البنـــك التجـــاري الأردني
Jordan Commercial Bank

<table>
<tr><td colspan="2">نموذج رقم (1-2)
Form No. (1-2)</td></tr>
<tr><td>To: Jordan Securities Commission
Amman Stock Exchange
Date:- 5/8/2020
Subject: Audited English Financial Statements for the fiscal year ended 31/12/2019</td><td>السادة هيئة الاوراق المالية
السادة بورصة عمان
التاريخ:- 2020/8/5
الموضوع: البيانات المالية السنوية باللغة الانجليزية المدققة للسنة المنتهية في 2019/12/31</td></tr>
<tr><td>Attached the English Audited Financial Statements of (Jordan Commercial Bank) for the fiscal year ended 31/12/2019</td><td>مرفق طيه نسخة من البيانات المالية باللغة الانجليزية المدققة لشركة (البنك التجاري الاردني) عن السنة المالية المنتهية في 2019/12/31</td></tr>
<tr><td>Kindly accept our high appreciation and respect
Company's Name: Jordan Commercial Bank</td><td>وتفضلوا بقبول فائق الاحترام،،،
اسم شركة: البنك التجاري الاردني</td></tr>
</table>

البنك التجـاري الأردني

بورصة عمان
الدائـــرة الإدارية والمالية
الديـــوان
٠٥ آب ٢٠٢٠
الرقم المتسلسل
رقم الملف
الجهة المختصة

JORDAN COMMERCIAL BANK

AMMAN – HASHEMITE KINGDOM OF JORDAN

PUBLIC SHAREHOLDING LIMITED COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2019

EY
Building a better working world

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jordan Commercial Bank

Amman – Jordan

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Jordan Commercial Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Central Bank of Jordan.

Basis for Qualified Opinion

Other assets, which are carried in the statement of financial position include assets seized by the Bank against due debts of JD 87.1 million (2018: JD 86.3 million). Management has not stated these properties at their recoverable amounts, which constitutes a departure from IFRSs. The Bank's records indicate that, had management stated these properties at their recoverable amounts, an amount of JD 6.3 million (2018: JD 7.9 million) would have been required to write down these properties to their recoverable amount. Accordingly, deferred taxation assets would have been increased by JD 2.4 million (2018: JD 3 million), income for the year would have been increased by JD 1.6 million (2018: JD .100 million), and shareholder's equity would have been reduced by JD 3.9 million (2018: JD 4.9 million). Our opinion in the prior year was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including independence standards) (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 qualified opinion.

Other Matters

1. The financial statements for the year ended December 31, 2018 were audited by Deloitte & Touche (Middle East) – Jordan the Bank's sole auditor for 2018, and a modified opinion was issued on March 25, 2019. Ernst & Young - Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors for the Bank for the year 2019 in accordance with Central Bank of Jordan regulations for corporate governance.
2. The accompanying financial statements are a translation of the statutory financial statements in the Arabic language to which reference should be made.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Key audit matter:

1. **Adequate provision for credit losses for credit facilities:**

This is considered as a key audit matter as the bank exercises significant judgement to determine when and how much to record as impairment.

The provision for credit facilities is determined in accordance with the bank's impairment and provisioning policy, which is aligned to the requirements of IFRS 9 as adopted by the Central Bank of Jordan.

Credit facilities form a major portion of the Bank's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 as adopted by the Central Bank of Jordan and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2019, the Bank's gross credit facilities amounted to JD 731 million and the related impairment provisions amounted to JD 48 million.

How the key audit matter was addressed in the audit:

- We gained an understanding of the Bank's key credit processes comprising granting, booking, monitoring and provisioning and tested the operating effectiveness of key controls over granting and booking processes.

- We read the Bank's impairment provisioning policy and compared it with the requirements of IFRS 9 as adopted by the Central Bank of Jordan as well as relevant regulatory guidelines and pronouncements after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan.

Stage 1 and Stage 2 provision:

- For provision against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Bank's provisioning methodology, the underlying assumptions and the sufficiency of the data used by management.

- We obtained an understanding of the Bank's internal rating model for credit facilities.

- For exposures moved between stages we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.

- For a sample of exposures, we checked the appropriateness of the Bank's staging.

How the key audit matter was addressed in the audit:

- For forward looking assumptions used by the Bank in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information.

- For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations.

- We checked that the Loss Given Defaults used by the Bank's management in the ECL calculations were appropriate.

- We assessed theoretical soundness and mathematical integrity of the ECL Model.

- We assessed the financial statements, disclosures to ensure compliance with IFRS 9.

- The accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and credit risk management in notes 3 and 6 respectively to the financial statements.

Stage 3 (Specific) provisions:
For exposures determined to be individually impaired, we obtained an understanding of the latest developments in the counterparty's situation, examined management's estimate of future cash flows, and checked the resultant provision calculations. For each exposure selected, we performed the provision calculation by considering alternative scenarios.

Key audit matter:

2. Non-current Assets Held for Sale

Assets held for sale are measured at the lower of carrying value or fair value less costs to sell and are presented separately in the statement of financial position. Specific disclosures are also required for discontinued operations and disposals of non-current assets.

The application of IFRS 5 'Non-Current Asset Held for Sale and Discontinued operations' is a key audit matter, because the assessment of the classification is complex, the transaction and its accounting is non-routine and involves significant management judgements. These include, amongst others, the date of classification of the non-current assets as held for sale, the identification of the disposal group and the presentation of its results as discontinued operations. As a result of these judgements, there are requirements around the valuation of the assets of the disposal group and presentation in the financial statements and related disclosures, the identification of income and expenses allocated to Palestine branches, assumptions and estimates made with regard to the allocations, and adjustments to be recorded. Consequently, this was considered a key audit matter.

Refer to note 45 for more details on this matter.

How the key audit matter was addressed in the audit

Our audit procedures included, but were not limited to, the following:

- We held discussions with the Bank's management on the memorandum of understanding signed with the buyer.
- We evaluated the design and implementation of controls relating the determination of the assets classified as held for sale, the liabilities associated with the assets held for sale and the identification of the amounts to be presented as discontinued operations in the statement of profit or loss and other comprehensive income.
- We reviewed the sales agreement for the assets of Palestine branches and assessing whether the classification conforms to the requirements of IFRSs.
- We evaluated the bank's conclusion regarding the classification of the assets and related liabilities of the Palestine branches as held for sale and the results of the branches of Palestine as discontinued operations.
- We agreed the amounts presented as assets classified as held for sale, liabilities associated with assets held for sale and discontinued operations to the accounting records of the Palestinian branches.
- We checked the fair value of the net assets to be sold through evaluating the assets to be received against those assets by using our specialists, we assessed whether there was a need to record any impairment.
- We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRSs.

Key audit matter:

3. IT systems and controls over financial reporting

We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank 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.

How the key audit matter was addressed in the audit:

Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:

We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.

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 report logics.

We performed testing on the key automated controls on significant IT systems relevant to business processes.

Other information included in the Bank's 2019 annual report.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of accounts which are in agreement with the financial statements, taking into consideration the matter described in the "Basis for Qualified Opinion" section.

Ernst & Young – Jordan

Deloitte & Touche (M.E) - Jordan

Amman – Jordan

June 17, 2020

Ernst + Young

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010105

JORDAN COMMERCIAL BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018
		JD	JD
ASSETS			
Cash and balances with central banks	4	71,264,135	91,872,118
Balances at banks and financial institutions	5	36,642,539	61,995,613
Direct credit facilities, net	6	669,000,375	727,873,818
Financial assets at fair value through statement of income	7	1,876,382	1,792,801
Financial assets at fair value through other comprehensive income	8	11,105,937	11,915,302
Financial assets at amortized cost, net	9	276,734,126	303,031,611
Property and equipment, net	10	22,430,397	27,817,839
Intangible assets, net	11	1,855,317	2,313,919
Right-of-use assets	3-1	5,141,936	-
Deferred tax assets	17-d	12,313,532	13,867,924
Other assets	12	134,455,262	111,088,591
Assets held for sale, net	45	143,773,084	-
Total Assets		1,386,593,022	1,353,569,536
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Banks' and financial institutions' deposits	13	87,386,747	117,304,754
Customers' deposits	14	836,698,393	893,225,288
Cash margin	15	56,572,215	84,417,327
Borrowed funds	16	96,083,582	83,481,873
Provision for income tax	17-a	-	745,548
Sundry provisions	18	1,370,624	1,924,266
Deferred tax liabilities	17-d	50,388	14,107
Lease liabilities	3-1	4,538,267	-
Other liabilities	19	39,170,608	38,412,442
Liabilities directly associated to assets held for sale	45	125,523,424	-
Total Liabilities		1,247,394,248	1,219,525,605
SHAREHOLDERS' EQUITY			
Authorized and paid in capital	20	120,000,000	120,000,000
Statutory reserve	21-a	15,460,318	14,714,563
General banking risk reserve	21-b	548,693	-
Cyclical fluctuations reserve	21-c	3,538,675	2,597,047
Fair value reserve, net	22	(2,211,406)	(2,053,183)
Retained earnings (accumulated losses)	23	1,862,494	(1,214,496)
Total bank Shareholders' Equity		139,198,774	134,043,931
Total Liabilities and Shareholders' Equity		1,386,593,022	1,353,569,536

Chairman of Board of Directors

General Manager

The accompanying notes from 1 to 48 form part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 JD	2018 JD
Continued operations			
Interest income	24	74,972,391	73,885,228
Less: interest expense	25	(43,857,666)	(44,272,757)
Net interest income		31,114,725	29,612,471
Net commission income	26	5,788,201	5,219,654
Net interest and commission		36,902,926	34,832,125
Foreign exchange income	27	1,129,852	1,012,327
Gain from financial assets at fair value through statement of income	28	91,186	418,099
Dividends from financial assets at fair value through other comprehensive income	8	238,853	161,450
Other income	29	4,220,083	4,421,113
Gross income		42,582,900	40,845,114
Employees' expenses	30	13,764,527	13,936,382
Depreciation and amortization	10, 11	2,562,688	2,671,352
Provision for expected credit losses, net	31	891,610	4,837,005
Other provisions	18	403,894	1,053,411
Provisions for assets seized by the Bank against due debts	12	119,127	(1,612,216)
Other expenses	32	12,060,823	12,724,875
Total expenses		29,802,669	33,610,809
Profit for the year before income tax		12,780,231	7,234,305
Income tax for the year	17-b	(2,170,473)	(1,094,678)
Profit from continued operations		10,609,758	6,139,627
Loss from discontinued operations	45	(5,296,692)	(1,110,261)
Profit for the year – statement (C) and (D)		5,313,066	5,029,366
Earnings per share for the year attributable to the Bank's shareholders		Fils/JD	Fils/JD
Basic and diluted	33	0.044	0.042
Earnings per share for the year attributable to the Bank's shareholders - continued operations		Fils/JD	Fils/JD
Basic and diluted	33	0.088	0.051
(Loss) per share for the year attributable to the Bank's shareholders - discontinued operations		Fils/JD	Fils/JD
Basic and diluted	33	(0.044)	(0.009)

Chairman of Board of Directors

General Manager

The accompanying notes from 1 to 48 form part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	JD	JD
Profit from continued operations – statement (B)	10,609,758	6,139,627
<u>Other comprehensive income items:</u>		
Items that are not transferable subsequently to statement of income		
Net change in fair value reserve of financial assets through other comprehensive income, net	(100,812)	(427,745)
Loss from sale of financial assets at fair value through other comprehensive income	-	(1,848)
Total comprehensive income for the year from continued operations	**10,508,946**	**5,710,034**
(Loss) for the year from discontinued operations – statement (B)	(5,296,692)	(1,110,261)
<u>Other comprehensive income items:</u>		
Items that are not transferable subsequently to statement of income		
Net change in fair value reserve of financial assets through other comprehensive income, net	(57,411)	(124,359)
Total (comprehensive loss) for the year from discontinued operations	**(5,354,103)**	**(1,234,620)**
Gross comprehensive income for the year – statement (D)	**5,154,843**	**4,475,414**

The accompanying notes from 1 to 48 form part of these financial statements and should be read with them

Jordan Commercial Bank
Statement Of Changes In Equity
For The Year Ended 31 December 2019

	Subscribed and paid in capital	Reserves: Statutory	Reserves: Cyclicality	Reserves: General Banking Risks *	Reserves: Fair Value Reserve, net	Retained earnings (accumulated loss)	Total Shareholders' Equity
	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2019							
Balance at the beginning of the year	120,000,000	14,714,563	2,597,047	-	(2,053,183)	(1,214,496)	134,043,931
Profit for the year – statement (B)	-	-	-	-	-	5,313,066	5,313,066
Net fair value reserve, net	-	-	-	-	(158,223)	-	(158,223)
Total comprehensive income for the year	-	-	-	-	(158,223)	5,313,066	5,154,843
Transferred to reserves	-	745,755	941,628	548,693	-	(2,236,076)	-
Balance as of 31 December 2019	120,000,000	15,460,318	3,538,675	548,693	(2,211,406)	1,862,494	139,198,774
For the year ended 31 December 2018							
Balance as of 1 January 2018	120,000,000	14,082,158	1,833,820	7,002,848	(1,504,051)	8,125,824	149,540,599
Effect of implementation of IFRS (9) related to impairment	-	-	-	-	-	(30,065,991)	(30,065,991)
Deferred tax assets resulting from implementation of IFRS (9) related to impairment	-	-	-	-	-	10,093,909	10,093,909
Transferred from general banking risks reserve resulting from implementation of IFRS (9)	-	-	-	(7,002,848)	-	7,002,848	-
Adjusted beginning balance	120,000,000	14,082,158	1,833,820	-	(1,504,051)	(4,843,410)	129,568,517
Profit for the year	-	-	-	-	-	5,029,366	5,029,366
Net change in fair value reserve for financial assets at fair value through other comprehensive income, net	-	-	-	-	(552,104)	-	(552,104)
Fair value reserve released from sale of financial assets at fair value through other comprehensive income	-	-	-	-	2,972	(2,972)	-
Realized losses from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(1,848)	(1,848)
Total comprehensive income for the year	-	-	-	-	(549,132)	5,024,546	4,475,414
Transferred to reserves	-	632,405	763,227	-	-	(1,395,632)	-
Balance as of 31 December 2018	120,000,000	14,714,563	2,597,047	-	(2,053,183)	(1,214,496)	134,043,931

* - The Central Bank of Jordan issued circular No. 10/1/7702 dated 6 June 2018 in which it requested the transfer of the general banking risk reserve balance to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018.

- The accumulated losses balance includes JD 11,625,433 restricted against deferred tax assets as of 31 December 2019 according to the Central Bank of Jordan's instructions.
- The cyclicality reserve is restricted to use without prior approval of the Palestinian Monetary Authority.
- Use of retained earnings for an amount equal to the negative cumulative change in the fair value of financial assets and before any tax effect of as of 31 December 2019 is restricted (including JD 311,112 against the implementation of International Financial Reporting standard No (9)) according to the instructions of the Jordan Securities Commission an Central Bank of Jordan.

The accompanying notes from 1 to 48 form part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
Cash Flows from Operating Activities:			(adjusted)
Profit for the year before income tax – Statement (B)		12,780,231	6,324,044
Profit from discontinued operations before tax		(6,252,803)	-
Adjustments for:			
Depreciation and amortization	10,11, 45	3,075,439	3,036,229
Provision for expected credit losses	31, 45	1,265,110	5,406,363
Provision for Lawsuits against the Bank	18, 45	401,848	245,709
Provision for End-of-Service Indemnity	18, 45	255,115	45,364
Other Provisions	18	-	1,000,000
(Gain) from Sale of Property and Equipment		-	(86,109)
(Gain) Loss from valuation of financial assets at fair value through statement of income	28	(91,316)	397,886
Impairment on assets seized by the Bank against due debts	32	1,415,538	(126,014)
Provision for real estate owned more than four years	12	119,127	-
Provision for losses from sale of Palestine's Branches	45	3,708,487	-
Amortization of right-of-use assets	3	1,007,613	-
Finance costs paid for lease obligations	3	124,337	-
Effect of exchange rate fluctuations on cash and cash equivalents		(439,036)	(290,739)
Profit for the year before changes in assets and liabilities		17,369,690	15,952,733
Changes in Assets and Liabilities -			
(Increase) in direct credit facilities		(10,222,209)	(42,690,000)
Decrease (Increase) in financial assets at fair value through statement of income		7,733	(795,772)
(Increase) in other assets		(27,769,590)	(4,485,290)
(Increase) decrease in banks' and financial institutions deposits for more than three months		(6,442,270)	3,499,947
Increase (decrease) in customers' deposits		42,221,913	(78,082,487)
(Decrease) in cash margins		(23,234,371)	(7,353,303)
Increase in other liabilities		4,921,194	4,971,878
Net change in Assets and Liabilities		(20,517,600)	(124,935,027)
Net cash flows (used in) operating activities before income tax and finance costs paid for lease obligations		(3,147,910)	(108,982,294)
Lawsuits provision paid	18	(176,906)	(9,730)
End-of-service indemnity paid	18	(173,193)	(247,964)
Lease contracts paid	3	(866,011)	-
Income tax paid	17	(518,012)	(3,070,525)
Net cash flows (used in) operating activities		(4,882,032)	(112,310,513)
Cash flows from investing activities:			
Decrease in financial assets at amortized cost		24,455,879	28,292,531
(Increase) in financial assets at fair value through other comprehensive income		(1,358,221)	(630,595)
(Purchase) of property and equipment and advance payments for property and equipment	10	(2,783,510)	(3,363,878)
(Purchase) of intangible assets	11	(536,064)	(402,382)
Proceeds from sale of property and equipment		28,579	296,951
Net cash flows from investing activities		19,806,663	24,192,627
Cash flows from financing activities:			
Increase in borrowed funds		12,601,709	69,312,895
Net cash flows from financing activities		12,601,709	69,312,895
Effect of exchange rate fluctuations on cash and cash equivalents		439,036	290,739
Net increase (decrease) in cash and cash equivalents		27,965,376	(18,514,252)
Cash and cash equivalents at the beginning of the year from continued operations		103,062,924	121,577,176
Cash and cash equivalents from discontinued operations		(50,508,373)	-
Cash and cash equivalents at the end of the year	34	80,519,927	103,062,924

Non-monetary transactions

Increase in assets held for sale	45	147,481,571	-
Increase in liabilities related to assets held for sale	45	125,523,424	-
Acquisition of real estate and assets against debt		3,571,616	3,092,103

The accompanying notes from 1 to 48 form part of these financial statements and should be read with them

(1) General

Jordan Commercial Bank was established as a Jordanian Public Limited Shareholding Company on May 3 1977 under No. (113) in accordance with the Jordanian Companies Law No. (12) for the year 1964 with a paid-up capital of JD 5 million divided into 5 million shares at a par value of one Jordanian Dinar per share. The Bank's Head Office address is Amman, Tel. +962 (6) 5203000, P.O. Box 9989, Amman 11191 - The Hashemite Kingdom of Jordan.

During 1993, Mashrek Bank (Jordan branches) was merged with Jordan and Gulf Bank. Consequently, Jordan and Gulf Bank replaced Mashrek Bank (Jordan branches) in terms of its rights and liabilities.

At the beginning of 2004, the Bank was restructured after completing the necessary procedures prescribed by the regulatory authorities, and on June 28, 2004, the procedures relating to changing the Bank's name from Gulf Bank to Jordan Commercial Bank were completed.

The Bank’s capital was increased gradually, and the last increase was during 2017. In its extraordinary meeting held on April 30, 2017, the Bank’s General Assembly resolved to approve the increase in the Bank’s capital by 7.125 million JD/share, so that authorized and paid-up capital would become 120 million JD/share through capitalizing part of the retained earnings and distributing the amount to shareholders as stock dividends. The procedures for the capital increase were completed on June 7, 2017.

Jordan Commercial Bank is a Public Limited Shareholding Company listed on Amman Stock Exchange.

The Bank is engaged in banking and related financial operations through its branches totalling (32) inside Jordan and (6) in Palestine.

The financial statements have been approved by the Bank’s Board of Directors in its meeting held on 31 May 2020 and are subject to the approval of the General Assembly of Shareholders.

(2) Basis of Preparation of the Financial Statements

The accompanying financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB committee as well as the Central Bank of Jordan regulations.

The main differences between the International Financial Reporting Standards that should be applied and what was approved by the Central Bank of Jordan is the following:

A. An allowance for expected credit losses is recorded in accordance with IFRS (9) and in accordance with the Central Bank of Jordan instructions, whichever is more conservative. The material differences are as follows:
- Debt instruments issued by the Government of Jordan guaranteed by it are excluded, in addition to any other credit exposures with the Government of Jordan or guaranteed by it so that any credit exposures with the Government of Jordan or guaranteed by it are addressed without any credit losses.
- When calculating the credit losses against credit exposures, the results of the calculation that are in accordance with the International Financial Reporting Standard No. (9) are compared with the instructions of the Central Bank of Jordan (No. 47/2009) dated 10 December 2019 for each stage, and whichever is more conservative is recorded.

B. Interest, fees and commission income are suspended on non-performing credit facilities granted to customers in accordance with the instructions of the Central Bank of Jordan.

C. Assets seized by the Bank against due debts are shown in the statement of financial position among other assets at the value as of the date it had been passed on to the Bank or its fair value, whichever is less. Their assets are revalued individually at the date of the financial statements and any impairment during the year are recorded in the statement of income. Gains are not recorded as income as these gains are recorded later in the statement of comprehensive income without exceeding the impairment value. As announced at the beginning of 2015, a provision is recorded for assets seized against Jordan debts that have been seized for more than 4 years in accordance with a circulation by the Central Bank of Jordan (No. 15/14076) dated 27 March 2017 and (No. 10/1/2510) dated 14 February 2017. The Central Bank of Jordan issued a circulation (No. 10/1/13967) dated 25 October 2018, approving an extension of circulation (No.10/16607) dated 17 December 2017 that confirmed the extension of an allowance to be recorded until the end of 2019. Furthermore, according to Central Bank's circulation (No. 10/1/16239) dated 21 November 2019, a provision for seized assets will commence in 2021 at a rate of 5% of the total book value of these assets until a provision of 50% of these assets' value is reached by the end of 2029.

D. The Central Bank has agreed in its letter dated 20 February 2020 to recant a 5-year provision for a specific customer under the condition of classifying the related credit facility as non-performing and suspending its interest and commission in accordance with the instructions of the Central Bank of Jordan.

- The financial statements are prepared on the historical cost basis except for financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income and financial derivatives which have been measured at fair value at the date of the financial statements. Moreover, financial assets and liabilities that have been hedged for changes in fair value are stated at fair value.
- The financial statements are presented in Jordanian Dinar (JD) being the functional currency of the Bank.

(3-1) Changes in Accounting Policies

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

IFRS (16) Leases

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement Contains a Lease" SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in a unified layout on the balance sheet.

