

<p>نموذج رقم (3-1) Form No. (1-3)</p>		9200
<p>Jordan Islamic Bank</p>		<p>البنك الإسلامي الأردني</p>
<p>To: Jordan Securities Commission Amman Stock Exchange Date:- 31/03/2019 <u>Subject: Annual Report for the fiscal year ended 31/12/2018</u></p>	<p>السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ:- 2019/03/31 <u>الموضوع : التقرير السنوي للسنة المنتهية في 2018/12/31</u></p>	
<p>Attached the Annual Report of (Jordan Islamic Bank) for the fiscal year ended at 31/12/2018.</p>	<p>مرفق طيه نسخة من التقرير السنوي لشركة (البنك الإسلامي الأردني) عن السنة المالية المنتهية في 2018/12/31.</p>	
<p>Kindly accept our highly appreciation and respect</p> <p>General Manager's </p>	<p>وتفضلوا بقبول فائق الاحترام،،،</p> <p>المدير العام </p>	

- المرفقات : قرص مدمج يحتوي على التقرير السنوي لعام 2018 على هيئة ملف PDF.

* نسخة إلى :-

الدائرة المالية

أمين سر مجلس الإدارة

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١ ٣ ٢ آذار ٢٠١٩
الرقم المتسلسل: ١ ٧١٥
رقم الملف: ١١٥٥١
الجهة المختصة: ٩٠١١١١١١

JORDAN ISLAMIC BANK - PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

JORDAN ISLAMIC BANK – PUBLIC SHAREHOLDING COMPANY

AMMAN – JORDAN

Table of Contents

Auditor's Report

	<u>Statement</u>
Consolidated Statement of Financial Position	A
Consolidated Income Statement	B
Consolidated Statement of Other Comprehensive Income	C
Consolidated Statement of Changes in Owner's Equity	D
Consolidated Statement of Cash Flows	E
Consolidated Statement of Sources and Uses of Al Qard Al Hasan Fund	F
	<u>Page</u>
Notes to the Consolidated Financial Statements	1-104

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jordan Islamic Bank
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jordan Islamic Bank (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and consolidated statement of sources and uses of funds of Al Qard Al Hasan fund for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and in accordance with Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

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

Key Audit Matters

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

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

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

Disclosures related to the expected credit loss of receivables and financing (Deferred sales receivables, Ijarah Muntahia Bittamleek receivables, Al Qard Al Hasan and other receivables), balances and investment accounts at banks and financial institutions and financial assets at amortized cost are detailed in notes (2), (5), (6), (7), (9), (12) and (15) of the consolidated financial statements.

The expected credit loss of customer receivables and financing (Deferred sales receivables, Ijarah Muntahia Bittamleek receivables, Al Qard Al Hasan and other receivables), balances and investment accounts at banks and financial institutions and financial assets at amortized cost is one of the most significant matters which affect the results of the Bank's business; Due to the significance of the judgments used in classifying receivables and financing into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.

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

The Bank appropriates 10% of net revenues from jointly financed financing, which is then transferred to the investment risk fund in accordance with Central Bank of Jordan regulations.

Judgment is applied on the inputs of impairment measurement process including the customer's risk of default, valuation of collaterals and the determination of the default date, and accordingly calculating the expected credit loss starting from the date thereof.

In addition, we performed procedures to evaluate the following:

- Appropriateness of the bank's staging.
- Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
- Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages.
- Appropriateness and objectivity of the internal rating.
- Soundness and mathematical integrity of the ECL Model.
- For exposures moved between stages, we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
- For exposures determined to be individually impaired we re-performed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.

We inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral.

We assessed collateral valuation techniques against the group's valuation guidelines.

We have recalculated the amounts transferred to the investment risks fund in accordance with Central Bank of Jordan regulations.

We also assessed whether the consolidated financial statement disclosures appropriately reflect the requirements of the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).

Other information included in the Group's 2018 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 annual report is expected to be made available to us after the date of the auditor's report.

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements

The partner in charge of the audit resulting in this auditor's report was Mohammad Ibrahim Al-Karaki; license number 882.

Amman – Jordan
6 February 2019



Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Financial Position
As at 31 December 2018

Statement (A)

	Notes	31 December 2018 JD	31 December 2017 JD
<u>Assets</u>			
Cash and balances with central banks	4	876,086,318	1,138,666,950
Balances at banks and financial institutions	5	93,915,490	54,124,633
Investment accounts at banks and financial institutions	6	17,642,298	21,979,000
Deferred sales receivables and other receivables – Net	7	2,053,781,286	2,021,613,041
Ijarah Muntahia Bittamleek assets – Net	8	605,801,762	590,844,435
Financing - Net	9	32,703,789	30,980,357
Financial assets at fair value through owner's equity – self financed	10	10,692,694	10,528,825
Financial assets at fair value through joint investment accounts holders' equity	11	36,594,760	37,384,155
Financial assets at amortized cost	12	191,673,379	78,108,807
Investments in associates	13	8,355,201	8,383,116
Investments in real estate	14	126,379,861	120,212,403
Al Qard Al Hasan – Net	15	11,725,757	8,997,535
Property and equipment- Net	16	83,311,212	78,028,966
Intangible assets	18	2,299,136	1,548,078
Other assets	19	9,679,267	10,217,365
Total Assets		4,160,642,210	4,211,617,666
<u>Liabilities, Joint Investment Accounts Holders' Equity, Non-controlling interests and Owner's Equity</u>			
<u>Liabilities</u>			
Due to banks and financial institutions	20	8,241,356	5,012,040
Customers' current and on demand accounts	21	1,076,008,070	1,127,717,067
Cash margins	22	45,210,218	47,906,977
Accounts payable	23	400,227	812,999
Other provisions	24	13,987,106	6,750,000
Income tax provision	25	22,459,373	23,760,966
Deferred tax liabilities	26B	843,026	650,528
Other liabilities	27	25,206,770	19,369,671
Total Liabilities		1,192,356,146	1,231,980,248

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Financial Position
As at 31 December 2018

Statement (A)

	Notes	31 December 2018 JD	31 December 2017 JD
Joint investment accounts holders' equity			
Unrestricted investment accounts	28A	2,508,970,280	2,534,960,630
Investment accounts holders' reserve in subsidiaries and associates	28B	18,144,902	17,634,860
Fair value reserve	29A	7,111,635	7,683,848
Provision for contingent liabilities	29E	1,042,517	-
Deferred tax liabilities	26A	4,358,744	4,137,456
Total joint investment accounts holders' equity		2,539,628,078	2,564,416,794
Non-controlling interests	28B	153,866	165,487
Total joint investment accounts holders' equity and non-controlling interests		2,539,781,944	2,564,582,281
Investment risk fund	30B	31,654,580	36,350,487
Income tax provision of investment risk fund	30	3,455,761	3,746,032
Equity			
Owner's equity			
Paid-in capital	31	180,000,000	180,000,000
Statutory reserve	32	84,018,397	76,471,380
Voluntary reserve	32	38,234,085	30,701,752
General banking risks reserve	32	-	1,000,000
Fair value reserve	29B	1,375,464	1,208,122
Retained earnings	33	89,765,833	85,577,364
Total Owner's Equity		393,393,779	374,958,518
Total Liabilities, Joint Investment Accounts Holders' Equity, Non-Controlling Interests and Owner's Equity		4,160,642,210	4,211,617,666
Accounts Managed for Others:			
Restricted investments	55	35,574,317	30,967,389
Al Wakala Bi Al Istithmar (Investments Portfolio)	57	358,148,482	376,477,843
Al Wakala Bi Al Istithmar	58	63,215,370	46,562,499



General Manager



Chairman

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Income Statement
For the year ended 31 December 2018

Statement (B)

	Notes	31 December 2018 JD	31 December 2017 JD
Deferred sales revenues	34	138,792,646	141,057,074
Financing revenues	35	442,805	433,116
Gain from financial assets at fair value through joint investment accounts holders' equity	36	918,795	995,614
Gain from financial assets at amortized cost	37	3,740,043	2,895,290
Dividends from subsidiaries and associates	38	1,252,026	86,760
Revenues from investments in real estate	39	1,511,676	797,170
Revenues from leased and Ijarah Muntahia Bittamleek assets	40	43,075,593	43,535,584
Revenues from other investments	41	2,024,904	1,429,855
Revenues of joint investment accounts		191,758,488	191,230,463
Net income of subsidiaries	42	2,038,994	2,447,991
Share of profit from investments in associates		602,678	722,110
Total revenues of joint investment accounts		194,400,160	194,400,564
Share of unrestricted investment accounts holders'	43	(51,628,569)	(53,554,642)
Share of investment accounts holders' from income of subsidiaries		(2,034,088)	(2,440,386)
Share of non-controlling interests from income of subsidiaries		(4,906)	(7,605)
Share of profit from investments in associates		(602,678)	(722,110)
Share of investment risk fund	30	(19,175,849)	(19,123,046)
Bank's share of the joint investment accounts revenues as Mudarib and Rab Mal	44	120,954,070	118,552,775
Bank's self-financed revenues	45	25,964	26,213
Bank's share of restricted investments revenues as Mudarib	46	222,187	2,349,375
Bank's share of restricted investments revenues as Wakeel	46	3,276,373	2,473,446
Banking services revenues	47	19,097,286	19,646,690
Foreign currency gain	48	1,567,093	2,035,964
Other income	49	1,907,853	1,886,036
Gross income		147,050,826	146,970,499
Employees expenses	50	(40,818,032)	(37,392,734)
Depreciation and amortization	17	(7,453,939)	(7,736,280)
Other expenses	51	(22,549,850)	(20,652,730)
Expected credit loss –self	15	(300,000)	-
Other provisions	52	(525,000)	(250,000)
Total expenses		(71,646,821)	(66,031,744)
Profit before income tax		75,404,005	80,938,755
Income tax	25	(25,596,078)	(26,799,702)
Profit after income tax		49,807,927	54,139,053
		JD/Fils	JD/Fils
Basic Earnings per Share for the Year	53	0/277	0/301


General Manager


Chairman

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2018

Statement (C)

	31 December 2018 JD	31 December 2017 JD
Profit after income tax	49,807,927	54,139,053
Other comprehensive income items, net after tax:		
Change in fair value reserve of financial assets – net	167,342	599,803
Total other comprehensive income for the year	49,975,269	54,738,856

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Changes in Owner's Equity
For the year ended 31 December 2018

Statement (D)

	Paid-in capital	Statutory reserve	Voluntary reserve	General banking risk reserve*	Fair value reserve**	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2018							
Balance at 1 January 2018	180,000,000	76,471,380	30,701,752	1,000,000	1,208,122	85,577,364	374,958,618
Effect of IFRS (9) adoption	-	-	-	-	-	(4,540,108)	(4,540,108)
Transfer from General Banking Risk Reserve	-	-	-	(1,000,000)	-	1,000,000	-
Balance after IFRS (9) adoption	180,000,000	76,471,380	30,701,752	-	1,208,122	82,037,256	370,418,510
Profit for the year after tax	-	-	-	-	-	49,807,927	49,807,927
Change in fair value reserve	-	-	-	-	167,342	-	167,342
Total comprehensive income for the year after tax	-	-	-	-	167,342	49,807,927	49,975,269
Capital increase	-	-	-	-	-	-	-
Transferred to (from) reserves	-	7,547,017	7,532,333	-	-	(15,079,350)	-
Dividends***	-	-	-	-	-	(27,000,000)	(27,000,000)
Balance at 31 December 2018	180,000,000	84,018,397	38,234,085	-	1,375,464	89,765,833	393,393,779

* Central Bank of Jordan issued regulations No. (13/2018) dated 6 June 2018. In which it requested the transfer of the general banking risk reserve balance (calculated in accordance with the Central Bank regulations) to the retained earnings to offset the effect of implementing IFRS (9) on the opening balance as of 1 January 2018. The regulation also instructs that the balance of general banking reserve should be restricted and may not be distributed as dividends to the shareholders or used for any other purposes without prior approval from the Central Bank of Jordan amounting to JD 1 million

** The fair value reserve balance of JD 1,375,464 as at 31 December 2018 is restricted from use.

*** On 26 April 2018, the General Assembly approved the distribution of cash dividends of JD 27 million, representing 15% of the paid in capital of JD 180 million from the retained earnings.

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Changes in Owner's Equity
For the year ended 31 December 2018

Statement (D)

	Paid-in capital	Statutory reserve	Voluntary reserve	General banking risk reserve*	Fair value reserve**	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2017							
Balance at 1 January 2017	150,000,000	68,370,796	22,617,024	1,000,000	608,319	100,123,623	342,719,762
Profit for the year after tax	-	-	-	-	-	54,139,053	54,139,053
Change in fair value reserve	-	-	-	-	599,803	-	599,803
Total comprehensive income for the year after tax	-	-	-	-	599,803	54,139,053	54,738,856
Capital increase	30,000,000	-	-	-	-	(30,000,000)	-
Transferred to (from) reserves	-	8,100,584	8,084,728	-	-	(16,185,312)	-
Dividends***	-	-	-	-	-	(22,500,000)	(22,500,000)
Balance at 31 December 2017	180,000,000	76,471,380	30,701,752	1,000,000	1,208,122	85,577,364	374,958,618

* The general banking risks reserves amounting to JD 1,000,000 as at 31 December 2017 is restricted from use without prior approval of the Central Bank of Jordan.

** The fair value reserve balance of JD 1,208,122 as at 31 December 2017 is restricted from use.

*** On 26 April 2017, the General Assembly approved on the distribution of cash dividends of JD 22.5 million, representing 15% of the paid in capital of JD 150 million and share dividends of JD 30 million, representing 20% of the capital through retained earnings.

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Cash Flows
For the year ended 31 December 2018

Statement (E)

	Notes	31 December 2018 JD	31 December 2017 JD
Cash flows from Operating Activities			
Profit before tax		75,404,005	80,938,755
Adjustments to non-cash items:			
Depreciation and amortization		7,453,939	7,736,280
Investment risk fund		(4,986,178)	9,824,158
Expected credit loss for assets- self		300,000	-
Employees' vacation provision		150,000	250,000
Employees' end of services provision		300,000	-
Provision of repossessed real estate		-	(3,090)
Impairment provision of repossessed real estate		881,329	271,983
Expected credit loss for financial assets		1,532,641	1,818,373
Provisions for contingent liabilities and litigations		75,000	-
Gain on sale of property and equipment		(6,348)	(24,453)
Effect of exchange rate on cash and cash equivalents		(858,242)	(1,244,309)
Profit before change in assets and liabilities		80,246,146	99,567,697
Change in assets and liabilities			
Decrease (increase) in investment accounts at banks and financial institutions maturing after 3 months		4,266,000	(4,254,000)
(Increase) decrease in deferred sales receivables and other receivables		(32,168,323)	22,875,468
Increase in financing		(1,725,917)	(916,331)
Increase in Ijarah Muntahia Bittamleek assets		(14,957,327)	(24,899,896)
Increase in Al Qard Al Hasan		(782,959)	(1,030,684)
Decrease (increase) in other assets		538,098	(781,595)
Decrease in customers' current and on demand accounts		(51,708,997)	(71,617,625)
Decrease in accounts payable		(412,772)	(349,407)
Decrease in cash margins		(2,696,759)	(12,229)
Increase in other liabilities		5,837,054	3,918,925
Net change in assets and liabilities		(93,811,902)	(77,067,374)
Net cash flows (used in) from operating activities before income tax		(13,565,756)	22,500,323
Income tax paid	25	(26,897,671)	(28,463,980)
Net cash flows used in operating activities		(40,463,427)	(5,963,657)
Cash flows from Investing Activities			
Proceeds from sale of financial assets at fair value through owner's equity - self		400,000	-
Purchase of financial assets at fair value through owner's equity - self		(204,029)	(2,061,909)
Proceeds from sale of financial assets at fair value through joint investment accounts holders' equity		2,562,815	3,593,432
Purchase of financial assets at fair value through joint investment account holders' equity		(3,433,805)	(5,128,678)
Purchase of financial assets at amortized cost - net		(122,226,436)	(27,439,000)
Proceeds from sale of financial assets at amortized cost - net		7,129,224	2,064,200
Proceeds from sale of investment in associates		-	22,295
Proceeds from sale of real estate investments		1,811,479	2,910,734
Purchase of real estate investments		(7,550,762)	(16,673,615)
Proceeds from sale of property and equipment		7,724	28,272
Purchase of property and equipment		(11,986,236)	(13,000,927)
Purchase of intangible assets		(1,502,383)	(654,000)
Net cash flows used in investing activities		(134,992,409)	(56,339,196)
Cash flows from Financing Activities			
(Decrease) increase in unrestricted investment accounts holders' equity		(24,421,497)	147,666,028
Dividends paid		(27,000,000)	(22,500,000)
Net cash flow (used in) from financing activities		(51,421,497)	125,166,028
Net (decrease) increase in cash and cash equivalents		(226,877,333)	62,863,175
Effect of exchange rate on cash and cash equivalents		858,242	1,244,309
Cash and cash equivalents at the beginning of the year	54	1,187,779,543	1,123,672,059
Cash and cash equivalents at the end of the year	54	961,760,452	1,187,779,543

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

Jordan Islamic Bank - Public Shareholding Company
Consolidated Statement of Sources and Uses of Al Qard Al Hasan Fund
For the year ended 31 December 2018

Statement (F)

	31 December 2018 JD	31 December 2017 JD
Balance at the beginning of the year	13,497,535	12,466,851
Sources of the Fund:		
Sources the Bank is authorized to use	(11,367,227)	(10,852,602)
Sources from outside the Bank	(2,255,054)	(1,725,402)
Total sources of the fund's assets for the year	(13,622,281)	(12,578,004)
Uses of the Fund:		
Education	2,561,155	2,091,502
Medical treatment	858,680	988,755
Marriage	621,980	327,370
Overdraft accounts	7,948,562	7,875,209
Social advances for the Bank's employees	2,414,863	2,325,852
Total uses for the year	14,405,240	13,608,688
Balance at the end of year	14,280,494	13,497,535
Less: expected credit loss provision – self financed	(2,554,737)	(4,500,000)
Balance at the end of year – net	11,725,757	8,997,535

The accompanying notes from (1) to (70) represent an integral part of these consolidated financial statements and should be read with them

(1) General Information

Jordan Islamic Bank ("the Bank") was established as a Jordanian public shareholding company on 28 November 1978 pursuant to the provisions of the companies law No. (12) of 1964. Head office is located in Amman.

The Bank offers banking, financial, and investment services on an interest-free basis in compliance with the rules and principles of the Islamic Shari'a through its head office, 76 branches and 29 banking offices in the Kingdom as well as its subsidiaries. The Bank's transactions are governed by the applicable Bank's Law.

Jordan Islamic Bank shares are listed on the Amman Stock Exchange – Jordan.

The consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (1) held on 6 of February 2019 and it is subject to the approval of the General Assembly and the Central Bank of Jordan.

The Bank's Shari'a Supervisory Board reviewed the consolidated financial statements on its meeting No. (1/2019) held on 28 January 2019 and issued their annual report thereon.

According to the Bank's articles of association and in compliance with the principles and rules of the Islamic Shari'a and the general Banks' Laws, the Bank has appointed the Shari'a Supervisory Board which constitutes of four members according to the shareholder's General Assembly decision. The opinion of Shari'a Supervisory Board shall be binding to the Bank, and it is responsible for monitoring the Bank's activities and operations in terms of compliance with Shari'a principles and is responsible for furnishing a Shari'a opinion on the format of contracts necessary to undertake the Bank's activities, and issue an annual report for the shareholder's General Assembly.

(2) Significant Accounting Policies

Basis of preparation of the financial statements:

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

The consolidated financial statements are prepared on the historical cost basis except for the financial assets at the fair value through owner's equity, the financial assets at the fair value through the joint investment account holders' equity, financial assets at amortized cost and investment in real estate held for use.

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

A distinction should be made between owner's equity and joint investment accounts holders'.

Investment risks fund is used to cover the impairment in financing and investments accounts funded by the unrestricted investments accounts.

The term unrestricted investment accounts, wherever mentioned, refers to joint investment accounts.

Basis of consolidation of the financial statements:

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries financed from the Bank's funds and the joint investment funds and subject to the Bank's control. Control exists when the Bank has power to govern the financial and operational policies of subsidiaries in order to obtain benefit from their activities. All intra-company transactions, balances, revenues and expenses are eliminated.

The financial statements of subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

The results of subsidiaries operations are consolidated in the consolidated income statement from the acquisition date, being the date the Bank obtains control over subsidiaries. The results of operations for disposed subsidiaries shall be consolidated within the consolidated income statement until the date of disposal, which is the same date on which the Bank's loses control over subsidiaries.

The non-controlling interests represent the portion not owned by the Bank or by the unrestricted investment accounts of the subsidiaries owner's equity.

