse scenario, and better scenario, since we have adopted the weighted probability value for these scenarios.

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

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

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

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

Accounts with no risk rating degree on the system at the facility granting and their current degree of risk rating 5+ or worse classified in the second stage.

The unpaid accruals on one of the client accounts or the borrower equal to or greater than 30 days.

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

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

Accounts that have restructured the debtor's obligations (structuring obligations).

As for the credit portfolio for retail facilities of all types, the customers' loans with dues for more than 30 or equal days and less than 90 days are classified in the second stage, in addition to the structured accounts.

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

The methodology for calculating the expected credit loss in the first and second stages was adopted at the Collective Base level for the retail portfolio (personal loans, housing loans, credit cards, and auto financing loans). Moreover, the Roll Rate Approach was adopted. Such portfolios or products carry similar credit risks and share several elements such as (type of product, quality of collateral provided, nature of financing, duration of financing, sector, etc.).

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

Recently, an independent and more detailed methodology has been developed to calculate the expected credit loss of the credit portfolio granted by the subsidiary "Arab Co-operation for Financial Investments", representing the financing of shares within the margin financing and cash financing product for Stage (1), Stage (2), and Stage (3). In this regard, the risk rating of the performing portfolio customers classified within Stage (1) has been considered one notch less than the risk rating of the country (Jordan). Meanwhile, the risk rating of the customers classified within Stage (2) has been considered four notches less the risk rating of the country (Jordan). As for the maturity of the credit facilities, the maturity date of the margin financing product has been considered one whole year for the credit facilities classified within Stage (1). At the same time, 4 years have been added to the credit facilities classified within stage (2). As for the cash financing product, the maturity of these facilities is 3 months, whereas for the loss Given default, 5%(LGD Floor) has been adopted for the facilities classified within Stage (1) (calculated according to the coverage percentage of the existing credit facilities), and 10% for the LGD Floor for the customers classified within Stage (2). As for the classification of Stage (3) (Defaulted accounts), the Company adopts the approved internal policy in this regard.

8. Primary economic indicators used by the Bank in calculating the expected credit loss probability of default (PD)

The parent institution in Bahrain used an external supplier to conduct the calculation of expected credit loss by adopting three scenarios to study the future forecasts and their impact on the variables of the credit loss measurement model. The economic factors used in the calculation were the economic growth ratios in Jordan and the stock price index.

The banking significant risk for the Group and management tools to handle it:

(40/a) Credit Risk

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

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

The details of the direct credit facilities portfolio are stated in Note (8). In addition, the Group’s other off-balance sheet financial position obligations carrying credit risks are detailed in Note (40).

1 - Credit Exposures Distributions

Internal Rating for the Bank	External Institutions Classification	Category Classification According to (2009/47)	Total Exposure Value	Expected Credit Loss	Probability of Default	Exposure when Default	Average Loss on Default
			JD	JD		JD	
1	Aaa	Performing Loans	11,930,561	13,892	From 0.0001 - To 0.0002	11,944,328	From 0.02 - To 0.5071
2	Aa1 , Aa2 , Aa3	Performing Loans	5,231,538	186	From 0.0003 - To 0.0006	5,231,724	From 0.2926 - To 0.4529
3	A1 , A2 , A3	Performing Loans	42,546,084	27,283	From 0.0005 - To 0.0036	42,573,367	From 0.02 - To 0.4927
4	Baa1 , Baa2 , Baa3	Performing Loans	42,591,320	269,412	From 0.0014 - To 0.0083	42,860,732	From 0.02 - To 0.5083
5	Ba1 , Ba2 , Ba3	Performing Loans	418,079,310	2,118,243	From 0.0067 - To 0.0472	363,638,298	From 0.02 - To 0.602
6	B1 , B2 , B3	Performing Loans	679,791,377	5,500,913	From 0.021 - To 0.1161	374,921,978	From 0.02 - To 0.5353
7	Caa1 , Caa2 , Caa3	Performing Loans	32,849,900	1,909,950	From 0.0645 - To 0.1856	34,254,570	From 0.02 - To 0.543
8	Ca	Performing Loans	5,649,191	781,777	From 0.2374 - To 0.26	1,766,587	From 0.02 - To 0.527
Unclassified		Performing Loans	16,720,480	27		-	
Total			1,255,389,761	10,621,683		877,191,584	
Non-performing exposures							
9		Non Performing	5,158,635	846,571	100	5,990,206	
10		Non Performing	4,380,008	12,608,795	100	13,272,720	
11		Non Performing	1,712,809	19,741,210	100	21,238,925	
Total			11,251,452	33,196,576		40,501,851	
Net total			1,266,641,213	43,818,259		917,693,435	

2. Credit risk according to economic sectors:

a. Distributions according to financial instruments exposure:

	2019										2018
	Financial	Industrial	Trading	Real Estate	Agriculture	Stock	Individuals	Government and Public	Other Services	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash at central Banks	-	-	-	-	-	-	-	60,607,832	-	60,607,832	41,839,445
Balances at banks and financial institutions	59,257,664	-	-	-	-	-	-	-	-	59,257,664	85,029,146
Deposits at banks and financial institutions	2,603,874	-	-	-	-	-	-	-	-	2,603,874	27,956,035
Direct Credit facilities	9,379,883	131,338,602	47,443,329	86,847,658	1,765,596	24,757,074	243,976,580	11,639,578	63,855,154	621,003,454	613,531,362
Bonds and bills:											
Within: Financial assets at amortized cost	14,989,871	-	-	-	-	-	-	122,471,590	-	137,461,461	177,868,562
Within: Financial Assets through other comprehensive income	10,673,180	-	-	-	-	-	-	135,528,341	-	146,201,521	102,587,912
Within: Mortgaged financial assets	-	-	-	-	-	-	-	35,012,800	-	35,012,800	35,018,148
Other Assets	18,900,223	159,518	19,883	112,527	838	-	565,705	5,356,744	3,447	25,118,885	20,895,940
Total for the year	115,804,695	131,498,120	47,463,212	86,960,185	1,766,434	24,757,074	244,542,285	370,616,885	63,858,601	1,087,267,491	1,104,726,550
Letter of guarantees	64,867,889	5,598,216	31,214,510	11,750,451	60,165	-	-	-	1,851,218	115,342,449	94,237,414
Letter of credit	2,853,365	2,468,224	8,907,974	617,643	-	-	-	-	20,029	14,867,235	33,718,267
Other Liabilities	10,989,709	5,422,693	16,066,195	2,998,386	112,371	-	7,911,488	-	5,663,196	49,164,038	53,678,902
Total	194,515,658	144,987,253	103,651,891	102,326,665	1,938,970	24,757,074	252,453,773	370,616,885	71,393,044	1,266,641,213	1,286,361,133

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

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Financial	180,113,365	-	14,350,742	-	51,551	194,515,658	195,004,227
Industrial	100,823,092	-	39,097,538	-	5,066,623	144,987,253	177,074,321
Trading	82,025,463	-	20,923,773	-	702,655	103,651,891	161,634,919
Real Estates	19,776,607	61,985,529	3,681,612	12,028,850	4,854,067	102,326,665	110,401,649
Agriculture	707,646	-	1,221,324	-	10,000	1,938,970	1,923,522
Stock	-	16,849,425	-	7,798,354	109,295	24,757,074	26,468,279
Individual	527,029	241,205,063	-	10,307,972	413,709	252,453,773	241,463,623
Government and public sector	370,616,885	-	-	-	-	370,616,885	315,418,470
Other Services	69,854,457	-	1,495,035	-	43,552	71,393,044	56,972,123
Total	824,444,544	320,040,017	80,770,024	30,135,176	11,251,452	1,266,641,213	1,286,361,133

3. Exposure distribution according to geographical distribution

a. Total exposure distribution according to geographic region:

	2019								2018
	Inside Jordan	Other Middle East Countries	Europe	Asia	Africa	America	Other Countries	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	60,607,832	-	-	-	-	-	-	60,607,832	41,839,445
Balances at banks and financial institutions	16,963,315	23,261,740	11,094,500	1,805	254,795	7,681,509	-	59,257,664	85,029,146
Deposits at banks and financial institutions	-	2,603,874	-	-	-	-	-	2,603,874	27,956,035
Credit facilities	621,003,454	-	-	-	-	-	-	621,003,454	613,531,362
Bonds and bills:									
Within: Financial assets through other comprehensive income	135,528,341	10,673,180	-	-	-	-	-	146,201,521	102,587,912
Within: Financial assets at amortized cost	137,461,461	-	-	-	-	-	-	137,461,461	177,868,562
Mortgaged financial assets (liabilities)	35,012,800	-	-	-	-	-	-	35,012,800	35,018,148
Other assets	6,251,161	3,351,560	-	15,516,164	-	-	-	25,118,885	20,895,940
Total for the year	1,012,828,364	39,890,354	11,094,500	15,517,969	254,795	7,681,509	-	1,087,267,491	1,104,726,550
Letters of guarantees	50,863,287	9,794,370	46,268,713	5,870,436	49,709	2,495,934	-	115,342,449	94,237,414
Letters of credit	12,013,870	2,236,825	-	616,540	-	-	-	14,867,235	33,718,267
Other Liabilities	49,164,038	-	-	-	-	-	-	49,164,038	53,678,902
Total	1,124,869,559	51,921,549	57,363,213	22,004,945	304,504	10,177,443	-	1,266,641,213	1,286,361,133

b. Exposure distribution according to staging (IFRS 9)

	2019						2018
	Stage (1)		Stage (2)				
	Individual	Collective	Individual	Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Inside Jordan	682,672,890	320,040,017	80,770,024	30,135,176	11,251,452	1,124,869,559	1,158,274,940
Other Middle East countries	51,921,549	-	-	-	-	51,921,549	54,409,651
Europe	57,363,213	-	-	-	-	57,363,213	42,801,336
Asia	22,004,945	-	-	-	-	22,004,945	16,056,566
Africa	304,504	-	-	-	-	304,504	1,270,770
America	10,177,443	-	-	-	-	10,177,443	13,546,334
Other Countries	-	-	-	-	-	-	1,536
Total	824,444,544	320,040,017	80,770,024	30,135,176	11,251,452	1,266,641,213	1,286,361,133

4. Credit exposures that have been reclassified

a. Total credit exposures that have been reclassified:

	2019					
	Stage (2)		Stage (3)			
	Total Exposures Amount	Exposures that have been Reclassified	Total Exposures Amount	Exposures that have been Reclassified	Total Exposures that have been Reclassified	Percentage of Exposures that have been Reclassified
	JD	JD	JD	JD	JD	
Balances at banks and financial institutions	14,175,555	-	-	-	-	
Direct credit facilities	89,979,470	21,365,432	7,305,277	5,769,638	27,135,070	3.048
Within: Financial assets through other comprehensive income	-	-	-	-	-	
Total	104,155,025	21,365,432	7,305,277	5,769,638	27,135,070	3.048
Letters of guarantee	1,732,970	257,829	3,946,174	3,946,174	4,204,003	0.472
Letters of credit	694,481	-	-	-	-	0.000
Other liabilities	4,351,310	960,816	-	-	960,816	-
Net Total	110,933,786	22,584,077	11,251,451	9,715,812	32,299,889	3.629