Lessor accounting under IFRS 16 has not been changed substantially from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as those of IAS 17's. Therefore, IFRS 16 did not have an impact on leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Bank elected to use the transition practical expedient and accordingly will not readjust the financial statements' line items. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously accounted for as operating leases

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

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term lease exemptions on leases with a lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of adopting the standard on the beginning balances of the right-of-use assets is JD 6,149,549 and JD 5,528,615 on the lease liabilities.

The tables below show the effect of implementing IFRS 16 on each financial item as of 31 December 2019:

Statement of financial position

Item	Balance as in the financial statements	Effect of implementation	Balance if not implemented
	JD	JD	JD
Right-of-use assets	5,141,936	5,141,936	-
Other assets	134,455,262	(621,569)	135,076,831
Effect on total assets		4,520,367	-
Lease liabilities	4,538,267	4,538,267	-
Total effect on liabilities		4,538,267	-

Statement of income

Item	Balance as in the financial statements	Effect of implementation	Balance if not implemented
	JD	JD	JD
Interest income	(43,982,003)	(124,337)	(43,857,666)
Depreciation and amortization	(3,570,301)	(1,007,613)	(2,562,688)
Other expenses	(10,928,873)	387,683	(11,316,556)
Total impact on income statement		(744,267)	-

Statement of cash flows

Item	Balance as in the financial statements	Effect of implementation	Balance if not implemented
	JD	JD	JD
Profit before tax	7,272,976	(744,267)	8,017,243
Depreciation and amortization	3,570,301	1,007,613	2,562,688
Other assets	(22,531,116)	621,569	(23,152,685)
Net cash flows from operating activities		884,915	-
Lease liabilities paid	(866,011)	(866,011)	-
Net cash flows used in investing activities	(866,011)	(866,011)	-

Lease contracts

Right-of-use assets

The Bank rents several assets such as lands and buildings with an average term of 5 years. Following is the movement on right-of-use assets during the year:

	For the year ended 31 December 2019
Balance at the beginning of the year	6,149,549
Add: additions during the year	-
Less: depreciation for the year	(1,007,613)
Terminated contracts	-
Balance as of 31 December 2019	5,141,936

Amounts that were recorded in the statement of income

	For the year ended 31 December 2019
Depreciation for the year	1,007,613
Interest for the year	124,337
Rent expense for the year	1,131,950

Lease liabilities

	For the year ended 31 December 2019
Balance at the beginning of the year (adjusted)	5,528,615
Add: additions during the year	-
Interest for the year	(124,337)
Less: paid during the year	(866,011)
Balance as of 31 December 2019	4,538,267

Analysis of the maturity of the lease liabilities

	As of 31 December 2019
Less than one year	714,739
One to five years	2,535,421
More than five years	1,288,107
	4,538,267

The value of the undiscounted lease liabilities as of 31 December 2019 is JD 6,690,267. Following is the maturity analysis:

Maturity analysis of undiscounted lease liabilities	As of 31 December 2019
Less than one year	1,208,656
One to five years	3,641,027
More than five years	1,840,584
	6,690,267

IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

These amendments do not have any impact on the Bank's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The International Accounting Standards Board had deferred the effective date of these amendments indefinitely, however, the entity that early adopts the amendment shall apply them prospectively.

These amendments do not have any impact on the Bank's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting treatment in the case where a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in statement of income.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in comprehensive income.

These amendments do not have any impact on the Bank's financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term investments in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Bank's financial statements.

(3-2) Significant Accounting Policies

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 which are 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.

Recognition of Interest Income

The Effective Interest Rate Method

According to IFRS (9), interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost or designated at FVTPL. Interest income on interest bearing financial assets is measured at FVOCI under IFRS 9. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of comprehensive income.

Interest and Similar Incomes and Expenses

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR. The calculation considers all the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a Bank of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

Fees income can be divided into the following two categories:

1. Fees income earned from services that are provided over a certain period.

Fees earned for the provision of services over a period are accrued over that period. Such fees include "commission income and private wealth and asset management" fees, "custody and other management" fees.

2. Fee income forming an integral part of the corresponding financial instrument:

Fees that the Bank considers to be an integral part of the corresponding financial instruments include:

Loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

Financial Instruments – Initial Recognition

Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

<u>Day 1 of profit or loss</u>

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

<u>Measurement categories of financial assets and liabilities</u>

The Bank classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

<u>Amounts due from banks, loans, advances to customers, and financial investments at amortized cost</u>

Amounts due from banks, loans, advances to customers, and financial investments are recognized at amortized cost before 1 November 2019 including non-derived financial assets with fixed or determinable payments that have not been priced in an active market, except:

- If the objectives of the Bank to purchase are mainly for the purpose of selling in the near future.
- If the Bank, upon initial recognition, classifies it as financial assets at fair value through the income statement or available for sale.
- The Bank may not primarily recover all of its initial investment, unless it is due to credit deterioration, which are classified as available for sale assets.

The Bank only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

<u>Business model assessment</u>

The Bank determines its business model at the level that best reflects how it manages its financial assets to achieve its business objective.

The Bank’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- 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 the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment

If cash flows after initial recognition are realized in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

<u>The SPPI test</u>

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through statement of income

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the income statement.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the income statement. Dividends are recognized in income statement as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through statement of income

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, considering any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income as expected credit loss.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements, starting from 1 January 2019.

The premium received is recognized in the statement of income net of fees and commission income on a straight-line basis over the life of the guarantee.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in statement of income.

Impairment of financial assets

Overview of the ECL principles

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”.

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Based on the above process, the Bank classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial assets are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit impaired. The Bank records an allowance for the LTECLs. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

IFRS 9 application methodology is detailed in note (3) – use of estimate.

Leasing contracts (Policy applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases:

<u>1. The Bank as a lessor</u>

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

<u>2. The Bank as a lessee:</u>

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities in order to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the statement of income.

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

Leases (Policy applicable after 1 January 2019)

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover, property and equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	%
Buildings	2
Equipment, furniture and fixtures	10-15
Vehicles	15
Computer	20

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the statement of income.

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

Property and equipment are derecognized when disposed or when there is no expected future benefit from their use or disposal.

Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Intangible Assets

Intangible assets acquired through mergers are stated at fair value at the date of acquisition, while intangible assets (not acquired through mergers) are recorded at cost.

Intangible assets are to be classified based on either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the financial statements date, and impairment loss is recorded in the statement of income.

Intangible assets resulting from the Bank's operations are not capitalized. They are rather recorded in the statement of income in the same period.

Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Intangible assets with definite useful economic lives at cost net of accumulated amortization. Intangible assets are amortized over their useful lives using the straight-line method using a 20% rate.

Non-current assets held for sale

Non-current assets are classified as held for sale if the recovery of the amounts will be through sale not through continued operations. The asset must be ready for sale in its current conditions provided that the asset is normal and is similar for sale of those assets. It also must be highly possible to sell these assets. In addition, there should be a commitment to the sale plan by the management, so that the sale is eligible to be recognized as a completed sale within one year of the date of this classification.

When the Bank is committed to a sale plan that includes the loss of control of a subsidiary, it is required to classify all its assets and liabilities as held for sale, when all of the above conditions are met.

Non-current assets classified as held for sale are recorded at book value or fair value net of any sale costs, whichever is less. The results of a subsidiary are recorded in a separate line item on the statement of income as profit (loss) from discontinued operations.

Provisions

Provisions are recognized when the bank has an obligation as of the date of the financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnities

Provision for end of service indemnity is established by the Bank to fare any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

Income Taxes

Income tax expenses represent current and deferred taxes.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of countries where the Bank operates.

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax bases. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

Capital Cost of Issuing or Buying the Bank's Shares

Cost arising from the issuance or purchase of the bank's shares are charged to retained earnings (net of the tax effect of these costs if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the statement of income.

Assets Under Management on Behalf of Customers

These represent the accounts managed by the bank on behalf of its customers, but do not represent part of the Bank's assets. The fees and commissions on managing these accounts are taken to the statement of income. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position only when there is a legal right to offset the recognized amounts, and the bank intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

Seized Assets by the Bank Against Due Debts

Such assets are those that have been the subject of foreclosure by the Bank and are initially recognized among "other assets" at the foreclosure value or fair value whichever is least.

At the date of the financial statements, seized assets are revalued individually (fair value less selling cost); any decline in fair value is recognized in the statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the financial statements as a result of the bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the date of the financial statements using the exchange rate prevailing at the date of the financial statement announced by the Central Bank of Jordan.

Non-monetary items measured at historical cost are translated according to the exchange at fair value rate prevailing at the transaction date, using the exchange rate prevailing at the date of evaluation.

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

Differences resulting from the translation of non-monetary assets and liabilities at fair value denominated in foreign currency, such as equity shares, are recorded as part of the change in the fair value using the exchange rates prevailing at the date of evaluation.

The assets and liabilities in foreign operations are translated into the reporting currency in accordance with the average currency prices at the reporting date and issued prices by the central bank. Income and expense items are translated on an average price rate basis and the exchange differences arising on translation for are recognised in OCI. In case of selling any of these companies or branches, the amount of differences is included in the income statement

Profits and losses resulting from foreign currency exchange differences for debt instruments (interest - bearing) are recorded in financial assets at fair value through comprehensive income in the income statement. Foreign currency exchange differences for equity instruments are recorded in the fair value reserve in the shareholders' equity in the statement of financial position.

Fair Value

The Bank measures financial instruments is at fair value at each financial statement date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above

Impairment is calculated through the difference between the book value of financial assets at amortized cost and the present value of expected future cash flows discounted using the original effective interest rate.

The book value of financial assets is reduced by the amortized cost by the impairment loss through the impairment reserve account. The change is recognized in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months less balances due to banks and financial institutions maturing within three months and restricted funds.

(3-3) Use of estimates

Preparation of the financial statements and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the 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 financial statements are reasonable. The details are as follows:

<u>Impairment of property acquired</u>

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.

<u>Productive lifespan of tangible assets and intangible assets</u>

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 statement of income for the year.

<u>Income tax</u>

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.

<u>Litigations provision</u>

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.

<u>Provision for end-of-service indemnities</u>

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

<u>Assets and liabilities stated at cost</u>

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

Provision of expected 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 (39).

Evaluation of business model

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

Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank considers 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 detail in note (39).

Establish groups of assets with similar credit risk characteristics

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

Re-Division of Portfolios and Movements Between Portfolios

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

Models and Assumptions Used

The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note (39). 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 statement of financial position.

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

b. Fair Value Measurement

If the fair values of financial assets and financial liabilities included in the 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 adjust for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

<u>Key Sources of Uncertainty Estimates</u>

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 financial statements are as follows:

<u>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.</u>

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.

<u>Probability of Default</u>

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, considering 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.

Risk management

In light of the importance of managing the various risks surrounding the Bank's business activities that it is exposed to or may be exposed to in the future, the Bank has continued its work by following a risk management strategy in line with the directives of the Board of Directors, executive management, legislation and laws issued by the Central Bank of Jordan, where best practices have been applied and the latest means and methods used in risk management.

The risk management process includes identifying, measuring, evaluating and monitoring financial and non-financial risks that can negatively affect the overall performance of the Bank, and the risk department evaluates and controls risks and recommends mitigating them and submitting the necessary reports to executive management and independently of other Bank departments that perform other banking activities.

The Risk Department is responsible for managing risks (credit, operational, market, liquidity and information security) within the framework of the Bank's organizational structure and is directly linked to the Risk Management and Compliance Committee of the Board of Directors and the Risk Department reports directly to this Committee as well as the General Manager with work to provide the relevant departments and committees within the Bank With the necessary risk reports a culture is also strengthened. The Bank has risks through internal and external educational courses and workshops for all employees.

The executive management is responsible for defining the main principles of risks and the level of risks that can be accepted, as well as an optimal distribution of them according to the various activities and segment of the bank where executive management exercises its role in ensuring that the Bank manages various risks and adopts policies and procedures governing risk management in the bank through (the Risk and Compliance Committee).

The Risk Department also performs the internal capital adequacy assessment process, ICAAP, which includes assessing the level of internal capital adequacy based on the Bank's business expansion strategy expected for future years.

The Bank's risk management provides independent oversight and support that aims to establish and spread the concept of risk management as a whole on all levels of management and helps proactively in realizing potential losses and sets out the plan and procedures to take to confront these risks in the event of their occurrence. The risk management is part of a general risk management policy that enables the Bank to define and set limits for it, and it is the general framework for managing the main risks expected by the Bank. In addition to a number of separate policies for each type of risk.

The Bank management also gives great importance to the requirements of Basel and best international practices for risk management, as it is considered as a framework to enhance the Bank's ability to improve the control environment and confront various types of risks.

Acceptable risks level (risk appetite)

The Bank's philosophy in determining the level of acceptable risks is the method by which the Bank has determined the levels of acceptable risks with, given that capital planning is the basis for determining the levels of acceptable risks.

The bottom up approach methodology was used to determine acceptable levels of risk through the concerned departments within the Bank from the bottom of the organizational structure and then raise it to the top organizational structure for each of the risks (credit, concentrations, liquidity, interest rates, reputation, strategy, operation, market, governance Institutionalism, compliance, capital structure).

The objectives of risk appetite

The Bank aims to determine the acceptable levels of risk to the following:

1- Knowing the acceptable level of risk for each type of risk to which the Bank is exposed.
2- Protecting the Bank from risks that it might face and negatively affect its business.
3- Achieving strategic goals.
4- Ensuring that acceptable proportions of capital adequacy are maintained.
5- Control risks and work to reduce them.
6- Determining the capital needed to face all kinds of risks (economic capital).
7- Developing measures to monitor the acceptable level of risks in addition to the capital, asset quality, liquidity and fluctuation in profits.

Stress testing

In accordance with the instructions issued by the Central Bank related to stress testing, the Bank has prepared a methodology for applying these stress tests and adopting a policy and work procedures by the Risk Committee from the Board of Directors where stress tests are an integral and essential part of the institutional governance and risk management system of the Bank as it has an impact on decision-making at the appropriate administrative level, including strategic decisions of the Board of Directors and Executive Management. To ensure this, the Board of Directors and Executive Management must have a key role in these tests, including setting test goals, defining scenarios, evaluating results, and defining measures to take based on the results of these. The tests at various levels are considered:

- A key tool to understand the Bank's risk matrix and its ability to withstand shocks and the high risks it may face.

- It is considered an important part of the capital planning process through the internal evaluation process of the capital adequacy (ICAPP) and improving the Bank’s management of its capital.

- It helps the bank in estimating the size of future capital that must be available in the coming years, in accordance with its strategy.

- An important part in the process of identifying, measuring and controlling liquidity risk, in order to assess the Bank's liquidity and the adequacy of liquidity shock mitigators and improve the Bank's liquidity.

The mechanism by which stress situations are chosen

Scenarios of stressful situations are chosen to cover all the risks which the Bank is exposed to in accordance with the instructions issued by the Central Bank of Jordan, and a different set of scenarios are applied that range from the least influential to the most influential but are possible to occur are selected and identified by the Bank according to the different risks which it is exposed is such as (size, type, repetition and importance) in coordination with the various department where these tests aim to assess the Bank's financial position and adequacy, where necessary reports are prepared and applied to stress tests and present them to the Risk Committee from the Board of Directors, which in turn approves assumptions and scenarios used and discuss the results of the tests and approve the measures to be taken based on these results. The impact of stress testing on different financial assets is measured, whether at the level of the facilities or investment portfolio, as follows:

Measuring the impact of stress testing on the Bank's credit portfolio in terms of the increase of non-performing loans as a result of several factors, including the concentration in credit granting, the decline of economic sectors as a result of financial crises, the quality of the credit portfolio, the decrease in the value of guarantees provided and other factors. The impact of these scenarios is assessed for these risks on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's investments in terms of low liquidity of the markets invested in and a decrease in the value of investments due to financial and economic crises. The impact of scenarios for these risks is assessed on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's assets and liabilities in the event of changing the Dinar exchange rates against foreign currencies.

Measuring the impact of stress testing on the Bank’s liquidity as a result of several factors, including the loss of our deposits with correspondent banks, the concentration of Bank customer deposits and bank deposits with us, extensive withdrawals of deposits, change of the Dinar exchange rates against foreign currencies and other factors. The impact of the scenarios of these risks is assessed based on statutory and liquidity ratios and based on a maturity scale.

Measuring the impact of stress testing on the operating risks of the Bank's operations. The impact of scenarios on these risks is assessed on the capital adequacy.

Governance of stress testing

- stress tests are an integral and essential part of corporate governance with the Bank by enhancing the Bank’s ability to identify and control its risks and its major role in providing both the Board and Executive Management with indicators on the amount of capital required to meet the resultant losses on shocks or changes that affect the Bank’s financial position and solvency.

Board of Directors' responsibility:

- Ensuring that there is an effective framework for stress testing to assess the Bank's ability to withstand shocks and face high risks, as the Board has the ultimate responsibility for the stress testing program, and the adoption of work policies in this regard.

- Ensure that the Risk Department conducts stress tests on a regular basis, and that the Board has a key role in approving the assumptions and scenarios used, analyzing the results of the tests, and adopting the procedures to be taken based on these results.

Senior executive management responsibility:

- Implementing and monitoring the stress testing program, and in accordance with the methodology approved by the Board of Directors, which was originally based on the specific stress tests according to the instructions of the Central Bank of Jordan.

- Ensure that a qualified personal is available in the Risk Management Department to conduct stress tests and that the department has the appropriate tools and means for that.

- Ensuring that an appropriate number of possible scenarios related to the Bank's business are available, provided that these scenarios are understood and documented.

- Use the results of stress testing in setting and determining the degree of risk tolerance of the Bank and in the process of planning for capital and liquidity.

- Setting the appropriate remedial procedures based on the results of the tests carried out by the Executive Management and submitting them to the Risk and Compliance Committee and presenting them to the Board of Directors.

Responsibility of the audit department:

- The Internal Audit Department is responsible for reviewing and evaluating the framework of stress testing, at least annually, and for evaluating and reviewing results to be submitted to the Board of Directors.

Risk Department responsibility:

1- Designing a program of stress testing and using models and methodologies to test its impact on the Bank, so that it covers the following aspects and is not limited to them:

- Stress testing includes scenarios that range from least to most severe.
- Covering all complex financial products, if any.
- It considers potential changes in market conditions that may negatively affect the Bank's exposure to concentration risk.
- Including stress tests to some scenarios related to reputation risks, by reflecting the results of risks that affect the Bank's reputation, which may be reflected on the Bank's liquidity and liquid assets through customers withdrawing their deposits.
- The tests used are consistent with the degree of risk tolerance that the Bank has set for itself, so that the chosen scenarios are commensurate with the size, nature and complexity of the Bank's business and the risks associated with it.
- The stress testing program includes quantitative and qualitative methods to improve the comprehensiveness of these tests and make them supportive and complementary to the models and methods of risk management used in the Bank.
- It includes different types of tests, such as the simple sensitivity analysis based on changes in one risk factor and between scenarios based on statistical methods that take into account the relationships between the causes of systemic risks in times of crisis, knowing that the part related to these scenarios is determined by the Central Bank of Jordan on an annual basis.

2- Organizing an appropriate line of communication between the various parties concerned to take their views on the shocks and potential stressful situations if they occur with the aim of identifying assumptions and scenarios that are appropriate to the internal and external risks that the Bank may be exposed to so that all the parties involved with the Bank participate in this line of communication when determining these tests annually.

3- Submitting the results of the tests to the Basel Committee, an internal evaluation of the capital adequacy, and then to the Risk and Compliance Committee from the Bank's Board of Directors annually.

The Bank's application for defaulting and the defaulting mechanism

The Bank follows and applies the instructions of the Central Bank of Jordan (the regulatory body) related to the International Financial Reporting Standard No. (9) to classify credit facilities in three stages.

1. The Bank's application to default:
The instructions of the Central Bank of Jordan regarding the classification of defaulting loans and the suspension of interest are applied according to the requirements of IFRS (9). As for provisioning, instructions No. (47/2009) and (13/2018) related to the International Financial Reporting Standard (9) are adopted. The most conservative and severe results are taken, except in special cases and with prior approval by the Central Bank of Jordan.

2. The defaulting mechanism:
The Bank follows up with a client before their default with the aim of not reaching the stage of classifying the facilities granted to them. In case the classification is made, a provision is recorded against this loan in accordance to the adopted standards, among the mechanisms used to treat default by the Bank as following:
1- Debt scheduling according to the scheduling principles as per the instructions of the Central Bank of Jordan.
2- Taking legal measures to collect what is owed to the Bank.

The internal credit rating system of the Bank and its mechanism:

The Bank has implemented a credit risk rating system based on Standard and Poor's (S&P) classification models to measure the credit risk of large companies, small and medium-sized companies which would positively reflect on the quality of the credit portfolio and help in making appropriate credit decisions as the following is extracting through the system:

Obligor risk rating (ORR) is divided into measuring the activity standards (qualitative) and the financial standards (quantitative) by:

Specific criteria:

1- Measuring the risks of the countries in which the client practices their activity
2- Measuring the risks of the economic sectors that represent the client's activities
3- Measuring the client's competitive position in detail

Quantity standards:

4- Measuring the client's financial risks by assessing cash flows, receivables, capital structure, and others.

Classification models include (modifier's) quality rates that enhance credit rating accuracy as follows:

1- The impact of the various activities of the client
2- The capital structure
3- Approved financing policy
4- Liquidity assessment
5- Management and governance

Clients are classified on the system to ten levels, where the classification grades are distributed from (1) high quality clients (few risks) to (10) high risk customers.

As a result of assessing the client's credit rating through the system, the probability of default (PD) is determined.

The approved mechanism for calculating expected credit losses on financial instruments:

1- The basic components of calculating the credit loss of financial instruments:

* Clients' staging
* Probability of default ratio Stage 1 (12-month projected credit losses) and stage 2 (expected credit losses over the life of the financial instrument).
* Loss given default (LGD).
* Exposure at default (EAD).

2- Criteria for classifying client according to the stages:

The criteria for classifying the stages is one of the important parameters used to determine the expected credit losses according to the International Financial Reporting Standard No. (9), where financial instruments were classified into three stages in addition to a statement of the credit limitations for the transfer of the financial instrument / exposures between the stages according to the instructions issued by the Central Bank of Jordan No. (13/2018).

3- Probability of default – PD

Corporate portfolio:

Based on the probability of default resulting from the analysis of all quantitative and qualitative data of the client through the credit rating system as this is done through the approved models of the company (S&P) and based on historical data, a future probability of default is calculated and linking it to the macroeconomic indicators, following the stress tests and their results.

Individual portfolio

Individual risk is measured at the level of each product separately (personal loans / housing loans / credit cards / car loans) through the evaluation of the product through customer behavior records and their commitment to pay on the agreed upon times for the last 5 years. The approach roll rate methodology is used in measuring risks of individual customers to link them to all variables of economic factors (gross domestic product, unemployment, inflation) to determine the future risks of individuals' portfolio.