Investments in subsidiaries are accounted for at cost when the Bank issues separate financial statements.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

The Bank has the following subsidiaries as at 31 December 2018:

Company name	Paid-in capital JD	Bank's ownership percentage	Nature of business	Country of incorporation	Acquisition date
Al Omariah Schools Company Ltd.	12,825,000	99.4%	Education	Amman	1987
Al Samaha Financing and Investment Company Ltd.	12,000,000	100%	Financing	Amman	1998
Future Applied Computer Technology Company Ltd.	5,000,000	100%	Services	Amman	1998
Sanabel Al-Khair for Financial Investments Company Ltd.	5,000,000	100%	Brokerage	Amman	2005

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments

In conformity with Central Bank of Jordan regulation No. (13/2018) dated 6 June 2018 regarding the application of IFRS (9) for Islamic Banks, the expected credit loss is to be applied. The remaining aspects are subject to the requirements of Islamic Accounting Standard No. (25) until the issuance of the Islamic Accounting Standard No. (30).

The Bank has adopted IFRS (9) (2014) Financial Instruments on the required effective date 1st January 2018, the date on which the Bank has assessed the requirements of the new expected credit loss impairment model, hedge accounting, and the revised guidance on the classification and measurement requirements of financial instruments. The Bank had previously implemented the first phase of IFRS (9) (classification and measurement) as issued during 2009. The date of initial implementation of the first phase of IFRS (9) was 1 January 2011, by implementing the Islamic Accounting Standard No.(25) – Investments in Sukuk, Shares and Similar Instruments.

The standard has been applied retrospectively and in line with IFRS (9) (Financial Instruments), comparative amounts have not been restated. The impact of the adoption of standard was recognised on 1 January 2018 by reversing the impact on retained earnings on the equity statement only for the bank's own funds. The standard eliminates the use of IAS (39) incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

1. Qualitative disclosures

Definition of default and management measures:

The existence of an outstanding customer receivable for 90 days or more, customers with clear indicating factors towards default or bankruptcy, a late payment exceeding 90 days or more of profit and or principals by the issuer of the financial asset, banks in which our bank holds exposures at defaults.

The Bank monitors the outstanding receivables and collection occurs through the specified departments, each according to its practice. The Bank analyzes the reason for default and review the cash flows of the customers, and if necessary restructures or reschedules customer installments. Finally, The Bank will seek necessary legal action through a court to collect outstanding receivables.

Internal credit rating system :

The Bank owns an internal credit rating system, to raise the quality of the facilities granting process, the customer creditworthiness rating depends on the qualitative operating and quantitative financial criteria presented.

Purpose of the internal credit rating system:

- Improving the decision of granting facilities through the reliance of the internal credit rating system.
- Calculating the customers probability of default (PD).
- Matching facility pricing to risk of exposure.
- Measuring the credit risk at customer and portfolio level.
- Improve portfolio credit through setting limits on facilities according to the internal credit rating.
- Monitor portfolio through the internal credit rating system.

Internal credit rating system mechanism:

- The classification process occurs with obtaining the customers principal data such as financial statements and qualitative information.
- Ensuring at least an annual update of customer data and quarterly update of customer facilities granted.

Expected credit loss (ECL) calculation for financial instruments:

The reliance of the international credit rating agencies classification was used to calculate the financial instruments probability of default. Expected credit loss was calculated based on the markets best practice, as the geographical distribution, economic sector and capital structure of the issuer for the financial instrument is considered in the calculation .

The governance of IFRS 9 implementation:

1. Board of Directors responsibilities

- Accepting of the methodology for applying the standard .
- Adopting a business model in which the objectives and bases of acquisition and classification of financial instruments are defined.
- Ensuring the existence and application of effective internal control systems through which the roles of the relevant parties are determined .
- Ensure the availability of infrastructure (such as human resource systems) to guarantee the implementation of the standard .

2. Executive Management responsibilities

- Preparation of the methodology for applying the standard in accordance with the requirements of the regulatory bodies .
- Preparation of the business model according to the Bank's strategic plan .
- Ensure adherence to the approved methodology for applying the standard .
- Supervision over the systems used in applying the standard.
- Monitor the expected credit losses and ensure adequacy of provisions.
- Preparing the required reports for related parties.

Definition, calculation and monitoring Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD):

1. Probability of Default (PD) calculation:

- Probability of default (PD): The percentage of probability that the customer will default or fail on installment payments or obligations as they fall due within the next 12 months.
- The probability of default for the individual portfolio is calculated according to the quantitative and qualitative data of the customers generated by the internal rating system or by the external credit rating agencies.
- The probability of default (PD) for the collective portfolio is calculated according to the analysis of the historical data customer and its correlation with the economic variables.

2. Exposure At Default (EAD) calculation:

- The total amount the Bank is exposed to at the time of default.
- Basis of contractual cash flows and facility maturity dates.
- The expected cash flows of financial instruments such as Sukuk.
- The value of contingent liabilities is determined by the maturity date without the application of the Credit Conversion Factor (CCF).

3. Loss Given Default (LGD) calculation:

- Loss Given default (LGD): is the amount of expected loss if the customer fails to repay.
- The Loss Given Default was calculated by considering the amount of collateral in lieu of facilities granted, reduced by specified rates set by Central Bank of Jordan in accordance with instructions No. (47/2009) for the calculation of impairment provision and general bank risk reserve.

Factors for significant changes in credit risk for calculating the expected credit losses:

The significant increase in credit risk is determined by comparing the current customer rating with the rating on the grant date using relative staging rules, which determines the number of degrees of decline required for classifying the accounts under Stage 2 or 3 at the date of initial granting.

Policy for identifying the common elements on which the credit risk and expected credit loss are measured on a collective basis.

Common elements were determined based on the historical analysis with economic factors and specifications of the customers and then taking the elements that have significant impact of default.

Key Economic factors used in the calculation of the Expected Credit Loss (ECL):

Indicators vary according to the portfolio type the specific characteristics of the customers in the portfolio.

Used scenarios:

Based on the Gross Nominal Product and Amman Stock exchange, three scenarios were assumed for calculating expected credit losses:

Scenario	Weighting
Scenario with high economic growth	30%
Basic scenario	40%
Scenario with low economic growth	30%

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

2. Quantitative disclosures

The impact of IFRS 9 application on beginning balance retained earnings as at 1 January 2018 were as follows:

	Amount as of 31 December 2017	Reclassified amount	Expected Credit Loss	Balance as of 1 January 2018 after the Application of IFRS (9)	Reclassification Effect of application	Effect of financial position items
	JD	JD	JD	JD	JD	
Cash and balances with Central Banks	1,138,666,950	-	-	1,138,666,950	-	-
Balances at banks and financial institutions	54,124,633	-	(39,284)	54,085,349	-	-
Investment accounts at banks and financial institutions	21,979,000	-	(158,204)	21,820,796	-	-
Deferred sales receivables and other receivables – Net	2,021,613,041	-	(7,333,096)	2,014,279,945	-	-
Ijarah Muntahia Bittamleek assets – Net	590,844,435	-	-	590,844,435	-	-
Financing – Net	30,980,357	-	(403,955)	30,576,402	-	-
Financial assets at fair value through owner's equity – Self financed	10,528,825	-	-	10,528,825	-	-
Financial assets at fair value through investment accounts holder's equity – joint	37,384,155	(14,975,071)	-	22,409,084	-	-
Financial assets at amortized cost	78,108,807	14,974,007	(2,309,576)	90,773,238	(2,309,576)	-
Investments in subsidiaries and associates	8,383,116	-	-	8,383,116	-	-
Investment in real estate	120,212,403	-	-	120,212,403	-	-
Al Qard Al Hasan – Net	8,997,535	-	2,297,083	11,294,618	-	-
Property and equipment – Net	78,028,966	-	-	78,028,966	-	-
Intangible assets	1,548,078	-	-	1,548,078	-	-
Other assets	10,217,365	-	-	10,217,365	-	-
Guarantees	110,757,863	-	(5,318,270)	110,757,863	-	-
Unutilized Limits – Self	77,137,026	-	(1,428,968)	77,137,026	-	-
Unutilized Limits – Joint	115,786,180	-	(555,682)	115,786,180	-	-
Utilized Letter of Credits – Self	28,773,584	-	(50,669)	28,773,584	-	-
Utilized Letter of Credits – Joint	16,375,488	-	(28,233)	16,375,488	-	-

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

The opening balance of provisions after application of IFRS 9 is as follows:

	Current Provision	Recalculation difference	Balance in accordance with IFRS 9
	JD	JD	JD
Cash and balances with Central Banks	-	-	-
Balances and accounts at banks and financial institutions	-	(197,488)	(197,488)
Deferred sales receivables and financing	(76,304,746)	(7,737,051)	(84,041,797)
Financial assets at amortized cost	(1,818,373)	(2,309,576)	(4,127,949)
Al Qard Al Hasan	(4,500,000)	2,297,083	(2,202,917)
Guarantees	-	(5,318,270)	(5,318,270)
Letter of Credits	-	(76,902)	(76,902)
Unutilized Limits (self and joint)	-	(1,984,650)	(1,984,650)

Effect of application of IFRS 9 on retained earnings :

	Effect on retained earnings
	JD
Retained earnings as of 31 December 2017	85,577,364
General banking risk reserve	1,000,000
Effect of IFRS (9) adoption	(4,540,108)
Balance at the beginning of the year (Adjusted)	82,037,256
Profit after income tax	49,807,927
Transferred to reserves	(15,079,350)
Dividends	(27,000,000)
Balance at end of the year	89,765,833

Segment Information:

Business segment represents a group of assets and operations of the Bank that are engaged together in providing products or services that are subject to risks and rewards different from those related to other business sectors, and are measured in accordance with the reports used by the General Manager and operating decision maker of the Bank.

Geographical segments are associated to products and services in a specific economic environment subject to risks and rewards different from those sectors operating in other economic environments.

Basis of distributing joint investments profit between owner's equity, unrestricted investment accounts holders' , restricted investments accounts holders' and Wakalah Bi Al Istithmar accounts holders' (Investment portfolio):

10 % shall be distributed to the investment risks fund pursuant to Article (55) of the Jordanian Banks Law (2017: 10 %).

The Bank's share as Mudarib was allocated at 45% for Jordanian Dinars and 50% for foreign currencies total joint investments profit (2017: 44.3 % for Jordanian Dinars, 50 % for foreign currencies.)

The remaining balance is distributed between the unrestricted investment accounts and the Bank's invested funds, each according to its percentage of contribution, taking into consideration that the priority for funds investment relates to the unrestricted investment accounts holders'.

The Bank waived a portion of its share as Mudarib and/or Rab Mal, to improve the overall share of profits distributed to all/some of the joint investments account holders'.

Joint investment accounts share in the results of the investment earnings which are distributed to all investors each by its percentage of participation and conditions of the account agreement signed the Bank and the investor.

Joint investment accounts participate in the profit as follows:

- 40% of the annual average balance of saving accounts.
- 70% of the annual average balance of notice accounts.
- 90% of the minimum balance of term deposit accounts.

The Bank bears all administrative expenses except for the insurance expense of Ijarah Muntahia Bittamleek assets which are allocated to the joint investment accounts profit.

The Bank's fees as agent (Wakeel) was deducted at a rate of 0.36% instead of 1.5% of the Al Wakala Bi Al Istithmar account's capital (Investment Portfolio) as at 30 June 2018, and at the rate of 1.3% instead of 1.5% as at 31 December 2018. The general percentage of profits distributed to the Al Wakala Bi Al Istithmar accounts (Investment Portfolio) holders' was 3.67% as at 30 June 2018 and 4% as at 31 December 2018.

Profit was distributed to Al Wakala Bi Al Istithmar (Investment Portfolio) accounts holders' after deducting the Bank's fees as agent (Wakeel).

The Bank waived a portion of its share as a Mudarib/ fund owner (Rab Mal) to improve the overall profit rate distributed amongst some joint investment accounts holders', approximately amounting to JD 2 million.

The Bank waived a portion of its share as agent (Wakeel) and its share in the annual net profit increase of 3.5% after deducting the income tax on dividends distributed under the prospectus on 31 December 2018 to improve the overall share of profits distributed to all of the Al Wakala Bi Al Istithmar account holders' (Investments Portfolios), approximately amounting to JD 2.7 million and to some of the Al Wakala Bi Al Istithmar account holders' (Investments Portfolios) approximately amounting to JD 466 thousand.

Restricted investment accounts are managed through Mudaraba contracts.

Bank's share as Mudarib was deducted at rates between 7.7% to 25% of restricted investment accounts in Jordanian Dinars profit and at a rate of 40% of restricted investment accounts' in foreign currencies profit. Additionally, general profit rate distributed to restricted investment accounts in Jordanian Dinars was 2% and foreign currencies restricted investments accounts was 0.9% as at 31 December 2018 (2017: 2% and 0.6% respectively).

Profit was distributed after deducting the Bank's share as Mudarib on the restricted investment accounts each according to its contribution percentage.

Shari'a non-compliant revenues, gains, expenses and losses:

The Bank recognize these amounts in a separate account within the other liabilities and shall be distributed to charitable activities as determined by the Shari'a Supervisory Board.

Zakah:

The responsibility of Zakah payment rests on the shareholders, unrestricted and restricted investment accounts holders' and participants in Al Wakala Bi Al Istithmar (Investments Portfolio) upon the fulfilment of Zakah required conditions.

Deferred sales receivables:

1- Murabaha Contracts:

Murabaha: is selling a commodity for the same purchase price plus an agreed predetermined profit margin computed based on a percentage of the price or fixed amount, and it represent one of Boy'ou Amanah types that depends on disclosing the purchase price or cost.

Murabaha to the purchase orderer: is the transaction whereby the Bank sells a commodity to its customer (purchase orderer) with a markup on its purchase price (or cost) after identifying that increment (Murabaha profit). It's also called Banking Murabaha.

The Bank applies the commitment to the promise principle in Murabaha to the purchase orderers contracts in accordance with the standards issued by Accounting and Auditing Organization for Islamic Financial Institutions.

Deferred sales profit (by which the buyer will pay a lump sum price that matures at a future date or instalments paid at various subsequent dates) is recognized through the proportional allocation of this profit to the future financial periods until the maturity date of the contract, regardless whether the payment is settled or not.

Deferred sales receivables are recognized when the transaction takes place at its face value, and are measured at the end of the financial period on the basis of the net realizable expected cash value, which is the amounts owed by customers at the end of the financial period less expected credit loss.

2- Istisna'a contracts:

Istisna'a: is a sale contract between Al-Mustasni' (the buyer) and Al-Sani' (the seller) whereby Al-Sani' based on the order of Al-Mustasni' under takes to have manufactured or otherwise acquire a prescribed commodity (Al- Masnoo') upon delivery in return for an agreed upon price and method of settlement, whether at the time of contracting, by instalments or deferred to specific future time. It's a condition that Al- Sani' provide the material and/or labor of Al - Masnoo'.

Parallel Istisna'a: is conducting two separate contracts, one with the customer in which the Bank represents Al-Sani' and the other with Al-Sani' (contractor) in which the Bank represent Al-Mustasni'. Profit is achieved through the price difference in the two contracts, in most cases one contract is immediately effective (with Al-Sani') and the second is deferred (with the customer).

Istisna'a costs include direct and indirect costs of the Istisna'a activities that can be allocated on objective basis for certain contracts. General and administrative expenses, marketing expenses, and research and development costs shall not be included in Istisna'a costs.

Istisna'a costs incurred during the financial period, as well as pre-contract costs shall be recognized in Istisna'a in progress account in (Istisna'a) or in Istisna'a cost account (in Parallel Istisna'a).

In cases where Al-Mustasni' (the buyer) fails to settle the agreed upon price in full and agree to make repayment through instalments during the execution of the contract or after the completion of the contract, deferred profit shall be recognized and offset against Istisna'a receivables balance in the Bank's statement of financial position. This treatment shall be applied whether the percentage of completion method or completed contract method is used in recognising Istisna'a revenues. Deferred profit recognized shall be allocated over the future financial periods whereby each financial period shall carry its portion of profit irrespective of whether cash is received or not.

Istisna'a contracts are presented in the total amounts paid by the Bank since contract inception, while parallel Istisna'a contracts are presented in the net contractual value. Impairment provision is calculated as expected credit loss with forward looking characteristics in relation to obligors and financial environment.

Any additional costs paid by the Bank in Parallel Istisna'a as a result of breaching the contractual obligations are recognized as losses in the consolidated income statement and shall not be recognized in the calculation of the Istisna'a costs account.

In case the bank retains Al- Masnoo', the asset is measured at the lower of expected realizable cash value or cost. Any difference between these values shall be recognized in consolidated income statement for period in which it was occurred.

Assets available for deferred sale:

This item represent assets acquired by the Bank for the purpose of selling these assets on a deferred basis (instalments). This type of selling assets is also called instalment-bargain sale to distinguish it from Murabaha to the purchase orderer.

At contract inception, the assets available for deferred sale shall be recognized and measured at cost (purchase price and any direct expenses related to acquisition of the assets).

Assets available for deferred sales shall be revaluated at fair value at the end of the financial period, the change in the value, if any shall be measured as the difference between the book value and the fair value. Unrealized profits (losses) shall be recognized in the fair value reserve account.

Profits of the deferred sales shall be recognized on an accrual basis and proportionally allocated over the period of the contract. Profits related to future financial periods shall be recognized in deferred sales profit account.

Deferred sales receivables shall be recognized at contract inception and measured at their face value (contracted value).

Musharaka financing: is providing funds by the bank and its clients whereby each party contributes funds in equal or varying degrees to establish a new project or share in an existing one, whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have its due share of profits. Losses are allocated to each party in proportion of its contributed capital and it is not permissible to stipulate otherwise. Musharka is divided into Constant Musharaka and Diminishing Musharaka Muntahia Bittamleek.

Bank's share in Musharaka capital is recognized when it is paid to the managing partner or made available in the Musharaka account and is measured at the amounts paid (monetary) or at fair value (non-monetary). Any difference in the fair value of the non-monetary item and its book value at the time of contracting shall be recognized as profit or loss.

Bank's share in the Constant Musharaka capital shall be measured at the end of the financial period at historical cost. Bank's share in Diminishing Musharaka capital shall be measured at the end of a financial period at historical cost net of the historical cost of any share sold at agreed upon fair value. Differences between these values shall be recognized as profit or loss in the consolidated income statement.

Bank's profit or loss share in Musharaka financing transactions initiated and ended during the financial period is recognized after liquidation. However, if Musharaka continues for more than one financial period, Bank's share of profits is recognized upon realization through partial or full settlement between the Bank and the partner for that period to the extent profits are being distributed; Bank's share of losses for a financial period shall be recognized in its accounts for that period to the extent such losses are being deducted from Bank's share of the Musharaka capital.

Losses incurred due to the partner's misconduct or negligence is borne by the partner and shall be recognized as receivables.

At the end of the financial period, the financed assets shall be recognized at the lower of the cost or expected realizable cash value, and the difference shall be recognized as financing impairment provision.

Non-performing deferred sales profit shall be suspended in accordance with Central Bank of Jordan regulations.

Deferred sales receivables and finances funded by unrestricted investment accounts are written-off in case of unsuccessful collection procedures within the investment risk fund account (except for receivables granted/financed and written-off during the same year which is charged to investment revenues account within the consolidated financial statements). Collected amounts from receivables/finances previously written-off are added to the investment risk fund (except for amounts charged to the investment revenues within the consolidated income statement).

Deferred sale receivables and facilities funded by the bank's self funds whereby an expected credit loss is allocated to, shall be written-off through deduction from the provision in case of unsuccessful collection procedures. Any surplus in the gross provision, if any shall be transferred to the consolidated income statement, and the amounts collected from previously written off receivables/facilities shall be added to revenues.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss, are those purchased with the intent to resell in the near future to generate gains as a result of changes in market prices of such investments.

They are initially recognized at the fair value of consideration given (transaction costs are recorded in the consolidated income statement) and subsequently re-measured at fair value. All realized and unrealized gains or losses are transferred to the consolidated income statement including any gains or losses resulting from the translation of such assets held in foreign currencies to the functional currency.

Profits realized and dividends received are recorded in the consolidated income statement.

Financial assets at fair value through owner's equity– self financed:

These assets represent investments in equity instruments funded by the Bank's self funds in order to hold them in the long term.

These assets are initially recognized at fair value plus acquisition expenses, and subsequently measured at fair value. The change in fair value is presented in the fair value reserve within owner's equity.

Gains and losses resulting from the sale of these assets is recognized within the retained earnings in accordance with Central Bank of Jordan regulations.

Any impairment loss in the value of these assets shall be recognized within the consolidated income statement.

Impairment losses previously recognized in the consolidated income statement can be retrieved if it is objectively evidenced that the increase in the fair value occurred in the period subsequent to the recording of impairment losses through the fair value reserve within the shareholders' equity.

Gains derived from these financial assets is recognized within the consolidated income statement at the date of distribution.

Gains and losses resulting from foreign currency translation differences for these assets are recognized within the fair value reserve.

Financial assets which fair value cannot be determined reliably are stated at cost, and tested for impairment at the end of each financial period and any impairment is recognized in the consolidated income statement, and cannot be retrieved in subsequent periods.

Financial assets at fair value through joint investment account holders' equity:

These assets represent investments in equity instruments and funded by joint investments accounts in order to hold them in the long term.

These assets are initially recognized at fair value plus acquisition expenses, and subsequently measured at fair value. The change in fair value is presented in the fair value reserve within joint investment account holders' equity.