	2018					
	Stage (2)		Stage (3)			
	Total Exposures Amount	Exposures that have been Reclassified	Total Exposures Amount	Exposures that have been Reclassified	Total Exposures that have been Reclassified	Percentage of Exposures that have been Reclassified
	JD	JD	JD	JD	JD	
Direct credit facilities	101,705,254	30,396,311	3,190,494	3,012,351	33,408,662	2.584
Within: Financial assets through other comprehensive income	3,357,232	-	-	-	-	
Total	105,062,486	30,396,311	3,190,494	3,012,351	33,408,662	2.584
Letters of guarantee	6,002,376	3,007,548	-	-	3,007,548	0.232
Letters of credit	989,690	28,267	-	-	28,267	0.002
Other liabilities	6,258,637	964,428	-	-	964,428	0.075
Net Total	118,313,189	34,396,554	3,190,494	3,012,351	37,408,905	2.893

Reclassified credit exposures

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

	2019							
	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
				Stage (2)		Stage (3)		
	Exposure Reclassified from Stage (2)	Exposure Reclassified from Stage (3)	Total	Individual	Collective	Individual	Collective	Total
Description	JD	JD	JD	JD	JD	JD	JD	JD
Direct credit facilities	21,365,432	5,769,638	27,135,070	559,949	543,708	14,330,369	-	15,434,027
Total	21,365,432	5,769,638	27,135,070	559,949	543,708	14,330,369	-	15,434,027
Letters of guarantee	257,829	3,946,174	4,204,003	1,171	-	-	-	1,171
Letters of credit	-	-	-	-	-	-	-	-
Other liabilities	960,816	-	960,816	104,718	-	-	-	104,718
Net Total	22,584,077	9,715,812	32,299,889	665,838	543,708	14,330,369	-	15,539,916

	2018							
	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
				Stage (2)		Stage (3)		
	Exposure Reclassified from Stage (2)	Exposure Reclassified from Stage (3)	Total	Individual	Collective	Individual	Collective	Total
Description	JD	JD	JD	JD	JD	JD	JD	JD
Direct credit facilities	30,396,311	3,012,351	33,408,662	303,911	933,558	1,094,990	2,739,475	5,071,934
Total	30,396,311	3,012,351	33,408,662	303,911	933,558	1,094,990	2,739,475	5,071,934
Letters of guarantee	3,007,548	-	3,007,548	8,664	-	-	-	8,664
Letters of credit	28,267	-	28,267	105	-	-	-	105
Other liabilities	964,428	-	964,428	6,689	-	-	-	6,689
Net Total	34,396,554	3,012,351	37,408,905	319,369	933,558	1,094,990	2,739,475	5,087,392

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

	December 31,	
	2019	2018
	JD	JD
Consolidated Financial Position Items		
Balances at central banks	60,607,832	41,839,445
Balances at banks and financial institutions	59,257,664	85,029,146
Deposits at banks and financial institutions	2,603,874	27,956,035
Credit facilities- net:		
Individual	262,468,049	253,264,540
Real estate mortgages	74,639,249	78,554,588
Companies		
Corporates	255,121,085	262,708,300
SME's	17,135,493	18,070,208
Government and Public Sector	11,639,578	933,726
Bonds, bills and debentures:		
Within: Financial Assets through other comprehensive income	146,201,521	102,587,912
Within: Financial assets at amortized cost	137,461,461	177,868,562
Mortgaged financial assets	35,012,800	35,018,148
Other Assets	25,118,885	20,895,940
Total	1,087,267,491	1,104,726,550
Items off-consolidated statement of financial Position		
Letters of guarantees	115,342,449	94,237,414
Letters of credit	8,545,841	25,053,007
Acceptances	6,321,394	8,665,260
Un-utilized facilities ceilings	49,164,038	53,678,902
Total	179,373,722	181,634,583
Net total	1,266,641,213	1,286,361,133

The guarantees against the loans and facilities are:

Real Estate Mortgage

Financial Instruments Mortgage, such as shares

Bank Guarantee

Cash Warranty

Governmental Guarantee

The management observes the market value of collaterals periodically. In case there is a decline in the value of the collaterals, the Bank requests additional collaterals to cover the deficiency in value. In addition, the Group evaluates the collaterals against non-performing credit facilities periodically.

6. Expected credit loss as of December 31 2019

Description	Stage (1) Individual	Stage (1) Collective	Stage (2) Individual	Stage (2) Collective	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	2,808	-	4,445	-	-	7,253
Credit facilities	1,661,551	1,471,697	4,676,629	1,538,740	33,196,576	42,545,193
Debt instruments within financial assets portfolio at amortized cost	10,129	-	-	-	-	10,129
Debt instruments within financial assets at fair value through other comprehensive income	20,563	-	-	-	-	20,563
Letters of guarantee	177,180	-	27,235	-	-	204,415
Un-utilized ceilings	438,817	14,248	508,954	5	-	962,024
Letters of credit	43,119	-	7,213	-	-	50,332
Other	17,961	-	389	-	-	18,350
Total	2,372,128	1,485,945	5,224,865	1,538,745	33,196,576	43,818,259