Debt portfolio and money market

The default probability of debt instruments classified under the amortized cost portfolio (AC) and other comprehensive income statement (OCI) is calculated on an individual basis based on the probability of default according to external classification.

Debt instruments issued by the Jordanian government, or guaranteed by it, and current accounts are excluded from calculating the expected credit losses.

4- Loss Given Default - LGD

- For corporate clients, medium and small companies (stage 1 and 2):

The Bank implemented a system based on S&P models to calculate the loss assuming default.

- Individual customers (all stages) and corporates (stage 3)

The percentage of loss is measured on the assumption of default, based on the present value of the guarantees provided by the client based on historical ratios of financial recoveries and converting the guarantees into cash as a result of implementation of the guarantees due to default, taking into account the time dimension and credit dilution, which includes the part covered and not covered by the guarantees according to the requirements of the Central Bank of Jordan.

5- Exposure at Default – EAD

It is defined as the size of the indebtedness to which the Bank may be exposed to the possibility of non-payment if the customer defaults as follows:

- It is the current balance in relation to direct and indirect facilities.
- In the case of ceilings, the value of the amount exposed to default: it is the used balance in addition to a percentage of the unutilized ceiling (direct and indirect) based on a historical study of the extent of utilization of these ceilings.

Governance of implementing the requirements of IFRS 9:

The Bank is adherent to the instructions of institutional governance, including the instructions of the Central Bank of Jordan and the best international practices that were included in the Basel Committee in this regard in a manner that achieves the rule of implementation of the International Financial Reporting Standard. The following are the responsibilities of the Board of Directors, the Executive Management, the concerned committees and departments to ensure the appropriateness of applying the financial reporting standard:

Board responsibilities:

- Approving the policies, assumptions and models used for the application of the standard.

- Approving the expected credit losses in the Bank's financial statements.

- Ensuring proper application of the standard by defining the roles of committees, departments and work units in the Bank and ensuring complementarity of work among them and providing the appropriate infrastructure.

- Overseeing, through the committees of the Board, the Executive Management to develop the necessary systems to provide adequate information in an accurate and safe matter so that it provides the accurate capability of the Bank to record through the participation of all relevant business units in the Bank and under the supervision of the Bank’s Board of Directors and its related committees.

- Approving of amendments that could affect the business model, the Bank’s strategy, measurement and evaluation methodologies for the credit process, pricing and guarantees mechanism for credit products or assets that fall within the standard.

- Ensuring that the Bank manages its credit risk within the appropriate best practices, including effective control systems within the credit process that includes a clear determination of the amount of provisions required for all of its risks.

- Ensuring that the supervisory units in the Bank, specifically risk management, manage the internal audit of all necessary processes to verify the validity and integrity of the methodologies and systems used within the framework of the application of IFRS (9) and work to provide the necessary support for these control units.

Executive management responsibilities:

- Providing the appropriate infrastructure and providing recommendations regarding required changes or improvements that help to implement the standard in an accurate and comprehensive manner that includes qualified personnel and an adequate database in terms of accuracy and comprehensiveness.

- Reviewing the policies, work procedures, regulations and any other relevant standards and explaining their suitability for implementing the standard.

- Distributing tasks and responsibilities and ensuring the participation of all relevant business units in the proper application of the standard.

- Monitoring the periodic reports related to the results of calculating and applying the standard and determine the impact of the application of the standard on the financial position of the Bank.

- Applying corrective measures approved by the Board of Directors.

- Reflecting the impact of the application of the standard on the Bank's strategy and pricing policy.

- It is responsible for any exceptions of the results of the system outputs, the specific procedures and the documented forms of the calculation process.

- Reviewing the staging rules process and make the necessary recommendations.

- View the calculation of expected credit losses and recommend their approval.

- Recommend any exception or amendment to the results of calculating the expected credit losses required and in accordance with clear and documented justifications.

Risks and Compliance Committee responsibilities:

- Reviewing the framework and assumptions for calculating expected credit losses and recommend their approval.

- Supervising the efficiency and effectiveness of the process of calculating the expected credit losses.

Responsibilities of the Audit Committee:

- Ensuring that the Internal Audit Department has verified that the methodologies and systems used in the application of IFRS (9) have been applied.

- Monitoring the compliance with the framework for calculating expected credit losses in accordance with IFRS (9) and ensuring that the internal audit fulfills its duty in this regard.

- Reviewing the financial statements after implementing the standard, in particular verifying the implementation of the instructions of the Central Bank of Jordan regarding the adequacy of provisions and expressing an opinion on the Bank's non-operating loans before submitting them to the Board of Directors.

- Reviewing the observations in the Central Bank's reports and the external auditor's reports and following up on the measures taken in their regard.

- Reviewing the accounting issues that have a material impact on the Bank's financial statements and ensure the accuracy of the accounting and control procedures and its safety and adherence to them.

- Ensuring through the Internal Audit Department that all financial instruments/ credit exposures have been measured for expected credit losses.

Compliance Department responsibilities:

Ensuring compliance with applicable laws and instructions related to preparing the financial statements and applying the required standard and disclosures.

Risk Department responsibilities

- Calculating the expected credit losses

- Reviewing the models and assumptions used for calculating the provision and recommending any required adjustments

- Evaluating the credit rating systems, their parameters, and results.

- Preparing periodic, qualitative and detailed quantitative disclosures required by the Central Bank of Jordan for the purposes of complying with the requirements of the standard.

- Reviewing the transferring process between the different stages and comparing it with the policy of transferring requirements between stages and reviewing these limitations periodically.

Finance Department responsibilities:

- Participating with departments in developing and building the business model, including the classification of the Bank's financial assets in accordance with the principles of IFRS (9).

- Make the necessary accounting adjustments and restrictions after approving the results and verifying that all financial instruments have been accounted for.

- Reviewing the necessary disclosures in cooperation with the relevant departments of the Bank in accordance with the requirements of the standard and the instructions of the Central Bank.

Determinants of significant change in credit risk:

All credit exposures / financial instruments are subject to the measurement of expected credit losses to specific determinants as an indicator to be considered a significant increase in credit risk, so that the financial instrument / credit exposure is transferred between the three phases:

Stage (1): Includes financial assets on initial recognition which have not been exposed to a significant increase in credit risk since the initial recognition or with low credit risks at the date of preparing the financial statements. For these assets, the expected credit losses for the 12-month period that result from potential irregularities within the next 12 months are recognized.

Stage (2): Includes financial assets that have experienced a significant increase in credit risk since the initial recognition but there is no objective evidence of a decrease in their value. For these assets, expected credit losses are recognized for the entire life of the debt, which is the expected credit losses that result from all potential irregularities over the expected life of the financial instrument.

Stage (3): Includes financial assets for which there is objective evidence of a decrease in value at the date of the financial statements in accordance with the indicators specified in the instructions of the Central Bank of Jordan. For these assets, expected credit losses for the entire life are recognized and treated with the calculated interest on them.

The following are the most prominent determinants used to measure the significant change in credit risk:

- There is a decrease or a decline in the actual internal credit rating of the borrower according to the internal evaluation system applied by the Bank compared to the degree of the internal rating of the borrower at the time of granting.
- The presence of unpaid dues on a client or borrower account exceeding a certain period.
- Knowing that the borrower faces difficulties affecting the cash flow
- Violating debt covenants or conditions in a manner that affects the obligation to repay.
- The market value of collaterals declines significantly.
- The possibility of a borrower entering bankruptcy procedures.

The main economic indicators that were used by the bank in calculating the expected credit losses

When measuring the probability of default for different segments, historical information and current conditions are taken into consideration in addition to expected future events in accordance with substantial information that can be relied upon by the Bank.

Economic factors and their expectations have been used for the next five years in three scenarios for each of the ratios (GDP, unemployment, Amman Financial Market Index (local Index), energy index, other indicators (non- energy index), and historical PD ratios) by relying on data issued by the World Bank with regard to Jordan and based on historical data issued by the Amman Financial Market and the Bank's indicators for default.

Extension and termination option in leases contracts

The extension and termination options are included in several leasing contracts, these options are used to increase the operational flexibility in terms of contracts management, most of the extension and termination option are exercisable by both the bank and the lessor.

In determining the lease term, management considers all facts and circumstance that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension option (or periods after termination option) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The evaluation is reviewed in case of occurrence of an important event or significant change in the circumstances that affect this evaluation and that are under the control of the lessee.

Discounting of lease payment

The lease payments are discounted using the Bank's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

(4) Cash and Balances At Central Banks

	31 December 2019	31 December 2018
	JD	JD
Cash in Vaults	17,438,433	20,803,988
Balances at Central Banks:		
Current and Call accounts	15,691,908	15,973,418
Time, notice, and Certificates of Deposits	-	10,635,000
Mandatory Cash Reserve	38,133,794	44,459,712
Total Balances at Central Banks	53,825,702	71,068,130
Total Cash and Balances at Central Banks	71,264,135	91,872,118

- The statutory cash reserve held at central banks amounted to JD 38,133,794 as of 31 December 2019 (31 December 2018: JD 44,459,712).

- Except for the cash reserve with the Central Bank of Jordan, there are no restricted balances as of 31 December 2019 (the cash reserve and capital deposit with the Palestinian Monetary Authority amounted to JD 10,635,000 as of 31 December 2018).

- There are no balances matured in more than three months as of 31 December 2019 and 2018.

- There are no certificates of deposits as of 31 December 2019 and 31 December 2018.

The movement of balances with central banks is as follows:

	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	
				31 December 2019	31 December 2018
	JD	JD	JD	JD	
Total balance at the beginning of the year	71,068,130	-	-	71,068,130	101,587,784
New balances during the year	3,388,248	-	-	3,388,248	1,107,334
Repaid balances	(761,369)	-	-	(761,369)	(31,626,988)
Effect due to adjustments	14,604,254	-	-	14,604,254	-
Transferred to assets held for sale	(34,473,561)	-	-	(34,473,561)	-
Total balance at the end of the year	53,825,702	-	-	53,825,702	71,068,130

- There are no transfers between the stages (stage 1 stage 2, and stage 3) or any written off balances for the year ended 31 December 2019.

(5) Balances At Banks and Financial Institutions

	Banks and Financial Institutions					
	Local		Foreign		Total	
Item	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Current and term accounts	29,671	29,671	7,292,860	9,848,986	7,322,531	9,878,657
Deposits maturing in 3 months or less	29,143,000	23,051,000	255,680	29,236,061	29,398,680	52,287,061
Total	29,172,671	23,080,671	7,548,540	39,085,047	36,721,211	62,165,718
Less: ECL charged for the year	(77,995)	(67,881)	(677)	(102,224)	(78,672)	(170,105)
	29,094,676	23,012,790	7,547,863	38,982,823	36,642,539	61,995,613

- Total balances at banks and financial institutions that are not interest-bearing are JD 7,243,788 as of 31 December 2019 and (JD 13,654,043 as of 31 December 2018).

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

The classification of gross balances with banks and financial institutions according to the Bank's internal credit rating is as follows:

	2019				2018
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
3.5	-	-	-	-	3,442,500
4	-	-	-	-	13,267,000
5.5	255,752	-	-	255,752	16,161,961
7.5	4,963,000	-	-	4,963,000	-
Not rated	31,502,459	-	-	31,502,459	29,294,257
Total	36,721,211	-	-	36,721,211	62,165,718

The movement of balances at banks and financial institutions is as follows:

				Total	
	Stage 1 Individual	Stage 2 Individual	Stage 3	31 December 2019	31 December 2018
	JD	JD	JD	JD	JD
Balance at the beginning of the year	62,165,718	-	-	62,165,718	51,866,315
New balances during the year	21,550,449	-	-	21,550,449	54,490,847
Repaid balances	(49,287,791)	-	-	(49,287,791)	(44,191,444)
Effect due to adjustments	24,010,227	-	-	24,010,227	-
Transferred to assets held for sale	(21,717,392)	-	-	(21,717,392)	-
Total balance at the end of year	36,721,211	-	-	36,721,211	62,165,718

There are no transfers between the stages (stage 1 stage 2, and stage 3) or any written of balances for the year ended 31 December 2019.

The movement on the provision for expected credit losses for balances with banks and financial institutions is as follows:

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2019	170,105	-	-	170,105
ECL for new balances during the year	31,339	-	-	31,339
Recoveries from ECL related to repaid balances	(93,252)	-	-	(93,252)
Effect resulting from implementation of IFRS 9	4,236	-	-	4,236
Transfers to assets held for sale	(33,756)	-	-	(33,756)
Total balance at the end the year	78,672	-	-	78,672

(6) Direct Credit Facilities

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Individuals (retail):		
Overdraft Accounts	364,664	388,050
Loans and Promissory Notes *	180,269,792	185,521,559
Credit Cards	4,274,929	4,008,733
Real Estate Loans	121,834,039	122,849,817
Companies:		
A - Large:		
Overdraft Accounts	76,344,157	91,666,050
Loans and Promissory Notes *	276,490,443	294,635,547
B- SMEs:		
Overdraft Accounts	16,162,824	23,908,023
Loans and Promissory Notes *	34,570,961	47,577,557
Government and Public Sector	20,742,691	34,146,714
Total	731,054,500	804,702,050
(Less): Provision for Expected Credit Losses	(47,974,854)	(59,143,438)
Interest in Suspense	(14,079,271)	(17,684,794)
Net Direct credit Facilities	669,000,375	727,873,818

* Totals after deducting interest and commissions received in advance are JD 2,930,594 as of December 31, 2019 and JD 3,613,185 of December 31, 2018.

- Non-Performing Credit Facilities amounted to JD 84,627,492, make up 11.58% of total direct credit facilities as of December 31, 2019 while JD 95,751,625 representing 11.9% of total direct credit facilities as of December 31, 2018.

- Non-Performing Credit Facilities Net of Interest and Commissions in Suspense totally JD 70,617,431 make -up 9.85% of total direct credit facilities balance as of December 31, 2019 and JD 78,387,696 make up 9.96% of total credit facilities as of December 31, 2018.

- Direct Credit Facilities include facilities granted that are guaranteed by the Government of Jordan amounting to JD 2,500,000 as of December 31, 2019 and JD 7,500,000 as of December 31, 2018. Direct Credit Facilities also include facilities granted to the Palestinian National Authority amounting to JD 13,111,673 as of December 31, 2018.

The movement on direct credit facilities collectively as of 31 December 2019 is as follows:

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	(individual)	(individual)			
	JD	JD	JD	JD	
Balance at the beginning of the year	653,756,856	55,193,569	95,751,625	804,702,050	762,012,050
New credit facilities during the year	94,533,762	7,889,957	543,091	102,966,810	91,119,561
Paid credit facilities during the year	(41,161,105)	(4,669,000)	(2,126,738)	(47,956,843)	(45,483,198)
Transferred to Stage (1)	25,933,017	(23,348,970)	(2,584,047)	-	-
Transferred to Stage (2)	(127,917,341)	134,766,363	(6,849,022)	-	-
Transferred to Stage (3)	(21,550,766)	(4,324,487)	25,875,253	-	-
Effect on total exposure due to re-staging	(47,966,974)	4,966,521	4,071,365	(38,929,088)	(2,014,303)
Written-off Credit Facilities	-	-	(266,036)	(266,036)	(683,805)
Listed in the Regularly Accounts off statement of financial position	-	-	(16,945,960)	(16,945,960)	(248,255)
Transfers to Assets Held for Sale	(55,741,346)	(3,933,051)	(12,842,036)	(72,516,433)	-
Balance at the end of the year	479,886,103	166,540,902	84,627,495	731,054,500	804,702,050

The movement on the provision for expected credit losses collectively and individually as of 31 December 2019 is as follows:

	2019				2018
	Stage (1) (individual)	Stage (2) (individual)	Stage (3) (individual)	Total	Total
	JD	JD	JD	JD	
Balance at the beginning of the year	7,193,440	1,612,270	50,337,728	59,143,438	30,663,170
Impact of implementing IFRS (9)	-	-	-	-	19,382,825
Adjusted beginning balance of the year	7,193,440	1,612,270	50,337,728	59,143,438	50,045,995
New credit facilities during the year	1,020,953	102,945	225,110	1,349,008	1,499,095
Paid credit facilities during the year	(740,676)	(128,751)	(748,004)	(1,617,431)	(405,904)
Transferred to Stage (1)	169,264	(126,934)	(42,330)	-	-
Transferred to Stage (2)	(1,776,246)	2,803,041	(1,026,795)	-	-
Transferred to Stage (3)	(534,211)	(106,331)	640,542	-	-
Effect on total exposure due to re-staging	-	(2,266,685)	7,928,129	5,661,444	12,680,328
Effect due to adjustments	(231,465)	(37,688)	(2,653,045)	(2,922,198)	(4,521,803)
Written-off credit facilities	-	-	(43,550)	(43,550)	(15,112)
Listed in off – balance sheet regulatory accounts	-	-	(9,006,547)	(9,006,547)	(139,161)
Transfers to assets held for sale	(252,839)	(77,387)	(4,259,084)	(4,589,310)	-
Balance at the end of the year	4,848,220	1,774,480	41,352,154	47,974,854	59,143,438

The movement on the provision for expected credit losses during the year ended 31 December 2019 and 2018 is as follows:

For the year ended 31 December 2019	Retail	Real Estate	Corporate	SME's	Governmental and Public	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	14,177,909	1,754,880	39,451,016	3,552,067	207,566	59,143,438
Deductions from revenues during the year	796,606	115,646	266,316	90,046	80,395	1,349,009
recoveries from impairment loss on paid credit facilities	(741,000)	(200,742)	(413,813)	(261,876)	-	(1,617,431)
Transferred to stage (1)	(17,659)	(64,584)	(2,027,635)	(31,314)	-	(2,141,192)
Transferred to stage (2)	(35,780)	56,440	2,584,353	(35,238)	-	2,569,775
Transferred to stage (3)	53,438	8,144	(556,718)	66,552	-	(428,584)
Impact on provision at the end of the year due to reclassification between stages	256,672	213,266	2,506,895	2,684,611	-	5,661,444
Impact from adjustments	344,430	43,649	(3,072,419)	(138,519)	(99,330)	(2,922,189)
Written-off Credit Facilities	(43,559)	-	-	-	-	(43,559)
Expected Credit Losses Provision transferred to off-balance sheet regulatory statement of financial position items	(2,539,265)	(566)	(5,746,750)	(719,966)	-	(9,006,547)
Transfers to Assets Held for Sale	(1,488,048)	(148,707)	(1,738,365)	(1,120,177)	(94,013)	(4,589,310)
Balance at the end of the year	10,763,744	1,777,426	31,252,880	4,086,186	94,618	47,974,854
Re-allocation:						
Provision on an individual basis	10,763,744	1,777,426	31,252,880	4,086,186	94,618	47,974,854
Provision on a collective basis	-	-	-	-	-	-
Total	10,763,744	1,777,426	31,252,880	4,086,186	94,618	47,974,854

* During 2019, an amount of JD 43,559 was written-off from non-performing direct credit facilities according to the Board of Directors' decision (JD 15,112 for the year 2018).

** During 2019, non-performing credit facilities of JD 9,006,547 were transferred out from the statement of financial position (JD 139,160 for the year 2018).

*** Direct credit facilities JD 120,937,156, interest in suspense of (JD 72,034,422), and their related provision of JD 48,902,734 as of December 31 , 2019, after excluding JD 2,455,967, and interest in suspense of (JD 1,457,465), and their related provision of JD 998,502 related to the branches of Palestine were listed in regulatory accounts off the statement of financial position according to the Board of Directors' decision as these accounts are completely covered as of the date of the financial statements.

- The provisions for debts calculated on the basis of the individual customer are disclosed above.

- The amount of provisions that are no longer required due to the settlements or repayments of debts transferred against other debts is JD 12,250,543 as of 31 December 2019 (JD 11,951,923 as of 31 December 2018).