Gains and losses resulting from the sale of these assets and impairment losses is recognized within the consolidated income statement including amounts previously recognized in joint investments accounts holders' equity.

The impairment losses previously recognized in the consolidated income statement can be retrieved if it is objectively evidenced that the increase in the fair value occurred in the period subsequent to the recording of impairment losses through the fair value reserve within the joint investment accounts.

Gains derived from these financial assets is recognized within the consolidated income statement at the date of distribution.

Gains and losses resulting from foreign currency translation differences for these assets are recognized within the fair value reserve.

Financial assets which fair value cannot be determined reliably are stated at cost, and tested for impairment at the end of each financial period and any impairment is recognized in the consolidated income statement, and cannot be retrieved in subsequent periods.

Financial assets at amortized cost:

This item represent financial assets invested based on contractual cash flows and is not held for trading or recognized as financial assets at fair value through income statement. Cash flows constituting of variable or constant return on the outstanding principal amount and profit.

These instruments are initially measured at cost plus acquisition expenses.

These assets are measured using the effective profit method at the end of financial period. All gains and losses arising from amortization process are recognized in the consolidated income statement.

Financial assets at amortized cost book value are reduced by the expected credit loss and are recognized within the consolidated income statement (in case the investment is self-financed) and within investment risk fund (in case the investment is jointly financed).

Investments in associates:

An associate is an entity in which the Bank has significant influence over its financial and operating policies and is not controlled by the Bank, where the Bank hold a rate between 20% to 50% of the voting rights.

The Bank's investment in associates is accounted for using the equity method of accounting.

In case of preparing the Bank's separate financial statements, the investment in associates is presented at fair value.

Ijarah and Ijarah Muntahia Bittamleek:

Ijarah is the transfer of ownership of the right to benefit of using an asset for a consideration and is divided into:

Operating Ijarah: is Ijarah contract that do not end up with the transfer of ownership of leased assets to the lessee.

Ijarah Muntahia Bittamleek: is Ijarah contract that end up with the transfer of ownership of the leased assets to the lessee and might take more than one form in accordance with the Financial Accounting Standard issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Assets acquired for Ijarah shall be recognized upon acquisition at historical cost including all expenditures necessary to bring the asset to its intended use. Leased assets are depreciated according to the depreciation policy used by the Bank.

When the recoverable amount from assets acquired for Ijarah is lower than its carrying amount, the assets are written down to its recoverable amount, and an impairment is recognized in the consolidated income statement.

Ijarah revenues shall be allocated proportionately to the financial periods of the Ijarah contract.

Maintenance expenses incurred in relation to the leased assets are recognized when incurred.

Investments in real estate:

This item represent a property held to earn periodical income or for capital appreciation or both.

Investments in real estate held for use shall be recognized either at cost model or at fair value model.

Investments in real estate "held for use" are recorded at cost in accordance with the cost model less the accumulated depreciation and any impairment provision. Fair value is measured for investments in real estate "held for use" under fair value model, any unrealized gains arising from the change in the fair value of investment in real estate shall be recognized in the fair value reserve.

Any unrealized losses resulting from the revaluation of the fair value of investments in real estate carried using fair value model shall be recognized in the fair value reserve, to the extent of the available balance of this reserve. In case such losses exceed the available balance, the unrealized losses shall be recognized in the consolidated income statement.

In cases where unrealized losses has been recognized in previous financial periods and unrealized gains were achieved during subsequent periods, unrealized gains shall be recognized in the consolidated income statement to the extent of previously recognized losses in the consolidated income statement, any surplus shall be recognized in the fair value reserve.

The realized profits or losses resulting from the sale of any investment in real estate shall be measured at the difference between the book value and net proceeds from the sale. The resulting profit or loss together with any related available balance in the fair value reserve shall be recognized in the in the consolidated income statement.

If either the cost model or the fair value mode is used, the model shall be applied to all investments in real estate.

Investments in real estate "held for sale" shall be carried at the lower of its carrying value or fair value less costs to sell, and any adjustments differences shall be recognized in the consolidated income statement. Investments in real estate "held for sale" are not depreciated.

Investments in real estate shall be classified as "held for sale" if they are expected to be sold within 12 months from the acquisition date. If the investments were not sold within this period, it shall be reclassified as mentioned above.

The Bank recognizes all its investments in real estate "held-for-use" in accordance with the fair value model.

Joint investment risks fund:

The Bank appropriates at least 10% of the joint investments profit achieved during the period, this percentage increases based on the Central Bank of Jordan regulations, the amended percentage is applicable at beginning of the subsequent year. The balance of investment risk fund revolves to Zakah fund after covering all expenses and losses for which the fund was established for. Thus, the investors do not have any rights in the amounts deducted and accumulated in the investment risk fund, as these amounts are allocated to cover the losses of the joint investment operations.

Losses incurred in joint investment operations that were initiated and ended during the same year will be covered from the profits of other joint investment operations of the same year, if losses exceeded profits in the same year, they will be covered from the investment risk fund.

If joint investment operations were initiated and continued from preceding years, and the results of these investment operations were determined in a specific year to be losses, such losses shall be covered from the investment risks fund.

Fair value of financial assets:

Closing prices (purchasing assets/selling liabilities) on the date of consolidated financial statements in active markets represents the fair value of quoted financial instruments. In the absence of quoted prices or when there is no active market, fair value is normally based on comparison with the current market value of a highly similar financial instruments.

When the fair value of an investment cannot be reliably measured, it is stated at cost after the writing down any impairment.

Fair value of non-financial assets measured at fair value:

Market prices represent the fair value for non-financial assets at the date of consolidated financial statements (when active markets of such assets are available). In cases where market prices are not available, they are assessed by taking average value of three assessments of experienced and certified parties.

Depreciation:

A- Depreciation of assets available for investment

Assets available for investment shall be depreciated in accordance with the Bank's adopted policy for the investment in these assets. These assets shall be depreciated over its useful life using straight-line basis.

B- Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment. Depreciation is calculated (except for lands) using the straight-line method over their estimated useful lives when property and equipment are ready for use

Item	Depreciation rate
Buildings	2%
Equipment, furniture and fixtures	5%-20%
Vehicles	15%
Computers	35%

The useful lives of property and equipment are reviewed annually. If expected useful lives vary from the estimated ones; the change in estimate is adjusted prospectively.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated income statement.

Intangible assets:

Intangible assets are classified based on the assessment of their useful lives to definite and indefinite. Intangible assets with definite lives are amortized over the useful economic life, and amortization is recognized in the consolidated income statement, while intangible assets with indefinite useful lives are assessed for impairment at the date of consolidated financial statements and any impairment in their value is recorded in the consolidated income statement.

Intangible assets arising from the Bank's operations are not capitalized and are recorded in the consolidated income statement for the same year.

Any indications of impairment of intangible assets are reviewed at the date of consolidated financial statements; in addition, the useful lives of these assets are reviewed annually. If expected useful lives vary from the estimated ones; the change in estimate is adjusted prospectively.

Item	Amortization rate
Software	50%

Reposessed assets by the bank against debts:

Reposessed assets are presented in the consolidated statement of financial position within investments in real estate at fair value.

Provisions:

Provisions are recognized when the Bank has a present obligation (legal or constructive) at the date of the consolidated financial statements arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

- End of service indemnity provision

End of service indemnity provision shall be calculated pursuant to the provisions of the labor law and the Bank's bylaws.

- Employees' vacation provision

Employees' vacation provision shall be calculated pursuant to the Bank's bylaws, and shall be calculated in accordance with the accrual basis.

Income tax:

Tax expense comprises current taxes and deferred taxes.

Current tax is calculated based on taxable profits, which may differ from accounting profits published in the consolidated financial statements. Accounting profits may include non-taxable profits or non-deductible expenses which may be exempted in the subsequent financial years.

The Bank calculates a provision for income tax in accordance with Income Tax Law No. (34) of 2014, and the International Accounting Standard No. (12), which requires recognition of deferred taxes arising from timing difference in fair value reserve, which may result in deferred tax liabilities.

Deferred tax is the amounts expected to be paid or received as a result of temporary timing differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on laws that have been enacted or substantially enacted at the reporting date.

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

Costs of issuing or purchasing the Bank's Stocks:

Any costs resulting from issuing or purchasing the Bank's stocks shall be charged to the retained earnings (on a net basis after the tax effect of these costs, if any). If the issuance or purchasing is not completed, these costs shall be recorded as expenses in the consolidated income statement.

Accounts managed for customers:

This item represent the accounts managed by the Bank on behalf of its customers and shall not be recognized as part of the Bank's assets. Charges and commissions of managing these accounts shall be recognized in the consolidated income statement.

Offsetting:

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

Revenues and expenses recognition:

Revenues and expenses are recognized based on accrual basis except for revenue on non-performing deferred sales and non-performing facilities which transferred to the revenue in suspense account and not recognized within the consolidated income statement.

The commissions shall be recognized as revenues when service is rendered, and the dividends of companies' stocks shall be recognized upon realization (approved by the General Assembly of Shareholders).

Trade date accounting:

Sale or purchase of financial assets is recognized at the trade date (the date that the Bank commits to purchase or sell the asset).

Foreign Currencies:

Transactions in foreign currencies during the year shall be recorded at the prevailing exchange rate at the date of the transaction (Al Taqabud).

Monetary assets and liabilities in foreign currencies are translated to the functional currencies at the rates of exchange prevailing at the consolidated statement of financial position date as published by the Central Bank of Jordan.

Non-monetary assets and liabilities in foreign currencies carried at fair value are translated at the date in which the fair value was determined.

Any gains or losses are recognized within the consolidated income statement.

Translation gains or losses on non-monetary items carried at fair value (such as shares) are recognized within the fair value reserve.

Cash and cash equivalents:

Cash and cash equivalents consists of cash and balances with central banks and balances at banks and financial institutions with a maturity of three months, net of due to banks and financial institutions that matures within three months and restricted balances.

(3) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in shareholders' equity and unrestricted account holders' equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ as a result of changes in conditions and circumstances of those estimates in the future.

We believe that our estimates in consolidated financial statements are reasonable and detailed as follows:

- Impairment provision of deferred sales receivables and financing: in determining impairment of financial assets, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL. the Bank appropriate 10% of joint investments accounts net revenues and are transfer it to the investment risk fund in accordance with the provisions of Article (55) of the Banks Law and compared with provisions as required by the Central Bank of Jordan.
- Income tax provision: the fiscal year is charged with its related income tax according to the laws and accounting standards. Also, the deferred tax assets and liabilities as well as the required tax provision are estimated and recorded.
- Management periodically revaluates the financial assets carried at cost in order to assess any impairment. Impairment on financial assets is allocated in accordance to the financing party.
- A provision is set for the lawsuits raised against the Bank. This provision is based to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

(4) Cash and balances with central banks

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Cash in vaults	159,304,752	136,043,532
Balances at the Central Bank of Jordan:		
Current accounts	470,144,768	751,127,150
Statutory cash reserve	246,636,798	251,496,268
Total balances at the Central Bank of Jordan	<u>716,781,566</u>	<u>1,002,623,418</u>
Total	<u>876,086,318</u>	<u>1,138,666,950</u>

In compliance with Islamic Shari'a rules and the Bank's Articles of Association and bylaws, the Bank does not earn any interest on balances and current accounts held with the Central Bank of Jordan.

Amounts of JD 22,479,102 and JD 24,530,369 were deducted as at 31 December 2018 and as at 31 December 2017 respectively, which represent cash balances for accounts managed on behalf of others.

There are no balances maturing within more than three months as at 31 December 2018 and 31 December 2017.

There were no restricted balances except for the statutory cash reserve as at 31 December 2018 and 31 December 2017.

(5) Balances at banks and financial institutions

This item consists of the following:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Current and on demand accounts	1,560	1,560	41,572,535	40,948,938	41,574,095	40,950,498
Less: provision for expected credit loss	-	-	(70,702)	-	(70,702)	-
Total Current and on demand accounts	1,560	1,560	41,501,833	40,948,938	41,503,393	40,950,498
Unrestricted accounts maturing within 3 months or less	-	-	52,431,501	13,174,135	52,431,501	13,174,135
Less: provision for expected credit loss	-	-	(19,404)	-	(19,404)	-
Net - total unrestricted accounts	-	-	52,412,097	13,174,135	52,412,097	13,174,135
Total	1,560	1,560	93,913,930	54,123,073	93,915,490	54,124,633

In compliance with Islamic Shari'a rules and the Bank's Articles of Association bylaws, the Bank does not earn any interest on current and on demand accounts at local and foreign banks and financial institutions.

There were no restricted balances at the local and foreign banks and financial institutions as at 31 December 2018 and 31 December 2017.

(6) Investment accounts at banks and financial institutions

This item consists of the following:

	Foreign banks and financial institutions	
	31 December 2018	31 December 2017
	JD	JD
Maturing within (9-12) months	-	4,254,000
Maturing within more than one year	17,725,000	17,725,000
Less: provision for expected credit loss	(82,702)	-
Total	17,642,298	21,979,000

There were no restricted balances at the foreign banks and financial institutions as at 31 December 2018 and 31 December 2017.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

A. Cumulative movement on balances and accounts with banks and financial institutions as of 31 December 2018:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Beginning balance	76,103,633	-	-	76,103,633
New balances and accounts during the year	48,801,098	-	-	48,801,098
Balances and accounts paid	(13,174,135)	-	-	(13,174,135)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Adjustments	-	-	-	-
Written off Balances and accounts	-	-	-	-
Adjustments from Exchange rates effect	-	-	-	-
Ending balance	111,730,596	-	-	111,730,596

B. Cumulative movement on the expected credit loss for banks and financial institutions as of 31 December 2018:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Beginning balance (Adjusted)	197,488	-	-	197,488
Expected credit loss on New balances and accounts during the year	18,881	-	-	18,881
Expected credit loss recovered from balances and accounts paid	(43,561)	-	-	(43,561)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Impact on ending balance provision due to change in staging classification	-	-	-	-
Adjustments	-	-	-	-
Written off Balances and accounts	-	-	-	-
Adjustments from exchange rates effect	-	-	-	-
Ending balance	172,808	-	-	172,808

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(7) Deferred sales receivables and other receivables –Net

This item consists of the following:

	Joint		Self		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Individuals (Retail):						
Murabaha to the purchase orderer	686,314,870	709,556,824	-	-	686,314,870	709,556,824
Deferred sales	6,307,089	5,814,695	-	-	6,307,089	5,814,695
Ijarah Mawsoofa Bil Thimma	4,337,505	3,330,486	-	-	4,337,505	3,330,486
Ijarah Muntahia Bittamleek receivables	5,346,892	4,313,190	-	-	5,346,892	4,313,190
Istisna'a	320,000	-	-	-	320,000	-
Customers' receivables	4,461,335	3,794,198	4,699,616	4,513,391	9,160,951	8,307,589
Real estate financing	482,224,820	478,320,883	150,000	200,000	482,374,820	478,520,883
Corporate:						
International Murabaha	62,535,408	24,801,372	-	-	62,535,408	24,801,372
Istisna'a	11,175,144	7,542,974	-	-	11,175,144	7,542,974
Murabaha to the purchase orderer	379,980,825	366,215,885	-	-	379,980,825	366,215,885
Deferred sales	9,533	-	-	-	9,533	-
Ijarah Muntahia Bittamleek receivables	258,460	-	-	-	258,460	-
Small and Medium Enterprises (SME's):						
Murabaha to the purchase orderer	153,554,195	149,330,645	-	-	153,554,195	149,330,645
Customers' receivables	-	-	2,220,946	1,780,687	2,220,946	1,780,687
Deferred sales	31,240	-	-	-	31,240	-
Government and public sector	601,486,612	558,885,066	9,380	146,920	601,495,992	559,031,986
Total	2,398,343,928	2,311,908,218	7,079,942	6,640,998	2,405,423,870	2,318,547,216
Less: deferred revenues*	(241,676,931)	(209,119,776)	(12,060)	(20,000)	(241,688,931)	(209,139,776)
Less: suspended revenues**	(11,380,096)	(11,702,334)	-	-	(11,380,096)	(11,702,334)
Less: deferred mutual insurance***	(5,919,469)	-	-	-	(5,919,469)	-
Less: provision for expected credit loss	(92,013,250)	(75,451,305)	(640,838)	(640,760)	(92,654,088)	(76,092,065)
Net deferred sales and other receivables	2,047,354,182	2,015,632,803	6,427,104	5,980,238	2,053,781,286	2,021,613,041

* Deferred revenues include the deferred revenues of Murabaha to the purchase orderer, deferred sales, Ijarah Mawsoofa Bil Thimma and Istisna'a.

** Suspended revenues include the suspended revenues of Murabaha to the purchase orderer, deferred sales, Ijarah Mawsoofa Bil Thimma and Istisna'a.

*** Deferred mutual insurance includes insurance installments of Murabaha to the purchase orderer, deferred sales and deferred Ijarah Mawsoofa Bil Thimma.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Movements on deferred sales receivables, other receivables and financing - self financed expected credit loss were as follows:

For the year ended 31 December 2018

	Retail	Real estate financing	Large corporates	Small and Medium Enterprises	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	640,760	-	-	-	-	640,760
Transfer to during the year	2,563	-	-	-	-	2,563
Used during the year (write-offs)	-	-	-	-	-	-
Balance at the end of the year	643,323	-	-	-	-	643,323

As at 31 December 2018

	Retail	Real estate financing	Large corporates	Small and Medium Enterprises	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
Expected credit loss of non-performing receivables on individual customer basis	284,257	-	-	-	-	284,257
Expected credit loss of watch list receivables based on individual customer basis	267,330	-	-	-	-	267,330
Expected credit loss of watch list receivables on portfolio basis	91,736	-	-	-	-	91,736
Balance at the end of the year	643,323	-	-	-	-	643,323

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

	Retail		Real estate financing		Large corporates		Small and Medium Enterprises		Government and public sector		Total	
	JD		JD		JD		JD		JD		JD	
For the year ended 31 December 2017												
Balance at beginning of the year	650,000		-		-		-		-		650,000	
Transfer to during the year	-		-		-		-		-		-	
Used during the year (write-offs)	(9,240)		-		-		-		-		(9,240)	
Balance at the end of the year	640,760		-		-		-		-		640,760	

	Retail		Real estate financing		Large corporates		Small and Medium Enterprises		Government and public sector		Total	
	JD		JD		JD		JD		JD		JD	
As at 31 December 2017												
Expected credit loss of non-performing receivables on customer basis	288,007		-		-		-		-		288,007	
Expected credit loss of watch list receivables on customer basis	258,114		-		-		-		-		258,114	
Expected credit loss of watch list receivables on portfolio basis	94,639		-		-		-		-		94,639	
Balance at the end of the year	640,760		-		-		-		-		640,760	

There are no provisions no longer required as a result of settlement or repayment transferred to other receivables, financing, and Ijarah as at 31 December 2018 and 31 December 2017.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Movements on the deferred sales receivables were as follow:

	31 December 2018	
	Deferred sales receivables	Deferred revenues
	JD	JD
Balance at the beginning of the year	5,814,695	462,371
Additions	5,180,335	424,229
Disposals	(4,647,168)	(356,026)
Balance at the end of the year	6,347,862	530,574

Movements on the suspended revenues were as follows:

	Joint				
	31 December 2018				
	Retail	Real estate financing	Large corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	2,820,964	4,140,350	2,890,168	1,850,852	11,702,334
Add: suspended revenues during the year	2,944,325	185,993	367,492	419,578	3,917,388
Less: revenue in suspense reversed to income	(384,991)	(1,892,252)	(838,863)	(391,512)	(3,507,618)
Less: suspended revenues written off	(307,607)	-	(123,333)	(301,068)	(732,008)
Balance at the end of the year	5,072,691	2,434,091	2,295,464	1,577,850	11,380,096

	Joint				
	31 December 2017				
	Retail	Real estate financing	Large corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the year	2,536,469	3,442,334	2,792,514	1,829,793	10,601,110
Add: suspended revenues during the year	1,263,682	1,714,989	1,391,245	911,612	5,281,528
Less: revenue in suspense reversed to income	(798,085)	(620,073)	(1,293,591)	(711,250)	(3,422,999)
Less: suspended revenues written off	(181,102)	(396,900)	-	(179,303)	(757,305)
Balance at the end of the year	2,820,964	4,140,350	2,890,168	1,850,852	11,702,334

(8) Ijarah Muntahia Bittamleek assets - Net

This item consists of the following:

	Joint		
	31 December 2018		
	Cost	Accumulated Depreciation	Net Book Value
	JD	JD	JD
Ijarah Muntahia Bittamleek assets - real estate	788,709,559	(182,907,797)	605,801,762

	Joint		
	31 December 2017		
	Cost	Accumulated Depreciation	Net Book Value
	JD	JD	JD
Ijarah Muntahia Bittamleek assets - real estate	771,862,142	(181,017,707)	590,844,435

The accrued Ijarah instalments amounted to JD 5,605,352 as at 31 December 2018 (2017: JD 4,313,190) were included in deferred sales receivables and other receivables (Note 7).