Expected credit loss as of December 31 2018

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

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

		Collateral Fair Value								
Description	Total exposure	Cash Margins	Trading shares	Accepted Bank Guarantees	Real Estate	Cars Vehicles	Others	Total Collateral Value	Net Exposed -Post collateral	Expected Credit Loss
2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	60,607,832	-	-	-	-	-	-	-	60,607,832	-
Balances at banks and financial institutions	59,257,664	-	-	-	-	-	-	-	59,257,664	7,253
Deposits at banks and financial institutions	2,603,874	-	-	-	-	-	-	-	2,603,874	-
Individuals	262,468,049	19,889,490	19,050,182	-	79,960	574,997	-	39,594,629	222,873,420	18,445,617
Real estate Loans	74,639,249	177,792	-	101,026	71,292,945	-	3,233,777	74,805,540	(166,291)	563,231
Enterprises										
Corporate enterprises	255,121,085	5,493,400	9,435,603	46,699	21,815,428	7,470,788	-	44,261,918	210,859,167	21,765,141
Small and medium enterprises (SME's)	17,135,493	6,499,358	-		5,976,628	362,518	323,416	13,161,920	3,973,573	1,662,281
Governments and public sector	11,639,578	783,986	-		-	-	-	783,986	10,855,592	108,923
Bonds, bills and debentures										
Within: Financial Assets through profit and loss										
Within: Financial assets at fair value through other	146,201,521	-	-	-	-	-	-	-	146,201,521	20,563
comprehensive income	137,461,461	-	-	-	-	-	-	-	137,461,461	10,129
Within: Financial assets at amortized cost										
Mortgaged financial assets (Debt Instruments)	35,012,800	-	-	-	-	-	-	-	35,012,800	-
Other assets	25,118,885	-	-	-	-	-	-	-	25,118,885	18,350
Total	1,087,267,491	32,844,026	28,485,785	147,725	99,164,961	8,408,303	3,557,193	172,607,993	914,659,498	42,601,488
Letters of guarantee	115,342,449	4,803,829	-	-	3,748,416	-	-	8,552,245	106,790,204	204,415
Letters of credit	14,867,235	917,004	-	-	-	-	-	917,004	13,950,231	50,332
Other liabilities	49,164,038	2,048,356	-	-	1,508,060	22,225	-	3,578,641	45,585,397	962,024
Net Total	1,266,641,213	40,613,215	28,485,785	147,725	104,421,437	8,430,528	3,557,193	185,655,883	1,080,985,330	43,818,259
Net Total for the Previous Year	1,286,361,133	37,085,037	26,787,707	-	100,125,021	8,260,190	5,114,664	177,372,619	1,108,988,514	32,155,188

The following is the collaterals fair value distribution against the total credit exposure for stage (3) :

	Collateral Fair Value									
Description	Total Exposure	Cash Margins	Trading Shares	Accepted Bank Guarantees	Real Estate	Cars Vehicles	Others	Total Collateral Value	Net Exposed - Post collateral	Expected Credit Loss
2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks										
Balances at banks and financial institutions										
Deposits at banks and financial institutions										
Credit facilities:										
Individuals	522,956	84,087	215,231	-	-	60,913		360,231	162,725	15,645,318
Real estate loans	624,875	53,724	-	101,026	757,137	-	-	911,887	(287,012)	452,987
Corporate enterprises	4,677,022	1,338	129,533	-	5,227,688	37,500		5,396,059	(719,037)	15,589,364
Small and medium enterprises	1,480,423	9,959	-	46,699	1,711,110	-	-	1,767,768	(287,345)	1,508,906
Governments and public sector	-	-	-	-	-	-	-	-	-	-
Bonds and bills and debentures:	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	-	-	-	-	-	-	-	-	-	-
Mortgaged financial assets (Debt Instruments)	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	7,305,276	149,108	344,764	147,725	7,695,935	98,413	-	8,435,945	(1,130,669)	33,196,575
Letters of guarantee	3,946,174	60,603	-	-	76,294	-	-	136,897	3,809,277	-
Letters of credit	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-
Net Total	11,251,450	209,711	344,764	147,725	7,772,229	98,413	-	8,572,842	2,678,608	33,196,575
Net Total for the Previous Year	3,190,493	123,565	919,654	-	2,492,662	137,908	130,245	3,804,034	(613,541)	20,100,097

Rescheduled Debts:
These represent the debts pre-classified as non-performing credit facilities or derecognized as non-performing credit facilities according to assets rescheduling, and recognized as debts under watch-list debts. The total rescheduled debts was JD 721,334 as of December 31 2019 (JD 704,499 as for December 31 2018).

Restructured Debts:
Restructuring means rearranging the credit facilities through amending the installments, prolonging the facilities, postponing some other installments, increasing the grace period, or classifying the credit facilities as debts under Watch list. Restructured debts totaled JD 30,402,512, including some accounts that have been restructured twice during the year totaling JD 8,557,295 as of December 31, 2019 (a total of JD 17,715,482 as of December 31 201, including some accounts that have been restructured twice during the year with a total of JD 1,826,065).