Item	Individual	Real estate	Corporate	SMEs	Governmental and public sector	Total
	JD	JD	JD	JD	JD	JD
Balance as at 1 January 2018:						
	8,349,001	687,546	18,591,384	3,035,239	-	30,663,170
Transition adjustment on adoption of IFRS 9	1,548,468	1,168,465	16,072,124	276,709	317,059	19,382,825
Balance as of 1 January 2018 (Amended)	9,897,469	1,856,011	34,663,508	3,311,948	317,059	50,045,995
Charges during the year	1,016,918	266,540	150,755	64,882	-	1,499,095
Reversal Provision on Impairment	(145,223)	(87,658)	(96,218)	(53,747)	(23,058)	(405,904)
Transfer to stage 1	(124,278)	(80,644)	(720,326)	(67,967)	-	(993,215)
Transfer to stage 2	(60,208)	44,361	173,819	29,234	-	187,206
Transfer to stage 3	184,486	36,283	546,507	38,733	-	806,009
Impact on provision-resulting from reclassification among three stages	3,011,593	695,996	7,866,523	1,106,215	-	12,680,327
Impact from to adjustments	444,718	(976,009)	(3,127,422)	(776,655)	(86,435)	(4,521,803)
Written-off facilities	(15,112)	-	-	-	-	(15,112)
Expected credit losses provision transferred to off – balance sheet regulatory accounts	(53,976)	-	-	(85,184)	-	(139,160)
Balance at the end of the year	14,156,387	1,754,880	39,457,146	3,567,459	207,566	59,143,438
Re-allocation:						
individual	14,156,387	1,754,880	39,457,146	3,567,459	207,566	59,143,438
collective	-	-	-	-	-	-
Total	14,156,387	1,754,880	39,457,146	3,567,459	207,566	59,143,438

The classification of gross balances relating to corporate facilities according to the Bank's internal credit ratings is as follows:

	2019				2018
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
3	-	-	-	-	1,369,785
3.5	2,521,978	-	-	2,521,978	4,836,727
4	-	-	-	-	263,701
4.5	201,773	-	-	201,773	6,699,633
5	8,598,116	4,614,495	-	13,212,611	14,412,592
5.5	28,674,041	27,812,404	25,953,940	82,440,385	48,775,728
6	23,322,949	22,176,314	-	45,499,263	42,140,980
6.5	28,579,985	24,339,425	-	52,919,410	19,649,295
7	21,367,446	14,886,442	-	36,253,888	25,558,460
7.5	36,364,479	12,769,093	-	49,133,572	56,601,308
8	5,027,753	15,777,240	1,625,540	22,430,533	65,867,347
8.5	3,583,088	11,368,714	-	14,951,802	27,188,169
9	-	5,496,366	-	5,496,366	7,656,049
9.5	-	-	241,048	241,048	336,081
10	-	-	-	-	1,842,059
Not rated	2,471,412	371,800	24,834,159	27,677,371	63,204,259
Total	160,713,020	139,612,293	52,654,687	352,980,000	386,402,173

The movement on corporate facilities as of 31 December 2019 is as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD		
Total balance at the beginning of the year	294,485,398	28,706,237	63,210,538	386,402,173	356,472,803
New facilities during the year	27,491,353	5,533,372	78,717	33,103,442	23,362,329
Re-paid/derecognized facilities	(11,073,725)	(1,573,257)	-	(12,646,982)	(9,959,882)
Transfer to stage 1	11,583,715	(11,583,715)	-	-	-
Transfer to stage 2	(115,452,000)	120,284,534	(4,832,534)	-	-
Transfer to stage 3	(10,759,248)	(999,075)	11,758,323	-	-
Effect due to adjustments	(22,332,487)	1,585,680	1,221,852	(19,524,955)	17,152,749
Written off facilities	-	-	-	-	(625,826)
Listed in off – Balance sheet Regulatory Accounts	-	-	(12,253,899)	(12,253,899)	-
Transfers to assets held for sale	(13,229,986)	(2,341,483)	(6,528,310)	(22,099,779)	-
Total balance at the end of year	160,713,020	139,612,293	52,654,687	352,980,000	386,402,173

The movement on the provision for expected credit losses for corporate facilities for the year is as follows:

	31 December 2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	
Balance at the beginning of the year	3,453,840	865,996	35,137,310	39,457,146	18,591,384
Effect of implementing IFRS 9	-	-	-	-	16,072,124
Balance as the beginning of the year	3,453,840	865,996	35,137,310	39,457,146	34,663,508
ECL for new facilities during the year	108,005	87,900	70,411	266,316	150,755
Recoveries from ECL related to settled facilities	(374,078)	(39,735)	-	(413,813)	(96,218)
Transfer to stage 1	32,610	(32,610)	-	-	-
Transfer to stage 2	(1,610,142)	2,626,182	(1,016,040)	-	-
Transfer to stage 3	(450,103)	(9,219)	459,322	-	-
Effect on provision-resulting from reclassification among three stages for the year	-	(1,819,458)	4,326,353	2,506,895	7,866,523
Effect due to adjustments	(211,483)	(18,823)	(2,848,243)	(3,078,549)	(3,127,422)
Written-off facilities	-	-	-	-	-
Listed in the regularly accounts off statement of financial position	-	-	(5,746,750)	(5,746,750)	-
Transferred to assets held for sale	(80,663)	(63,806)	(1,593,896)	(1,738,365)	-
Total balance at the end of year	867,986	1,596,427	28,788,467	31,252,880	39,457,146

The classification of gross balances relating to SMEs Facilities according to the Bank's internal credit rating is as follows:

	2019				2018
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
3	-	-	-	-	85,688
4	-	-	-	-	399,869
5	4,872,436	652,404	77,759	5,602,599	8,275,239
5.5	3,608,590	3,324,563	3,842,175	10,775,328	8,273,656
6	10,071,771	2,934,029	80,360	13,086,160	16,763,463
6.5	2,117,269	1,174,689	-	3,291,958	5,898,711
7	1,045,623	1,332,193	-	2,377,816	5,669,075
7.5	2,914,941	283,397	125,759	3,324,097	12,184,181
8	1,175,187	124,717	3,325	1,303,229	3,190,496
8.5	651,346	87,397	924,621	1,663,364	1,121,177
9	-	293,940	-	293,940	36,174
9.5	-	25,524	-	25,524	116,683
10	-	-	714,091	714,091	36,664
Not rated	4,641,844	86,876	4,179,579	8,908,299	10,058,616
Total	31,099,007	10,319,729	9,947,669	51,366,405	72,109,692

The movement on SMEs facilities at year end is as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	
Balance at the beginning of the year	51,715,921	10,301,671	10,092,100	72,109,692	79,771,793
New facilities for the year	7,314,861	587,399	80,035	7,982,295	6,579,719
Re-paid/derecognized facilities	(7,304,038)	(1,168,611)	(721,614)	(9,194,263)	(11,055,589)
Transfer to stage 1	3,627,489	(3,474,811)	(152,678)	-	-
Transfer to stage 2	(4,655,270)	4,852,144	(196,874)	-	-
Transfer to stage 3	(4,990,683)	(1,874,486)	6,865,169	-	-
Effect due to adjustments	(6,584,508)	1,660,754	(150,203)	(5,073,957)	(3,019,184)
Written-off facilities	-	-	(158,618)	(158,618)	(946)
Listed in the regularly accounts off statement of financial position	-	-	(1,279,640)	(1,279,640)	(166,101)
Transferred to assets held for sale	(8,024,765)	(564,331)	(4,430,008)	(13,019,104)	-
Total balance at the end of year	31,099,007	10,319,729	9,947,669	51,366,405	72,109,692

The movement on the provision for expected credit losses for SMEs facilities for the year is as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	
Balance at the beginning of the year	175,697	152,218	3,239,544	3,567,459	3,035,239
Effect of implementing IFRS 9	-	-	-	-	276,709
Balance at the beginning of the year	175,697	152,218	3,239,544	3,567,459	3,311,948
ECL for new facilities during the year	42,642	1,209	46,195	90,046	64,883
Recoveries from ECL related to settled facilities	(23,975)	(9,769)	(228,132)	(261,876)	(53,747)
Transfer to stage 1	16,818	(16,480)	(338)	-	-
Transfer to stage 2	(22,600)	26,734	(4,134)	-	-
Transfer to stage 3	(25,533)	(45,491)	71,024	-	-
Effect on provision-resulting from reclassification among three stages for the year	(1,011)	(63,948)	2,734,178	2,669,219	1,106,215
Effect due to adjustments	(30,107)	2,169	(110,581)	(138,519)	(776,655)
Listed in the regularly accounts off statement of financial position	-	-	(719,966)	(719,966)	(85,185)
Transferred to assets held for sale	(37,615)	(11,532)	(1,071,030)	(1,120,177)	-
Total balance at the end of year	94,316	35,110	3,956,760	4,086,186	3,567,459

The distribution of total credit facilities according to the Bank's internal credit rating for retail was as follows:

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	
Credit cards	2,940,917	178,626	377,366	3,496,909	3,284,045
Overdraft account	268,763	6,941	88,960	364,664	388,050
Car loans	14,326,787	526,075	1,523,649	16,376,511	18,602,104
Personal loans	152,925,898	2,639,939	8,327,444	163,893,281	166,919,455
	170,462,365	3,351,581	10,317,419	184,131,365	189,193,654

The movement on credit facilities for individuals during the year ended 31 December 2018 was as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total JD
	JD	JD	JD	JD	
Balance at the beginning of the year	168,318,089	6,135,014	14,740,551	189,193,654	177,735,258
New credit facilities during the year	39,118,353	388,882	212,851	39,720,086	35,688,502
Paid credit facilities	(19,605,237)	(932,247)	(1,038,778)	(21,576,262)	(14,734,295)
transferred to stage 1	5,287,850	(3,225,874)	(2,061,976)	-	-
transferred to stage 2	(2,460,953)	2,720,415	(259,462)	-	-
transferred to stage 3	(2,559,886)	(788,411)	3,348,297	-	-
Effect of adjustments	(5,903,498)	(552,698)	81,450	(6,374,746)	(9,389,025)
Written –off credit facilities	-	-	(62,517)	(62,517)	(24,632)
Listed in the regularly accounts off statement of financial position	-	-	(3,345,125)	(3,345,125)	(82,154)
Transferred to assets held for sale	(11,732,353)	(393,500)	(1,297,872)	(13,423,725)	-
Total balance at the end of year	170,462,365	3,351,581	10,317,419	184,131,365	189,193,654

The movement on the provision for expected credit losses for consumer facilities for the year is as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	2,825,968	331,355	10,999,064	14,156,387	8,349,001
Impact of implementing IFRS (9)	-	-	-	-	1,548,468
Balance at the beginning of the year	2,825,968	331,355	10,999,064	14,156,387	9,897,469
Impairment losses on new facilities during the year	708,513	5,757	82,335	796,605	1,016,918
Reversed from impairment losses on matured facilities	(317,459)	(31,964)	(391,577)	(741,000)	(145,223)
Transfer to stage 1	99,453	(59,652)	(39,801)	-	-
Transfer to stage 2	(61,887)	68,275	(6,388)	-	-
Transfer to stage 3	(55,224)	(44,403)	99,627	-	-
Effect on the size of exposures due to reclassification between stages	-	(160,797)	417,469	256,672	3,011,593
Effect of adjustments	261,393	(30,854)	135,413	365,952	444,718
Written-off credit facilities	-	-	(43,559)	(43,559)	(15,112)
Listed in the regularly accounts off statement of financial position	-	-	(2,539,265)	(2,539,265)	(53,976)
Transferred to assets held for sale	(24,969)	(1,085)	(1,461,994)	(1,488,048)	-
Balance - end of the year	3,435,788	76,632	7,251,324	10,763,744	14,156,387

	2019				2018
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
3.5	282,000	-	-	282,000	-
4	167,187	-	-	167,187	354,917
4.5	112,218	-	-	112,218	145,124
5	1,101,197	249,416	-	1,350,613	5,348,608
5.5	31,462,846	2,787,777	562,825	34,813,448	32,682,575
6	4,870,965	1,247,523	-	6,118,488	6,865,239
6.5	1,628,490	-	-	1,628,490	771,794
7	34,345	1,787,958	2,857,722	4,680,025	695,061
7.5	598,735	3,494,879	-	4,093,614	8,539,482
8	45,970	83,757	-	129,727	621,360
8.5	-	1,273,878	-	1,273,878	4,069,966
9	-	-	-	-	4,677,131
Not rated	56,565,068	2,332,109	8,287,174	67,184,351	58,078,560
Total	96,869,021	13,257,297	11,707,721	121,834,039	122,849,817

The movement on credit facilities for real estate during the year ended 31 December 2019 was as follows:

	31 December 2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	105,090,735	10,050,646	7,708,436	122,849,817	107,673,346
New credit facilities for the year	15,728,380	1,380,304	171,489	17,280,173	25,176,511
Paid credit facilities	(3,178,098)	(994,885)	(366,345)	(4,539,328)	(8,392,775)
Transfer to stage 1	5,433,963	(5,064,570)	(369,393)	-	-
Transfer to stage 2	(5,349,117)	6,909,269	(1,560,152)	-	-
Transfer to stage 3	(3,240,948)	(662,515)	3,903,463	-	-
Effect of adjustments	(9,221,231)	2,272,785	2,918,266	(4,030,180)	(1,574,864)
Written-off credit facilities	-	-	(44,901)	(44,901)	(32,401)
Listed in the regularly accounts off statement of financial position	-	-	(67,296)	(67,296)	-
Transferred to assets held for sale	(8,394,663)	(633,737)	(585,846)	(9,614,246)	-
Balance at the end of the year	96,869,021	13,257,297	11,707,721	121,834,039	122,849,817

The movement on the provision for credit loss for real estate credit facilities during the year ended 31 December 2019 was as follows:

	31 December 2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total	Total
	JD	JD	JD	JD	JD
Balance at beginning of the year	530,369	262,701	961,810	1,754,880	687,546
Impact of implementing IFRS (9)	-	-	-	-	1,168,465
Balance at the beginning of the year	530,369	262,701	961,810	1,754,880	1,856,011
Impairment losses on new facilities during the year	81,397	8,080	26,169	115,646	266,540
Recovered from impairment losses on matured facilities	(25,164)	(47,283)	(128,295)	(200,742)	(87,658)
Transferred to stage 1	20,383	(18,192)	(2,191)	-	-
Transferred to stage 2	(81,617)	81,850	(233)	-	-
Transferred to stage 3	(3,350)	(7,218)	10,568	-	-
Effect on the size of exposures due to reclassification between stages	-	(222,803)	436,069	213,266	695,996
Effect of adjustments	(150,927)	10,141	184,435	43,649	(976,009)
Listed in the regularly accounts off statement of financial position	-	-	(566)	(566)	-
Transferred to assets held for sale	(15,579)	(964)	(132,164)	(148,707)	-
Total balance at the end of year	355,512	66,312	1,355,602	1,777,426	1,754,880

The distribution of total credit facilities according to the bank's internal credit rating for the government and public sector was:

	2019				2018
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
5.5	15,861,900	-	-	15,861,900	20,722,608
7	-	-	-	-	312,433
7.5	4,880,791	-	-	4,880,791	13,111,673
Total	20,742,691	-	-	20,742,691	34,146,714

The movement on credit facilities for the government and public sector during the year ended 31 December 2019 was as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at beginning of the year	34,146,714	-	-	34,146,714	40,358,851
New credit facilities during the year	4,880,814	-	-	4,880,814	312,499
paid credit facilities	(7)	-	-	(7)	(1,340,657)
Effect of adjustments	(3,925,251)	-	-	(3,925,251)	(5,183,979)
Transferred to assets held for sale	(14,359,579)	-	-	(14,359,579)	-
Total balance at the end of year	20,742,691	-	-	20,742,691	34,146,714

The movement on the provision for expected credit loss for the government credit facilities as of 31 December 2019 was as follows:

	2019				2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	207,566	-	-	207,566	-
Impact of implementing IFRS (9)	-	-	-	-	317,059
Balance as of 1 January 2019	207,566	-	-	207,566	317,059
Impairment losses on new facilities during the year	80,395	-	-	80,395	-
Reversed from impairment losses on matured facilities	-	-	-	-	(23,058)
Effect of adjustments	(99,330)	-	-	(99,330)	(86,435)
Transferred to assets held for sale	(94,013)	-	-	(94,013)	-
Total balance at the end of year	94,618	-	-	94,618	207,566

Suspended Interest

The movement on suspended interest is as follows:

	Individuals	Real estate loans	Corporates	Small and medium Companies	Government	Total
	JD	JD	JD	JD		JD
For the year ended in 31 December 2019						
Balance at the beginning of the year	1,893,506	1,136,321	12,462,962	2,192,005	-	17,684,794
Add: Interest suspense during the year	987,411	450,378	3,927,138	1,421,527	-	6,786,454
Less: Interest reversed to income during the year	(394,966)	(218,994)	(136,513)	(120,203)	-	(870,676)
Interest in suspense written-off	(18,958)	(44,901)	-	(158,618)	-	(222,477)
Interest in suspense transferred to accounts off-the statement of financial position	(824,996)	(67,065)	(6,507,150)	(597,320)	-	(7,996,531)
Transferred to assets held for sale	(329,444)	-	-	(972,849)	-	(1,302,293)
Balance at the end of the year	1,312,553	1,255,739	9,746,437	1,764,542	-	14,079,271

	Individuals	Real estate loans	Corporates	Small and medium Companies	Government	Total
	JD	JD	JD	JD		JD
For the year ended in 31 December 2018						
Balance at the beginning of the year	1,066,058	837,497	9,712,031	1,716,377	-	13,331,963
Add: Interest suspense during the year	1,060,820	436,698	3,673,486	699,728	-	5,870,732
Less: Interest reversed to income during the year	(9,520)	(32,401)	(625,826)	(946)	-	(668,693)
Interest in suspense written-off	(195,674)	(105,473)	(296,729)	(142,238)	-	(740,114)
Interest in suspense transferred to accounts off-the statement of financial position	(28,178)	-	-	(80,916)	-	(109,094)
Balance at the end of the year	1,893,506	1,136,321	12,462,962	2,192,005	-	17,684,794

(7) Financial Assets at fair Value Through Profit or Loss

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Quoted shares in active markets	1,876,382	1,792,801
Total	1,876,382	1,792,801

(8) Financial Assets at Fair Value Through other Comprehensive Income

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Quoted shares in active markets	6,090,959	8,215,901
Unquoted shares in active markets *	5,014,978	3,699,401
Total financial assets at fair value through other comprehensive income	11,105,937	11,915,302

- Realized loss from the sale of shares at fair value through other comprehensive income amounted to zero for the year ended 31 December 2019. The loss was directly recorded in retained earnings within owners' equity (realized loss of JD 4,820 for the year ended 31 December 2018).

- Cash dividends for the above investments amounted to JD 238,853 for the year ended 31 December 2019 (JD 161,450 for the year ended 31 December 2018).

***** This item includes unquoted financial assets in active markets of local companies evaluated according to the equity method based on the latest available audited or reviewed financial statements.

(9) Financial Assets at Amortized Cost, net

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Treasury bonds and bills – Central Bank of Jordan	272,205,188	295,367,167
Government guaranteed bonds and debentures	-	2,000,000
Companies' bonds and debentures	5,036,000	5,747,900
Total	277,241,188	303,115,067
Less: Provision for expected credit losses	(507,062)	(83,456)
Financial assets at amortized cost, net	276,734,126	303,031,611
Fixed rate	276,734,126	303,031,611
Total	276,734,126	303,031,611

The distribution of the gross balance for financial assets at amortized cost according to the Bank's internal risk rating is as follows:

	2019				2018
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
5.5	-	-	-	-	303,115,067
7.5	275,641,188	-	1,600,000	277,241,188	-
Total	275,641,188	-	1,600,000	277,241,188	303,115,067

The movement of the financial assets at amortized cost as of 31 December 2019 is as follows:

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	Individual	Individual	Individual		
	JD	JD	JD	JD	JD
Fair value at the beginning of the year	303,115,067	-	-	303,115,067	331,324,142
New investments during the year	137,353,987	-	-	137,353,987	19,321,040
Matured investment	(161,673,406)	-	-	(161,673,406)	(47,530,115)
Transferred to stage 3	(2,000,000)	-	2,000,000	-	-
Change in fair value	263,540	-	(400,000)	(136,460)	-
Transferred to assets held for sale	(1,418,000)	-	-	(1,418,000)	-
Total balance at the end of year	275,641,188	-	1,600,000	277,241,188	303,115,067

The movement on the impairment provision for financial assets at amortized cost:

	2019				2018
	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3 (Individual)	Total	Total
	JD	JD	JD	JD	JD
Balance at beginning of the year	83,456	-	-	83,456	-
Impact of implementing IFRS (9)	-	-	-	-	88,756
Balance at beginning of the year	83,456	-	-	83,456	88,756
ECL for new balances during the year	-	-	-	-	7,011
Recoveries from ECL related to matured investment	-	-	-	-	-
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	(28,043)	-	28,043	-	-
Effect of the reclassification between stages	-	-	425,145	425,145	-
Effect of adjustments	24,383	-	-	24,383	(12,311)
Transferred to assets held for sale	(25,922)	-	-	(25,922)	-
Total balance at the end of year	53,874	-	453,188	507,062	83,456

(10) Property and Equipment, Net

	Lands	Buildings	Machines and Office Equipment	Decorations	Vehicles	Computers	Payments for Property and Equipment	Total
2019	JD	JD	JD	JD	JD	JD	JD	JD
Cost:								
Balance at the beginning of the year	2,893,110	19,018,667	10,260,383	6,419,848	362,694	4,873,126	2,065,080	45,892,908
Additions	-	-	560,474	48,843	20,672	115,963	2,037,558	2,783,510
Disposals	-	-	(180,909)	(54,986)	-	(152,217)	-	(388,112)
(Transfer) from payments for acquisition of property and equipment	-	-	1,159,233	967,189	-	517,431	(2,643,853)	-
Transferred to assets held for sale	-	(4,497,106)	(2,699,687)	(1,112,185)	(84,292)	(322,417)	-	(8,715,687)
Balance at the end of the year	2,893,110	14,521,561	9,099,494	6,268,709	299,074	5,031,886	1,458,785	39,572,619
Accumulated Depreciation:								
Balance at the beginning of the year	-	2,580,106	6,418,074	5,192,827	189,876	3,694,186	-	18,075,069
Depreciation for the year	-	653,219	904,932	443,065	49,918	471,656	-	2,522,790
Disposals	-	-	(155,919)	(51,417)	-	(152,197)	-	(359,533)
Transferred to assets held for sale	-	(793,624)	(941,000)	(1,064,520)	(49,174)	(247,786)	-	(3,096,104)
Balance at the end of the year	-	2,439,701	6,226,087	4,519,955	190,620	3,765,859	-	17,142,222
Net book value of property and Equipment at the end of the year	2,893,110	12,081,860	2,873,407	1,748,754	108,454	1,266,027	1,458,785	22,430,397
Depreciation rate %	-	2	10-15	15	15	20	-	
2018								
Cost:								
Balance the beginning of the year	2,828,298	19,018,667	9,608,346	5,975,046	563,705	4,620,633	762,810	43,377,505
Additions	199,039	-	523,004	71,611	51,000	362,129	2,157,095	3,363,878
Disposals	(134,227)	-	(264,372)	(38,122)	(252,011)	(159,743)	-	(848,475)
(Transfer) from payments for acquisition of property and equipment	-	-	393,405	411,313	-	50,107	(854,825)	-
Balance at the end of the year	2,893,110	19,018,667	10,260,383	6,419,848	362,694	4,873,126	2,065,080	45,892,908
Accumulated Depreciation:								
Balance at the beginning of the year	-	2,209,937	5,620,250	4,748,762	305,950	3,330,927	-	16,215,826
Depreciation for the year	-	370,169	1,055,867	478,908	55,355	533,580	-	2,493,879
Disposals	-	-	(258,043)	(34,843)	(171,429)	(170,321)	-	(634,636)
Balance at the end of the year	-	2,580,106	6,418,074	5,192,827	189,876	3,694,186	-	18,075,069
Net book value of property and Equipment at the end of the year	2,893,110	16,438,561	3,842,309	1,227,021	172,818	1,178,940	2,065,080	27,817,839

- Fully depreciated property and equipment amounted to JD (9,239,939) as of 31 December 2019 (JD 8,205,282 as of 31 December 2018).

(11) Intangible Assets, net

	Computers and Software Programs	
	2019	2018
	JD	JD
Balance at the beginning of the year	2,313,919	2,064,338
Additions during the year	343,871	402,382
Payments for the acquisition of intangible assets	192,193	389,549
Amortization for the year	(552,649)	(542,350)
Transferred to assets held for sale	(442,017)	-
Balance at the end of the Year	1,855,317	2,313,919
Annual amortization percentage %	20%	20%

(12) Other Assets

	2019	2018
	JD	JD
Accrued interest and revenue	7,884,644	9,879,893
Prepaid expenses	1,079,518	1,958,727
Assets seized by the Bank against due debts - net *	83,253,775	84,736,553
Assets seized by the Bank sold on installments - net	3,860,517	1,625,766
Refundable deposits	1,120,991	462,906
Clearing cheques	30,216	1,396,495
Purchase of time withdrawals and letters of credit - net	34,858,358	9,289,702
Other	2,367,243	1,738,549
Total	134,455,262	111,088,591

Disclosure on the distribution of total time withdrawals and purchased letters of credit based on the bank's internal credit rating:

	2019				2018
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
5,5	24,586,945	-	-	24,586,945	1,769,664
6	-	-	-	-	677,936
7	6,968,473	-	-	6,968,473	-
8	3,548,509	-	-	3,548,509	3,315,984
Not rated	-	-	-	-	3,539,613
Total	35,103,927	-	-	35,103,927	9,303,197

- Movement on the balances of time withdrawals and letters of credit:

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	9,303,197	-	-	9,303,197	7,322,174
New balances during the year	35,103,927	-	-	35,103,927	7,533,533
Paid balances	(9,303,197)	-	-	(9,303,197)	(5,552,510)
Total for the current year	35,103,927	-	-	35,103,927	9,303,197

- Movement on impairment provision of time withdrawals and purchased letters of credit:

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	13,495	-	-	13,495	-
Impact of the implementation of IFRS (9)	-	-	-	-	10,660
Adjusted balance at the beginning of the year	13,495	-	-	13,495	10,660
New balance during the year	245,569	-	-	245,569	10,919
Paid balances	(13,495)	-	-	(13,495)	(8,084)
Total for the current year	245,569	-	-	245,569	13,495

There are no transfers between stages (1, 2 and 3) or written-off balances during the year ended 31 December 2019.