(9) Financing - Net

This item consists of the following:

	Joint		Self		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Individuals (Retail):						
Diminishing Musharaka	31,041,161	30,098,937	256,148	282,101	31,297,309	30,381,038
Corporate						
Musharaka	2,112,320	812,000	-	-	2,112,320	812,000
Total	33,153,481	30,910,937	256,148	282,101	33,409,629	31,193,038
Less: provision for expected credit loss	(703,355)	(212,681)	(2,485)	-	(705,840)	(212,681)
Net Financing	32,450,126	30,698,256	253,663	282,101	32,703,789	30,980,357

Non-performing deferred sales receivables, Ijarah Muntahia Bittamleek receivables, other receivables, financing and Al Qard Al Hasan amounted to JD 113,149,841 as at 31 December 2018, representing 4.62 % of deferred sales receivable, Ijarah Muntahia Bittamleek receivables, other receivables, financing and Al Qard Al Hasan balance compared to JD 105,387,265 as at 31 December 2017, representing 4.46 % of the utilized balance.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Non-performing deferred sales receivables, Ijarah Muntahia Bittamleek receivables, other receivables, financing and Al Qard Al Hasan after deducting suspended revenues amounted to JD 102,842,456 as at 31 December 2018, representing 4.21 % of deferred sales, Ijarah Muntahia Bittamleek receivables, other receivables, financing and Al Qard Al Hasan balance, compared to JD 94,757,588 as at 31 December 2017, representing 4.03 % of the utilized balance.

Deferred sales, other receivables, and financing granted to and guaranteed by the Government of Jordan amounted to JD 604,491,076 as at 31 December 2018, representing 24.76 % of deferred sales, other receivables and financing balance, compared to JD 562,027,070 as at 31 December 2017, representing 23.90 % of the utilized balance.

A. Cumulative movement on direct facilities as of 31 December 2018:

8	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	705,716,391	638,987,899	650,299,780	26,495,310	120,896,299	2,142,395,679
New facilities during the year	429,367,219	591,183,441	16,980,230	6,250,194	6,262,450	1,050,043,534
Settled facilities	(321,510,887)	(315,970,129)	(306,600,645)	(6,323,700)	(40,661,125)	(991,066,486)
Transferred to stage 1	114,494,855	14,659,652	(114,494,855)	(12,231,692)	(2,427,960)	-
Transferred to stage 2	(131,588,485)	(21,396,510)	135,310,923	23,103,459	(5,429,387)	-
Transferred to stage 3	(9,579,410)	(18,204,379)	(26,221,681)	(7,951,267)	61,956,737	-
Adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	(7,247,230)	(7,247,230)
Adjustments from exchange rates effect	-	-	-	-	-	-
Balance at the end of the year	<u>786,899,683</u>	<u>889,259,974</u>	<u>355,273,752</u>	<u>29,342,304</u>	<u>133,349,784</u>	<u>2,194,125,497</u>

B. Cumulative movement on the expected credit loss for direct facilities as of 31 December 2018:

	Large corporates		SMEs		Individuals		Real estate financing		Government and public sector		Total
	JD		JD		JD		JD		JD		JD
Balance at the beginning of the year	16,487,271		16,299,890		30,842,908		9,474,552		-		73,104,621
Expected credit loss on the new facilities during the year	14,392,057		1,490,235		5,502,711		5,970,890		-		27,355,893
Expected credit loss recovered from settled facilities	(6,946,717)		(4,250,960)		(8,914,552)		(4,257,945)		-		(24,370,174)
Transferred to stage 1	-		-		-		-		-		-
Transferred to stage 2	-		-		-		-		-		-
Transferred to stage 3	-		-		-		-		-		-
Impact on ending balance provision due to change in staging classification	-		-		-		-		-		-
Adjustments	-		-		-		-		-		-
Written off facilities	(3,107,432)		(650,890)		(791,450)		-		-		(4,549,772)
Adjustments from exchange rates effect	-		-		-		-		-		-
Balance at the end of the year	20,825,179		12,888,275		26,639,617		11,187,497		-		71,540,568
Reallocated:											
Individual level provision	20,825,179		9,501,867		7,366,000		4,136,294		-		41,829,340
Collective level provision	-		3,386,408		19,273,617		7,051,203		-		29,711,228

(10) Financial assets at fair value through owner's equity – self financed

This item consists of the following:

	31 December 2018 JD	31 December 2017 JD
Quoted financial assets		
Companies shares	2,911,479	2,523,375
Total financial assets – quoted	<u>2,911,479</u>	<u>2,523,375</u>
Unquoted financial assets		
Companies shares	1,781,215	1,605,450
Al Wakala Bi Al Istithmar (investment portfolio)	6,000,000	6,400,000
Total financial assets - unquoted	<u>7,781,215</u>	<u>8,005,450</u>
Total financial assets at fair value through owner's equity – self financed	<u>10,692,694</u>	<u>10,528,825</u>

Financial assets stated at cost, as their fair value cannot be reliably measured amounted to JD 6,000,000 as at 31 December 2018 compared to JD 6,400,000 as at 31 December 2017.

(11) Financial assets at fair value through investment accounts holders' equity - joint

This item consists of the following:

	31 December 2018 JD	31 December 2017 JD
Quoted financial assets:		
Companies shares	19,746,863	21,956,512
Total quoted financial assets	<u>19,746,863</u>	<u>21,956,512</u>
Unquoted financial assets:		
Companies shares	4,638,897	2,568,643
Islamic banks portfolio	709,000	709,000
Al Wakala Bi Al Istithmar (investment portfolio)	11,500,000	12,150,000
Total unquoted financial assets	<u>16,847,897</u>	<u>15,427,643</u>
Total financial assets at fair value through the investment accounts holders' equity - joint	<u>36,594,760</u>	<u>37,384,155</u>

Financial assets stated at cost, as their fair value cannot be reliably measured amounted to JD 16,847,897 as at 31 December 2018 compared to JD 15,427,643 at of 31 December 2017.

(12) Financial assets at amortized cost

This item consists of the following:

	31 December 2018 JD	31 December 2017 JD
Quoted financial assets		
Islamic Sukuk	9,908,984	9,908,984
Provision for expected credit loss for financial assets	(1,453,352)	-
Total quoted financial assets	8,455,632	9,908,984
Unquoted financial assets		
Islamic Sukuk	178,682,600	67,743,300
Islamic banks portfolio	6,432,809	2,274,896
Total unquoted financial assets	185,115,409	70,018,196
Provision for expected credit loss for financial assets	(1,897,662)	(1,818,373)
Net unquoted financial assets	183,217,747	68,199,823
Total Financial Assets at amortized cost	191,673,379	78,108,807

Islamic Sukuk rate of return ranges between 2.8% - 5.47% payable on a semi-annual basis, with a maturity of 5 years.

Islamic Sukuk in US Dollars rate of return ranges between 6.5 % - 10.5 % payable on an annual basis, with a maturity of 7 years

The Bank has amended the Business Model as Islamic banks and Islamic Sukuks have been reclassified from Financial Assets at Fair Value through Investment Account Holder's Equity – Joint amounting to JD 16,793,444 as at 1 January 2018 to financial assets at amortized cost. In accordance with the Instructions of the Central Bank of Jordan No. (13/2018) dated 6 June 2018.

A. Cumulative movement on investments as of 31 December 2018:

	<u>Stage 1</u> <u>Individual</u> JD	<u>Stage 2</u> <u>Individual</u> JD	<u>Stage 3</u> JD	<u>Total</u> JD
Fair value at the beginning of the year	71,018,989	7,090,000	1,818,191	79,927,180
New investments during the year	121,769,913	-	-	121,769,913
Matured investments	(6,672,700)	-	-	(6,672,700)
Change in fair value	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Adjustments	-	-	-	-
Written off facilities	-	-	-	-
Adjustments from exchange rates effect	-	-	-	-
Balance at the end of the year	186,116,202	7,090,000	1,818,191	195,024,393

B. Cumulative movement on the expected credit loss for financial investments as of 31 December 2018:

	<u>Stage 1</u> <u>Individual</u> JD	<u>Stage 2</u> <u>Individual</u> JD	<u>Stage 3</u> JD	<u>Total</u> JD
Balance at the beginning of the year	111,060	2,198,698	1,818,191	4,127,949
Expected credit loss on investments during the year	60,521	-	-	60,521
Expected credit loss recovered from matured investments	(69,997)	-	-	(69,997)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Adjustments	-	(767,459)	-	(767,459)
Written off investments	-	-	-	-
Adjustments from exchange rates effect	-	-	-	-
Balance at the end of the year	101,584	1,431,239	1,818,191	3,351,014

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(13) Investments in associates

This item consists of the following:

Joint										
Company Name	Country of incorporation	Percentage of ownership	Nature of activity	Date of preparing financial statements		Acquisition date	Cost		Value under equity method	
<u>Associates</u>		%					31 December 2018	31 December 2017	31 December 2018	31 December 2017
							JD	JD	JD	JD
	Jordan Center for International Trading Co.	Jordan	28.4	Commercial	31 December	1983	1,070,507	1,070,507	1,582,596	1,587,853
	Islamic Insurance Co.	Jordan	33.3	Insurance	31 December	1995	4,625,908	4,625,908	6,772,605	6,795,263
Total associates							5,696,415	5,696,415	8,355,201	8,383,116

Investments in associates - joint are measured using equity method. Fair value of these investments as at 31 December 2018 amounted to JD 6,847,730 compared to JD 8,055,860 as at 31 December 2017.

(14) Investments in real estate

This item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Investments in real estate *	127,806,724	120,757,937
Provision for repossessed investments in real estate **	(12,363)	(12,363)
Impairment provision for repossessed investments in real estate	(1,414,500)	(533,171)
Net Assets	126,379,861	120,212,403

* Investments in real estate are presented at fair value, with a book value (cost) of JD 114,991,862 as at 31 December 2018 compared to JD 109,252,579 as at 31 December 2017.

** Impairment for repossessed investments in real estate was provided for starting from 1 January 2016 according to the Central Bank of Jordan letter No. (10/1/2510) dated 14 February 2017 by charging 10% annually until the impairment provision reaches 50% of investment in real estate value. According to subsequent Central Bank of Jordan circular No. (10/1/16607) dated 17 December 2017, it was decided to suspend the prior circular for the year 2018, and to continue to recognize such provision starting from the year 2019.

(15) Al Qard Al Hasan - Net

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Al Qard Al Hasan	14,280,494	13,497,535
Less: provision for expected credit loss - self*	(2,554,737)	(4,500,000)
Al Qard Al Hasan - Net	11,725,757	8,997,535

* Movements on assets expected credit loss - self were as follows:

	Beginning balance	Appropriated during the year	Used during the year	Transferred during the year	Transferred to revenues	Ending balance
	JD	JD	JD	JD	JD	JD
31 December 2018						
Expected credit loss-Self	4,500,000	300,000	-	(2,245,263)	-	2,554,737
Total	4,500,000	300,000	-	(2,245,263)	-	2,554,737
	Beginning balance	Appropriated during the year	Used during the year	Transferred during the year	Transferred to revenues	Ending balance
	JD	JD	JD	JD	JD	JD
31 December 2017						
Expected credit loss-Self	4,500,000	-	-	-	-	4,500,000
Total	4,500,000	-	-	-	-	4,500,000

(16) Property and equipment - Net

This item consists of the following:

	31 December 2018					
	Land	Buildings	Equipment, Furniture and Fixtures	Vehicles	Computers	Total
	JD	JD	JD	JD	JD	JD
Cost						
Beginning balance	30,217,226	33,417,223	49,711,346	2,333,871	15,046,201	130,725,867
Additions	2,078,980	8,386,116	5,468,749	478,052	2,697,151	19,109,048
Disposals	-	(347,525)	(1,056,801)	(352,524)	(2,289,103)	(4,045,953)
Ending balance	32,296,206	41,455,814	54,123,294	2,459,399	15,454,249	145,788,962
Accumulated Depreciation						
Accumulated Depreciation	-	(6,588,002)	(39,559,889)	(1,013,404)	(13,502,368)	(60,663,663)
Depreciation of the year	-	(721,473)	(4,429,676)	(121,665)	(1,429,800)	(6,702,614)
Disposals	-	-	699,570	62,155	2,181,389	2,943,114
Ending balance	-	(7,309,475)	(43,289,995)	(1,072,914)	(12,750,779)	(64,423,163)
Net book value of property and equipment	32,296,206	34,146,339	10,833,299	1,386,485	2,703,470	81,365,799
Payments on purchase of property and equipment	-	-	999,985	-	613,672	1,613,657
Projects in progress	-	331,756	-	-	-	331,756
Net property and equipment at the end of the year	32,296,206	34,478,095	11,833,284	1,386,485	3,317,142	83,311,212

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

	31 December 2017					
	Land	Buildings	Equipment, Furniture and Fixtures	Vehicles	Computers	Total
	JD	JD	JD	JD	JD	JD
Cost						
Beginning balance	27,601,454	32,980,721	46,493,640	2,558,545	13,654,762	123,289,122
Additions	2,615,772	887,351	3,344,251	3,231	1,621,117	8,471,722
Disposals	-	(450,849)	(126,545)	(227,905)	(229,678)	(1,034,977)
Ending balance	30,217,226	33,417,223	49,711,346	2,333,871	15,046,201	130,725,867
Accumulated Depreciation						
Beginning balance	-	(6,025,506)	(35,080,825)	(964,807)	(12,292,777)	(54,363,915)
Depreciation of the year	-	(562,496)	(4,515,437)	(86,820)	(1,436,769)	(6,601,522)
Disposals	-	-	36,373	38,223	227,178	301,774
Ending balance	-	(6,588,002)	(39,559,889)	(1,013,404)	(13,502,368)	(60,663,663)
Net book value of property and equipment	30,217,226	26,829,221	10,151,457	1,320,467	1,543,833	70,062,204
Payments on purchase of property and equipment	-	-	1,441,074	-	531,290	1,972,364
Projects in Progress	-	5,994,398	-	-	-	5,994,398
Net property and equipment at the end of the year	30,217,226	32,823,619	11,592,531	1,320,467	2,075,123	78,028,966

Fully depreciated property and equipment amounted to JD 51,366,220 as at 31 December 31 2018 compared to JD 42,674,628 as at 31 December 2017.

(17) Depreciation and amortization

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Property and equipment depreciation	6,702,614	6,601,522
Intangible assets amortization	751,325	1,134,758
Total	7,453,939	7,736,280

(18) Intangible assets

This item consists of the following:

	Computer systems and softwares	Computer systems and softwares
	31 December 2018	31 December 2017
	JD	JD
Beginning balance	520,471	1,397,651
Additions	760,079	257,578
Amortization	(751,325)	(1,134,758)
Total	529,225	520,471
Payments on softwares purchases	1,769,911	1,027,607
Ending balance	2,299,136	1,548,078

(19) Other assets

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Accrued revenues	146,637	134,927
Prepaid expenses	297,742	330,653
Temporary debit accounts	4,808,445	4,819,929
Stationery and publications	656,291	534,922
Prepaid rent	751,091	824,112
Stamps	826,791	623,793
Credit card accounts	1,434,322	1,653,925
Settlement guarantee fund deposits	25,000	27,000
Refundable deposits	303,267	329,528
Acceptable notes	124,178	382,319
Others	305,503	556,257
Total	9,679,267	10,217,365

(20) Banks and financial institutions accounts

This item consists of the following:

	31 December 2018			31 December 2017		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and on demand accounts	88,555	8,152,801	8,241,356	88,555	4,923,485	5,012,040
Total	88,555	8,152,801	8,241,356	88,555	4,923,485	5,012,040

(21) Customers' current and on demand accounts

This item consists of the following:

	31 December 2018				
	Retail	Large corporates	Small and Medium Enterprises	Government and public sector	Total
	JD	JD	JD	JD	JD
Current accounts	640,984,406	15,946,995	184,769,776	30,962,143	872,663,320
On demand accounts	201,949,458	2,720	1,392,274	298	203,344,750
Total	842,933,864	15,949,715	186,162,050	30,962,441	1,076,008,070

	31 December 2017				
	Retail	Large corporates	Small and Medium Enterprises	Government and public sector	Total
	JD	JD	JD	JD	JD
Current accounts	692,017,939	19,137,632	178,312,541	28,112,611	917,580,723
On demand accounts	208,882,486	98,943	1,154,915	-	210,136,344
Total	900,900,425	19,236,575	179,467,456	28,112,611	1,127,717,067

Government and public sector deposits inside the Kingdom amounted to JD 30,962,441 representing 2.88 % of the total customers' current and on demand accounts as at 31 December 2018 compared to JD 28,112,611 representing 2.49 % as at 31 December 2017.

Dormant accounts amounted to JD 48,071,967 as of 31 December 2018 compared to JD 48,537,772 as of 31 December 2017.

The restricted accounts amounted to JD 5,639,774, representing 0.52 % of the total customers' current and on demand accounts as of 31 December 2018 compared to JD 6,722,099 representing 0.60 % as of 31 December 2017 of the total customers' current and on demand accounts.

(22) Cash margins

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Cash margins against sales receivables, finances and other receivables	13,994,067	16,155,755
Cash margins against indirect facilities	24,172,828	24,688,177
Other margins	7,043,323	7,063,045
Total	45,210,218	47,906,977

(23) Accounts payable

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Customers' accounts payable	400,227	812,999
Total	400,227	812,999

(24) Other provisions

This item consists of the following:

	31 December 2018			
	Beginning Balance	Appropriated during the year	Transferred during the year	Utilized during the year
	JD	JD		JD
End of service indemnity provision	3,500,000	300,000	-	-
Legal case held against bank provision	-	75,000	-	-
Employees' vacation provision	3,250,000	150,000	-	-
Contingencies provision*	4,540,108	-	2,171,998	-
Total	11,290,108	525,000	2,171,998	-

	31 December 2017			
	Beginning	Appropriated	Utilized	Ending
	Balance	during the	during the	Balance
	JD	year	year	JD
End of service indemnity provision	3,500,000	-	-	3,500,000
Employees' vacation provision	3,000,000	250,000	-	3,250,000
Total	6,500,000	250,000	-	6,750,000

* Beginning balance represents amounts transferred to retained earnings as a result of IFRS (9) implementation.

(25) Income tax provision

A. Bank's income tax provision

Movements on the Bank's income tax provision were as follows:

	31 December 2018	31 December 2017
	JD	JD
Beginning balance for the year	23,760,966	25,425,244
Income tax paid	(22,247,035)	(23,095,980)
Income tax expense	25,596,078	26,799,702
Income tax paid for the years 2018, 2017	(4,650,636)	(5,368,000)
Ending balance for the year	22,459,373	23,760,966

B. Income tax expense shown in the consolidated income statement represents the following:

	31 December 2018	31 December 2017
	JD	JD
Income tax for the profit of the year	25,596,078	26,799,702
Total	25,596,078	26,799,702

Income tax provision for the year ended 31 December 2018 was calculated in accordance with the income tax law No. (34) of 2014.

The Bank obtained final income tax clearance up to the year 2015, and submitted its Income tax declaration for the years 2016 and 2017.

Al Samaha Financing and Investment Company Ltd., and Sanabel Al-Khair obtained final income tax clearance up to the years 2014 and 2016. Future Applied Computer Technology Company Ltd obtained final income tax clearance up to the year 2014. Omariah Schools Company Ltd. has obtained final income tax clearance up to 2016, all subsidiaries mentioned have submitted their income tax declaration up to the year 2017.

(26) Deferred tax liabilities

This item consists of the following:

	31 December 2018				31 December 2017
	Beginning Balance	Amounts released during the year	Additions during the year	Ending Balance	Deferred Tax
	JD	JD	JD	JD	JD
A. Deferred tax liabilities –Joint*					
Financial assets at fair value through the joint investment accounts holders' equity	315,946	(1,660,429)	-	(1,344,483)	(510,904)
Investments in real estate	11,505,358	(885,179)	2,194,683	12,814,862	4,889,648
Total	11,821,304	(2,545,608)	2,194,683	11,470,379	4,358,744
B. Deferred tax liabilities – self financed **					
Financial assets at fair value through owner's equity	1,858,650	-	359,840	2,218,490	843,026
Total	1,858,650	-	359,840	2,218,490	843,026

* Deferred tax liabilities - joint includes an amount of JD 4,358,744 as at 31 December 2018 compared to JD 4,137,456 as at 31 December 2017 resulting from the profits of evaluating financial and non-financial assets within the fair value reserve of the unrestricted investment accounts holders'.

** Deferred tax liabilities - self financed includes an amount of JD 843,026 as at 31 December 2018 compared to JD 650,528 as at 31 December 2017 resulting from the profits of evaluating financial assets within the fair value reserve of owner's equity.