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

		Within: Financial assets at amortized cost	
		December 31,	
Grade	Institution Name	2019	2018
		JD	JD
Unclassed	-	14,989,871	36,939,200
Governmental	-	122,471,590	140,929,362
Total		137,461,461	177,868,562

		Within: Financial assets through comprehensive income	
		December 31,	
Grade	Institution Name	2019	2018
		JD	JD
A3	Moody's	-	3,521,887
BB-	Fitch Rating	3,532,983	3,439,962
BBB+	Fitch Rating	3,587,008	3,465,982
A2	Moody's	3,553,189	-
Governmental	-	135,528,341	92,160,081
Total		146,201,521	102,587,912

		Within: Financial assets at amortized cost – Mortgaged	
		December 31,	
Grade	Institution Name	2019	2018
		JD	JD
Governmental	-	35,012,800	35,018,148
Total		35,012,800	35,018,148

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

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

The Bank also calculates the effect of the sensitivity of the change in interest rates for the financial instruments that change in accordance with the change in interest rates; and for the main currencies that the Bank deals with according to (BPV) Basis Point Value based on calculating the expected possible losses for the change in interest rate at one basis point (DV01).
The following schedule shows the effect of financial instruments risk on the Profit or Loss statement according to the sensitivity analysis if the interest rate declines by one percent:

For the year 2019

According to the financial instruments (BPV=DV01)	
Financial Instrument	DV01 value
	JD
Bonds	(77,035)
Gaps in bond's maturity	-
Finance Market	70
Interest / Currency swaps	1,354
Certificates of deposits	-

For the year 2018

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

The following schedule shows the effect of currency risk on the Profit or Loss statement according to the sensitivity analysis if the currency rate declines by one percent:

For the year 2019

According to currencies	
Currency	DV01 value
	JD
Euro	(618)
Sterling Pound	(105)

For the year 2018

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

(40/C) Liquidity Risk

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

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

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

The liquidity contingency plan has been developed and approved and is an integral part of the liquidity risk management policy, which would be activated for the management of liquidity risk and in case the bank is exposed to any unexpected withdrawals of customers’ deposits exceeding the accepted liquidity ratios.

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

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

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

Liquidity Risk(40/C)

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

	Less than one month	1-3 months	3-6 months	6 months-1 year	1-3 years	More than 3 years	without maturity	Total
As of December 31, 2019	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S	Thousand of JD'S
Liabilities								
Deposits at banks and financial institutions	105,001	65,598	-	-	-	-	-	170,599
Deposits from customers	301,094	133,522	105,419	134,584	-	-	-	674,619
Cash credit	21,495	1,782	1,975	3,158	6,076	16,640	-	51,126
Borrowings	6,800	138	65	15,851	38,662	813	-	62,329
Other provisions	-	-	-	-	-	3,440	-	3,440
Income tax provision	2,236	-	242	-	-	-	-	2,478
Deferred tax liability	-	-	-	1,978	-	-	-	1,978
Leases contracts liabilities	-	306	96	235	1,137	2,463	-	4,237
Other liabilities	17,133	2,346	2,525	3,898	114	1,363	-	27,379
Total	453,759	203,692	110,322	159,704	45,989	24,719	-	998,186
Total assets (as expected maturity)	183,480	115,297	86,707	151,276	207,313	370,827	24,159	1,139,059
As of December 31, 2018								
Liabilities								
Deposits at banks and financial institutions	125,041	58,373	-	-	-	-	-	183,414
Deposits from customers	325,925	152,863	86,366	88,400	-	-	-	653,554
Cash credit	25,664	301	2,923	4,641	2,845	16,680	-	53,054
Borrowings	2,865	138	65	21,078	60,889	1,084	-	86,119
Other provisions	-	-	-	-	-	767	-	767
Income tax provision	4,710	289	-	-	-	-	-	4,999
Deferred tax liability	-	-	-	7	-	-	-	7
Other liabilities	8,841	3,915	2,257	3,257	101	550	-	18,921
Total	493,046	215,879	91,611	117,383	63,835	19,081	-	1,000,835
Total assets (as expected maturity)	191,030	139,854	118,639	160,064	197,956	319,546	18,815	1,145,904

Gap of re-pricing interest rate:

The classification is based on interest or accrual intervals, whichever is closer:

The sensitivity of interest rate is as follows:

As at December 31, 2019	Less than One Month	1-3 Months	3-6 Months	6 Months -1 Year	1-3 Years	More than 3 Years	Without Maturity	Total
Assets	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at the Central Bank of Jordan	5,100,000	-	-	-	-	-	62,948,129	68,048,129
Balances at banks and financial institutions	34,352,637	21,262,748	-	-	-	-	3,642,279	59,257,664
Deposits at banks and financial institutions	-	-	2,603,874	-	-	-	-	2,603,874
Financial assets at fair value from other comprehensive income	-	3,548,447	-	20,241,711	33,673,925	88,737,437	2,620,693	148,822,213
Direct credit facilities - Net	314,775,062	167,942,514	128,722,070	1,835,893	136,187	286,452	7,305,276	621,003,454
Financial assets at amortized cost	7,000,000	14,999,915	-	15,000,000	30,262,526	70,199,020	-	137,461,461
Mortgaged financial assets	-	-	-	-	35,012,800	-	-	35,012,800
Property and equipment	-	-	-	-	-	-	22,459,789	22,459,789
Intangible assets	-	-	-	-	-	-	1,699,611	1,699,611
Deferred tax assets	-	-	-	-	-	-	7,078,498	7,078,498
Right-of-use assets	-	2,381	10,718	81,412	277,868	2,984,790	-	3,357,169
Other assets	2,750,539	349,156	15,510,061	-	-	-	13,645,047	32,254,803
Total Assets	363,978,238	208,105,161	146,846,723	37,159,016	99,363,306	162,207,699	121,399,322	1,139,059,465
Liabilities								
Banks' and financial institutions' deposits	104,741,446	65,274,906	-	-	-	-	-	170,016,352
Customers' deposits	221,657,242	132,528,549	103,670,500	130,191,610	-	-	78,313,134	666,361,035
Cash credit	40,110,989	-	-	-	-	-	9,313,088	49,424,077
Borrowings	6,793,632	136,972	63,562	15,223,884	34,898,012	750,252	-	57,866,314
Other provisions	-	-	-	-	-	-	3,440,448	3,440,448
Income tax provision	-	-	-	-	-	-	2,478,661	2,478,661
Deferred tax liability	-	-	-	-	-	-	1,977,939	1,977,939
Leases contracts liabilities	-	-	-	6,998	258,644	2,958,017	-	3,223,659
Other Liabilities	-	-	-	-	-	-	27,378,684	27,378,684
Total Liability	373,303,309	197,940,427	103,734,062	145,422,492	35,156,656	3,708,269	122,901,954	982,167,169
Gap of re-pricing interest rate:	(9,325,071)	10,164,734	43,112,661	(108,263,476)	64,206,650	158,499,430	(1,502,632)	156,892,296
As at December 31, 2018								
Total assets	406,731,975	256,783,080	126,668,294	57,861,541	90,364,672	124,228,278	83,265,251	1,145,903,091
Total liabilities	399,260,755	210,072,719	85,134,604	106,011,902	54,876,033	974,445	129,393,867	985,724,325
Gap of re-pricing interest rate	7,471,220	46,710,361	41,533,690	(48,150,361)	35,488,639	123,253,833	(46,128,616)	160,178,766