** The movement summary on assets seized by the Bank against due debts during the year is as follows:

	31 December 2019			31 December 2018
	Seized Properties	Seized Assets Shares	Total	Total
	JD	JD	JD	JD
Balance at beginning of the year, net	84,152,208	584,345	84,736,553	84,318,625
Additions during the year	3,571,616	-	3,571,616	3,092,102
Disposals during the year	(524,143)	-	(524,143)	(2,399,674)
Transfers	(3,305,393)	-	(3,305,393)	267,955
Impairment effect for the year	(1,494,164)	269,306	(1,224,858)	(542,455)
Balance at the end of the year	82,400,124	853,651	83,253,775	84,736,553

***Additional provisions were recorded during the year by about JD 459K.

- The movement on impairment loss on assets seized by the Bank against due debts during the year is as follows:

	31 December 2019			31 December 2018
	Seized Properties	Seized Assets Shares	Total	Total
	JD	JD	JD	JD
Balance - beginning of the year	4,685,051	247,826	4,932,877	4,840,504
Booked provision during the year	1,502,100	272,038	1,774,138	(10,824)
Properties sold on installments during the year	-	-	-	(14,842)
Transfers	-	-	-	118,039
Utilized from provision during the year	(7,936)	-	(7,936)	-
Unrealized loss from seized assets shares	-	(541,344)	(541,344)	450,082
Balance - End of the Year	6,179,215	(21,480)	6,157,735	5,382,959

* According to the Central Bank of Jordan's instructions, properties and shares seized by the Bank against past-due customer debts should be disposed of within two years from their acquisition date. For exceptional cases, the Central Bank of Jordan may extend this period for two additional years.

- There is an impairment loss of around JD 7.9 million against seized assets as of 31 December 2018. Pursuant to Letter No. 10/1/43 dated 31 December 2018, the Central Bank of Jordan approved to allocate the impairment amount over five years in equal amounts starting from the year 2019 as the value of deferred provisions as at 31 December 2019 amounted to JD 6.3 million.

(13) Banks and Financial Institutions Deposits

	31 December 2019			31 December 2018		
	Inside Kingdom	Outside Kingdom	Total	Inside Kingdom	Outside Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	5,002,997	5,002,997	-	5,084,678	5,084,678
Term deposits	71,129,750	11,254,000	82,383,750	87,616,576	24,603,500	112,220,076
Total	71,129,750	16,256,997	87,386,747	87,616,576	29,688,178	117,304,754

Banks' deposits maturing within a period of more than three months amounted to JD 60,000,000 as of 31 December 2019 (JD 66,499,947 as of 31 December 2018).

(14) Customers' Deposits

	31 December 2019				
		Companies			
	Retail	Corporate	Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current and call accounts	35,804,556	25,077,496	34,349,564	6,261,469	101,493,085
Saving deposits	163,566,847	90,636	3,093,229	180,138	166,930,850
Time certificates of deposit	33,911,016	-	12,000	-	33,923,016
Term deposits subject to notice	318,358,531	79,943,535	75,322,721	60,726,655	534,351,442
Total	551,640,950	105,111,667	112,777,514	67,168,262	836,698,393

	31 December 2018				
		Companies			
	Retail	Corporate	Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current and call accounts	46,196,233	19,613,434	40,483,360	14,980,392	121,273,419
Saving deposits	152,696,750	1,158,606	466,116	882,200	155,203,672
Time certificates of deposit	34,418,009	-	16,000	-	34,434,009
Term deposits subject to notice	309,911,416	98,662,774	83,422,699	90,317,299	582,314,188
Total	543,222,408	119,434,814	124,388,175	106,179,891	893,225,288

The Government of Jordan's and the public sector's deposits inside the Kingdom amounted to JD 67,168,262, equivalent to 8.03% of total deposits as of 31 December 2019 (JD 78,922,919 equivalent to 8.8% of total deposits as of 31 December 2018).

Non-interest-bearing deposits amounted to JD 98,042,179, equivalent to 11.7% of total deposits as of 31 December 2019 (JD 120,620,900 equivalent to 13.5 % of total deposits as of 31 December 2018).

Reserved deposits (restricted withdrawals) amounted to JD 8,642,400 equivalent to 1.03% of total deposits as of 31 December 2019 (JD 11,103,462 equivalent to 1.2% of total deposits as of 31 December 2018).

Dormant deposits amounted to JD 6,134,468 as of 31 December 2019 (JD 10,361,366 as of 31 December 2018).

(15) Cash Margins

	31 December 2019	31 December 2018
	JD	JD
Cash margins on direct credit facilities	37,675,432	66,781,807
Cash margins on indirect credit facilities	18,372,477	16,671,068
Marginal cash deals	524,306	964,452
Total	56,572,215	84,417,327

(16) Borrowed Funds

The Borrows Funds' balance amounted to JD 15,402,088 as of 31 December 2019 and JD 12,039,664 as of 31 December 2018. The interest rates ranged between 3% and 10 % as of 31 December 2019 and similarly on 21 December 2018.

31 December 2019	Amount	Utilized	Number of Installments	Guarantees	Interest Rate
	JD	JD			
Loan from the World Bank through the Central Bank of Jordan	2,000,000	1,600,000	20 years, including a 5-year grace period; to be settled in semi-annual installments	-	2.5%
Loan from the Arab Monetary Fund via Central Bank of Jordan	2,100,000	1,365,000	10 years, including a 3 -year grace period; to be settled in semi-annual installments	-	2.5%
Advances from the Central Bank of Jordan	12,363,959	12,363,959	2 years; to be settled in semi-annual installments	-	2.25%
Jordan Mortgage Refinance Company	10,000,000	10,000,000	Bullet payment dated 21/9/2021	Transfer of property mortgage	6.6%
Jordan Mortgage Refinance Company	10,000,000	10,000,000	Bullet payment dated 16/6/2021	Transfer of property mortgage	6.35%
Jordan Mortgage Refinance Company	10,000,000	10,000,000	Bullet payment dated 5/2/2024	Transfer of property mortgage	6.8%
International Fund for Agricultural Development through the Central Bank of Jordan	750,000	754,623	18 years, including a 3-year grace period; to be settled in semi-annual installments	-	2.35%
The Central Bank of Jordan against mortgaged bonds / repurchase agreement	-	50,000,000	Bullet payment dated 6/2/2019	Bonds mortgage	4.75%
Total		96,083,582			

31 December 2018	Amount	Utilized	Number of Installments	Guarantees	Interest Rate
	JD	JD			
Loan from the World Bank through the Central Bank of Jordan	2,000,000	1,800,000	20 years, including a 5-year grace period; to be settled in semi-annual installments	-	2.5%
Loan from the Arab Monetary Fund through the Central Bank of Jordan	2,100,000	1,659,000	10 years, including a 3 -year grace period; to be settled in semi-annual installments	-	2.5%
Advances from the Central Bank of Jordan	9,565,824	9,565,824	2 years; to be settled in semi-annual installments	-	2.25%
Jordan Mortgage Refinance Company	10,000,000	10,000,000	One payment dated 21/9/2021	Transfer of property mortgage	6.6%
Jordan Mortgage Refinance Company	10,000,000	10,000,000	One payment dated 16/6/2021	Transfer of property mortgage	6.35%
International Fund for Agricultural Development through the Central Bank of Jordan	750,000	457,049	18 years, including a 3-year grace period; to be settled in semi-annual installments	-	2.35%
The Central Bank of Jordan against mortgaged bonds / repurchase agreement	-	50,000,000	One payment dated 6/2/2019	Bonds mortgage	4.5%
Total		83,481,873			

- The re-borrowed loans amounted to 15,402,088 as of 31 December 2019 (JD 12,039,664 as of 31 December 2018) with an interest rate ranging 3% up to 10% as of 31 December 2019 (an interest rate ranging 3% up to 10% as of 31 December 2018).

(17) Income Tax

a. Income tax provision

The movement on the provision for income tax during the year was as follows:

	For the year ended 31 December	
	2019	2018
	JD	JD
Balance at the beginning of the year	745,548	3,145,154
Income tax incurred	518,012	670,919
Income tax paid - Palestine branches	-	(187,755)
Income tax paid - Jordan branches	(518,012)	(2,882,770)
Surplus in provision reversed to income – Palestine branches	(745,548)	-
Balance at the end of the year	-	745,548

b. Income tax expense

Income tax expense shown in the statement of income represents the following:

	31 December 2019	31 December 2018
	JD	JD
Income tax incurred on current year profit - Jordan branches	518,012	17,112
Income tax incurred on prior years profit - Jordan branches	-	453,807
Impact of deferred tax assets	1,616,180	609,652
Impact of deferred tax liabilities	36,281	14,107
Total	2,170,473	1,094,678

c. Tax status

The Bank has reached a final settlement with the Income and Sales Tax Department for Jordan branches until the end of the year 2016.

Regarding the year 2017, the income tax return was submitted within the legal period and it was reviewed by the Income and Sales Tax Department. A decision was made that required the Bank to pay a tax difference for the year 2017 by an amount of JD 1.9 million and the Bank has appealed the decision. Regarding the year 2018, the income tax return was submitted within the legal period, but it has not been reviewed yet.

In the opinion of the Bank's management and legal and tax advisors, no liabilities in excess of the provision booked and the advance payments made by the Bank will arise as of the date of the financial statements

d. **Deferred tax assets and liabilities**

	2019					2018
	Balance at the beginning of the year	Additions	Released	Balance at the end of the year	Deferred Tax	Deferred Tax
a. Deferred Tax Assets	JD	JD	JD	JD	JD	JD
Provision for doubtful debts before the year 2000	249,829	-	1,893	247,936	94,217	94,935
Provision for impairment in seized properties	1,998,547	1,956,882	33,584	3,921,845	1,490,301	759,448
Provision for properties seized for more than four years	3,031,904	-	152,911	2,878,993	1,094,017	1,152,124
Provision for seized shares in violation	247,827	272,038	-	519,865	197,549	94,174
Impairment loss on shares seized against debts	1,190,491	-	541,344	649,147	246,676	452,387
Provision for lawsuits against the Bank	141,178	401,848	174,458	368,568	140,056	53,648
Provision for end-of-service indemnity	15,628	2,046	15,618	2,056	781	5,939
Provision for suspended legal fees and expense	1,979,422	402,800	24,207	2,358,015	896,046	752,180
Fair value reserve *	2,646,272	162,600	-	2,808,872	1,067,371	1,005,583
Provision for employees' bonuses	600,350	-	600,350	-	-	228,133
Other provisions	1,375,065	-	-	1,375,065	522,525	522,525
Expected credit loss on balances and deposits in local banks	66,006	11,989	-	77,995	29,638	25,082
Expected credit loss on balances and deposits in foreign banks	49,647	-	48,970	677	257	18,866
Expected credit loss on financial assets at amortized cost	60,711	446,351	-	507,062	192,684	23,070
Expected credit loss on direct credit facilities	16,354,653	-	8,264,004	8,090,649	3,074,447	6,214,768
Expected credit loss on indirect credit facilities	5,348,597	-	1,374,812	3,973,785	1,510,038	2,032,467
Expected credit loss on un-utilized limits of credit facilities / direct	675,623	-	278,815	396,808	150,787	256,737
Expected credit loss on un-utilized limits of credit facilities / indirect	449,293	-	176,658	272,635	103,601	170,731
Expected credit loss on purchase of time withdrawals and letters of credit	13,495	232,074	-	245,569	93,316	5,127
Provision for losses on sale of Palestine branches	-	3,708,487	-	3,708,487	1,409,225	-
Total	36,494,538	7,597,115	11,687,624	32,404,029	12,313,532	13,867,924
b. Deferred tax liabilities						
Unrealized gains on the share's portfolio at fair value through profit or loss	37,123	95,478	-	132,601	50,388	14,107
	37,123	95,478	-	132,601	50,388	14,107

- The deferred tax benefits mentioned above represent deferred tax benefits for Jordan branches only, as there are no deferred tax benefits for the Bank's branches in Palestine.

* Deferred tax assets resulting from valuation loss of financial assets at fair value through other comprehensive income appear within the valuation reserve for financial assets at fair value in the owners' equity statement.

The movement on deferred tax assets during the year was as follows:

	31 December		31 December	
	2019	2018	2019	2018
	Assets	Assets	Liabilities	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the year	13,867,924	4,032,827	14,107	-
Deferred tax assets impact due to IFRS (9) implementation	-	10,093,909	-	-
Adjusted balance at the beginning of the year	13,867,924	14,126,736	14,107	-
Additions during the year	2,886,904	1,972,283	36,281	14,107
Disposals during the year	(4,441,296)	(3,441,958)	-	-
Addition due to tax rate adjustment	-	1,210,863	-	-
Balance at the end of the year	12,313,532	13,867,924	50,388	14,107

Deferred tax assets for Jordan branches have been calculated using a tax rate of 38% as of 31 December 2018 and 2018 in accordance to the income tax rate for banks as per the Income Tax Law No (38) for the year 2018, effective beginning on 1 January 2019.

e. Summary of reconciliation between declared income and taxable Income:

	2019	2018
	JD	JD
Declared income – statement (B)	7,457,546	5,823,800
Add: Non-deductible tax expenses	8,784,996	15,897,673
Less: Exempted tax income	(14,971,929)	(21,721,473)
Adjusted taxable income	1,270,613	-
Income tax rates:	38%	35%

(18) Sundry Provisions

The details of this item are as follows:

2019	Balance at the beginning of the year	Expense for the year	Paid during the year	Transferred to liabilities linked to assets held for sale	Balance at the end of the year
	JD	JD	JD	JD	JD
Provision for lawsuits against the Bank	146,472	401,848	(176,906)	(2,846)	368,568
Provision for end-of-service indemnity	777,794	255,115	(173,193)	(857,660)	2,056
Other provisions	1,000,000	-	-	-	1,000,000
Total	1,924,266	656,963	(350,099)	(860,506)	1,370,624

2018	Balance at the beginning of the year	Expense for the year	Paid during the year	Balance at the end of the year
	JD	JD	JD	JD
Provision for lawsuits against the Bank	110,838	45,364	(9,730)	146,472
Provision for end-of-service indemnity	780,049	245,709	(247,964)	777,794
Other provisions	-	1,000,000	-	1,000,000
Total	890,887	1,291,073	(257,694)	1,924,266

(19) Other Liabilities

The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Acceptable checks	7,162,304	6,163,241
Accrued interest	8,479,402	8,739,300
Refundable and various deposits	2,781,827	2,998,540
Safe deposits boxes	88,429	101,485
Shareholders' deposits	15,759	15,759
Income tax and social security deposits	394,461	363,643
Accrued expenses	574,678	2,055,592
Transactions in transit among branches	1,124,725	491,172
Board of Directors' remunerations	56,250	55,000
Received amounts on the sale of land and real estate*	13,049,944	10,563,174
Inward remittance	203,704	(125)
Expected credit loss on indirect facilities and un-utilized limits**	4,643,231	6,570,764
Other	595,894	294,897
Total	39,170,608	38,412,442

* The movement on this item during the year was as follows:

	31 December 2019	31 December 2018
	JD	JD
Balance at the beginning of the year	10,563,174	8,530,135
Received amounts	3,981,770	2,386,718
Disposals	(1,495,000)	(353,679)
Balance at the end of the year	13,049,944	10,563,174

** Below is the movement on indirect facilities (collectively) as of year-end:

	Stage (1)		Stage (2)			
	Collective	Individual	Collective	Individual	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	303,535,118	-	22,553,969	6,985,922	333,075,009
New exposure during the period	-	49,413,463	-	17,750,069	80,888	67,244,420
Matured exposure	-	(25,273,015)	-	(2,536,912)	(125,427)	(27,935,354)
Transferred to stage (1)	-	7,651,046	-	(7,349,601)	(301,445)	-
Transferred to stage (2)	-	(81,308,326)	-	81,343,670	(35,344)	-
Transferred to stage (3)	-	(4,056,572)	-	(234,050)	4,290,622	-
Effect of the reclassification	-	(10,455,446)	-	(3,000,088)	(1,540,040)	(14,995,574)
Liabilities associated with assets held for sale	-	(10,350,444)	-	-	-	(10,350,444)
Balance at the end of the year	-	229,155,824	-	108,527,057	9,355,176	347,038,057

** Below is the movement on the expected credit loss for indirect facilities (collectively and individually) during the year:

	Stage (1)		Stage (2)			
	Collective	Individual	Collective	Individual	Stage (3)	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	2,427,037	-	514,673	3,629,054	6,570,764
Impairment loss on new exposure during the year	-	135,863	-	38,201	44,485	218,549
Reversed impairment loss on matured exposure	-	(236,649)	-	(156,336)	(29,635)	(422,620)
Transferred to stage (1)	-	7,760	-	(7,415)	(345)	-
Transferred to stage (2)	-	(1,010,988)	-	1,011,001	(13)	-
Transferred to stage (3)	-	(53,893)	-	(2,279)	56,172	-
Effect on provision as of end of the year due to reclassification between the stages during the year	-	-	-	(216,629)	976,932	760,303
Adjustments due to changes	-	(379,838)	-	(147,706)	(1,858,326)	(2,385,870)
Liabilities associated with assets held for sale	-	(97,798)	-	(97)	-	(97,895)
Balance at the End of the Year	-	791,494	-	1,033,413	2,818,324	4,643,231

** Below is the disclosure of the total guarantees according to the Bank's credit rating categories:

	2019				2018
Internal Credit Rating	Stage (1) Collective	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
3.5	-	-	-	-	100,000
4	-	-	-	-	1,333,231
4.5	231,163	-	-	231,163	365,630
5	2,433,082	1,827,874	582,000	4,842,956	6,804,950
5.5	60,788,931	8,663,604	5,650,792	75,103,327	51,649,219
6	22,207,380	9,649,910	7,786	31,865,076	23,047,892
6.5	6,359,019	1,890,044	-	8,249,063	5,405,287
7	13,410,467	1,631,707	-	15,042,174	18,901,867
7.5	7,724,516	980,920	-	8,705,436	13,484,456
8	522,492	121,878	658,793	1,303,163	8,665,598
8.5	306,719	2,200,223	163,550	2,670,492	11,655,700
9	-	244,346	40,000	284,346	543,948
9.5	-	10,000	-	10,000	107,256
Not rated	-	-	-	-	7,899,821
Total	113,983,769	27,220,506	7,102,921	148,307,196	149,964,855

Below is the movement on guarantees as of the end of the year:

	2019				2018
	Stage (1) Collective	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	133,628,904	9,350,029	6,985,922	149,964,855	156,578,864
New exposure during the year	13,561,754	121,849	-	13,683,603	7,554,789
Matured exposure	(4,046,407)	(1,900,812)	(125,427)	(6,072,646)	(4,190,629)
Transferred to stage 1	2,489,259	(2,187,814)	(301,445)	-	-
Transferred to stage 2	(21,735,750)	21,771,094	(35,344)	-	-
Transferred to stage 3	(1,885,205)	(234,050)	2,119,255	-	-
Effect of the adjustments	(3,915,031)	300,210	(1,540,040)	(5,154,861)	(9,978,169)
Liabilities associated with assets held for sale	(4,113,755)	-	-	(4,113,755)	-
Balance at the end of the year	113,983,769	27,220,506	7,102,921	148,307,196	149,964,855

- Below is the movement on the provision of the expected credit losses for guarantees as of year-end:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	2018 Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	1,071,958	384,310	3,629,054	5,085,322	-
Impact of implementing IFRS (9)	-	-	-	-	8,936,655
Adjusted beginning balance of the year	1,071,958	384,310	3,629,054	5,085,322	8,936,655
Impairment loss on new exposure during the year	49,982	250	-	50,232	37,789
Reversed impairment loss on matured exposure	(136,779)	(141,034)	(29,635)	(307,448)	(86,655)
Transferred to stage (1)	2,170	(1,824)	(346)	-	-
Transferred to stage (2)	(365,686)	365,699	(13)	-	-
Transferred to stage (3)	(35,167)	(2,279)	37,446	-	-
Effect on provision as of end of the year due to reclassification between the stages during the year	-	(259,735)	785,381	525,646	922,116
Adjustments due to changes	(79,474)	(102,749)	(1,858,326)	(2,040,549)	(4,724,583)
Liabilities associated with assets held for sale	(60,453)	(97)	-	(60,550)	-
Balance at the end of the year	446,551	242,541	2,563,561	3,252,653	5,085,322

- Below is the disclosure on the total distribution of letters of credit and acceptances according to the Bank's internal credit rating categories:

	2019				2018
Internal Credit Rating	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
4	-	-	-	-	69,442
5	2,086,425	-	-	2,086,425	139,104
5.5	39,979,588	285,772	-	40,265,360	20,723,785
6	41,029	3,793,210	-	3,834,239	11,029,771
6.5	70,146	5,205,257	-	5,275,403	1,475,861
7	-	7,846,454	-	7,846,454	4,665,483
7.5	306,138	-	-	306,138	2,384,727
8	-	11,378,741	-	11,378,741	7,336,032
8.5	-	1,180,776	-	1,180,776	-
9	-	-	-	-	196,598
10	-	-	80,888	80,888	-
Not rated	626,058	-	-	626,058	-
Total	43,109,384	29,690,210	80,888	72,880,482	48,020,803

- The movement on letters of credit and acceptances as at the end of the year was as follows:

	2019				2018
	Stage (1) Collective	Stage (2) Individual	Stage (3) -	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	48,020,803	-	-	48,020,803	58,360,880
New exposures during the year	29,304,272	945,327	80,888	30,330,487	14,709,033
Paid credit facilities	(16,183,532)	-	-	(16,183,532)	(21,104,538)
Transfer to stage (1)	-	-	-	-	-
Transfer to stage (2)	(28,744,883)	28,744,883	-	-	-
Transfer to stage (3)	-	-	-	-	-
Effect of adjustment	11,349,064	-	-	11,349,064	(3,944,572)
Liabilities associated with assets held for sale	(636,340)	-	-	(636,340)	-
Balance at the end of the year	43,109,384	29,690,210	80,888	72,880,482	48,020,803

- The movement on the provision for expected credit loss for letters of credit and acceptances as at year-end was as follows:

	2019				2018
	Stage (1) Collective	Stage (2) Individual	Stage (3) -	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	326,200	-	-	326,200	-
Impact of implementing IFRS (9)	-	-	-	-	428,871
Adjusted beginning balance of the year	**326,200**	**-**	**-**	**326,200**	**428,871**
Credit losses on new exposures during the year	75,161	3,350	44,488	122,999	105,082
Credit loss on paid exposures	(72,973)	-	-	(72,973)	(100,552)
Transfer to stage (1)	-	-	-	-	-
Transfer to stage (2)	(224,439)	224,439	-	-	-
Transfer to stage (3)	-	-	-	-	-
Effect on the provision, as at the end of the year, resulting from the reclassification between the three stages	-	340,385	-	340,385	-
Effect of adjustments	5,516	-	-	5,516	(107,201)
Liabilities associated with assets held for sale	(992)	-	-	(992)	-
Balance at the end of the year	**108,473**	**568,174**	**44,488**	**721,135**	**326,200**

- Disclosure on the total distribution of unused facilities limits according to the Bank's internal credit rating categories:

	2019				2018
	Stage (1)	Stage (2)	Stage (3)		
Internal Credit Rating	Collective	Individual	-	Total	Total
	JD	JD	JD	JD	JD
3	-	-	-	-	85,992
3.5	603,715	-	-	603,715	1,601,169
4	-	-	-	-	2,271,689
4.5	74,745	-	-	74,745	71,870
5	6,279,888	1,583,667	-	7,863,555	7,463,774
5.5	8,937,717	8,249,950	-	17,187,667	37,669,460
6	24,413,784	30,265,821	-	54,679,605	35,103,254
6.5	5,298,437	3,280,674	-	8,579,111	4,889,272
7	5,320,132	1,601,858	-	6,921,990	6,423,481
7.5	4,342,637	2,540,829	-	6,883,466	13,343,963
8	6,429,815	3,028,192	885,330	10,343,337	6,521,087
8.5	1,367,455	1,061,248	-	2,428,703	19,434,664
9	-	-	-	-	209,561
9.5	-	4,101	-	4,101	115
10	-	-	1,286,037	1,286,037	-
Not rated	8,994,347	-	-	8,994,347	-
Total	**72,062,672**	**51,616,340**	**2,171,367**	**125,850,379**	**135,089,351**

- Below is the movement on un-utilized limit facilities:

	2019				2018
	Stage (1)	Stage (2)	Stage (3)		
	Collective	Individual	-	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	121,885,411	13,203,940	-	135,089,351	143,352,343
New exposure during the year	6,547,437	16,682,892	-	23,230,329	25,344,344
Matured exposure	(5,043,075)	(636,100)	-	(5,679,175)	(8,729,669)
Transferred to stage (1)	5,161,787	(5,161,787)	-	-	-
Transferred to stage (2)	(30,827,693)	30,827,693	-	-	-
Transferred to stage (3)	(2,171,367)	-	2,171,367	-	-
Adjustments due to changes	(17,889,479)	(3,300,298)	-	(21,189,777)	(24,877,667)
Liabilities associated with assets held for sale	(5,600,349)	-	-	(5,600,349)	-
Balance at the end of the year	**72,062,672**	**51,616,340**	**2,171,367**	**125,850,379**	**135,089,351**

- Below is the movement on the provision of expected credit losses of un-utilized facilities:

	2019				2018
	Stage (1) Individual	Stage (2) Individual	Stage (3) -	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	1,028,879	130,363	-	1,159,242	-
Impact of implementing IFRS 9	-	-	-	-	973,042
Adjusted beginning balance of the year	1,028,879	130,363	-	1,159,242	973,042
Impairment loss on new exposure during the year	10,718	34,601	-	45,319	320,189
Reversed impairment loss on matured exposure	(26,897)	(15,302)	-	(42,199)	(39,640)
Transferred to stage (1)	5,591	(5,591)	-	-	-
Transferred to stage (2)	(420,863)	420,863	-	-	-
Transferred to stage (3)	(18,726)	-	18,726	-	-
Effect on provision as of end of the year due to reclassification between the stages during the year	-	(297,279)	191,550	(105,729)	48,311
Adjustments due to changes	(305,880)	(44,957)	-	(350,837)	(142,660)
Liabilities directly associated to assets held for sale	(36,353)	-	-	(36,353)	-
Balance at the end of the year	236,469	222,698	210,276	669,443	1,159,242

(20) Authorized and Paid-up Capital

In its extraordinary meeting held on April 30, 2017, the Bank's General Assembly decided to approve the capital increase of JD/share 7,125,000. Accordingly, the Bank's authorized and paid-up capital would become JD/share 120,000,000 through capitalizing part of retained earnings and distributing the amount free of charge to the shareholders. The procedures for the increase in paid-up capital were completed at the Companies Control Department in Jordan on June 7, 2017, whereby authorized and paid-up capital has become JD/share 120,000,000 as of December 31, 2017.

(21) Reserves

a. Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% during the year and previous years according to the Banks Law and Jordanian Companies Law. This amount is not distributable to the shareholders.

b. General Banking Risks Reserve

This reserve represents the general banking risks reserve in accordance with the regulations of the Central Bank of Jordan and the Palestinian Monetary Authority.

The following represents the general banking risks reserve according to the Banks' branches:

	31 December 2019	31 December 2018
	JD	JD
Jordan branches	-	-
Palestine branches*	548,693	-
Total	548,693	-

* The Palestinian Monetary Authority's instructions require that if the required general risk reserve exceeds the expected credit losses for related to stage (1) and (2), then the excess amount remains in general risks reserve account in equity and is not to be used.

C. Cyclicality Reserve

This item represents the cyclicality fluctuations reserve calculated in accordance with the regulations of the Palestinian Monetary Authority at 0-2.5% of as determined by the Authority of risk weighted average assets for the Palestine branches to enhance the Bank's capital in Palestinian to reduce the risk of fluctuations in business cycles and credit granting. The cyclicality fluctuation reserve may not be used or reduced without obtaining the pre-approval of the Palestinian Monetary Authority.

Restricted reserves as of the financial statements date are as follows:

Reserve Name	31 December 2019	31 December 2018	Restriction Nature
	JD	JD	
Statutory reserve	15,460,318	14,714,563	Restricted according to the banks law and companies' law
Cyclicality reserve	3,538,675	2,597,047	Palestinian Monetary authority's requirements
General banking risks reserve	548,693	-	Palestinian Monetary authority's requirements

(22) Fair Value Reserve - Net

	31 December 2019	31 December 2018
	JD	JD
Balance at the beginning of the year	(2,053,183)	(1,504,051)
Unrealized (losses) gains	(158,223)	(552,104)
Released from selling financial assets at fair value through other comprehensive income	-	2,972
Balance at the end of the year	(2,211,406)	(2,053,183)

- Fair value reserve balance includes JD 311,112 as of 31 December 2019 and 2018 against implementation of International Financial Reporting Standard No. (9).

(23) Retained Earnings (Accumulated Losses)

	31 December 2019	31 December 2018
	JD	JD
Balance at the beginning of the year	(1,214,496)	8,125,824
Impact of implementing IFRS 9 (impairment)	-	(30,065,991)
Deferred tax assets calculated due to the implementation of IFRS 9 related to impairment	-	10,093,909
Transfer from the banking general risk reserve due to IFRS 9 implementation	-	7,002,848
Adjusted balance at beginning of the year	(1,214,496)	(4,843,410)
Profit for the year – statement (B)	5,313,066	5,029,366
(Transferred) to reserves	(2,236,076)	(1,395,632)
Realized (losses) from selling financial assets at fair value through other comprehensive income	-	(4,820)
Balance at the end of the year	1,862,494	(1,214,496)

Retained earnings balance includes JD 11,625,433 as of 31 December 2019 of restricted amounts against deferred tax assets according to the Central Bank of Jordan's instructions.

Use of retained earnings balances equal to the negative cumulative change in fair value of financial assets is restricted (including JD 311,112 against the implementation of International Financial Reporting Standard N0. (9)) according to the instructions of the Jordan Securities Commission and the Central Bank of Jordan.

(24) Interest Income

Details of this item are as follows:

	31 December 2019	31 December 2018
Direct credit facilities:	JD	JD
Individuals (retail)		
Overdraft accounts	425,969	149,068
Loans and promissory notes	17,638,187	14,408,309
Credit cards	703,205	632,841
Real - estate loans	8,924,156	6,806,396
Companies		
Large		
Overdraft accounts	6,103,812	5,987,563
Loans and promissory notes	19,670,154	21,539,643
Small and medium		
Overdraft accounts	2,363,721	1,854,553
Loans and promissory notes	2,763,707	3,299,584
Government and public sector	1,764,749	1,502,159
Balances at central banks	888,665	591,318
Balances and deposits at banks and financial institutions	741,907	384,321
Financial assets at amortized cost	12,912,950	16,725,016
Others	71,209	4,457
Total	74,972,391	73,885,228

(25) Interest Expense

Details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Deposits at banks and financial institutions	4,312,026	5,210,965
Customers' deposits		
Current and call accounts	476,750	462,685
Saving accounts	1,464,536	1,825,530
Deposits certificates	28,043,646	28,778,310
Time and notice deposits	1,757,858	1,851,043
Cash margins	2,287,948	2,867,037
Borrowed funds	4,328,321	1,446,997
Deposit Insurance Corporation fees	1,186,581	1,830,190
Total	43,857,666	44,272,757

(26) Net Commission income

Details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Direct credit facilities commissions	2,227,214	2,099,889
Indirect credit facilities commissions	3,560,987	3,119,765
Total	5,788,201	5,219,654

(27) Foreign Exchange Income

Details of this item are as follows:

	2019	2018
	JD	JD
Resulted from trading/transactions	659,984	549,126
Resulted from valuation	448,243	359,591
Margin trading accounts	21,625	103,610
Total	1,129,852	1,012,327

(28) Gain (Loss) from Financial Assets at Fair Value through Profit or Loss

Details of this item are as follows:

	Realized Losses	Unrealized Gains	Dividends	Total
2019	JD	JD	JD	JD
Companies' quoted shares in active markets	(420)	91,316	290	91,186

	Realized Gain	Unrealized Gains	Dividends	Total
2018	JD	JD	JD	JD
Companies' quoted shares in active markets	20,213	397,886	-	418,099

(29) Other Income

Details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Income from credit cards, net	138,147	98,313
Safe boxes rent	68,181	59,386
Transfers income	378,758	331,980
Cheques income	506,048	629,868
Telecommunication income	66,542	75,392
Recovery of debts previously written-off *	1,438,188	1,648,760
Gain from selling property and equipment	295,026	86,109
Gain from seized properties	14,108	17,307
Income from account services	890,107	844,549
Income from reversal of miscellaneous provisions	150,000	-
Insurance income	84,147	126,849
Others	190,831	502,600
Total	4,220,083	4,421,113

This item represents amounts recovered from written - off debts and suspended interest taken during the previous years off-the statement of financial position but recovered during the year ended 31 December 2019 and 2018.

(30) Employees Expenses

Details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Salaries, allowances and employees' benefits	11,642,178	11,669,734
Bank's contribution in social security	1,385,637	1,357,548
Bank's contribution in saving fund	9,523	8,423
Medical expenses	421,950	450,534
Staff training expenses	138,378	229,075
Per diems	112,770	165,412
Employees' life insurance expenses	30,746	27,550
Uniforms	23,345	28,106
Total	13,764,527	13,936,382

(31) Provision for Expected Credit Loss, net

Details of this item are as follows:

	For the year ended December 31				
	2019				2018
	Stage (1)	Stage (2)	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balances and deposits at banks and financial intuitions	(36,981)	-	-	(36,981)	(107,293)
Direct credit facilities	373,272	(1,293,916)	3,001,093	2,080,449	8,677,706
Debt instruments within a portfolio of financial assets at amortized cost	21,206	-	425,145	446,351	(5,300)
Financial guarantees	(166,794)	(503,365)	(1,102,579)	(1,772,738)	(3,830,506)
Unutilized ceilings	(327,501)	(319,523)	191,551	(455,473)	187,643
Letters of credit	9,705	343,735	44,488	397,928	(88,081)
Purchased credits and withdrawals	232,074	-	-	232,074	2,836
Total	104,981	(1,773,069)	2,559,698	891,610	4,837,005

(32) Other Expense

Details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Rent	1,338,735	1,087,688
Stationery and publications	497,985	467,189
Water, electricity and telecommunication expenses	1,312,413	1,293,052
Legal and lawyer fees	451,760	403,165
Maintenance, repair and car expenses	598,131	794,044
Insurance expenses	467,822	431,150
Programs and computers maintenance	1,433,188	1,158,275
Board of Directors' transportation and attendance of meeting fees	404,467	866,737
Fees, licenses and taxes	566,507	656,719
Advertisements	991,815	1,309,198
Subscriptions	754,184	473,781
Professional and consultancy fees	516,771	432,209
Collection incentives	18,853	28
Donations and social responsibility	313,780	312,790
Cleaning and security services	618,152	496,265
Hospitality	110,400	100,742
Board of Directors' remunerations	55,000	55,000
Impairment loss on seized properties	-	50,311
Impairment loss on shares seized against debts	1,415,538	1,936,282
Money shipping expenses	71,425	66,825
Others	123,897	333,425
Total	12,060,823	12,724,875

This item represents the recovery amount of properties provision according to the Central Bank of Jordan's instructions, which has been utilized against decreasing the amount of the impairment in the seized properties.

(33) Earnings Per Share for the Bank's Shareholders

The details of this item are as follows:

Income for the year attributable to the Banks' shareholders - continued operations	2019	2018
	JD	JD
Profit for the year – statement (B)	10,609,758	6,139,627
	Share	Share
Weighted average number of shares	120,000,000	120,000,000
	JD / Share	JD / Share
Earnings per share for the Banks' shareholders – basic and diluted	0.088	0.051

Income for the year attributable to the Banks' shareholders - discontinued operations	2019	2018
	JD	JD
Loss for the year – statement (B)	(5,296,692)	(1,110,261)
	Share	Share
Weighted average number of shares	120,000,000	120,000,000
	JD / Share	JD / Share
Earnings per share for the Banks' shareholders – basic and diluted	(0.044)	(0.009)

Income for the year attributable to the Banks' shareholders	2019	2018
	JD	JD
Profit for the year – statement (B)	5,313,066	5,029,366
	Share	Share
Weighted average number of shares	120,000,000	120,000,000
	JD / Share	JD / Share
Earnings per share for the Banks' shareholders – basic and diluted	0.044	0.042

(34) Cash and Cash Equivalents

The details of this item are as follows:	31 December 2019	31 December 2018
	JD	JD
Balances at central banks due within three months	71,264,135	91,872,118
Add: Balances at banks and financial institutions due within three months	36,642,539	61,995,613
Less: Banks' and financial institutions' deposits due within three months	(27,386,747)	(50,804,807)
Total	80,519,927	103,062,924

(35) Transactions with Related Parties

The Bank entered into transactions with the members of the Board of Directors and related parties and companies represented by the members of the Board of Directors and executive management within the normal banking practice and according to the normal interest rates and trading commissions. All of the credit facilities granted to related parties are considered as performing facilities, and no impairment provision has been taken as of the date of the financial statements.

Financial statements include transactions and balances with related parties as follows:

	BOD Members	Companies Represented by the BOD	Executive Managers	Others	Total 31 December 2019	Total 31 December 2018
	JD	JD	JD	JD	JD	JD
On- Statement of Financial Position Items:						
Deposits	34,868,342	4,146,102	719,691	138,969	39,873,104	13,845,772
Direct credit facilities	955,134	15,495,114	1,391,934	3,827,994	21,670,176	19,502,163
Cash margins	1,151,000	33,164	-	5,035	1,189,199	7,328,678
Off- Statement of Financial Position Items:						
Letters of guarantee	10,000	940,468	-	374,850	1,325,318	529,948
					Total 2019	Total 2018
Income statement items:	JD	JD	JD	JD	JD	JD
Interest and commission income *	83,139	877,743	77,514	37,159	1,075,555	1,132,711
Interest and commission expense **	2,164,280	423,499	17,047	-	2,604,826	2,053,295

*Credit interest rate ranges from 4% to 11.75%.
**Debit interest rate ranges from 1% to 4.5%.

Executive management remunerations

Executive management's salaries and remunerations for the bank amounted to JD 2,675,623 for the year 2019 (JD 3,171,739 for the year 2018)

(36) Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Financial Statements

There are no significant differences between the carrying value and fair value of financial assets and financial liabilities at the end of the year 2019 and 2018.

(37) Risk Management

The Bank's risk management conducts its activities (identification, measurement, management, monitoring and controlling) through applying the best international practices in connection with risk management, administrative organization, and risk management's tools in accordance with the size of the bank, its activities and types of risk it is exposed to.

The organizational structure of the Bank is integrated by risk management control according to each level. Moreover, the corporate Governance Committee, at the Board of Directors' level, decides on the Bank's risk policy and strategy, and ensures the management of risk. This is to ensure setting up and controlling the policies and instructions at an appropriate level for the types of risks the Bank is exposed to until the achievement of the acceptance return for the shareholders without Impacting the Bank's financial strength. In this context, the work of the Risk Management Department is complemented by the work of the committees of executive management such as the Assets and Liabilities Committee and the Credit Facilities' Committee.

a. Credit Risk

The Bank's operations involve the Bank's exposure to many risks such as credit risk relating to the default or inability of the other party to the financial instrument to settle its obligations towards the bank, which causes losses. An important duty of the bank and its management is to ensure that these risks do not go beyond the general framework predetermined in the Bank's credit policy and maintain their levels within a balances relationship among risk, return and liquidity.

Credit management at the bank is conducted by several committees from higher management and executive management. Moreover, credit facilities ceiling that can be granted to one client (individual or corporate) or related parties are specified in compliance with the ratios approved by the Central Bank of Jordan, while relying on the credit facilities distribution method to each credit manager and sector. This is performed by taking into consideration the geographic area in a manner that achieves confluence among risks, returns and the optimal utilization of the available resources and the enhancement of the Bank's ability to diversify lending and allocate it to customers and economic sectors.

The Bank monitors credit risk by periodically evaluating the credit standing of the customers in accordance with the customer's credit valuation system based on credit risk elements and probabilities of non-payment for financial, managerial, or competition reasons. In addition, the Bank obtains proper guarantees from customers for the cases requiring that according to each customer's risk level and extension of additional facilities.

Moreover, the Bank monitors credit risk and is continuously evaluating the credit standing of customers, in addition to obtaining proper guarantees from them.

The Bank's credit risk management policy includes the following:

1. Specifying credit ceilings and concentrations:

   The credit policy includes specific and clear ratios for the maximum credit that can be granted to a customer. Moreover, there are different credit ceiling for each administrative level.

2. Deterring the risk mitigation methods:

   The bank's risk management activity depends on several methods to mitigate risk as follows:

   - Collaterals and their convertibility to cash and coverage of the credit granted.
   - Pre-approval of the credit facilities committee on the credit granted.
   - Credit approval authority varies from one management level to another based on the customer's portfolio size, maturity, and customer's risk degree.

3. Mitigating the assets and liabilities' risk concentration:

   The Bank works efficiently to manage this risk as its annual plan includes the well-studied distribution of credit focusing on the most promising sectors. In addition, credit is distributed to several geographic areas inside and outside of the Kingdom.

4. Studying, monitoring, and following up on credit:

   The Bank developed the necessary policies and procedures to determine the study method of credit, maintaining the objectivity and integrity of decision making, ensuring that credit risk is accurately evaluated, properly approved, and continuously monitored.

   The general framework of the credit policy includes setting up credit approval authorities and clarifying credit limits and the method of determining the risk degree.

   The Bank's organizational structure involves segregating the work units responsible for granting credit from the work units responsible for monitoring credit as regards to the credit terms, sounded of the credit decision, implementation for all credit extension terms, adherence to the credit ceiling and determinants in the credit's policy, and other related matters.

   Moreover, there are specific procedures for following up on performing credit facilities to keep them performing and non-performing credit facilities to treat them.

   The Bank mitigates the assets and liabilities concentration risk through distributing its activities to various sectors and geographic areas inside and outside the kingdom. Moreover, the bank adopts a specific policy that shows the credit ceilings granted to banks and countries with high credit ratings and reviews them continuously though the assets and liabilities committee, to distribute the risk and utilize the credit evaluation. The investment policy specifies the Investment allocation ratios and their determinants in order to distribute them in a way that achieves a high return and lowers the risk.