Movements on deferred tax liabilities were as follows:

(26-A). Joint

	31 December 2018	31 December 2017
	JD	JD
Beginning Balance	4,137,456	6,036,616
Additions	221,288	-
Disposals	-	(1,899,160)
Ending Balance	4,358,744	4,137,456

(26-B). Self

	31 December 2018	31 December 2017
	JD	JD
Beginning Balance	650,528	327,556
Additions	192,498	322,972
Ending Balance	843,026	650,528

(26-C). Reconciliation between tax profit and accounting profit:

	31 December 2018	31 December 2017
	JD	JD
Accounting profit	75,404,005	80,938,755
Non-taxable profit	(3,268,452)	(4,799,199)
Nondeductible expenses	1,022,963	459,592
Taxable profit	73,158,516	76,599,148
Attributable to:		
Bank	73,073,037	76,508,240
Subsidiaries	85,479	90,908
Statutory income tax rate - Bank	35%	35%
Statutory income tax rate - Subsidiaries	24%	24%
Effective income tax rate	35%	33.1%

(27) Other liabilities

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Accepted cheques	2,434,928	2,349,414
Revenues received in advance	1,769,897	1,824,752
Al Qard Al Hasan Fund	2,255,054	1,725,402
Temporary deposits	733,473	837,793
Miscellaneous credit balances	3,187,982	2,310,889
Cheques against notes payables	4,499,872	4,748,093
Banker's cheques	6,871,191	4,060,896
Others	3,454,373	1,512,432
Total	25,206,770	19,369,671

(28.A) Unrestricted investment accounts

This item consists of the following:

	31 December 2018					
	Retail	Large corporates	Small and Medium Enterprises	Government and public sector	Banks	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	527,628,610	1,248,540	9,913,534	283	7,273,225	546,064,192
Notice accounts	9,420,541	-	9,586,684	591,906	4,353,361	23,952,492
Term accounts	1,739,495,308	5,747,054	115,230,166	26,852,499	-	1,887,325,027
Total	2,276,544,459	6,995,594	134,730,384	27,444,888	11,626,586	2,457,341,711
Depositors' share from investment returns	47,950,111	147,346	2,848,453	578,059	104,600	51,628,569
Total unrestricted investment accounts	2,324,494,570	7,142,940	137,578,837	28,022,747	11,731,186	2,508,970,280

	31 December 2017					
	Retail	Large corporates	Small and Medium Enterprises	Government and public sector	Banks	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	528,827,240	500,694	9,046,343	8,292	660,701	539,043,270
Notice accounts	9,435,099	-	5,183,099	16,768,150	-	31,386,348
Term accounts	1,742,127,050	5,641,113	114,447,071	43,761,136	5,000,000	1,910,976,370
Total	2,280,389,389	6,141,807	128,676,513	60,537,578	5,660,701	2,481,405,988
Depositors' share from investment returns	49,303,663	132,790	2,798,424	1,308,866	10,899	53,554,642
Total unrestricted investment accounts	2,329,693,052	6,274,597	131,474,937	61,846,444	5,671,600	2,534,960,630

Unrestricted investment accounts share of profits is calculated as follows:

- 40% of the annual average balance of saving accounts.
- 70% of the annual average balance of notice accounts.
- 90% of the minimum balance of term accounts.

Profit percentage for Jordanian Dinars deposits was 3.10 % as at 31 December 2018 compared to 3.20 % as at 31 December 2017, profit percentage of foreign currencies deposits was 1.10 % as at 31 December 2018 compared to 1.04 % as at 31 December 2017.

Unrestricted investment accounts (Government of Jordan and Public Sector) inside the Kingdom amounted to JD 28,022,747, representing 1.12 % of the total unrestricted investment accounts as at 31 December 2018 compared to JD 61,846,444, representing 2.44 % as of 31 December 2017.

The withdrawal restricted investment accounts were amounted to JD 4,750,541 representing 0.19 % of the total unrestricted investment accounts as at 31 December 2018 compared to JD 3,978,505, representing 0.16 % as at 31 December 2017.

(28.B) Investment accounts holders' reserve and non- controlling interest – in subsidiaries and associates

This item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Investment accounts holders' reserve – Subsidiaries	15,486,116	14,948,159
Investment accounts holders' reserve – Associates	2,658,786	2,686,701
Total	18,144,902	17,634,860
Non-Controlling Interests	153,866	165,487

(29) Fair value reserve

This item consists of the following:

(A) Joint

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Financial assets at fair value through joint investment accounts holders' equity reserve	(833,579)	205,365
Investments in real estate reserve	7,945,214	7,478,483
Total	7,111,635	7,683,848

(B) Self

	Self	
	31 December 2018	31 December 2017
	JD	JD
Financial assets at fair value through owner's equity - self	1,375,464	1,208,122
Total	1,375,464	1,208,122

(C) Movements on the fair value reserve for the unrestricted investment accounts holders' equity were as following:

31 December 2018			
	Financial assets at fair value	Investments in real estate	Total
	JD	JD	JD
Beginning Balance *	315,946	11,505,358	11,821,304
Unrealized (loss) profits	(1,660,429)	2,194,683	534,254
Deferred tax liabilities	510,904	(4,869,648)	(4,358,744)
Profits transferred to the consolidated income statement	-	(885,179)	(885,179)
Ending Balance	(833,579)	7,945,214	7,111,635

31 December 2017			
	Financial assets at fair value	Investments in real estate	Total
	JD	JD	JD
Beginning Balance *	2,211,454	15,036,019	17,247,473
Unrealized loss	(1,895,508)	(3,457,182)	(5,352,690)
Deferred tax liabilities	(110,581)	(4,026,875)	(4,137,456)
Profits transferred to the consolidated income statement	-	(73,479)	(73,479)
Ending Balance	205,365	7,478,483	7,683,848

* The fair value reserve beginning balance includes the prior year deferred tax liabilities of JD 4,137,456.

(D) Movements on the fair value reserve / owner's equity were as follows:

	Financial assets at fair value	
	31 December	31 December
	2018	2017
	JD	JD
Beginning Balance*	1,858,650	935,875
Unrealized profits	359,840	922,775
Deferred tax liabilities	(843,026)	(650,528)
Ending Balance	1,375,464	1,208,122

* The fair value reserve beginning balance includes the prior year deferred tax liabilities of JD 650,528.

(E) Provision for probable contingencies:

Movements on probable contingent provisions were as follows:

	31 December	31 December
	2018	2017
	JD	JD
Beginning balance for the year	-	-
Effect of IFRS (9) adoption	581,915	-
Adjusted beginning balance	581,915	-
Movement during the year	460,602	-
Ending Balance for the year	1,042,517	-

(30) Investment risk fund:

A. Movements on the investment risk fund were as follows:

	31 December 2018	31 December 2017
	JD	JD
Beginning Balance	105,233,556	95,629,553
Add: transferred from investment profits during the year	19,175,849	19,123,046
Tax settlement - Net	(1,515)	22,265
Amounts recovered from prior years losses	1,489,269	420,916
Losses written off during the year*	(6,593,432)	(4,857,404)
Less: tax payments for the years 2018, 2017	(1,412,345)	(1,358,788)
Net accrued income tax**	(3,455,761)	(3,746,032)
Ending Balance	114,435,621	105,233,556

- * The losses charged to the fund as at 31 December 2018 represent debt amortization losses at the sum of JD 6,543,067 compared to a sum of JD 4,857,404 as at 31 December 2017. Realized losses from sale of investment in shares as at 31 December 2018 was JD 50,365 in accordance with Article (55) of the Banks Law and the Interpretation issued by the Bureau of Laws Interpretation.

A percentage of 10 % was deducted from the net realized joint investment profits from different transactions as at 31 December 2018 and transferred to the investment risk fund (2017: 10 %.)

Investment risk fund balance devolves to the Zakah fund in case of the Bank's liquidation.

- ** The aforementioned fund income tax item represents:

	31 December 2018	31 December 2017
	JD	JD
Beginning balance for the year	3,746,032	652,909
Paid income tax	(3,746,032)	(652,909)
Accrued income tax	4,868,106	5,104,820
Tax payment for the years 2018, 2017	(1,412,345)	(1,358,788)
Ending balance for the year	3,455,761	3,746,032

B. The Investment risk fund balance is distributed as follows:

	31 December 2018 JD	31 December 2017 JD
Ending Balance	114,435,621	105,233,556
Expected credit loss for deferred sales receivables – (Note 7)	88,833,924	73,100,869
Expected credit loss for Ijarah Muntahia Bittamleek receivables – (Note 7)	2,089,881	1,820,617
Expected credit loss for financing – (Note 9)	703,355	212,681
Reposessed investment in real estate – (Note 14)	12,363	12,363
Impairment provision for reposessed investment in real estate – (Note 14)	1,414,500	533,171
Expected credit loss for financial assets – (Note 12)	3,351,014	1,818,373
Expected credit loss for investment accounts – (Note 5,6)	102,106	-
Expected credit loss for probable contingencies – (Note 29/E)	1,042,517	-
Total expected credit loss and impairment provision	97,549,660	77,498,074
Mutual insurance fund share – deferred sales receivables (expected credit loss)	(14,440,599)	(8,417,661)
Mutual insurance fund share – Ijarah Muntahia Bittamleek receivable (expected credit loss)	(328,020)	(197,344)
Remaining Balance *	31,654,580	36,350,487

* The remaining undistributed balance is related to the joint investment accounts.

Income tax of the investment risk fund was settled up to the year 2015 and income tax return was filed for the year 2016,2017. Declared tax was settled in accordance with the related Shari'a Fatwa.

C. Mutual Insurance Fund

Movements on the mutual insurance fund were as follows:

	31 December 2018 JD	31 December 2017 JD
Beginning balance	80,887,125	73,711,297
Add: profits for the years 2017 and 2016	2,139,556	1,981,015
Add: insurance premiums collected during the year	1,148,010	14,806,862
Add: amounts recovered from prior years losses	39,737	42,614
Less: insurance premiums paid during the year	(4,422,911)	(4,208,919)
Less: tax payments for the years 2017,2018	-	(709,438)
Less: income tax fund for the years 2017 and 2016	(3,513,547)	(4,180,404)
Less: fund's committee members remunerations	(16,000)	(16,000)
Less: consulting fees	(13,340)	(1,740)
Less: Insurance paid for the dissolution of contracts before 1 January 2018	(222,440)	-
Less: losses written off during the year	(653,798)	(538,162)
Ending balance	75,372,392	80,887,125

The mutual insurance fund was established based on Article (54) - paragraph (D/3) of the Banks Law No. (28) for the year 2000.

Prior approval of the Central Bank of Jordan must be obtained in case of any changes to the mutual insurance fund policies.

In case of discontinuing the mutual insurance fund for any reason, the Board of Directors shall determine the way of spending the fund's sources for charity.

The Central Bank of Jordan approved considering the Mutual Insurance Fund as mitigating risk exposure according to its letter No. (10/1/12160) dated 9 October 2014.

Compensation payment for the subscriber is made from the Fund as determined by the Bank from the subscriber's outstanding debt insured in Murabaha or in any other form of deferred sales or as determined by the Bank from the debt and/or the remaining amount from the Ijarah asset in the following cases:

- Death of subscriber.
- The subscriber's physical disability, fully or partially.
- The subscriber's insolvency due to lack of income sources for at least one year, without having an assets or possessing the leased estate to settle his debt and has no opportunity to obtain income source in the upcoming year that enable the debtor to settle his debt or to continue in the finance lease.

Mutual insurance fund balance is allocated as follows:

	31 December 2018	31 December 2017
	JD	JD
Ending balance	75,372,392	80,887,125
Expected credit loss for deferred sales receivables	(14,440,599)	(8,417,661)
Expected credit loss for Ijarah Muntahia Bittamleek receivables	(328,020)	(197,344)
Excess of mutual insurance fund	60,603,773	72,272,120

The expected credit loss of deferred sales receivables and Ijarah Muntahia Bittamleek receivables included in the mutual insurance fund was computed starting from 31 December 2014 in accordance to the approval of the Central Bank of Jordan.

As of the beginning of 2018, the group has applied the accrual basis instead of cash basis with regards to insurance premiums received from subscribers, additionally, it was approved to increase the ceiling of coverage to become JD 150 thousand instead of JD 100 thousand.

Mutual insurance fund covers financing granted by Bank (financing granted from joint investment account and Al Wakala Bi Al Istithmar accounts (investments portfolio).

D. Subsidiaries expected credit loss

	31 December 2018	31 December 2017
	JD	JD
Al Samaha Funding and Investment Company Ltd. - (Note 7)	485,327	81,514
Al Omariah Schools Company Ltd. - (Note 7)	604,118	448,305
Total	1,089,445	529,819

(31) Paid-In Capital:

The authorized and paid-in capital amounted to JD 180 million as at 31 December 2018 (2017: JD 180 million) consisting of 180 million shares (2017: 180 million shares).

(32) Reserves:

Statutory reserve:

The accumulated amounts in this account represent the transferred 10% of annual profits before taxes during the current and previous years, in accordance with Banks Law. This reserve is not available for distribution to shareholders.

Voluntary reserve:

The accumulated amounts in this account represent the transferred 20% of annual profits before taxes during the current and previous years and is used for purposes determined by the Board of Directors. General Assembly is entitled to fully or partially distribute the reserve as dividends.

Restricted reserves are as follows:

Description	JD	Nature of Restriction
Statutory reserve	84,018,397	Banks Law

(33) Retained earnings

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Balance at the beginning of the year	85,577,364	100,123,623
Effect of IFRS (9) adoption	(4,540,108)	-
Transfer from General Banking Risk Reserve	1,000,000	-
Balance after IFRS (9) adoption	82,037,256	100,123,623
Profit after income tax	49,807,927	54,139,053
Transferred to statutory reserve	(7,547,017)	(8,100,584)
Transferred to voluntary reserve	(7,532,333)	(8,084,728)
Dividends distributed to shareholders	(27,000,000)	(22,500,000)
Transferred to capital increase	-	(30,000,000)
Balance at the end of the year	89,765,833	85,577,364

Proposed Dividends

Proposed cash dividends to be distributed to shareholders for the year 2018 is 15 % of the paid-in capital with an amount of JD 27 million (2017: 15% of the paid-in capital with amount of JD 27 million). Proposed stock dividends to be distributed amounted to 11.11% of the paid-in capital subjected to the approval of the Central Bank of Jordan.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(34) Deferred sales revenues

This item consists of the following:

	Joint		Self-financed		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Individuals (Retail):						
Murabaha to the purchase orderer	50,852,499	53,372,815	-	-	50,852,499	53,372,815
Deferred sales	533,958	456,238	-	-	533,958	456,238
Ijarah Mawsoofa Bil Thimma	319,196	252,611	-	-	319,196	252,611
Real Estate Financing	36,582,571	36,731,385	8,000	10,000	36,590,571	36,741,385
Corporate:						
International Murabaha	732,223	123,473	-	-	732,223	123,473
Istisna'a	68,340	331,267	-	-	68,340	331,267
Murabaha to the purchase orderer	17,469,611	16,602,898	-	-	17,469,611	16,602,898
Deferred sales	275	-	-	-	275	-
Small and Medium Enterprises:						
Murabaha to the purchase orderer	8,416,820	8,385,298	-	-	8,416,820	8,385,298
Deferred sales	1,788	-	-	-	1,788	-
Government and public sector	23,815,365	24,801,089	-	-	23,815,365	24,801,089
Total	138,792,646	141,057,074	8,000	10,000	138,800,646	141,067,074

(35) Financing revenues

This item consists of the following:

	Joint		Self-financed		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Individuals (Retail):						
Diminishing Musharaka	442,805	427,616	4,580	3,737	447,385	431,353
Small & Medium Enterprises:						
Diminishing Musharaka	-	5,500	-	-	-	5,500
Total	442,805	433,116	4,580	3,737	447,385	436,853

(36) Gain from financial assets at fair value through the joint investment accounts holders' equity

This item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Dividends income	918,795	995,614
Total	918,795	995,614

(37) Gain from financial assets at amortized cost

The item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Islamic Sukuk	3,704,657	2,809,042
Islamic banks portfolio revenues	35,386	86,248
Total	3,740,043	2,895,290

(38) Dividends from subsidiaries and associates

This item consists of the following:

	Ownership percentage	Distribution percentage	Distributed dividends	
			31 December 2018	31 December 2017
	%	%	JD	JD
Subsidiaries				
Al Omariah Schools Company Ltd	99.4	6.0	765,266	-
Associates				
Jordanian Center for International Trading Co.	28.4	9.0	86,760	86,760
Islamic Insurance Co.	33.3	8.0	400,000	-
Total			1,252,026	86,760

(39) Revenues from investments in real estate

This item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Realized gain from investments in real estate	1,511,676	797,170
Total	1,511,676	797,170

(40) Revenues from leased and Ijarah Muntahia Bittamleek assets

This item consists of the following:

	Joint	
	31 December 2018	31 December 2017
	JD	JD
Ijarah Muntahia Bittamleek	43,075,593	43,535,584
Total	43,075,593	43,535,584

(41) Revenues from other investments

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Revenue from investment deposits at Islamic financial institutions	2,024,904	1,429,855
Total	2,024,904	1,429,855

(42) Net income of subsidiaries

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Revenues		
School instalments and transportation	10,085,865	10,193,213
Profit from financial assets	-	7,800
Al Wakala Bi Al Istithmar (Investment portfolio)	276,890	225,032
Finance revenues	1,389,156	1,233,091
Projects revenues	2,347,123	1,843,608
Other revenues	376,691	446,190
Total Revenues	14,475,725	13,948,934
Expenses		
Administrative expenses	(9,826,523)	(9,840,593)
Depreciation	(1,048,911)	(1,043,820)
Provision for expected credit loss	(17,143)	(16,806)
Other expenses	(1,544,154)	(599,724)
Total expenses	(12,436,731)	(11,500,943)
Net income	2,038,994	2,447,991

(43) Share of unrestricted investment accounts holders':

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Banks and financial institutions	104,600	10,899
Customers:		
Saving accounts	5,330,900	6,767,104
Notice accounts	543,300	638,983
Term accounts	45,649,769	46,137,656
Total	51,628,569	53,554,642

(44) Bank's share of the joint investment accounts revenues as Mudarib and Rab Mal

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Bank's share as Mudarib	86,494,507	84,958,387
Bank's share as fund owner (Rab Mal)	34,459,563	33,594,388
Total	120,954,070	118,552,775

(45) Bank's self- financed revenues

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Deferred sales revenues – (Note 34)	8,000	10,000
Financing revenues – (Note 35)	4,580	3,737
Dividend from financial assets at the fair value through owner's equity	13,384	12,476
Total	25,964	26,213

(46) Bank's share of restricted investment revenues as Mudarib and Wakeel:

This item consists of the following:

	Wakeel	Mudarib	Wakeel	Mudarib
	31 December 2018		31 December 2017	
	JD	JD	JD	JD
Restricted investment revenues	-	1,263,897	-	831,688
Less: Share of restricted investment accounts holders'	-	(1,041,710)	-	(694,554)
Net	-	222,187	-	137,134
Al Wakala Bi Al Istithmar revenues	1,928,179	-	383,085	-
Less: share of Al Wakala Bi Al Istithmar accounts holders'	(1,205,112)	-	(239,664)	-
Net	723,067	-	143,421	-
Muqarada bonds profits (Investment portfolio)				8,848,964
Less: share of Muqarada bonds accounts holders' (Investment portfolio)	-	-	-	(6,636,723)
Net	-	-	-	2,212,241
Al Wakala Bi Al Istithmar revenues (Investment portfolio)	18,837,521	-	9,366,411	-
Less: share of Al Wakala Bi Al Istithmar accounts holders' (Investment portfolio)	(16,284,215)	-	(7,036,386)	-
Net	2,553,306	-	2,330,025	-
Total	3,276,373	222,187	2,473,446	2,349,375

(47) Banking services revenues

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Letters of credit commissions	703,782	716,914
Guarantees commissions	2,691,319	2,534,260
Collection bills commission	466,120	473,756
Transfers commission	675,938	620,941
Salary transfer commission	4,387,276	4,163,117
Returned cheques commission	1,542,844	2,699,695
Account management commission	960,105	1,320,390
Cheques books commission	299,592	336,104
Foreign currencies cash deposits commission	83,825	90,539
Brokerage commission	288,033	308,907
Cheques collection commission	103,743	117,472
Credit cards commission	5,012,065	4,405,236
Other commissions	1,882,644	1,859,359
Total	19,097,286	19,646,690

(48) Foreign currency gain

This item consists of the following:

	Self	
	31 December 2018	31 December 2017
	JD	JD
Resulting from trading	708,851	791,655
Resulting from valuation	858,242	1,244,309
Total	1,567,093	2,035,964

(49) Other income

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Rents	71,692	71,668
Bonded revenues	380,207	597,038
Postage and telephone	371,640	350,734
Safe box leasing	237,081	196,230
Others	847,233	670,366
Total	1,907,853	1,886,036

(50) Employees expenses

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Salaries, benefits and allowances	31,594,370	29,604,092
Bank's contribution in Social Security	3,739,606	3,545,291
Medical expenses	3,106,973	2,726,603
Training expenses	225,514	241,326
Per diem	169,102	187,700
Meals	156,208	133,480
End of service benefits	1,588,907	743,398
Takaful insurance	237,352	210,844
Total	40,818,032	37,392,734