Concentration of Foreign Currency Risk

As of December 31, 2019	US Dollar	Euro	Sterling Pound	Japanese Yen	Other	Total
Assets	JD	JD	JD	JD	JD	JD
Cash and balances at the Central Bank of Jordan	13,153,496	13,337,814	53,366	-	66,566	26,611,242
Balances at banks and financial institutions	42,903,409	10,495,502	4,483,805	1,805	1,367,676	59,252,197
Deposits at banks and financial institutions	-	-	2,603,874	-	-	2,603,874
Direct credit facilities	96,385,051	-	-	-	14	96,385,065
Financial assets at fair value through other comprehensive income	10,693,743	49,319	-	-	-	10,743,062
Financial assets at amortized cost	-	-	-	-	-	-
Other assets	19,240,003	-	15,485	-	690,891	19,946,379
Total assets	182,375,702	23,882,635	7,156,530	1,805	2,125,147	215,541,819
Liabilities						
Banks' and financial institutions' deposits	89,284,507	25,842	-	-	415,800	89,726,149
Customers' deposits	130,054,820	25,890,798	5,139,970	1,206	387,160	161,473,954
Borrowings	1,772,500	-	-	-	-	1,772,500
cash margins	2,922,836	1,524,387	1	-	-	4,447,224
Other liabilities	5,382,249	3,340,749	1,886,550	-	1,355,222	11,964,770
Total Liabilities	229,416,912	30,781,776	7,026,521	1,206	2,158,182	269,384,597
Net Concentration of Consolidated Financial Position Items	(47,041,210)	(6,899,141)	130,009	599	(33,035)	(53,842,778)
Off-consolidated Financial Position Contingent Liabilities	97,372,520	13,427,245	48,174	-	3,294,322	114,142,261
As of December 31, 2018						
Total Assets	212,852,868	30,630,211	3,457,073	165,336	2,186,930	249,292,418
Total Liabilities	214,684,437	29,482,756	3,455,635	1,224	2,125,877	249,749,929
Net Concentration of Consolidated Financial Position Items	(1,831,569)	1,147,455	1,438	164,112	61,053	(457,511)
Off-consolidated Financial Position Contingent Liabilities	113,875,881	9,508,467	127,567	156,721	9,886,375	133,555,011

Secondly: This schedule shows the maturities of the financial derivatives based on the remaining period of the contractual maturity from the date of the financial statements:

(A) Financial derivatives/ liabilities settled at their net value (offset basis) . These include:

1- Interest rate derivatives: Interest rate swaps, deferred interest rate agreements, interest rate options in informal markets , other interest contracts, futures contracts for interest rates traded in formal markets, contractual options for interest rates traded in formal markets.

	1-3 months	3-6 months	6 months -1 year	1-3 years	More than 3 years	Total
	JD	JD	JD	JD	JD	JD
2019						
Hedging Derivatives:						
Interest rate swaps	(27,013)	-	-	(101,103)	(18,505)	(146,621)
Total	(27,013)	-	-	(101,103)	(18,505)	(146,621)
2018						
Hedging Derivatives:						
Interest rate swaps	-	-	13,755	23,326	(22,192)	14,889
Total	-	-	13,755	23,326	(22,192)	14,889

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

1- Foreign currency derivatives: futures contracts, currency exchange contracts.

	1-3 months	3-6 months	6 months -1 year	1-3 years	More than 3 years	Total
	JD	JD	JD	JD	JD	JD
2019						
Description						
Trading derivatives:						
Currency exchange contracts						
Outflows	76,623,298	74,497,589	63,826,500	-	-	214,947,387
Inflows	76,634,507	74,609,284	63,926,950	-	-	215,170,741
Total Outflows	76,623,298	74,497,589	63,826,500	-	-	214,947,387
Total Inflows	76,634,507	74,609,284	63,926,950	-	-	215,170,741
2018						
Trading derivatives:						
Currency exchange contracts						
Outflows	116,836,618	9,601,753	118,378,289	-	-	244,816,660
Inflows	116,994,132	9,582,844	118,596,326	-	-	245,173,202
Total Outflows	116,836,618	9,601,753	118,378,289	-	-	244,816,660
Total Inflows	116,994,132	9,582,844	118,596,326	-	-	245,173,302

Thirdly : Off-financial position items:

	Up to 1 Year	1 - 5 Years	Over 5 Years	Total
	JD	JD	JD	JD
December 31, 2019				
Letters of credit and acceptances	14,343,551	523,684	-	14,867,235
Un-utilized limits	49,164,038	-	-	49,164,038
Letters of guarantee	110,198,747	5,143,702	-	115,342,449
Total	173,706,336	5,667,386	-	179,373,722
December 31, 2018				
Letters of credit and acceptances	28,533,631	5,184,636	-	33,718,267
Un-utilized limits	53,678,902	-	-	53,678,902
Letters of guarantee	83,178,681	9,884,569	1,174,164	94,237,414
Total	165,391,214	15,069,205	1,174,164	181,634,583

(40/D) Operational risk

Operational risk is defined as the risk of loss that might impact revenues or capital resulting from inadequate or failed internal procedures, information systems, human element, or due to external events that have tangible impact on the Bank's operations. Operational risk also includes legal risk, excluding reputation and strategic risk.