Exposure to credit risk (net of ECL provision, interest in suspense, collaterals and other risk mitigations)

	31 December 2019	31 December 2018
	JD	JD
On- Statement of Financial Position		
Balances at Central Bank of Jordan	53,825,702	71,068,130
Balances at banks and financial institutions	36,642,539	61,995,613
Deposits at banks and financial Institutions		
Credit Facilities:		
Individual	172,055,068	173,846,927
Real-estate loans	118,800,874	119,958,616
Corporates	311,980,683	334,387,619
Small and medium companies	45,515,677	65,741,508
Government & public sector	20,648,073	33,939,148
Bonds and Treasury Bills:		
Financial assets measured at amortized cost	276,734,126	303,031,611
Other assets	34,858,358	9,289,702
Total	1,071,061,100	1,173,258,874
Off- Statement of Financial Position Items		
Letters of guarantee	145,054,543	144,879,533
Letters of credit	40,052,442	30,262,025
Letters of acceptances	32,106,905	17,432,578
Un-utilized facilities	125,180,936	133,930,109
Total	342,394,826	326,504,245

Distribution of fair value of collaterals obtained against total credit exposures in stage (1) & (2) as of 31 December 2019

Items	Total Exposure Value	Collaterals' Fair Value							Net exposure after collateral	Expected Credit Loss (ELC)
		Cash Margins	Traded Shares	Acceptable LGs	Real Estates	Cars and Mechanics	Others	Total Collateral Value		
Credit exposure related to on- statement of financial position										
Balances at Central Banks	53,825,702	-	-	-	-	-	-	-	53,825,702	-
Balances at Banks and Financial Institution	36,721,211	-	-	-	-	-	-	-	36,721,211	78,672
Credit Facilities:										
Individuals	173,813,946	9,930,833	-	-	7,395,142	13,411,767	-	30,737,742	143,076,204	3,512,420
Real Estate Loans	110,126,318	5,357,631	1,289,026	-	132,204,338	775,738	-	139,626,733	(29,500,415)	421,824
Corporate	300,325,313	10,775,774	16,102,053	-	87,240,606	1,317,025	-	115,435,458	184,889,856	2,464,413
SMEs	41,418,736	6,134,413	788,100	-	31,643,418	1,354,125	-	39,920,056	1,498,681	129,426
Government and Public Sectors	20,742,691	-	-	-	-	-	20,742,691	20,742,691	-	94,618
Financial Assets at Amortized Cost	275,641,188	-	-	-	-	-	272,205,188	272,205,188	3,436,000	53,874
Other Assets	35,103,927	-	-	-	-	-	-	-	35,103,927	245,569
Total exposure related to on-statement of financial position items	1,047,719,032	32,198,651	18,179,179	-	258,483,504	16,858,655	292,947,879	618,667,868	429,051,166	7,000,816
Letters of guarantee	141,204,275	6,240,000	-	-	25,025,754	524,235	-	31,789,989	109,414,286	689,092
Letters of credit	72,799,594	-	-	-	1,572,000	-	-	1,572,000	71,227,594	676,647
Other liabilities	123,679,012	3,705,897	7,090,956	-	15,704,761	217,625	-	26,719,239	96,959,773	459,167
Total exposure related to off-statement of financial position	337,682,881	9,945,897	7,090,956	-	42,302,515	741,860	-	60,081,228	277,601,653	1,824,906
Grand total	**1,385,401,913**	**42,144,548**	**25,270,135**	**-**	**300,786,019**	**17,600,515**	**292,947,879**	**678,749,096**	**706,652,819**	**8,825,722**

Fair value of collaterals obtained against total credit exposures stage (3) as of 31 December 2019:

Items	Total Exposure Value	Collaterals' Fair Value							Net exposure after collateral	Expected Credit Loss (ELC)
		Cash Margins	Traded Shares	Acceptable LGs	Real Estates	Cars and Mechanics	Others	Total Collateral Value		
Credit exposure related to on- statement of financial position										
Balances at Central Banks	-	-	-	-	-	-	-	-	-	-
Balances at Banks and Financial Institution	-	-	-	-	-	-	-	-	-	-
Deposits at Banks and Financial Institution	-	-	-	-	-	-	-	-	-	-
Credit Facilities:										
Individuals	10,317,419	27,825	-	-	323,653	1,279,915	-	1,631,393	8,686,023	7,251,324
Real Estate Loans	11,707,721	21,310	-	-	15,839,400	16,500	-	15,877,210	(4,169,488)	1,355,602
Corporate	52,654,687	-	235,131	-	16,889,020	758,370	-	17,882,521	34,772,166	28,788,467
SMEs	9,947,669	7,500		-	6,259,022	332,750	-	6,599,272	3,348,396	3,956,760
Government and Public Sectors	-	-	-	-	-	-	-	-	-	-
Financial Assets at Amortized Cost	1,600,000	-	-	-	-	-	-	-	1,600,000	453,188
Other Assets	-	-	-	-	-	-	-	-	-	-
Total exposure related to on-statement of financial position items	86,227,496	56,635	235,131	-	39,311,095	2,387,535	-	41,990,396	44,237,097	41,805,341
Letters of guarantee	7,102,921	500	-	-	3,570,757	355,375	-	3,926,632	3,176,289	2,563,561
Letters of credit	80,888	-	-	-	-	-	-	-	80,888	44,488
Other liabilities	2,171,367	-	-	-	-	-	-	-	2,171,367	210,276
Grand total	95,582,672	57,135	235,131	-	42,881,852	2,742,910	-	45,917,028	49,665,641	44,623,666

Below is the distribution of the fair value of the collaterals obtained against direct credit facilities:

			Companies			
	Individual	Real Estate Loans	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
As of 31 December 2019						
Collaterals against:						
Low Risk	3,523,140	194,407	3,886,154	1,117,923	12,693,284	21,414,908
acceptable risk	17,595,396	121,712,590	76,783,381	25,691,073	8,049,386	249,831,826
Watch list	495,425	6,352,517	9,361,274	2,449,744	-	18,658,960
Non- performing:						
Substandard grade	125,053	790,696	526,454	691,821	-	2,134,024
Doubtful	131,833	186,437	1,440,000	567,489	-	2,325,759
Loss	928,876	4,320,070	13,822,106	2,307,772	21	21,378,845
Total	**22,799,723**	**133,556,717**	**105,819,369**	**32,825,822**	**20,742,691**	**315,744,322**
Accepted bank guarantees	6,883,636	4,312,190	10,744,521	6,036,152	-	27,976,499
Real estate	3,810,737	122,128,918	79,247,232	24,770,889	-	229,957,776
Listed shares		6,113,206	13,849,943	420,908	-	20,384,057
Vehicles and equipment	12,105,350	1,002,403	1,977,673	1,597,873	-	16,683,299
Others	-	-	-	-	20,742,691	20,742,691
Total	**22,799,723**	**133,556,717**	**105,819,369**	**32,825,822**	**20,742,691**	**315,744,322**

			Companies			
	Individual	Real Estate Loans	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
As of 31 December 2018						
Collaterals against:						
Low Risk	9,604,176	851,388	9,517,993	3,011,420	25,259,728	48,244,705
Acceptable risk	30,961,110	78,008,729	97,500,571	43,943,153	8,886,987	259,300,550
Watch list	2,322,352	2,661,264	19,005,737	5,707,716	-	29,697,069
Non- performing:						
Substandard grade	732,175	-	-	1,161,937	-	1,894,112
Doubtful	1,093,281	1,892,325	3,305,207	734,659	-	7,025,472
Loss	1,805,963	1,118,964	10,007,077	2,870,968	-	15,802,972
Total	46,519,057	84,532,670	139,336,585	57,429,853	34,146,715	361,964,880
Accepted bank guarantees	11,403,000	3,574,546	24,234,783	12,592,216	-	51,804,545
Real estate	20,312,572	79,940,395	98,563,401	36,554,349	-	235,370,717
Listed shares	48,615	924,145	13,053,118	5,387,633	-	19,413,511
Vehicles and equipment	14,754,870	93,584	3,485,283	2,895,655	-	21,229,392
Others	-	-	-	-	34,146,715	34,146,715
Total	46,519,057	84,532,670	139,336,585	57,429,853	34,146,715	361,964,880

The disclosures below is prepared in two phases (The first phase of the total credit exposure and the second of the expected credit loss) as of 31 December 2019

A. Total credit exposures re-classified

Item	Stage 2		Stage 3		Total	Percentage of
	Total Exposure Value	Reclassified Exposures	Total Exposure Value	Reclassified Exposures	Reclassified Exposure	Reclassified Exposure
	JD	JD	JD	JD	JD	%
Balances at Central Bank	-	-	-	-	-	-
Balances at banks and financial institution	-	-	-	-	-	-
Direct Credit facilities	166,540,902	134,766,363	84,627,495	25,875,253	160,641,616	21.97%
Financial assets at amortized cost	-	-	1,600,000	1,600,000	1,600,000	0.60%
Other assets	-	-	-	-	-	-
Total balance sheet exposure	166,540,902	134,766,363	86,227,495	27,475,253	162,241,616	-
Letters of guarantee	27,220,506	21,771,094	7,102,921	2,119,255	23,890,349	16.11%
Letters of credit	29,690,210	28,744,883	80,888	-	28,744,883	39.44%
Other liabilities	51,616,340	30,827,693	2,171,367	2,171,367	32,999,060	26.22%
Grand total	**275,067,958**	**216,110,033**	**95,582,671**	**31,765,875**	**247,875,908**	**-**

B. Expected credit losses of reclassified exposures:

			Reclassified Exposures					
	Total Exposures reclassified from Stage (2)	Total Exposures reclassified from Stage (3)	Total Reclassified Exposure	Stage (2) (Individual)	Stage (2) (collective)	Stage (3) (Individual)	Stage (3) (collective)	Total
Items	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	-
Balances at banks and financial institution	-	-	-	-	-	-	-	-
Credit facilities	134,766,363	25,875,253	160,641,616	2,803,041	-	640,542	-	3,443,583
Treasury bills and bonds are as follows:								
Financial assets at amortized cost	-	1,600,000	1,600,000	28,043	-	-	-	28,043
Other assets	-	-	-	-	-	-	-	-
Total balance sheet exposure	134,766,363	27,475,253	162,241,616	2,831,084	-	640,542	-	3,471,626
Letters of guarantee	21,771,094	2,119,255	23,890,349	365,699	-	37,446	-	403,145
Letters of credit	28,744,883	-	28,744,883	224,439	-	-	-	224,439
Other liabilities	30,827,693	2,171,367	32,999,060	420,863	-	18,726	-	439,589
Grand total	**216,110,033**	**31,765,875**	**247,875,908**	**3,842,085**	**-**	**696,714**	**-**	**4,538,799**

Collaterals against credit facilities are as the followings:

- Real estate mortgages
- Financial assets such as share
- Banks guarantees
- Government guarantees
- Cash margins

The Bank's Management monitors the collaterals market value periodically in case the value drops the book requests additional collaterals in order to cover the deficit. Moreover, the Bank constantly revaluates collaterals held against nonperforming facilities.

The Bank management monitor the market value of those guarantees periodically. In case the value of the guarantee declines, the Bank request additional guarantees to cover the shortage. Moreover, the bank evaluates the guarantees against nonperforming credit facilities periodically.

Rescheduled loans

These represent loans classified previously as non-performing credit facilities but taken out therefrom according to proper scheduling and classified as watch list loans they amounted to JD 6,568,668 as of 31 December (as of 31 December 2018: JD 14,793,526).

Restructured loans

Restructuring means to rearrange facilities instalments or by increasing their duration postpone some instalments or increase the grace period…etc They are classified as a watch-list debt and it amounted to JD 11,502,671 as of 31 December 2019 (as of 31 December 2018: JD 4,990,290).

Bills bonds and debentures

The table below shows the classification of bills bonds and debentures according to external rating agencies:

As of 31 December, 2019

Rating Grade	Rating Institution	Within financial assets measured at amortized cost	Total
		JD	JD
Unclassified	-	5,036,000	5,036,000
Governmental	Governmental and government bonds	272,205,188	272,205,188
Total		**277,241,188**	**277,241,188**

As of 31 December, 2018

Rating Grade	Rating Institution	Within financial assets measured at amortized cost	Total
		JD	JD
Unclassified	-	5,747,900	5,747,900
Governmental	Governmental and government bonds	297,367,167	297,367,167
Total		**303,115,067**	**303,115,067**

b. Market risks:

Market risk is the optional loss that may arise from the changes in market prices, such as the change in interest rates, foreign currency exchange rates, equity instrument prices, and consequently, the change in the fair value of the cash flows for the financial instruments that are on-and off statement of financial position.

Within the bank's investment policy approved by the Board of Directors, acceptable risks are set and monitored monthly by the Assets and Liabilities Committee, which provides guidance and recommendations thereon. Moreover, the available systems calculate the effect of the fluctuations in interest rates, exchange rates and share prices.

Interest rate risks

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the fair value of the financial instruments. The bank is exposed to the risk of interest rates due to a mismatch or a gap in the amounts of assets and liabilities according to the various time limits or review of interest rates in a certain period. Moreover, the bank manages these risks through reviewing the interest rates on assets and liabilities based on the risk management's strategy.

The Bank is exposed to interest rate risks as a result of the timing gaps of re-pricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee through reviewing the report to identify interest rate risk in the short and long terms and take the proper decisions to restrict these risks in light of the expectations of the interest rate's trend through using all or some of the following methods:

- Repricing deposits and /or loans.
- Changing the maturities and size of the assets and liabilities sensitive to interest rates.
- Buying or selling financial investments.
- Using financial derivatives for interest rate hedging purposes.

Sensitivity analysis

Interest rate risks:

31 December 2019

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	1	18,273	-
Euro	1	(63)	-
British Pound	1	(631)	-
Others	1	9,103	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	1	(18,273)	-
Euro	1	63	-
British Pound	1	631	-
Others	1	(9,103)	-

31 December 2018

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	1	21,690	-
Euro	1	(1,067)	-
British Pound	1	(621)	-
Shekel	1	(340)	-
Others	1	5,199	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	1	(21,690)	-
Euro	1	1,067	-
British Pound	1	621	-
Shekel	1	340	-
Others	1	(5,199)	-

Currency risk:

The table below shows the currencies to which the Bank is exposed to and the effect of a reasonable and possible change on its prices against the Jordanian Dinar on the income statement. The currency position is monitored on a daily basis to ensure that it remains within the specified ceilings and are submitted to the executive management.

31 December 2019

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	5	91,367	-
Euro	5	(317)	-
British Pound	5	(3,155)	-
Other currencies	5	45,517	-

31 December 2018

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
	%	JD	JD
US Dollar	5	108,451	-
Euro	5	(5,336)	-
British Pound	5	(3,105)	-
Shekel	5	(1,699)	-
Other currencies	5	25,993	-

- Foreign currencies risk

Within its approved investment policy, the Bank's Board of Directors sets up limits for the positions of all currencies at the Bank. These positions are monitored daily through the Treasury and Investment Department and are submitted to the executive management to ensure that the currencies positions are within the approved limits.

Risks of Changes in Shares Prices:

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares' indicators and the change in the value of shares individually.

31 December 2019

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
	%	JD	JD
Amman Stock Exchange and Palestine Securities Exchange	5	93,819	304,548
Amman Stock Exchange and Palestine Securities Exchange	(5)	(93,819)	(304,548)

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
	%	JD	JD
Amman Stock Exchange and Palestine Securities Exchange	5	89,640	410,795
Amman Stock Exchange and Palestine Securities Exchange	(5)	(89,640)	(410,795)

- Shares prices risks

The Board of Directors adopts a specific policy in diversifying investments of the shares based on geographic and sectional distribution at predetermined percentages that are monitored daily. According to this policy, it is recommended to invest in listed shares of well-reputed international markets that have a high liquidity rate to face any risks that might arise therefrom.

- Interest repricing gap

The Banks follows a policy to match the amounts of assets and liabilities and align the maturities and to decrease the gap through dividing the assets and liabilities to various periodic maturities or review the interest rates in order to decent the interest rates risk and study the gaps in the related interest rate or by using advanced hedging tools.

Classification is done according to interest re-pricing or maturity whichever is closer.

The Banks follows a policy to match the amounts of assets and liabilities and align the maturities and to decrease the gap through dividing the assets and liabilities to various periodic maturities or review the interest rates in order to decent the interest rates risk and study the gaps in the related interest rate or by using advanced hedging tools.

Classification is done according to interest re-pricing or maturity whichever is closer

Interest rate sensitivity

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From1 to 3 years	Over 3 years	Non - interest bearing Items	Total
31 December 2019	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at central Banks	-	-	-	-	-	-	71,264,135	71,264,135
Balances at banks and financial institutions	29,287,735	111,016	-	-	-	-	7,243,788	36,642,539
Direct credit facilities, net	56,530,601	71,931,023	83,747,529	81,767,909	200,238,387	174,784,926	-	669,000,375
Financial assets at fair value through the income statement	-	-	-	-	-	-	1,876,382	1,876,382
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	11,105,937	11,105,937
Financial assets at amortized costs	22,003,585	30,590,592	62,943,304	-	49,210,278	111,986,367	-	276,734,126
Assets held for sale-net	-	-	-	-	-	-	143,773,084	143,773,084
Property and equipment, net	-	-	-	-	-	-	22,430,397	22,430,397
Intangible assets, net	-	-	-	-	-	-	1,855,317	1,855,317
Right of use asset	79,097	158,194	237,290	474,581	1,898,328	2,294,446	-	5,141,936
Other assets	-	-	-	-	-	-	134,455,262	134,455,262
Deferred tax assets	-	-	-	-	-	-	12,313,532	12,313,532
Total assets	107,901,018	102,790,825	146,928,123	82,242,490	251,346,993	289,065,739	406,317,834	1,386,593,022
Liabilities								
Banks and financial institution deposits	27,386,747	-	2,000,000	3,000,000	55,000,000	-	-	87,386,747
Customers' deposits	439,517,937	141,163,589	104,613,461	71,721,108	79,682,298	-	-	836,698,393
Cash margins	38,889,481	9,130,793	-	6,426,897	1,672,000	16,000	437,044	56,572,215
Borrowed funds	4,259	50,000,000	34,557	7,096,767	-	38,947,999	-	96,083,582
Income tax provision	-	-	-	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-	-	50,388	50,388
lease liabilities	59,562	119,123	178,685	357,369	1,997,114	1,826,414	-	4,538,267
Various provisions	-	-	-	-	-	-	1,370,624	1,370,624
Liabilities held for sale	-	-	-	-	-	-	125,523,424	125,523,424
Other liabilities	-	-	-	-	-	-	39,170,608	39,170,608
Total Liabilities	505,857,986	200,413,505	106,826,703	88,602,141	138,351,412	40,790,413	166,552,088	1,247,394,248
Interest rate sensitivity gap	(397,956,968)	(97,622,680)	40,101,420	(6,359,651)	112,995,581	248,275,326	239,765,746	139,198,774
31 December 2018								
Total Assets	175,113,929	84,627,720	114,407,697	146,648,894	411,442,316	159,000,980	262,328,000	1,353,569,536
Total Liabilities	543,087,478	210,202,963	121,158,101	90,987,927	157,981,005	33,441,788	62,666,343	1,219,525,605
Interest rate sensitivity gap	(367,973,549)	(125,575,243)	(6,750,404)	55,660,967	253,461,311	125,559,192	199,661,657	134,043,931

Foreign Currency risk concentration:

31 December 2019	USD JD	Euro JD	Sterling Pounds JD	Japanese Yen JD	Others JD	Total JD
Assets						
Cash and balances at Central Banks	15,522,743	801,621	210,588	-	124,877	16,659,829
Balances at banks and financial institutions	22,473,276	4,654,852	432,085	-	2,785,567	30,345,780
Direct credit facilities	48,613,425	14,413,680	-	-	-	63,027,105
Financial assets at fair value through other comprehensive income	1,415,404	49,189	-	-	-	1,464,593
Financial assets measured at amortized cost	34,554,836	-	-	-	-	34,554,836
Other assets	20,678,108	36,897	-	-	116,987	20,831,992
Total Assets	143,257,792	19,956,239	642,673	-	3,027,431	166,884,135
Liabilities						
Banks and financial institutions deposits	23,651,975	446,343	23,836	-	241,403	24,363,557
Customers' deposits	111,109,089	20,237,307	1,023,138	-	1,405,320	133,774,854
Cash margins	6,477,361	(732,853)	(356,991)	-	(58,722)	5,328,795
Other Liabilities	225,026	7,103	15,780	-	529,087	776,996
Owners' equity	(32,995)	4,687	-	-	-	(28,308)
Total Liabilities	141,430,456	19,962,587	705,763	-	2,117,088	164,215,894
Net concentration on – statement of financial position	1,827,336	(6,348)	(63,090)	-	910,343	2,668,241
Contingent liabilities off - statement of financial position	103,553,375	647,025	9,298	-	1,252,976	105,462,674
31 December 2018						
Total Assets	146,145,648	23,292,343	889,633	-	39,924,948	210,252,572
Total Liabilities	143,976,629	23,399,061	951,737	-	39,439,063	207,766,490
Net concentration on – statement of financial position	2,169,019	(106,718)	(62,104)	-	485,885	2,486,082
Contingent liabilities off - statement of financial position	63,207,280	3,809,457	8,994	-	488,574	67,514,305

c. Liquidity risk

Liquidity risk is defined as the Bank's inability to make available the necessary funding to fulfil its obligations on their maturities. To protect the Bank against these risks, management diversifies funding sources, manages assets and liabilities, matches their maturities and maintains and adequate balance of cash, cash equivalents and marketable securities.

The Bank's liquidity management policy aims to enhance the pourability of liquidity at the lowest costs possible. Through managing liquidity, the Bank seeks to maintain reliable and stable funding sources at a reasonable cost rate.

Management, measurement, and control of liquidity are conducted based on normal and emergency conditions. This includes analysis of the maturity dated of assets and various financial ratios.

Fund sources:
The Bank diversifies its funding sources to achieve financial flexibility and to lower funding costs.

Moreover, the Bank has a large customer base comprising of individuals, establishments, and corporations, due to its financial strength, the bank has an ability to access cash markets, which represent an additional available funding source.

The existence of the Bank in most of the cities of the Hashemite Kingdom of Jordan in addition to its branches in Palestine enables the Bank to diversify its funding sources and not to rely on one geographic area as a source of funding.

The table below summarizes the distribution of liabilities (un-discounted) based on the remainder of the contractual maturity as of 31 December 2019:

31 December 2019	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 Months to 1 year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks' and financial institution's deposits	27,386,747	-	2,000,000	3,000,000	55,000,000	-	-	87,386,747
Customers' deposits	439,517,937	141,163,589	104,613,461	71,721,108	79,682,298	-	-	836,698,393
Cash margins	2,828,611	5,657,221	8,485,832	11,314,443	28,286,108	-	-	56,572,215
Borrowed funds	4,259	50,000,000	34,557	7,096,767	-	38,947,999	-	96,083,582
Various provisions	-	-	-	370,624	1,000,000	-	-	1,370,624
Income tax provision	-	-	-	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-	-	50,388	50,388
lease liabilities	74,443	129,035	164,784	495,158	1,997,114	1,677,733	-	4,538,267
Other liabilities	-	-	-	-	-	-	39,170,608	39,170,608
Liabilities directly associated to assets held for sale	-	-	125,523,424	-	-	-	-	125,523,424
TOTAL liabilities	469,811,997	196,949,845	240,822,058	93,998,100	165,965,520	40,625,732	39,220,996	1,247,394,248
TOTAL ASSETS (according to expected maturities)	107,905,275	103,202,085	293,423,069	93,172,708	256,806,649	289,065,738	243,017,498	1,386,593,022

31 December 2018	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 months to 1 Year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks' and financial institution's deposits	53,625,226	-	-	8,679,528	55,000,000	-	-	117,304,754
Customers' deposits	423,163,133	143,535,815	121,158,101	70,364,416	96,675,005	-	38,328,818	893,225,288
Cash margins	52,360,700	16,667,148	-	9,083,479	6,306,000	-	-	84,417,327
Borrowed funds	-	50,000,000	-	40,085	-	33,441,788	-	83,481,873
Income tax provision	-	-	-	-	-	-	745,548	745,548
Deferred Tax Liability	-	-	-	-	-	14,107	-	14,107
Various provisions	-	-	-	156,806	1,000,000	-	767,460	1,924,266
Other liabilities	-	-	-	-	-	-	38,412,442	38,412,442
TOTAL	529,149,059	210,202,963	121,158,101	88,324,314	158,981,005	33,455,895	78,254,268	1,219,525,605
TOTAL ASSETS (according to expected maturities)	175,113,929	84,627,720	114,407,697	146,648,894	411,442,316	159,000,980	262,328,000	1,353,569,536

In order to comply with the instructions of the regulatory authorities, the bank maintains part of its customers' deposits at the central banks as a restricted cash reserve that cannot be utilized expect under specified regulations. 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.

The contractual maturity dated of the assets and liabilities in the schedule have been determined based on the remaining period from the date of the 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.