(51) Other expenses

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Postage and telephone	1,512,894	1,408,565
Printings and stationery	1,404,867	1,294,190
System maintenance and licenses	3,381,436	2,389,810
Credit Cards	2,151,266	1,718,919
Rent	2,062,320	1,696,585
Water, electricity and heating	1,844,315	2,292,607
Repair, maintenance and cleaning	1,781,583	1,442,527
Insurance premiums	809,082	708,297
Travel and transportation	1,183,072	1,162,892
Legal and consulting fees	383,103	231,840
Professional fees	113,770	146,460
Subscriptions and memberships	723,343	701,519
Donations	1,032,074	880,124
Licenses, governmental fees and taxes	839,395	982,452
Hospitality	180,592	148,704
Advertising and promotion	1,582,011	1,727,862
Saving accounts rewards	144,650	148,530
Board committees remunerations	84,000	82,600
Master card and visa accounts rewards	235,166	223,464
Board members remunerations	66,160	67,080
Investor protection fund	9,991	9,027
Overdraft accounts coverage	237,068	487,551
Others	787,692	701,125
Total	22,549,850	20,652,730

(52) Other provisions

The item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
End of service indemnity provision	300,000	-
Legal cases held against bank provision	75,000	-
Employees' vacation provision	150,000	250,000
Total	525,000	250,000

(53) Basic earnings per share (EPS)

The item consists of the following:

	31 December 2018	31 December 2017
Profit for the year after income tax (JD)	49,807,927	54,139,053
Weighted average number of shares	180,000,000	180,000,000
Basic earnings per share (JD/Fils)	0.277	0.301

(54) Cash and cash equivalents

This item consists of the following:

	31 December 2018 JD	31 December 2017 JD
Cash and balances with Central Banks maturing within 3 months	876,086,318	1,138,666,950
Add: Balances at banks and financial institutions maturing within 3 months	93,915,490	54,124,633
Less: Balances at banks and financial institutions maturing within 3 months	(8,241,356)	(5,012,040)
Total	961,760,452	1,187,779,543

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(55) Restricted investments

This item consists of the following:

	Real estate trading			International Murabaha			Deferred sales receivables			Ijarah Muntahia Bittamleek			Cash balances			Total		
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Beginning balance	311,641	311,641	18,117,602	19,553,637	4,275,619	3,449,193	8,022,560	2,732,810	841,341	507,228	31,568,763	26,554,509						
Deposits	-	-	2,089,331	1,381,182	2,180,535	2,802,745	6,066,261	5,294,956	6,888,627	2,685,714	17,224,754	12,164,597						
Withdrawals	-	-	(5,939,509)	(2,938,678)	(450,654)	(2,105,607)	(2,849,557)	(449,011)	(3,797,612)	(2,351,601)	(13,037,332)	(7,844,897)						
Investment profits	-	-	243,854	180,446	315,501	158,069	704,542	493,173	-	-	1,263,897	831,688						
Bank's fees as Mudarib	-	-	(107,169)	(58,985)	(36,721)	(28,781)	(78,297)	(49,368)	-	-	(222,187)	(137,134)						
Ending balance	311,641	311,641	14,404,109	18,117,602	6,284,280	4,275,619	11,865,509	8,022,560	3,932,356	841,341	36,797,895	31,568,763						
Less: deferred profits	-	-	-	-	(965,346)	(601,374)	-	-	-	-	(965,346)	(601,374)						
Less: Mutual Insurance fund	-	-	-	-	(258,232)	-	-	-	-	-	(258,232)	-						
Ending balance, Net	311,641	311,641	14,404,109	18,117,602	5,060,702	3,674,245	11,865,509	8,022,560	3,932,356	841,341	35,574,317	30,967,389						

(56) Al Wakala Bi Al Istithmar (Investments Portfolio)

This item consists of the following:

	Financial assets			Real estate trading			Deferred sales receivables			Ijarah Muntahia Bittamleek			Cash balances			Total	
	31 December	2017	2018	31 December	2017	2018	31 December	2017	2018	31 December	2017	2018	31 December	2017	2018	31 December	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Beginning balance	34,195,155	35,944,191	35,307,948	30,493,756	267,062,292	218,311,879	58,256,202	60,943,361	19,816,958	85,046,785	414,638,555	430,739,972					
Number of investment units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
at beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value of investment units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
at beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	195,169	221,640	375,040	4,752,991	52,364,179	70,918,026	6,438,187	5,106,476	117,438,348	88,984,762	351,584,500	395,570,000					
Withdrawals	(1,500,300)	(94,177)	(471,103)	-	(79,200,928)	(29,044,955)	(10,179,632)	(9,767,976)	(122,506,500)	(154,214,589)	176,810,923	169,983,895					
Investment profits (losses)	(2,033,050)	(1,654,859)	329,626	259,163	16,223,494	8,407,253	4,317,451	2,354,853	-	-	18,837,521	9,366,410					
Bank's Fees as Wakeel	(35,548)	(221,640)	(65,925)	(197,962)	(1,946,715)	(1,529,911)	(504,118)	(380,512)	-	-	(2,553,306)	(2,330,025)					
Total	30,820,426	34,195,155	35,475,586	35,307,948	254,502,322	267,062,292	58,328,090	58,256,202	14,748,806	19,816,958	393,875,230	414,638,555					
Less: deferred portfolio profits	-	-	-	-	(27,328,217)	(30,574,154)	-	-	-	-	(27,328,217)	(30,574,154)					
Less: Deferred mutual insurance	-	-	-	-	(692,166)	-	-	-	-	-	(692,166)	-					
Less: investment risk provision	-	-	-	-	(7,706,365)	(7,586,558)	-	-	-	-	(7,706,365)	(7,586,558)					
Ending balance, Net	30,820,426	34,195,155	35,475,586	35,307,948	218,775,574	228,901,580	58,328,090	58,256,202	14,748,806	19,816,958	358,148,482	376,477,843					
Number of investment units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
at end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value of investment units at end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit reserve	1,963,542	-	-	-	-	-	-	-	-	-	351,584,500	371,712,000					
Real estate valuation reserve	-	-	2,826,233	3,097,798	-	-	-	-	-	-	1,963,542	2,826,233					
Deferred tax liabilities	-	-	1,732,207	1,668,045	-	-	-	-	-	-	1,732,207	1,668,045					
Other liability	-	-	42,000	-	-	-	-	-	-	-	42,000	-					
Ending Balance	1,963,542	-	4,600,440	4,765,843	-	-	-	-	-	-	358,148,482	376,477,843					

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(57) Al Wakala Bi Al Istithmar

This item consists of the following:

	31 December 2018 JD	31 December 2017 JD
Al Wakala Bi Al Istithmar accounts – Baraka Group	43,820,455	30,866,592
Al Wakala Bi Al Istithmar accounts – Central Bank of Jordan	18,108,306	15,088,407
Investment in Wakala – Islamic Insurance Company	1,286,609	607,500
Total	63,215,370	46,562,499

- Wakala investments accounts represent cash amounts deposited at the Bank that are managed and invested in accordance with Islamic Shari'a compliant investment modes agreed upon with the Muwakkil in exchange of a lump sum or percentage of the invested funds mentioned in Wakala contract. Any losses incurred shall be borne by the Muwakkil unless arising from the Bank's (Wakeel) negligence or misconduct.
- The Bank's fee is 1% - 1.25% annually.

(58) Related parties transactions

- A. The consolidated financial statements include the financial statements of the Bank and the following subsidiaries:**

Company Name	Ownership	Paid - in Capital	
		31 December 2018	31 December 2017
		JD	JD
Al Omariah Schools Company Ltd.	99.4%	12,825,000	12,825,000
Al Samaha Financing and Investment Company Ltd.	100%	12,000,000	12,000,000
Future Applied Computer Technology Company Ltd.	100%	5,000,000	5,000,000
Sanabel Al-Khair for Financial Investments Company Ltd.	100%	5,000,000	5,000,000

The Bank entered into transactions with the parent Company, subsidiaries, associates, major shareholders, board members and senior executive management within the Bank's ordinary course of business using normal Murabaha rates and commercial commissions. All deferred sales receivables, financing and Ijarah Muntahia Bittamleek granted to related parties are considered performing and within the first stage.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

B. Below is a summary of transactions with related parties:

	Related parties				Total	
	Parent Company	Associates	Subsidiaries	Board members and Senior Executive management	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Consolidated statement of financial position items:						
Deferred sales receivables	-	1,684,933	124,332	8,112,302	9,921,567	8,640,763
Financing of employees housing/ Musharaka	-	-	-	1,493,978	1,493,978	1,102,934
Musharaka financing	-	-	-	1,437,300	1,437,300	612,000
Deposits	103,367	6,645,277	4,421,245	1,547,542	12,717,431	14,827,998
Off consolidated statement of financial position items:						
Guarantees and Letters of credit	-	17,480	856,625	1,966,649	2,840,754	3,089,853
					31 December 2018	31 December 2017
Consolidated income statement items:						
Paid expenses	-	4,923,588	2,070,936	3,800,390	10,794,914	8,112,060
Received revenues	-	109,560	24,411	180,080	314,051	285,914
Paid Profits	-	137,110	11,134	12,642	160,886	79,463

Murabaha rate on granted financing ranged between 4% - 5.5% annually as at 31 December 2018 (2017: 4% - 5.5%).

Musharaka profit rate of financing granted to the employees ranged between 2% - 4.8% annually as at 31 December 2018 (2017: 2% - 4.8%).

Guarantees commission rate ranged between 1% - 4% annually as at 31 December 2018 (2017: 1% - 4%). Letters of credit commission rate ranged between 1/4% - 3/8% quarterly as at 31 December 2018 (2017: 1/4% - 3/8% quarterly).

C. Summary of the Bank's senior executive management benefits (salaries, remuneration and other benefits) were as follows:

	31 December 2018	31 December 2017
	JD	JD
Salaries, remunerations and transportation	3,273,462	2,324,280
End of service benefits	212,896	118,787
Total	3,486,358	2,443,067

(59) Fair value of financial instruments

The Bank uses the following order of valuation methods and alternatives to determine and present the fair value of the financial instruments:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the inputs are significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the inputs are significant to the fair value measurement is unobservable.

The table below illustrate the analysis of the financial instruments measured at fair value according to the aforementioned order:

31 December 2018	First Level	Second Level	Third Level	Total
	JD	JD	JD	JD
Financial assets at fair value through joint investment accounts holders' equity				
Financial instruments	19,746,863	-	-	19,746,863
31 December 2017				
Financial assets at fair value through joint investment accounts holders' equity				
Financial instruments	21,956,512	-	-	21,956,512

(60) Fair value of financial assets and liabilities not measured at fair value in the consolidated financial statements

As disclosed in notes (10 and 11), the financial instruments includes unquoted financial assets amount to JD 22,847,897 which are stated at cost as the Bank cannot reliably determine its fair value. No indication of impairment exist.

(61) Risk Management

The Bank undertakes the risk management function through a comprehensive risk management framework approved by the Bank's Board of Directors. The goal of risk management is to establish a safe business environment in order to pursue the Bank's strategic objectives by achieving the following:

- 1- Maintaining adequate capital against risks.
- 2- Preserving assets quality.
- 3- Maintaining appropriate liquidity levels.
- 4- Effective internal control system.
- 5- Effective reporting system.

Quantitative and qualitative disclosures:

1. Credit risk:

Credit risk is the risk arising from the borrower inability and/or unwillingness to meet its obligations including principal and profit as they come due.

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

- 1) Determining a credit risk management strategy.
- 2) Determining the acceptable level of credit risk.
- 3) Determining the credit limits and maximum level of credit concentration.

Limits of Acceptable Risk:

Our Bank determines the acceptable level of risks and is approved by the Board of Directors, and the actual level is monitored and compared to the acceptable level of risk on regular intervals and is considered one of the most important elements of governance in the risk management process, and is in line with the business model adopted by our Bank.

- 4) Determining credit risk mitigating techniques and credit concentrations, which include the following:

- Diversification of credit facilities among various economic sectors.
- Setting a clear credit and investment limits that are consistent with Central Bank of Jordan regulations.
- Usage of various credit risk mitigating techniques.
- Setting a credit authority matrix.

- 5) Credit approval, monitoring, and follow up:

The credit application is prepared by the business department whereas the credit department performs a due diligence analysis. The credit application is then presented to the authorized credit committee for approval to ensure the achievement of segregation of duties.

Corporates, Small and Medium Enterprises (SMEs) and high net worth individuals are evaluated through internal credit rating system "Moody's", which is a two dimensions rating system: Obligor Risk Rating (ORR) and Facility Risk Rating (FRR).

Obligor Risk Rating (ORR) represents the credit worthiness of a customer which reflects the Probability of Default (PD).

Facility Risk Rating (FRR) represents the quality of credit risk mitigating techniques provided by the customer, which reflects the Loss Given Default (LGD).

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

1. Credit risk exposure (net of impairment provision and expected credit loss, deferred and suspended revenues, and before collaterals and other risk mitigation factors)

	Joint		Self-financed	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD
Items within the consolidated statement of financial position:				
Balances with central banks	-	-	716,781,566	1,002,623,418
Balances with banks and banking institutions	52,412,097	13,174,135	41,503,393	40,950,498
Investment accounts with banks and financial Institutions	17,642,298	21,979,000	-	-
Deferred sales receivables and other receivables:				
Individuals	598,698,943	625,126,459	12,385,356	9,537,756
Real estate	384,168,659	388,907,787	137,922	180,000
Companies:				
Corporate	408,360,661	355,476,296	99,673	49,774
Small and Medium Enterprises (SMEs)	128,452,109	124,865,361	2,525,446	2,068,239
Government and public sector	527,673,810	521,256,900	3,004,464	3,142,004
Financing				
Musharaka:				
Individuals	-	-	44,085	44,085
Real estates	30,337,806	29,886,256	209,578	238,016
Corporate	2,112,320	812,000	-	-
Off consolidated statement of financial position items:				
Guarantees	-	-	116,550,843	110,757,863
Letters of credit	13,226,229	17,375,489	9,414,522	24,122,621
Acceptances	-	-	3,308,413	3,650,962
Unutilized limits-direct	109,094,793	115,786,180	-	-
Unutilized limits-indirect	-	-	70,352,098	77,137,026
Total	2,272,179,725	2,214,645,863	976,317,359	1,174,502,262

Collaterals and other credit risk mitigation techniques against Credit Exposures:

The quantity and quality of the required collaterals depends on the credit risk assessment of the counterparty. It is also possible to adjust or reduce the risk exposure related to the debtor, concerned party or any other obligor using the credit risk mitigation techniques applicable in the Islamic banks. These include (asset mortgage, third party guarantee, earnest money, cash margins, and shares mortgage).

Credit risk mitigations against credit exposure in the aforementioned table were as follows:

- Cash margins
- Bank guarantees
- Real estate collaterals
- Vehicles and machinery mortgages

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

2- Credit exposures of deferred sales receivables and other receivables and financing are distributed according to the risk degree as illustrated in following table:

	Joint										Self – financed				
	Companies					Companies					Companies				
	Real estate financing		Corporate	SMEs	Government and public sector	Banks and other financial institutions	Total	Individuals	Real estate financing	Corporate	SMEs	Government and public sector	Banks and other financial institutions	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
2018-2019															
Low risk	2,224,901	-	62,535,408	1,008,521	601,486,612	-	667,255,442	-	-	-	-	3,004,464	716,781,566	719,786,030	
Acceptable risk	648,619,576	441,745,693	359,985,895	119,874,012	-	70,156,501	1,640,381,677	8,539,462	362,063	109,979	2,533,479	-	41,574,095	53,119,078	
Due:															
Up to 30 days	27,134	2,838	-	11,822	-	-	41,794	143	-	-	-	-	-	143	
From 31 to 60 days	802,875	1,508,711	3,481,613	1,032,499	-	-	6,825,698	20,714	-	-	-	-	-	20,714	
Watch list	22,105,105	30,502,651	18,552,795	12,404,374	-	-	83,564,925	4,369,162	-	-	-	-	-	4,369,162	
Non performing:															
Sub standard	3,300,042	2,046,499	-	956,065	-	-	6,302,606	162,476	-	-	-	-	-	162,476	
Doubtful	3,957,846	2,084,768	-	884,448	-	-	6,927,062	361,728	-	-	-	-	-	361,728	
Loss	26,880,221	36,886,370	14,997,592	18,458,015	-	-	97,222,198	2,173,771	-	-	-	-	-	2,173,771	
Total	707,087,691	513,265,981	456,071,690	153,585,435	601,486,612	70,156,501	2,501,653,910	15,606,599	362,063	109,979	2,533,479	3,004,464	758,355,661	779,972,245	
Less: deferred revenues	73,380,909	62,878,355	24,182,871	7,421,994	73,812,802	-	241,676,931	-	12,000	-	-	-	-	12,000	
Less: suspended revenues	5,072,691	2,434,091	2,295,464	1,577,850	-	-	11,380,096	-	-	-	-	-	-	-	
Deferred mutual insurance	3,921,451	1,998,018	-	-	-	-	5,919,469	-	-	-	-	-	-	-	
Less: Expected credit loss	26,013,697	31,449,052	19,120,374	16,133,482	-	102,106	92,818,711	3,177,158	2,563	10,306	8,033	-	70,702	3,268,762	
Net	598,698,943	414,506,465	410,472,981	128,452,109	527,673,810	70,054,395	2,149,858,703	12,429,441	347,500	99,673	2,525,446	3,004,464	758,284,959	776,691,483	

The whole receivable balance is considered payable if one instalment falls due.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

	Joint										Self - financed									
	Companies					Government and public sector					Companies					Government and public sector				
	Real estate financing		Corporate		Individuals	SMEs		Banks and other financial institutions		Total	Real estate financing		Corporate		Individuals	SMEs		Banks and other financial institutions		Total
	JD	JD	JD	JD		JD	JD	JD	JD		JD	JD	JD	JD		JD	JD	JD	JD	
31 December 2017-																				
Low risk	2,103,627	-	24,801,372	1,795,519	587,585,584	-	-	-	-	587,585,584	-	-	-	-	-	-	-	-	-	1,005,765,421
Acceptable risk	674,543,218	447,119,538	335,344,189	112,173,201	35,153,135	1,604,333,281	9,729,134	438,016	2,068,239	3,142,004	40,950,498	53,235,661	49,774	2,068,239	3,142,004	1,043,573,916	1,058,833,794	1,058,833,794	1,058,833,794	1,058,833,794
Due: *																				
Up to 30 days	49,342	31,120	6,932	5,541	92,935	200	-	-	-	92,935	-	-	-	-	-	-	-	-	-	200
From 31 to 60 Days	811,040	1,344,692	3,422,443	1,167,074	6,745,249	3,329	-	-	-	6,745,249	-	-	-	-	-	-	-	-	-	3,329
Watch list	21,485,238	26,158,832	21,380,824	14,417,719	83,442,613	2,215,013	-	-	-	83,442,613	-	-	-	-	-	-	-	-	-	2,215,013
Non performing:																				
Sub standard	3,270,685	1,566,129	-	228,950	5,065,764	254,932	-	-	-	5,065,764	-	-	-	-	-	-	-	-	-	254,932
Doubtful	3,462,646	3,244,166	-	1,682,696	8,389,508	567,129	-	-	-	8,389,508	-	-	-	-	-	-	-	-	-	567,129
Loss	21,943,979	30,331,155	17,845,846	19,032,560	89,153,540	1,956,393	-	-	-	89,153,540	-	-	-	-	-	-	-	-	-	1,956,393
Total	726,809,393	508,419,820	399,372,231	149,330,645	2,377,970,290	14,722,601	438,016	49,774	2,068,239	3,142,004	1,043,573,916	1,063,994,551	49,774	2,068,239	3,142,004	1,043,573,916	1,063,994,551	1,063,994,551	1,063,994,551	1,063,994,551
Less: deferred revenues	78,716,149	63,026,740	22,793,149	6,955,572	209,119,776	-	20,000	-	-	209,119,776	-	20,000	-	-	-	-	-	-	-	20,000
Less: suspended revenues	2,820,964	4,140,350	2,890,168	1,850,852	11,702,334	-	-	-	-	11,702,334	-	-	-	-	-	-	-	-	-	-
Less: Expected credit loss	20,145,821	22,458,687	17,400,618	15,658,860	75,663,986	5,140,760	-	-	-	75,663,986	-	-	-	-	-	-	-	-	-	5,140,760
Net	625,126,459	418,794,043	356,286,296	124,865,361	2,081,484,194	9,581,841	418,016	49,774	2,068,239	3,142,004	1,043,573,916	1,058,833,794	49,774	2,068,239	3,142,004	1,043,573,916	1,058,833,794	1,058,833,794	1,058,833,794	1,058,833,794

* The whole receivable balance is considered payable if one instalment falls due

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

The below table illustrate the distribution of the fair value of the collaterals against deferred sales receivables, other receivables, and financing:

	Joint										Self – financed			
	Companies					Government and public sector					Companies			
	Real estate financing		Corporate		SMEs	Government and public sector		Total		Real estate financing	Corporate		SMEs	Government and public sector
	Individuals	JD	JD	JD		JD	JD	JD	JD		JD	JD	JD	JD
31 December 2018-														
Collaterals against:														
Low risk	2,224,901	-	62,535,408	1,008,521	601,486,612	667,255,442	-	-	-	-	-	-	3,004,464	3,004,464
Acceptable risk	365,054,827	244,558,051	160,415,615	75,338,082	-	845,366,575	4,557,405	362,063	-	-	-	-	-	4,919,468
Watch list	22,449,583	15,219,431	7,324,176	10,655,142	-	55,648,332	3,045,400	-	-	-	-	-	-	3,045,400
Non performing:														
Substandard	2,701,551	1,583,022	-	699,876	-	4,984,449	2,643	-	-	-	-	-	-	2,643
Doubtful	3,229,499	906,587	-	787,837	-	4,923,923	4,224	-	-	-	-	-	-	4,224
Loss	23,127,404	23,041,253	11,759,291	13,166,369	-	71,094,317	27,492	-	-	-	-	-	-	27,492
Total	418,787,765	285,308,344	242,034,490	101,655,827	601,486,612	1,649,273,038	7,637,164	362,063	-	-	-	-	3,004,464	11,003,691
Of which :														
Cash margins	2,224,901	-	-	1,008,521	-	3,233,422	-	-	-	-	-	-	-	-
Acceptable bank guarantees	-	-	62,535,408	-	-	62,535,408	-	-	-	-	-	-	-	-
Real estate	114,277,446	277,931,950	164,407,570	87,263,705	-	643,880,671	1,416,330	362,063	-	-	-	35,000	-	1,813,393
Traded shares	-	-	1,340,734	-	-	1,340,734	5,343,012	-	-	-	-	-	-	5,343,012
Vehicles and machinery	302,285,418	7,376,394	13,750,778	13,383,601	-	336,796,191	877,822	-	-	-	-	-	-	877,822

31 December 2018

८८

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Scheduled deferred sales receivables and other receivables and financing:

These represent receivables/finances which have been classified as non performing and were set aside in terms of the non performing receivables/finances in accordance with a legal scheduling agreement and re-classified as watch list or performing receivables/finances with total amount of JD 29,240,352 as at 31 December 2018 against JD 36,466,382 as at 31 December 2017.