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

The Operational Risk Department continues to gather information and update the components of the operational risks (losses data, operational events, and other operational risks indicators) in the GRC-Tool. This includes other instruments used in operational risks management, the system objective is to allow the utilization by all concerned departments whether business departments, risk departments, or compliance departments, in addition to internal audit, thus enabling Executive Management to be aware of financial and non-financial risks on spot.

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

In terms of managing the business continuity plans at the Bank, the policy related to managing the business continuity plan was updated, and the documents related to the results of the business impact analysis were also updated, in addition to updating all the departments and branches plans. During the year 2019, two tests were conducted on the business continuity plans in order to test their efficiency and the readiness of the systems in the alternative sites.

(40/E) Information Technology Risk

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

In order to enable the Bank's Risk Department to implement all the requirements stipulated in the Central Bank of Jordan's instructions regarding governorship and management of information and associated technology, as well as the instructions to adapt to cyber risks and policies and procedures stipulated by the Bank; and in order to complete the related work performed during 2018, the following points have been completed in 2019 :

1- Adopting the following policies and procedures:

    IT Risk Policy
    Information and systems classification and protection policy
    IT Risk Assessment Mechanism

2- Developing work procedures about managing informational risk in accordance with (COBIT5-2019) and all related tools to generate information and data analysis and prepare the reports.

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

4- Preparing the reports provided under the instructions of the Governor and the management of information and the accompanying technology and sharing them with the concerned by presenting them to the Operational Flexibility Committee .

5- In order to develop the skills of IT risk management staff, those involved participated in many local conferences, training courses and workshops related to IT governance, personal information protection and the latest developments related to financial and banking technology (Fin Tech) and Information Security.

41. Segment Information

A. Information on Group business segment:

For management purposes, the Bank is organized into three major operating segments measured in accordance with the reports sent to the chief executive decision maker:

- Retail banking.
- Corporate banking.
- Treasury.

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

					Total	
					Year-end December 31,	
	Retail	Corporate	Treasury	Other	2019	2018
	JD	JD	JD	JD	JD	JD
Total income	34,656,277	22,194,620	22,833,235	141,580	79,825,712	75,743,375
Provision for expected credit loss on financial assets	(1,812,323)	(10,825,410)	247,851	-	(12,389,882)	(4,253,240)
Segmental results	19,352,602	695,470	6,420,424	(49,892)	26,418,604	37,844,466
Unallocated segmental expenses					(22,962,986)	(23,633,125)
Profit before tax					3,455,618	14,211,341
Income tax					(1,520,344)	(4,495,127)
Net profit for the year					1,935,274	9,716,214
Capital expense					7,105,531	7,024,361
Depreciation and amortization					2,465,579	1,547,679
Other information						
Segmental assets	328,821,001	297,960,569	478,576,738	-	1,105,358,308	1,121,643,195
Unallocated segmental assets	-	-	-	33,701,157	33,701,157	24,259,896
Total Assets	328,821,001	297,960,569	478,576,738	33,701,157	1,139,059,465	1,145,903,091
Segmental liabilities	581,988,932	170,930,663	217,048,965	-	969,968,560	977,082,492
Unallocated segmental liabilities	-	-	-	12,198,609	12,198,609	8,641,833
Total Liabilities	581,988,932	170,930,663	217,048,965	12,198,609	982,167,169	985,724,325

b. Geographical distribution information
This disclosure represents the geographical distribution of the Group's business. The Group's operations are mainly concentrated within the local business.

The following is the geographical distribution of the Bank’s income, assets and capital expenditures:

	Inside Jordan		Outside Jordan		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Gross income	76,900,915	72,386,618	2,924,797	3,356,757	79,825,712	75,743,375
Capital expenditures	6,479,595	5,851,066	625,936	1,173,294	7,105,531	7,024,360

	Inside Jordan		Outside Jordan		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total assets	1,064,555,634	1,048,594,849	74,503,831	97,308,242	1,139,059,465	1,145,903,091

42. Capital Management

a. The capital adequacy ratio as of December 31, 2019 and 2018 was calculated according to Basel III requirements where the Bank's regulatory capital consists of the primary capital of common stock (CET1) and the additional capital, and TIER 2.

b. Monitoring authority capital requirements
The Central Bank of Jordan's instructions require that the minimum regulatory capital to be (12%) of the off-balance sheet assets weighted by risks, in addition to market risks and operational risks. This percentage is considered the minimum for capital adequacy, as the Bank is committed, in all cases, to maintaining an adequacy percentage above the minimum by an appropriate margin and in line with the requirements of BASEL III, as well.

c. Methods for achieving the capital management objectives
Capital management involves optimally employing sources of funds to achieve the highest return on capital possible within the acceptable risk limits approved by the Board of Directors, while maintaining the minimum limit required according to the laws and regulations in force. Moreover, the Bank follows a policy of striving to minimize costs as much as possible through resorting to low-cost sources of funds, increasing the clients' base, and optimally employing such sources in investments with reasonable risks to achieve the highest possible return on capital.