Off- statement of financial position items:

31 December, 2019	Up to 1 Year	from 1-5 Years	Total
	JD	JD	JD
Letters of guarantee	148,307,196	-	148,307,196
Letters of credit and acceptances	72,880,482	-	72,880,482
lease liabilities	1,045,080	-	1,045,080
Un-utilized facilities	63,583,115	-	63,583,115
Total	285,815,873	-	285,815,873
31 December, 2018			
Letters of guarantee	149,964,855	-	149,964,855
Letters of credit and acceptances	48,020,803	-	48,020,803
lease liabilities	1,321,704	-	1,321,704
Un-utilized facilities	75,767,165	-	75,767,165
Total	275,074,527	-	275,074,527

(38) Bank's Segment Information

a. Information on the key business segments

The Bank is organized for managerial purposes, into four major sectors, which are measured according to reports used by the General Manager and key decision makers at the Bank, through the following major sectors:

- Individual accounts: includes following up on individual customers deposits, and granting them credit, credit cards and
- Corporate accounts: includes following up on deposits, credit facilities, and banking services related to corporate
- Treasury: This segment includes providing dealing services and managing the Banks' funds.
- Others: This segment includes the activities which do not meet the definition of the Banks' business segments.

The following table represents information on the Bank's sectors according to activities:

	Individuals	Corporate	Institutional Financing and Treasury	Others	Total – For the year ended 31 December – 31 December 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Gross income for the year – statement (B)	17,898,330	22,032,000	1,954,239	698,331	42,582,900	40,845,114
Less: Expected credit losses allowance	(984,500)	502,260	(409,370)	-	(891,610)	(4,837,005)
Segment results	16,913,830	22,534,260	1,544,869	698,331	41,691,290	36,008,109
Less: distributed segment expenses	(11,337,010)	(13,955,323)	(968,530)	(2,650,196)	(28,911,059)	(28,773,804)
Income before tax	5,576,820	8,578,937	576,339	(1,951,865)	12,780,231	7,234,305
Less: Income tax	-	-	-	(2,170,473)	(2,170,473)	(1,094,678)
Profit for the year from continued operations	5,576,820	8,578,937	576,339	(4,122,338)	10,609,758	6,139,627
Loss for the year from discontinued operations	-	-	-	(5,296,692)	(5,296,692)	(1,110,261)
Income for the year – statement (B)	5,576,820	8,578,937	576,339	(9,419,030)	5,313,066	5,029,366
Capital expenditures	-	-	-	3,319,574	3,319,574	3,766,260
Depreciation and amortization	-	-	-	3,075,439	3,075,439	2,671,352
Total assets	227,021,743	466,899,384	451,305,198	241,366,697	1,386,593,022	1,353,569,536
Total liabilities	562,633,351	271,554,125	250,133,258	163,073,514	1,247,394,248	1,219,525,605

b. Geographical distribution information

This sector represents the geographical distribution of the Banks operation. The Bank operates mainly in the Kingdom, which represents the local business. The Bank also carries out international activities through its branches in Palestine.

The following table shows the distribution of the Bank's income, assets, and capital expenditures by geographical area:

	Inside Jordan		Outside Jordan		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Gross income – statement (B)	44,601,826	43,509,391	(2,018,926)	(2,664,277)	42,582,900	40,845,114
Capital expenditures	2,569,854	2,935,407	749,720	1,220,402	3,319,574	3,766,260

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Bank's Assets	1,213,052,825	1,167,255,511	173,540,197	186,314,025	1,386,593,022	1,353,569,536

1- Credit Exposures Distribution

Internal Credit ratings	Category classification according to (47/2009)	Total exposure	ECL	PD	EAD	LGD
	JD	JD	JD	JD	JD	%
Operating loans						
3.5	Operating	3,407,693	1,539	0.18%	3,032,693	29.39
4	Operating	167,187	-	0.24%	167,187	-
4.5	Operating	619,897	415	0.33%	581,539	17.74
5	Operating	34,881,000	308,216	0.44%	36,419,993	15.87
5.5	Operating	301,290,031	4,122,245	0.65%	314,176,931	21.18
6	Operating	155,002,472	314,903	0.88%	143,535,663	16.78
6.5	Operating	79,943,434	276,543	1.37%	111,301,216	16.17
7	Operating	80,090,821	1,149,661	2.15%	101,703,929	18.9
7.5	Operating	350,532,762	1,461,334	3.83%	355,223,288	26.51
8	Operating	50,437,240	1,432,389	6.56%	60,204,591	18.78
8.5	Operating	23,381,684	731,293	11.29%	28,710,472	16.52
9	Operating	6,074,652	197,457	18.93%	24,741,552	15.55
9.5	Operating	280,673	1,417	31.73%	259,515	5.5
10	Operating	2,081,016	242,465	1.00%	1,381,016	27.51
Not rated	Operating	314,202,154	4,103,206	4.75%	329,358,794	39.17
Total operating loans		**1,402,392,716**	**14,343,083**	**-**	**1,510,798,379**	
Non-operating loans						
5	Non-operating	77,759	50,101	100%	77,079	22
6	Non-operating	80,360	-	100%	66,532	-
8.5	Non-operating	787,328	547,397	100%	739,419	18
Not rated	Non-operating	72,302,124	38,508,809	100%	58,456,122	21
Total non-operating loans		**73,247,571**	**39,106,307**		**59,339,152**	

a. Credit risk exposures categorized by economical distribution:

	2019										
	Financial	Industrial	Trading	Real estate	Services and public facilities	Agricultural	Shares	Individual	Governmental and public sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central bank	53,825,702	-	-	-	-	-	-	-	-	-	53,825,702
Balances at banks and financial institutions	36,642,539	-	-	-	-	-	-	-	-	-	36,642,539
Direct credit facilities	57,272,324	76,294,211	116,600,654	118,800,875	24,325,837	5,534,697	4,979,794	172,055,064	20,648,056	72,488,863	669,000,375
Financial assets at amortized cost	3,938,346	-	590,592	-	-	-	-	-	272,205,188	-	276,734,126
Other assets	-	-	34,858,358	-	-	-	-	-	-	-	34,858,358
Total current year	151,678,911	76,294,211	152,049,604	118,800,875	24,325,837	5,534,697	4,979,794	172,055,064	292,853,244	72,488,863	1,071,061,100
LGs	38,373,733	3,751,061	44,369,644	629,682	43,366,415	23,025	78,708	-	-	14,462,275	145,054,543
LCs	8,649,461	6,630,583	54,196,334	-	2,671,294	-	-	-	-	11,675	72,159,347
Other obligations	9,464,130	14,088,482	51,411,959	2,627,632	26,610,203	59,315	586,246	-	-	20,332,969	125,180,936
Total	208,166,235	100,764,337	302,027,541	122,058,189	96,973,749	5,617,037	5,644,748	172,055,064	292,853,244	107,295,782	1,413,455,926

b. Credit risk exposures categorized by economic sector and stages according to IFRS 9 as of 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	JD	JD	JD	JD
Financial	191,836,929	13,902,951	2,426,355	208,166,235
Industrial	52,471,605	44,874,462	3,418,270	100,764,337
Trading	177,194,075	118,772,590	6,060,876	302,027,541
Real estates	98,777,428	14,145,662	9,135,099	122,058,189
Agricultural	53,839,079	37,531,677	5,602,993	96,973,749
Services and public facilities	2,524,267	3,058,608	34,162	5,617,037
Shares	2,401,174	2,959,610	283,964	5,644,748
Individual	166,999,859	3,265,861	1,789,344	172,055,064
Governmental and Public sector	292,853,244	-	-	292,853,244
Other	65,385,854	33,712,050	8,197,878	107,295,782
Total	1,104,283,514	272,223,471	36,948,941	1,413,455,926

c. Credit risk exposures categorized by geographical distribution:

	Inside Jordan	Middle East	Europe	Asia	Africa	America	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central bank	53,825,702	-	-	-	-	-	-	53,825,702
Balances at banks and financial institutions	29,094,675	2,148,421	3,534,046	19,372	254,989	1,337,087	253,949	36,642,539
Direct credit facilities	654,741,931	-	14,258,444	-	-	-	-	669,000,375
Financial assets at amortized cost	276,734,126	-	-	-	-	-	-	276,734,126
Other assets	34,858,358	-	-	-	-	-	-	34,858,358
Total current year	1,049,254,792	2,148,421	17,792,490	19,372	254,989	1,337,087	253,949	1,071,061,100
LGs	145,054,543	-	-	-	-	-	-	145,054,543
LCs	2,226,732	21,403,892	26,545,988	6,057,584	4,902,150	11,675	11,011,326	72,159,347
Other obligations	125,180,936	-	-	-	-	-	-	125,180,936
Total	1,321,717,003	23,552,313	44,338,478	6,076,956	5,157,139	1,348,762	11,265,275	1,413,455,926

d. Credit exposure categorized by geographical distribution and stages in accordance to IFRS 9 as of 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual	Individual	
Item	JD	JD	JD	JD
Inside Jordan	1,041,641,533	243,126,529	36,948,941	1,321,717,003
Middle east	23,279,176	273,136	-	23,552,312
Europe	30,760,294	13,578,184	-	44,338,478
Asia *	1,854,334	4,222,622	-	6,076,956
AFRICA	5,157,139	-	-	5,157,139
America	1,337,087	11,675	-	1,348,762
Others	253,951	11,011,325	-	11,265,276
Total	1,104,283,514	272,223,471	36,948,941	1,413,455,926

(39) Capital Management

a. Description of Capital

Capital is categorized into various categories, such as paid-up capital, economic capital, and regulatory capital. Moreover, regulatory capital is defined, according to the Banks Law, as the total value of the items determined by the Central Bank for control purposes to meet the requirements of the capital adequacy ratio prescribed in the Central Bank of Jordan instructions.

- Furthermore, regulatory capital consists of two parts: (1) Primary Capital (Tier 1) made up of paid-up capital, declared reserves (including statutory reserve, voluntary reserve, share premium, and treasury share premium), and retained earnings after excluding restricted amounts and non-controlling interests net of loss for the period (if any), costs of the acquisition of treasury shares, deferred provisions approved by the Central Bank, restructuring balance and goodwill Support capital; and
- (2), additional paid-in capital (Tier 2) which consists of foreign currencies translation differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the financial assets' valuation reserve, if positive, and is deducted in full, if negative.
- A third part of capital (Tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.
- Investments in the capitals of banks, insurance and other financial institutions are deducted.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank require that paid-up capital not to be less than JD 100 million and shareholders' equity-to-assets ratio not to be less than 6%. Moreover, the Central Bank instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12% which the Bank considers meeting. Furthermore, the Bank increased its issued and paid-up capital during the year 2016 to become JD/share 120,000,000 as of December 31, 2017, whereby the capital increase procedures were completed on June 7, 2017.

The Bank complies with Article (62) of the Banks Law, which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law, which requires adherence to the limits set by the Central Bank of Jordan relating to:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.
2. The ratio of total loans to permitted regulatory capital granted by the Bank to one person, its allies, or to related stakeholders.
3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets.

When entering investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit, and capital ratios are monitored monthly. Such ratios are financial leverage, shareholders’ equity to assets, shareholders' equity to customers' deposits, internal growth of capital, provisions, and free capital. This should achieve the appropriate financial leverage, and consequently, the targeted return on shareholders' equity not less than 10% as prescribed by the Bank's strategy.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to non-adherence to the minimum capital requirement.

The Bank concentrates on the internal growth of capital and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specified studies.

Capital Adequacy

Capital adequacy ratio is calculated according to the Central Bank of Jordan instructions based on Basel Committee resolutions. The following is the percentage of capital adequacy for the year 2018 in accordance with Basel III:

	31 December 2019	31 December 2018
	JD	JD
Core capital items:		
Subscribed and Paid-up capital	120,000,000	120,000,000
Retained earnings	1,862,494	(1,214,496)
Other comprehensive income items		
Fair value reserve - net	(2,211,406)	(2,053,183)
Statutory reserve	15,460,318	14,714,563
Cyclicality reserve	3,538,675	2,597,047
Total core capital before regulatory amendments	**138,650,081**	**134,043,931**
Less:		
Intangible assets - net	(1,855,317)	(2,313,919)
Deferred tax assets	(12,313,532)	(13,867,924)
Deferred provisions with the approval of the Central Bank	(6,372,212)	(7,870,096)
Total regulatory amendments	**(20,541,061)**	**(24,051,939)**
Net core capital	**118,109,020**	**109,991,992**
Supplementary capital items:		
General banking risks reserve	548,693	-
Provision required against credit facilities in stage 1	6,017,826	9,887,533
Total supplementary capital	**124,675,539**	**119,879,525**

Assets weighted by risks-continuous operations

Credit risk	917,922,978	943,441,362
Market risk	6,490,446	6,410,146
Operation risk	76,524,519	88,975,817
Total assets weighted by risks-continued operations	1,000,937,943	1,038,827,325
Credit risk	105,419,438	-
Market risk	300,567	-
Operation risk	10,071,329	-
Total assets weighted by risks-discontinued operations	115,791,334	-
Total assets weighted by risks	1,116,729,277	1,038,827,325
Ratio of regulatory capital	11.16%	11.54%
Core capital ratio	10.58%	10.59%

(40) Accounts managed by the bank on behalf of its customers

There is no investment portfolio managed by the Bank on behalf of its clients.

(41) Assets and liabilities Maturity Analysis:

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement:

31 December 2019	Up to One Year	More than One Year	Total
	JD	JD	JD
Assets:			
Cash and balances at central banks	71,264,135	-	71,264,135
Balances at banks and financial institutions	36,642,539	-	36,642,539
Direct credit facilities – net	293,977,062	375,023,313	669,000,375
Financial Assets fair valued through profit or loss	1,876,382	-	1,876,382
Financial assets at fair value through other comprehensive income	6,782,168	4,323,769	11,105,937
Financial assets measured at amortized cost	115,537,481	161,196,645	276,734,126
Properties, equipment and projects under construction - net	-	22,430,397	22,430,397
Intangible assets - net	-	1,855,317	1,855,317
Right-of-use assets	-	5,141,936	5,141,936
Other assets	-	134,455,262	134,455,262
Assets held for sale, net	143,773,084	-	143,773,084
Deferred tax assets	-	12,313,532	12,313,532
Total Assets	669,852,851	716,740,171	1,386,593,022
Liabilities:			
Banks and financial institutions deposits	32,386,747	55,000,000	87,386,747
Customers deposits	757,016,095	79,682,298	836,698,393
Cash margins	28,286,107	28,286,108	56,572,215
Borrowed funds	57,135,583	38,947,999	96,083,582
Provision for income tax	-	-	-
Various provisions	370,624	1,000,000	1,370,624
Deferred tax liabilities	-	50,388	50,388
lease liabilities	863,420	3,674,847	4,538,267
Other liabilities	-	39,170,608	39,170,608
Liabilities directly associated with assets held for sale	125,523,424	-	125,523,424
Total Liabilities	1,001,582,000	245,812,248	1,247,394,248
Net Assets	(331,729,149)	470,927,923	139,198,774

31 December 2018	Up to One Year	More than One Year	Total
Assets:	JD	JD	JD
Cash and balances at central banks	91,872,118	-	91,872,118
Balances at banks and financial institutions	61,995,613	-	61,995,613
Direct credit facilities - net	305,147,151	422,726,667	727,873,818
Financial Assets fair valued through profit or loss	1,792,801	-	1,792,801
Financial assets at fair value through other comprehensive income	9,135,342	2,779,960	11,915,302
Financial assets measured at amortized cost	165,949,982	137,081,629	303,031,611
Properties, equipment and projects under construction - net	-	27,817,839	27,817,839
Intangible assets - net	-	2,313,919	2,313,919
Deferred tax assets	13,635,106	232,818	13,867,924
Other assets	111,088,591	-	111,088,591
Total assets	760,616,704	592,952,832	1,353,569,536
Liabilities:			
Banks and financial institutions deposits	62,304,754	55,000,000	117,304,754
Customers deposits	775,874,638	117,350,650	893,225,288
Cash margins	43,790,227	40,627,100	84,417,327
Borrowed funds	50,040,085	33,441,788	83,481,873
Provision for income tax	-	745,548	745,548
Various provisions	156,806	1,767,460	1,924,266
Deferred tax liabilities	14,107	-	14,107
Other liabilities	36,239,387	2,173,055	38,412,442
Total liabilities	968,420,004	251,105,601	1,219,525,605
Net assets	(207,803,300)	341,847,231	134,043,931

(42) Fair Value Measurement

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

Some of the financial assets and financials liabilities are measured at fair value at the end of each reporting period, the following table gives information about how the fair value of these financial asset and financial liability are determined (valuation techniques & key inputs):

	Fair value					
Financial assets / Financial liabilities	31 December 2019	31 December 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs of fair value
	JD	JD				
Financial assets at fair value through the income statement						
Companies stocks	1,876,382	1,792,801	Level 1	Announced prices in financial markets	Not applicable	Not applicable
Total	1,876,382	1,792,801				
Financial assets at fair value through other comprehensive income						
Quoted shares	6,090,959	8,215,901	Level 1	Announced prices in financial markets	Not applicable	Not applicable
Unquoted shares	5,014,978	3,699,401	Level 2	Through comparison of fair value of similar financial instrument	Not applicable	Not applicable
	11,105,937	11,915,302				

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

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

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

	31 December 2019		31 December 2018		
	Book value	Fair value	Book value	Fair value	Fair value Hierarchy
	JD	JD	JD	JD	
Financial assets with no specified fair value					
Deposits at Central Banks	53,825,702	53,825,702	71,068,130	71,069,004	Level 2
Balances and deposits at banks and financial institutions	36,642,539	36,659,857	61,995,613	62,745,712	Level 2
Loans and advances	669,000,375	673,443,153	727,873,818	731,538,244	Level 2
Financial assets at amortized cost	276,734,126	279,857,387	303,031,611	308,492,216	Level 1
Total financial assets with no specified fair value	**1,036,202,742**	**1,043,786,099**	**1,163,969,172**	**1,173,845,176**	
Financial liabilities with no specified fair value					
Banks and financial institutions deposits	87,386,747	90,951,231	117,304,754	120,673,733	Level 2
Customer deposits	836,698,393	841,176,294	893,225,288	897,603,230	Level 2
Cash margin	56,572,215	56,980,987	84,417,327	85,339,328	Level 2
Borrowed funds	96,083,582	96,111,737	83,481,873	83,522,255	Level 2
Total financial liabilities with no specified fair value	**1,076,740,937**	**1,085,220,249**	**1,178,429,242**	**1,187,138,546**	

For the items listed above, the fair value of the financial assets and liabilities classified as level two has been determined in accordance with generally accepted pricing models that reflect the credit risk of counterparties.

(43) Commitments and Contingent liabilities (off-Statement of Financial Position)

a. The details of this item are as follows:

	31 December 2019	31 December 2018
	JD	JD
Letter of credit	40,484,523	30,416,262
Acceptances	32,395,959	17,604,541
Letter of guarantees:		
-Payment	28,608,707	22,488,576
-Performance bonds	64,340,267	58,827,263
-Others	55,358,222	68,649,016
Unutilized direct credit facilities ceilings	63,583,115	75,767,165
Total	284,770,793	273,752,823

b. Operating leases amounted to JD 1,045,080 as of 31 December 2019 (JD 1,321,704 as of 31 December 2018)

(44) Litigation

- Lawsuits raised against the Bank amounted to JD 20,897,947 as at 31 December 2019 (31 December 2018: JD 10,033,504). In the opinion of the Bank's management and the legal advisor, no further liabilities exceeding the provision of JD 368,568 is required as at 31 December 2019 (31 December 2018: JD 146,472).

(45) Assets Held for Sale and Discounted Operations

On 28 November 2018, an agreement was signed between the Jordan Commercial Bank and the National Bank of Palestine whereby the National Bank of Palestine acquires most of the Jordan Commercial Bank's branch in Palestine at their book value as of 31 December 2019 in exchange for a 15% of the National Bank's capital for the Jordan Commercial Bank as a strategic partner. The Bank's management expects to complete this agreement during the second half of 2020. This is in accordance with the requirements of the International Financial Reporting Standard No. (5). The comparative figures have been reclassified in the statement of income to show the results of the Bank's branches in Palestine in the line item (loss) gain from discontinued operations as well as transferring all sold assets to assets held for sale and the sold liabilities to liabilities directly associated with assets held for sale. Comparative figures in the statement of financial position have not been reclassified.

The results of performing discounted operations that are included in income for the year are as follow:

	2019	2018
	JD	JD
Credit facilities	5,215,733	5,145,689
Less: debit facilities	(3,703,989)	(2,463,607)
Net interest income	1,511,744	2,682,082
Net commission income	151,202	261,862
Net interest and commission income	1,662,946	2,943,944
Foreign currency earnings	111,793	61,963
Returns on dividends on financial assets at fair value through the statement of comprehensive income	191,368	191,368
Other income	538,143	524,078
Gross income	2,504,250	3,721,353
Total employees' costs	2,013,715	1,799,246
Depreciation and amortization	512,751	364,877
Provision for expected credit losses - net	373,500	569,358
Other Provisions	253,069	237,662
Provision for losses on the sale of Palestine branches	3,708,487	-
Other expenses	1,895,531	1,660,471
Total expenses	8,757,053	4,631,614
(Loss) before tax	(6,252,803)	(910,261)
Income tax	956,109	(200,000)
(Loss) for the year from discontinued operations	(5,296,692)	(1,110,261)

The details of assets held for sale and the liabilities associated with assets held for sale are as follows:

	Notes	Balance before loss as of 31 December 2019	Loss on sale	Net balance as of 31 December 2019
Assets				
Cash and balances with central banks	4	45,640,351	-	45,640,351
Balances at banks and financial institutions	5	23,838,000	-	23,838,000
Direct credit facilities, net	6	66,624,830	-	66,624,830
Financial assets at fair value through other comprehensive income		2,009,364	-	2,009,364
Financial assets at amortized cost, net	9	1,392,078	-	1,392,078
Property and equipment, net	10	5,619,583	(3,266,470)	2,353,113
Intangible assets, net	11	442,017	(442,017)	-
Other assets		1,915,348	-	1,915,348
Total assets held for sale		147,481,571	(3,708,487)	143,773,084
Liabilities				
Bank deposits and banking institutions		18,969,978	-	18,969,978
Customer deposits		98,748,808	-	98,748,808
Cash margins		4,610,741	-	4,610,741
Sundry provisions	18	860,506	-	860,506
Other liabilities		2,333,391	-	2,333,391
Total liabilities associated with assets held for sale		125,523,424	-	125,523,424

(46) New International Financial Reporting Standards and its explanations and issued amendments and not implemented yet

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Bank does not expect to be affected by this standard.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. 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.' The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The bank has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

(47) Comparative Figures

Some of the comparative figures in the financial statements for the year 2018 have been reclassified to be consistent with the year 2019 presentation, with no effect on profit and equity for the year 2018.

(48) Events after reporting period

At the beginning of 2020, the presence of the new Coronavirus (19-COVID) was confirmed and had spread worldwide and caused disruption to economic and commercial activities. Management believes that this matter is not considered an event that requires the amendment of the financial statements and accordingly financial statements were not amended.

As this situation is rapidly changing and evolving, the management does not believe that it is feasible in practical terms to estimate the potential financial impact of this epidemic on the financial statements of the Bank. However, the management will continue to monitor the situation closely and will assess the impact on the expected credit losses and the assessment in investments in addition to its impact on the Banks' continuity of the financial statements in subsequent periods.