Restructured deferred sales receivables and other receivables and financing:

Restructuring means rearranging receivables/finances in terms of amending the instalments or extending the term of receivables/finances, deferring some instalments or extending the grace period, etc. and reclassifying these receivables/finances as watch list with total of JD 2,855,662 as at 31 December 2018 against JD 2,158,775 at 31 December 2017.

Sukuk:

The following table illustrate Sukuk rating presented within the financial assets at fair value through the joint investment accounts holders' equity and financial assets at amortized cost according to external rating agencies:

31 December 2018

Rating	Credit rating agency	Financial assets at amortized cost	Investment at fair value through joint investment accounts holders interest	Total
		JD		JD
A	S&P	4,591,742	-	4,591,742
B-	S&P	178,626,005	-	178,626,005
B+	S&P	2,788,008	-	2,788,008
CCC-	S&P	5,667,624	-	5,667,624
Total		191,673,379	-	191,673,379

31 December 2017

Rating	Credit rating agency	Financial assets at amortized cost	Investment at fair value through joint investment accounts holders interest	Total
		JD		JD
A	S&P	456,523	-	456,523
B+	S&P	67,743,300	-	67,743,300
BB-	S&P	2,811,185	-	2,811,185
CCC+	S&P	7,097,799	-	7,097,799
Total		78,108,807	-	78,108,807

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

3- Concentration of credit exposure according to geographical area were as follows:

	Inside the Kingdom	Other Middle East Countries	Europe	Asia*	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD
Balances with central banks	716,781,566	-	-	-	-	-	716,781,566
Balances at banks and financial institutions	1,560	46,402,508	16,018,062	797,793	-	30,695,567	93,915,490
Joint investment accounts at banks and financial institutions	-	17,642,298	-	-	-	-	17,642,298
Deferred sales and other receivables and financing:							
Individuals	611,128,384	-	-	-	-	-	611,128,384
Real estate financing	414,853,965	-	-	-	-	-	414,853,965
Companies:							
Large corporates	348,037,246	51,410,584	11,124,824	-	-	-	410,572,654
Small and Medium Enterprises (SMEs)	130,977,555	-	-	-	-	-	130,977,555
Government and public sector	530,678,274	-	-	-	-	-	530,678,274
Sukuk:							
Within financial assets at amortized cost	173,009,567	18,663,812	-	-	-	-	191,673,379
Total as at 31 December 2018	2,925,468,117	134,119,202	27,142,886	797,793	-	30,695,567	3,118,223,565
Total as at 31 December 2017	3,102,549,339	60,136,191	26,488,252	711,226	-	28,086,324	3,217,971,332

* Except for Middle East Countries

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

4- Concentration of credit exposure according to economic sector were as follows:

	Financial	Industrial	Commercial	Real estate	Agriculture	Shares	Individuals	Government and public sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central banks	-	-	-	-	-	-	-	716,781,566	716,781,566
Balances at banks and financial institutions	93,915,490	-	-	-	-	-	-	-	93,915,490
Investment accounts at banks and financial institutions	17,642,298	-	-	-	-	-	-	-	17,642,298
Deferred sales and other receivables and financing	-	126,984,539	404,379,733	414,853,965	25,468,983	-	595,845,338	530,678,274	2,098,210,832
Sukuk:									
Within financial assets at amortized cost	-	-	191,673,379	-	-	-	-	-	191,673,379
Total as at 31									
December 2018	<u>111,557,788</u>	<u>126,984,539</u>	<u>596,053,112</u>	<u>414,853,965</u>	<u>25,468,983</u>	<u>-</u>	<u>595,845,338</u>	<u>1,247,459,840</u>	<u>3,118,223,565</u>
Total as at 31									
December 2017	<u>76,103,633</u>	<u>110,188,327</u>	<u>437,542,427</u>	<u>419,212,059</u>	<u>28,042,890</u>	<u>-</u>	<u>619,859,674</u>	<u>1,527,022,322</u>	<u>3,217,971,332</u>

2. Liquidity Risks

Liquidity risk is defined as the Bank's inability to provide the required liquidity to cover its obligations at their respective due dates. Bank manage such risks throughout the following:

1. Analyze liquidity (maturity gaps).
2. Maintaining reasonable liquidity to cover outgoing cash flows.
3. Diversifying sources of financing.
4. Establishing the Assets and Liabilities committee .
5. Distribution of financing among various sectors and geographical areas to mitigate concentration risk.
6. Liquidity management is based on natural and emergency circumstances including using and analyzing assets and various financial ratios maturities.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

First: The below table summarize the maturity profile of the Bank's liabilities based on contractual undiscounted repayment obligations at the date of the consolidated financial statements:

	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	More than 3 years	Without maturity	Total
31 December 2018	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Due to banks and financial institutions	8,241,356	-	-	-	-	-	-	8,241,356
Customers' current accounts	399,416,878	154,522,806	122,242,564	89,962,322	92,959,050	216,904,450	-	1,076,008,070
Cash margins	12,010,782	5,472,796	4,956,132	4,719,351	5,415,347	12,635,810	-	45,210,218
Other provisions	-	-	-	-	-	-	15,029,623	15,029,623
Income tax provision	8,983,749	-	13,475,624	-	-	-	-	22,459,373
Deferred tax liabilities	249,092	-	-	973,930	1,460,894	-	2,517,854	5,201,770
Investment risk fund	1,382,304	-	2,073,457	-	-	-	31,654,580	35,110,341
Other liabilities	19,854,683	6,756,810	1,769,897	11,798,342	2,383,564	-	8,300,438	50,863,534
Unrestricted investment accounts holders' equity	304,981,852	216,042,939	257,086,934	336,269,413	418,376,742	976,212,400	153,866	2,509,124,146
Total	755,120,696	382,795,151	401,604,608	443,723,358	520,595,597	1,205,752,660	57,658,361	3,767,248,431
Total assets (according to expected maturity date)	1,171,868,413	155,473,261	212,828,177	476,394,012	883,674,137	1,077,485,043	182,919,167	4,160,642,210
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	More than 3 years	Without maturity	Total
31 December 2017	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Due to banks and financial institutions	5,012,040	-	-	-	-	-	-	5,012,040
Customers' current accounts	418,549,125	161,761,818	127,930,306	94,098,794	97,613,107	227,761,917	-	1,127,717,067
Cash margins	12,275,203	5,703,808	5,235,944	5,091,195	5,880,248	13,720,579	-	47,906,977
Other provisions	-	-	-	-	-	-	6,750,000	6,750,000
Income tax provision	9,504,386	-	14,256,580	-	-	-	-	23,760,966
Deferred tax liabilities	570,738	-	-	805,375	1,208,063	-	2,203,116	4,787,292
Investment risk fund	1,498,413	-	2,247,619	-	-	-	36,350,487	40,096,519
Other liabilities	17,441,584	6,311,095	1,824,752	9,481,624	2,243,545	-	8,199,470	45,502,070
Unrestricted investment accounts holders' equity	301,080,476	218,171,695	260,141,099	340,857,758	424,412,880	990,296,720	165,489	2,535,126,117
Total	765,931,965	391,948,416	411,636,300	450,334,746	531,357,843	1,231,781,216	53,668,562	3,836,659,048
Total assets (according to expected maturity date)	1,385,285,782	175,081,466	208,190,377	483,836,480	983,742,909	816,709,567	158,771,085	4,211,617,666

Second: Off consolidated financial position items:

	31 December 2018	31 December 2017
	Up to one year	Up to one year
	JD	JD
Letters of credit and acceptances	25,949,164	45,149,072
Guarantees	116,550,843	110,757,863
Unutilized limits-direct	109,094,793	115,786,180
Unutilized limits-indirect	70,352,098	77,137,026
Capital liabilities	3,870,308	3,317,507
Total	325,817,206	352,147,648

3. Market Risks:

Market risk is the risk of loss resulting from fluctuations in the market price, which relates to equity instruments in the trading book, exchange rates, market rate of return, commodity and inventory prices, the Bank seeks to mitigate these risks throughout the following:

- 1) Diversifying and distributing investments among various sectors and geographical areas.
- 2) Analyzing rate of returns trends and expected exchange rates and investments.
- 3) Establishing limits to investments on the level of the country, currency, market, instrument and counter party.
- 4) Adapting the currency positions in accordance with Central Bank of Jordan regulations.

The Bank is using the sensitivity analysis to assess the market risks for each type of risk in addition to Value at Risk "VaR" to assess the change in equity price risk.

A. Rate of return risks

Rate of return risk results from the decline in the rate of return on investments compared to the local market increase in the rate of return "interest" and the Bank's inability to increase the rate of return on granted facilities with fixed rate of return (Murabaha).

The Bank manages these risks through out the following:

- 1) Managing the rate of return gaps and cost of assets and liabilities according to various maturity dates.
- 2) Studying the investments return trends.

31 December 2018			
	Change (increase) in rate of return (1%)	Sensitivity (profits and losses)	Investment accounts holders' equity sensitivity
	JD	JD	JD
Jordanian Dinars	7,148,966	-	4,509,300
			2,639,666

31 December 2018			
	Change (decrease) in rate of return (1%)	Sensitivity (profits and losses)	Investment accounts holders' equity sensitivity
	JD	JD	JD
Jordanian Dinars	(7,148,966)	-	(4,509,300)
			(2,639,666)

31 December 2017			
	Change (increase) in rate of return (1%)	Sensitivity (profits and losses)	Investment accounts holders' equity sensitivity
	JD	JD	JD
Jordanian Dinars	7,066,306	-	4,380,736
			2,685,570

31 December 2017			
	Change (decrease) in rate of return (1%)	Sensitivity (profits and losses)	Investment accounts holders' equity sensitivity
	JD	JD	JD
Jordanian Dinars	(7,066,306)	-	(4,380,736)
			(2,685,570)

B. Foreign currency risks

Foreign currency risk is the risk arising from the change in the foreign currency prices that the Bank maintains. Foreign currencies are managed on the basis of spot trading and foreign currencies positions are monitored on a daily basis against the approved limit for each currency, since the Bank's policy in managing foreign currencies, is to clear customer's current positions and cover required positions according to customer's needs.

Bank's investment policy stipulate that the maximum limit of the foreign currencies positions shall not exceed 15% of the total owner's equity or 50% of the bank's total liabilities in foreign currencies, whichever is greater (at a maximum limit of 5% of the owner's equity for each currency except for US Dollars) in order to cover the customers' needs in terms of letters of credit, transfers and bills under collection and not for speculation or trading purposes.

Currency	31 December 2018			
	Net Position	Change in the exchange rate (5%)	Impact on profits and losses	Impact on owner's equity
USD	26,864,145	-	-	-
Euro	200,097	10,005	6,503	3,397
GBP	43,870	2,194	1,426	-
JPY	10,941	547	356	-
Other Currencies	1,614,614	80,731	52,475	-

Currency	31 December 2017			
	Net Position	Change in the exchange rate (5%)	Impact on profits and losses	Impact on owner's equity
USD	11,033,029	-	-	-
Euro	175,364	8,768	5,699	1,390
GBP	116,145	5,807	3,775	-
JPY	18,021	901	586	-
Other Currencies	320,833	16,042	10,427	-

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Concentration of foreign currency risks:

2018	USD	Euro	GBP	JPY	Others	Total
Assets:						
Cash and balances with central banks	143,946,367	3,270,502	2,503,037	-	973,873	150,693,779
Cash at banks and financial institutions	78,027,913	12,508,504	879,637	70,073	2,518,191	94,004,318
Investment accounts at banks and financial institutions	17,725,000	-	-	-	-	17,725,000
Deferred sales receivables and other receivables	60,361,916	3,741,728	1,045,519	-	3,880,941	69,030,104
Financial assets at fair value through the owner's equity – self financed	821,758	81,886	-	-	-	903,644
Financial assets at fair value through joint investment accounts holders' equity	1,545,620	-	-	-	-	1,545,620
Financial assets at amortized cost	22,013,793	-	-	-	-	22,013,793
Other assets	154,264	-	-	-	-	154,264
Total Assets	324,596,631	19,602,620	4,428,193	70,073	7,373,005	356,070,522
Liabilities:						
Due to banks and financial institutions	3,949,088	43,679	-	-	7,319	4,000,086
Cash margins	4,007,034	137,090	9,356	-	-	4,153,480
Current accounts	57,466,714	4,623,672	1,426,381	104	1,177,739	64,694,610
Unrestricted investment accounts	232,103,348	14,547,582	2,948,586	59,028	4,554,573	254,213,117
Other liabilities	206,302	50,500	-	-	18,760	275,562
Total Liabilities	297,732,486	19,402,523	4,384,323	59,132	5,758,391	327,336,855
Net concentration in the consolidated financial position statement - 2018	26,864,145	200,097	43,870	10,941	1,614,614	28,733,667
Contingent Liabilities – off consolidated statement of financial position item – 2018	21,156,222	2,272,915	44,612	-	1,814,675	25,288,424
2017						
Total Assets	270,748,043	20,989,105	4,383,592	75,448	7,554,835	303,751,023
Total Liabilities	259,715,014	20,813,741	4,267,447	57,427	7,234,002	292,087,631
Net concentration in the consolidated financial position statement – 2017	11,033,029	175,364	116,145	18,021	320,833	11,663,392
Contingent Liabilities – off consolidated statement of financial position item – 2017	28,226,146	2,759,577	-	-	848,710	31,834,433

C. Equity price risks

Equity price risks result from a change in the fair value of investments in equity. The Bank seeks to manage these risks through diversifying investments in various geographical areas and economic sectors.

	Change in index (5%) JD	Impact on losses and profits JD	Impact on owner's equity JD	Impact on investment account holders' equity JD
2018				
Amman Stock Exchange Index	782,780	-	-	508,807
2017				
Amman Stock Exchange Index	542,351	-	521,005	300,307

D. Commodity risks

Commodity risks arise from the fluctuations in the value of marketable assets. These risks are related to the current and future fluctuations and market values of specific assets. The Bank is exposed to fluctuations of fully paid commodity prices after the commencement of Salam contracts and to the fluctuations in the remaining value of the leased assets at the end of the lease term.

4. Compliance risks

Compliance risks represents sanctions on matters related to legal or regulatory or financial losses or reputational risks which the Bank might face as a result of non compliance with laws, regulations, standards and proper financial practices. The primary non compliance risks are legal and regulatory sanctions risks, reputational risks, financial losses risks, financial crimes risks, anti-money laundry and fraud and corruption risks.

The Bank seeks to limit these risks through is Compliance Control Department that is concerned with reviewing the requirements of regulatory bodies and ensuring their application on the Bank's internal procedures and policies throughout setting the compliance strategy and guidelines and establishing the policies related to anti-money laundry and establishing policies and procedures related to laws, regulations, internal and external instructions and holding the necessary training courses.

5. Operational Risks

Operational risks are the risks of loss arising from inadequacy or failure in internal operations, personnel or systems, or from external events. This includes legal risk and Islamic Shari'a non-compliance risk and excludes strategic and reputational risks. The Bank seeks to limit these risks throughout the following:

The existence of documented policies and procedures that mitigates the possibility of such operational risks.

Establishing a Business Continuity Plan (BCP) to mitigate exposure and discontinuity incidents faced by the Bank and a recovery plan.

Legal department reviews all contracts and related documents used by the Bank.

In coordination with the information security department, internal audit department and the internal control department, the Information Technology department establishes the necessary policies and procedures related to maintaining the information confidentiality in the Bank and managing the access rights to the Bank's systems.

6. Reputational Risks

Reputational risks is being viewed by the Bank as negative impression on the Bank's reputation which might lead to potential losses in the sources of funding and loss of customers to competitive banks.

The Bank seeks to limits these risks throughout a set of policies and procedures to enhance the customers' confidence and providing a good banking services and maintaining banking confidentiality and avoid undertaking illegal acts or financing unfavorable sectors and provides suitable information security controls.

7. Stress testing:

Application methodology:

Our bank stress testing methodology includes identifying all types of risks our bank may face under stressful conditions, and assessing the Bank's ability to withstand these risks according to stress scenarios.

Role and Integrity of stress tests with risk management governance, risk culture and capital planning:

The role of the Board of Directors and senior management is to establish test objectives, identify the scenarios required for each type of risk, and assess the results and needed actions based on the results, especially the ones which have an integral role in the decision-making (capital planning).

Scenario selection mechanism, including key assumptions related to macroeconomic variables:

The Bank carries out sensitivity scenarios analysis determined based on the Central Bank of Jordan instructions in addition to other scenarios based on the assumption and proposal of the Bank to measure the degree of tolerance.

The mechanism of using the tests results in decision making at the appropriate administrative level, including the strategic decisions of the Board of Directors and the senior executive management:

The Risk Management Department prepares a summary of the results of the stress tests and raises them to the concerned parties, indicating the final impact of the tests within specific grades (low / medium / high) and whom is authorized party to make related decisions.