d. Capital Adequacy

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

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

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

	December 31,	
	2019	2018
	JD	JD
Common Equity Shareholders' Rights		
Paid-up capital	110,000	110,000
Retained earnings less proposed dividends	15,723	14,126
Cumulative change in fair value of financial assets	2,943	(77)
Share premium	67	67
Statuary reserve	27,959	27,613
Voluntary reserve	197	197
Total Capital of Common Stock	**156,889**	**151,926**
Regulatory amendment (deduction from capital)		
Goodwill and intangible assets	(1,700)	(1,494)
Mutual investment in the capital of banking, financial and insurance (within CET 1)	-	-
Deferred tax assets	(7,078)	(6,401)
Total Primary Capital	**148,111**	**144,031**
Additional capital		
Total Capital (Tier 1)	148,111	144,031
Tier 2 Capital		
Stage 1 (IFRS9)	3,858	3,025
Regulatory amendment (deduction from capital) / Investments in subsidiary		-
Total Supporting Capital	**3,858**	**3,025**
Total Regulatory Capital	**151,969**	**147,056**
Total Risk-Weighted Assets	**756,703**	**750,459**
Capital Adequacy Ratio ( )	20.08	19.60
Primary Capital adequacy Ratio ( )	19.57	19.19

Capital adequacy was calculated as of December 31, 2019 and December 31, 2018 based on the resolutions of Basel Committee III.

43. Maturity Analysis of Assets and Liabilities

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

December 31, 2019	Within in 1 Year JD	More than 1 Year JD	Total JD
Assets			
Cash and balances at central banks	68,048,129	-	68,048,129
Balances at banks and financial institutions	59,257,664	-	59,257,664
Deposits at banks and financial institutions	2,603,874	-	2,603,874
Financial assets at fair value through other comprehensive income	26,410,851	122,411,362	148,822,213
Direct credit facilities	313,987,723	307,015,731	621,003,454
Financial assets at amortized cost	36,999,915	100,461,546	137,461,461
Financial assets at mortgage cost	-	35,012,800	35,012,800
Property and equipment	1,317,000	21,142,789	22,459,789
Intangible assets	444,000	1,255,611	1,699,611
Deferred tax assets	7,078,498	-	7,078,498
Right-of-use assets	715,763	2,641,406	3,357,169
Other assets	22,373,656	9,881,147	32,254,803
Total Assets	539,237,073	599,822,392	1,139,059,465
Liabilities:			
Banks' and financial institutions' deposits	170,016,352	-	170,016,352
Customers' deposits	666,361,035	-	666,361,035
Margin accounts	28,271,106	21,152,971	49,424,077
Borrowed funds	22,218,050	35,648,264	57,866,314
Sundry provisions	-	3,440,448	3,440,448
Income tax provision	2,478,661	-	2,478,661
Deferred tax liabilities	1,977,939	-	1,977,939
Leases contracts liabilities	202,929	3,020,730	3,223,659
Other liabilities	25,698,284	1,680,400	27,378,684
Total Liabilities	917,224,356	64,942,813	982,167,169
Net	(377,987,283)	534,879,579	156,892,296

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

44. Contingent Liabilities and Commitments

This item consists of the following:

	December 31,	
	2019	2018
Letters of credit:	JD	JD
Import LCs	38,486,835	59,993,578
Export LCs	5,806,818	20,762,633
Acceptances	6,321,394	8,665,260
Letters of guarantee:		
Payments	33,115,284	34,457,227
Performance	60,144,356	36,998,300
Other	22,287,224	22,985,600
Unutilized commitments	50,126,063	53,922,769
Total	216,287,974	237,785,367

45. Lawsuits

The Bank is a defendant in a number of lawsuits amounting to JD 750,389 as of December 31, 2019 (JD 1,566,389 as of December 31, 2018). According to the Bank's lawyer and Bank’s Management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided for amounting to JD 638,413 as of December 31, 2019 (JD 638,413 as of December 31, 2018).

46. Fair Value Measurement

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

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

Financial Assets	Fair Value December 31, 2019	Fair Value December 31, 2018	The Level of Fair Value	Evaluation Method and Inputs used	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Quoted Shares in active markets		-	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted Shares in active markets		-	Level 2	According to last financial information available	N/A	N/A
Total		-				
Financial Assets at Fair Value through Other Comprehensive Income:						
Bonds	135,528,341	92,160,082	Level 2	According to last financial information available	N/A	N/A
Quoted shares in active markets	11,270,184	11,027,920	Level 1	Quoted prices in financial markets	N/A	N/A
Unquoted shares in active markets	2,023,688	1,069,478	Level 2	According to last financial information available	N/A	N/A
Total	148,822,213	104,257,480				
Total Financial Assets at Fair Value	148,822,213	104,257,480				
Unrealized gains on financial assets	213,032	419,561	Level 2	According to last financial information available	N/A	N/A
Financial liabilities						
Unrealized losses on financial derivatives	187,228	23,537	Level 2	According to last financial information available	N/A	N/A
Total liabilities at fair value	187,228	23,537				

There were no transfers between level 1 and level 2 during the year ended December 31, 2019.

B -The fair value of the Bank's financial assets and financial liabilities not specified at fair value on an ongoing basis:

These financial instruments include cash balances and deposits at banks and central banks, direct credit facilities, other financial assets, customers' deposits, bank deposits, and other financial liabilities.

The fair value of financial instruments is not materially different from their book value.