Governance application of stress tests:

The Bank identifies parties related to stress testing (Board of Directors / Risk Management Committee, Assets and Liabilities Committee, Risk Management Department, Business and other supervisory departments) and their respective responsibility for achieving complementarity and judgment in carrying out the required tests.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(62) Risk management

A. Expected credit losses for the financial period subsequent to 1 January 2018:

Joint	Stage 1		Stage 2		Total
	Individual	Collective	Individual	Collective	
	JD	JD	JD	JD	JD
Balances and accounts at banks and financial institutions	102,106	-	-	-	102,106
Deferred sales receivables, other receivables and financing	1,003,303	6,531,069	10,538,122	223,565	68,342,509
Financial assets at amortized cost	101,584	-	1,431,239	-	3,351,014
Unutilized Limits	201,872	74,584	682,401	3,797	1,125,916
Utilized letter of credits	16,583	5,473	57,670	137	79,863
Total	1,425,448	6,611,126	12,709,432	227,499	73,001,408
Self	Stage 1		Stage 2		Total
	Individual	Collective	Individual	Collective	
	JD	JD	JD	JD	JD
Balances and accounts at banks and financial institutions	70,702	-	-	-	70,702
Customer receivables and Al Qard Al Hasan	1,678	851,764	17,369	13,301	3,198,060
Guarantees	165,984	286,510	280,968	3,061	5,438,681
Unutilized Limits (Credits, Gurantees)	144,722	529,093	268,488	6,230	1,210,241
Utilized letter of credits	12,003	9,380	41,602	198	63,183
Total	395,089	1,676,747	608,427	22,790	9,980,867

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

B. Distribution of exposure according to economic sector:

1. Financial instruments total exposure distribution :

	Financial JD	Industrial JD	Commercial JD	Real estate JD	Agriculture JD	Shares JD	Individuals JD	Government and public sector			Others JD	Total JD
								JD	JD	JD		
Balances with central banks	716,781,566	-	-	-	-	-	-	-	-	-	-	716,781,566
Balances at banks and financial institutions	41,574,095	-	-	-	-	-	-	-	-	-	-	41,574,095
Investment accounts at banks and financial institutions	70,156,501	-	-	-	-	-	-	-	-	-	-	70,156,501
Credit facilities	62,535,408	113,614,352	320,123,709	447,487,748	27,517,543	-	551,783,740	530,668,894	140,394,103	2,194,125,497	-	2,194,125,497
Financial assets	22,013,793	-	-	-	-	-	-	173,010,600	-	195,024,393	-	195,024,393
Within financial assets at fair value through income statement	-	-	-	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	22,013,793	-	-	-	-	-	-	173,010,600	-	195,024,393	-	195,024,393
Encumbered financial assets (Debt Instruments)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	913,061,363	113,614,352	320,123,709	447,487,748	27,517,543	-	551,783,740	703,679,494	140,394,103	3,217,602,052	-	3,217,602,052
Guarantees	-	3,106,926	72,113,930	3,422,383	983,326	-	11,205,377	-	25,718,901	116,550,843	-	116,550,843
Letter of credits	-	7,704,923	12,234,878	237,806	918,369	-	3,128,860	-	1,724,308	25,949,164	-	25,949,164
Other commitments	-	38,573,279	96,613,374	9,979,957	4,878,776	-	4,743,856	-	24,657,649	179,446,891	-	179,446,891
Grand total	913,061,363	162,999,480	501,085,891	461,127,894	34,298,034	-	570,861,833	703,679,494	192,494,961	3,539,608,950	-	3,539,608,950

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

2. Distribution of exposures according to the stages of classification in accordance with IFRS 9:

	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Financial	904,152,990	-	7,090,000	-	1,818,373	913,061,363
Industrial	48,870,156	7,887,736	95,098,767	1,016,902	10,125,919	162,999,480
Commercial	182,021,993	90,932,522	160,725,972	6,062,815	61,342,589	501,085,891
Real estate	42,621,364	292,095,252	88,425,126	8,034,473	29,951,679	461,127,894
Agriculture	26,679,793	2,366,525	2,927,672	64,814	2,259,230	34,298,034
Shares	-	-	-	-	-	-
Individuals	23,050,389	511,704,381	3,899,910	16,265,363	15,941,790	570,861,833
Government and public sector	703,679,494	-	-	-	-	703,679,494
Others	84,447,106	-	82,717,534	3,927,841	21,402,480	192,494,961
Total	2,015,523,285	904,986,416	440,884,981	35,372,208	142,842,060	3,539,608,950

C. Distribution of exposure according to geographical sectors:

1. Geographic sector total exposure distribution :

	Inside the Kingdom		Other Middle East Countries		Europe		Asia		Africa		America		Other countries		Total	
	JD		JD		JD		JD		JD		JD		JD		JD	
Balances with central banks	716,781,566		-		-		-		-		-		-		716,781,566	
Balances at banks and financial institutions	1,559		5,577,680		4,065,690		797,793		435,806		30,695,567		-		41,574,095	
Investment accounts at banks and financial institutions	-		58,138,000		11,952,372		-		66,129		-		-		70,156,501	
Credit facilities	2,131,590,090		51,410,583		11,124,824		-		-		-		-		2,194,125,497	
Financial assets	173,010,601		5,672,000		9,908,984		2,362,194		4,070,614		-		-		195,024,393	
Within financial assets at fair value through income statement	-		-		-		-		-		-		-		-	
Within financial assets at fair value through other comprehensive income	-		-		-		-		-		-		-		-	
Within financial assets at amortized cost	173,010,601		5,672,000		9,908,984		2,362,194		4,070,614		-		-		195,024,393	
Encumbered financial assets (Debt instruments)	-		-		-		-		-		-		-		-	
Other assets	-		-		-		-		-		-		-		-	
Total for the year	3,021,383,816		120,798,263		37,051,870		3,159,987		4,572,549		30,695,567		-		3,217,662,052	
Guarantees	116,550,843		-		-		-		-		-		-		116,550,843	
Letter of credits	25,949,164		-		-		-		-		-		-		25,949,164	
Other liabilities	179,446,891		-		-		-		-		-		-		179,446,891	
Grand total	3,343,330,714		120,798,263		37,051,870		3,159,987		4,572,549		30,695,567		-		3,539,608,950	

2. Distribution of exposures according to the stages of classification in accordance with IFRS 9:

	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Inside the Kingdom	1,828,153,422	904,986,416	433,794,981	35,372,208	141,023,687	3,343,330,714
Other Middle East Countries	120,798,263	-	-	-	-	120,798,263
Europe	29,961,870	-	7,090,000	-	-	37,051,870
Asia	3,159,987	-	-	-	-	3,159,987
Africa	2,754,176	-	-	-	1,818,373	4,572,549
America	30,695,567	-	-	-	-	30,695,567
Other countries	-	-	-	-	-	-
Total	2,015,523,285	904,986,416	440,884,981	35,372,208	142,842,060	3,539,608,950

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

D. Reclassified exposures :

1. Total reclassified exposures :

	Stage 2		Stage 3		Total	
	Total exposure	Reclassified exposures	Total exposure	Reclassified exposures	Total reclassified exposures	Reclassified exposures
	JD	JD	JD	JD	JD	
Balances with central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Investment accounts at banks and financial institutions	-	-	-	-	-	-
Credit facilities	388,883,436	158,414,383	133,980,979	61,956,738	220,371,121	42%
Financial assets	7,090,000	-	1,818,373	-	-	-
Within financial assets at fair value through income statement	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Within financial assets at amortized cost	7,090,000	-	1,818,373	-	-	-
Encumbered financial assets (Debt instruments)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	395,973,436	158,414,383	135,799,352	61,956,738	220,371,121	41%
Guarantees	22,003,073	11,297,635	6,257,358	1,815,172	13,112,807	46%
Letter of credits	7,196,924	3,662,424	-	-	3,662,424	51%
Other liabilities	51,083,756	21,376,715	785,350	424,970	21,801,685	42%
Grand total	476,257,189	194,751,157	142,842,060	64,196,880	258,948,037	42%

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

2. Expected credit loss for reclassified exposures:

	Reclassified exposures			ECL for reclassified exposures					
	Total reclassified exposures from stage 2	Total		Exposures within stage 2			Exposures within stage 3		Total
		reclassified exposures from stage 3	Total reclassified exposures	Individual	Collective	Individual	Collective		
								JD	
Balances with central banks	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-
Investment accounts at banks and financial institutions	-	-	-	-	-	-	-	-	-
Credit facilities	158,414,383	61,956,738	220,371,121	4,340,127	174,063	15,133,651	9,296,427	28,944,268	
Financial assets	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through joint investment accounts holders' equity	-	-	-	-	-	-	-	-	-
Within financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	-	-	-	-	-	-	-	-	-
Encumbered financial assets (debt instruments)	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	158,414,383	61,956,738	220,371,121	4,340,127	174,063	15,133,651	9,296,427	28,944,268	
Guarantees	11,297,635	1,815,172	13,112,807	100,931	2,259	763,854	305,245	1,172,269	
Letter of credits	3,662,424	-	3,662,424	53,030	198	-	-	53,228	
Other liabilities	21,376,715	424,970	21,801,685	342,168	7,226	236,025	188,944	774,363	
Grand total	194,751,157	64,196,880	258,948,037	4,836,256	183,746	16,133,530	9,790,616	30,944,148	

(63) Segment information

A. Information about the Bank's activities

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

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

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

Investment in assets: This includes investing in real estate and leasing.

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

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

The below table illustrate the information on the Bank's business sectors distributed according to its activities:

	Investment					Total	
	Retails JD	Corporate JD	Investment in assets JD	Treasury JD	Others JD	2018 JD	2017 JD
Total revenues (joint and self financed)	133,331,238	64,782,518	7,607,672	11,410,749	723,067	217,855,244	219,648,187
Net income of subsidiaries and share of profit from investment in associates	-	-	2,641,672	-	-	2,641,672	3,170,101
Investment risk fund share from the revenues of joint investment accounts holders'	(11,331,344)	(6,449,449)	(738,172)	(656,884)	-	(19,175,849)	(19,123,046)
Share of the unrestricted investment accounts and non-controlling interests from the net income of associates	(31,778,037)	(15,371,553)	(4,235,612)	(2,885,039)	-	(54,270,241)	(56,724,743)
Segment results	90,221,857	42,961,516	5,275,560	7,868,826	723,067	147,050,826	146,970,499
Allocated expenses	(45,110,929)	(21,763,476)	(2,777,287)	(1,725,217)	(269,912)	(71,646,821)	(66,031,744)
Profits before tax	45,110,928	21,198,040	2,498,273	6,143,609	453,155	75,404,005	80,938,755
Income tax	(15,746,088)	(7,323,623)	(795,314)	(1,550,286)	(180,767)	(25,596,078)	(26,799,702)
Profit after tax	29,364,840	13,874,417	1,702,959	4,593,323	272,388	49,807,927	54,139,053
Sector assets	1,174,009,253	924,201,579	971,142,456	987,644,106	-	4,056,997,394	4,104,442,606
Investment in associates	-	-	8,355,201	-	-	8,355,201	8,383,116
Unallocated assets	-	-	-	-	95,289,615	95,289,615	98,791,944
Total assets	1,174,009,253	924,201,579	979,497,657	987,644,106	95,289,615	4,160,642,210	4,211,617,666
Segment liabilities	3,167,428,434	417,549,916	-	8,241,356	-	3,593,219,706	3,667,688,673
Unallocated liabilities	-	-	-	-	174,028,725	174,028,725	168,970,375
Total Liabilities	3,167,428,434	417,549,916	-	8,241,356	174,028,725	3,767,248,431	3,836,659,048
Capital expenditures	-	-	-	-	13,488,619	13,488,619	13,654,927
Depreciation and amortization	-	-	-	-	7,453,939	7,453,939	7,736,280

B. Geographical Distribution Information:

This sector represents the geographical distribution of the Bank's activities. The Bank undertakes its activities primarily inside the Hashemite Kingdom of Jordan.

The below table illustrate the distribution of the Bank's revenues, assets and capital expenditures according to the geographical area and the internal policy of the Bank based on the method of measurement and as viewed by the General Manager and the chief decision makers:

	Inside the Kingdom		Outside the Kingdom		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenues	213,656,966	216,787,134	4,198,278	2,861,053	217,855,244	219,648,187
Total assets	3,967,886,762	3,907,867,707	192,755,448	303,749,959	4,160,642,210	4,211,617,666
Capital expenditures	13,488,619	13,654,927	-	-	13,488,619	13,654,927

(64) Capital management

The Bank's capital consists of the paid-in capital, statutory reserve, voluntary reserve, general banking risks reserves, fair value reserves and retained earnings.

The Bank achieves its capital objectives throughout the following:

- Achieving a satisfactory return on capital without affecting the financial stability of the Bank and achieving acceptable return on owner's equity.
- Achieving the required level of capital according to Basel Committee requirements and the supervisory bodies instructions.
- Providing an adequate capital to expand the granting of financing and large investments in consistency with the Central Bank of Jordan regulations as well as facing any future risks.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

Capital adequacy ratio was calculated as at 31 December 2018 in accordance with Central Bank of Jordan instruction number (72/ 2018) dated 4 February 2018 and in accordance with standard number (15) issued by Islamic Financial Services Board:

	31 December 2018	31 December 2017
	Thousands JD	Thousands JD
Common Equity Tier I	361,187	343,025
Paid-in capital	180,000	180,000
Statutory reserve	84,018	76,471
Voluntary reserve	38,234	30,702
Retained earnings	62,766	58,577
Accumulated change in full fair value	1,007	-
Interim profits after tax, less expected dividends to be distributed.	-	-
50% of Bank's share from investments in banks and other financial institutions capital	-	(247)
50% of Bank's share from investment in insurance companies	-	(930)
Intangible Assets	(2,299)	(1,548)
10% of less of investments in Banks, financial institutions and Takaful companies capital,	(494)	-
10% or more of investments in Banks, financial institutions and Takaful companies capital, beyond unified regulatory scope	(2,045)	-
Additional Tier I		
Additional Tier II	13,991	14,941
Fair value reserve of the financial assets at fair value through owners equity	-	546
Bank's share from the fair value reserve of the financial assets at fair value through joint investment accounts holders' equity	-	37
Bank's share from the the investment risks fund surplus	13,991	10,550
General banking risks reserve / self	-	1,000
Bank's share from the general banking risks reserve / joint	-	3,985
50% of the Bank's share from investments in banks' capitals and other financial institutions	-	(247)
50% of the Bank's share from investment in insurance companies	-	(930)
Total regulatory capital	375,178	357,966
Risk Weighted Assets (RWA)	1,646,641	1,556,269
Common Equity Tier I Ratio	21.93%	22.04%
Additional Tier I Ratio	-	-
Tier I Ratio	21.93%	22.04%
Tier II Ratio	0.85%	0.96%
Capital Adequacy Ratio	22.78%	23.00%

- Financial leverage percentage has reached 17.26% as of 31 December 2018.

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(65) Accounts managed for customers

Accounts managed for customers amounted to JD 456,938,169 as at 31 December 2018 compared to JD 454,007,731 as at 31 December 2017. These accounts are not presented within the Bank's assets and liabilities in the consolidated financial statements.

(66) Maturity analysis of assets and liabilities

The table below summarizes the expected maturity of the Bank's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled.

	31 December 2018		
	Within 1 year JD	More than 1 year JD	Total JD
Assets:			
Cash and balances with central banks	876,086,318	-	876,086,318
Balances at banks and financial institutions	93,915,490	-	93,915,490
Unrestricted investment accounts at banks and financial institutions	-	17,642,298	17,642,298
Deferred sales receivables and other receivables – Net	897,081,915	1,156,699,371	2,053,781,286
Ijarah Muntahia Bittamleek assets – Net	43,167,107	562,634,655	605,801,762
Financing - Net	5,114,799	27,588,990	32,703,789
Financial Assets at fair value through owner's equity – self financed	9,519,518	1,173,176	10,692,694
Financial assets at fair value through– joint investment accounts holders' equity	29,789,320	6,805,440	36,594,760
Financial assets at amortized cost	13,292,179	178,381,200	191,673,379
Investments in associates	6,266,401	2,088,800	8,355,201
Investment in real estate	25,275,972	101,103,889	126,379,861
Al Qard Al Hasan – Net	7,375,577	4,350,180	11,725,757
Property and equipment- Net	-	83,311,212	83,311,212
Intangible assets – Net	-	2,299,136	2,299,136
Other assets	9,679,267	-	9,679,267
Total assets	2,016,563,863	2,144,078,347	4,160,642,210
Liabilities and unrestricted investment accounts holders' equity:			
Due to banks and financial institutions	8,241,356	-	8,241,356
Customers' current and on demand accounts	766,144,570	309,863,500	1,076,008,070
Cash margins	27,159,061	18,051,157	45,210,218
Accounts payable	400,227	-	400,227
Other provisions	-	15,029,623	15,029,623
Income tax provision	22,459,373	-	22,459,373
Deferred tax liabilities	322,424	520,602	843,026
Other liabilities	24,442,317	764,453	25,206,770
Unrestricted investment accounts	1,114,381,138	1,394,589,142	2,508,970,280
Fair value reserve	1,498,805	5,612,830	7,111,635
Investment accounts holders' reserve in subsidiaries and associates	13,838,183	4,306,719	18,144,902
Non-controlling interests	-	153,866	153,866
Investment risks fund	-	31,654,580	31,654,580
Deferred tax liabilities	900,598	3,458,146	4,358,744
Income tax provision of investment risks fund	3,455,761	-	3,455,761
Total liabilities and unrestricted investment accounts and holders' equity	1,983,243,813	1,784,004,618	3,767,248,431
Net	33,320,050	360,073,729	393,393,779

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

	31 December 2017		
	Within	More than	Total
	1 year	1 year	
	JD	JD	JD
Assets:			
Cash and balances with central banks	1,138,666,950	-	1,138,666,950
Balances at banks and financial institutions	54,124,633	-	54,124,633
Unrestricted investment accounts at banks and financial institutions	4,254,000	17,725,000	21,979,000
Deferred sales receivables and other receivables – Net	925,026,687	1,096,586,354	2,021,613,041
Ijarah Muntahia Bittamleek assets – Net	43,940,959	546,903,476	590,844,435
Financing - Net	4,147,964	26,832,393	30,980,357
Financial Assets at fair value through owner's equity – self financed	9,502,891	1,025,934	10,528,825
Financial assets at fair value through– joint investment accounts holders' equity	17,889,952	19,494,203	37,384,155
Financial assets at amortized cost	16,728,577	61,380,230	78,108,807
Investments in associates	-	8,383,116	8,383,116
Investment in real estate	24,042,480	96,169,923	120,212,403
Al Qard Al Hasan – Net	5,090,294	3,907,241	8,997,535
Property and equipment- Net	-	78,028,966	78,028,966
Intangible assets – Net	-	1,548,078	1,548,078
Other assets	8,978,718	1,238,647	10,217,365
Total assets	2,252,394,105	1,959,223,561	4,211,617,666

Liabilities and unrestricted investment accounts holders' equity:

Due to banks and financial institutions	5,012,040	-	5,012,040
Customers' current and on demand accounts	802,340,044	325,377,023	1,127,717,067
Cash margins	28,306,150	19,600,827	47,906,977
Accounts payable	812,999	-	812,999
Other provisions	-	6,750,000	6,750,000
Income tax provision	23,760,966	-	23,760,966
Deferred tax liabilities	-	650,528	650,528
Other liabilities	18,801,867	567,804	19,369,671
Unrestricted investment accounts	1,120,251,027	1,414,709,603	2,534,960,630
Fair value reserve	2,247,987	5,435,861	7,683,848
Investment accounts holders' reserve in subsidiaries and associates	13,196,202	4,438,658	17,634,860
Non-controlling interests	-	165,487	165,487
Investment risks fund	-	36,350,487	36,350,487
Deferred tax liabilities	1,376,113	2,761,343	4,137,456
Income tax provision of investment risks fund	3,746,032	-	3,746,032
Total liabilities and unrestricted investment accounts and holders' equity	2,019,851,427	1,816,807,621	3,836,659,048
Net	232,542,678	142,415,940	374,958,618

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

(67) Contractual Commitments and Contingent Liabilities (Off consolidated statement of financial position)

A. Contingent credit commitments

	31 December 2018	31 December 2017
	JD	JD
Letters of credit	22,640,751	41,498,110
Acceptances	3,308,413	3,650,962
Guarantees:	116,550,843	110,757,863
Payment	36,218,249	35,185,393
Performance	50,780,122	46,648,666
Others	29,552,472	28,923,804
Unutilized Limits/ Direct	109,094,793	115,786,180
Unutilized Limits/ Indirect	70,352,098	77,137,026
Total	321,946,898	348,830,141

B. Contractual commitments

	31 December 2018	31 December 2017
	JD	JD
Property, equipment and softwares contracts	3,870,308	3,317,507
Total	3,870,308	3,317,507

The above contractual commitments mature within one year.

C. Indirect facilities expected credit loss:

1. Cumulative movement on indirect facilities as of 31 December 2018:

	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	92,089,619	41,346,779	1,650,287	207,935,613	5,807,843	348,830,141
New exposures during the year	65,734,073	102,148,597	3,690,259	9,122,788	3,177,030	183,872,747
Matured exposures	(76,954,935)	(21,438,028)	(668,621)	(106,467,650)	(5,226,756)	(210,755,990)
Transferred to stage 1	4,470,978	63,106,309	(4,073,672)	(63,106,309)	(397,306)	-
Transferred to stage 2	(1,315,543)	(33,102,608)	1,337,655	34,999,119	(1,918,623)	-
Transferred to stage 3	(863,769)	(601,035)	(173,386)	(962,331)	2,600,521	-
Adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments from exchange rates effect	-	-	-	-	-	-
Balance at the end of the year	83,160,423	151,460,014	1,762,522	81,521,230	4,042,709	321,946,898

Jordan Islamic Bank - Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2018

D. Cumulative movement on the expected credit loss for indirect facilities as of 31 December 2018:

	Stage 1		Stage 2		Stage 3	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	1,164,621	284,281	10,888	2,809,330	4,272,949	8,542,069
Expected credit loss on new exposures during the year	620,155	1,410,250	120,256	540,711	2,859,327	5,550,699
Expected credit loss from matured exposures	(490,182)	(542,362)	(15,945)	(1,649,452)	(3,476,944)	(6,174,885)
Transferred to stage 1	57,290	238,952	(54,527)	(238,952)	(2,763)	-
Transferred to stage 2	(9,587)	(476,715)	9,683	496,129	(19,510)	-
Transferred to stage 3	(437,258)	(373,242)	(56,931)	(626,637)	1,494,068	-
Impact on ending balance provision due to change in staging classification	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
Written off facilities	-	-	-	-	-	-
Adjustments from exchange rates effect	-	-	-	-	-	-
Balance at the end of the year	905,039	541,164	13,424	1,331,129	5,127,127	7,917,883

(68) Lawsuits filed against the Bank

The lawsuits filed against the Bank (self) amounted to JD 10,369,384 as of 31 December 2018 with required provision of JD 49,166 (provision booked amounted to JD 75,000) compared to JD 10,340,537 as of 31 December 2017 with a provision of JD 10,925. The lawsuits filed against the Bank (joint) as of 31 December 2018 amounted to JD 10,051,818 with a provision of JD 64,261 compared to JD 2,458,474 as of 31 December 2017 with a provision of JD 192,418.

The Bank's management and its legal advisor believe that any obligations that may arise from the lawsuits against joint investments will be recognized within the investment risk fund, while the lawsuits against the Bank (self) will be covered by the established provision.

(69) Recently issued Islamic accounting standard

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued the Financial Accounting Standard 30 "Impairment, credit losses and onerous commitments". The standard specifies the accounting treatment of impairment and credit losses for financing and investments and onerous commitments in the Islamic financial institutions. The standard's requirements related to credit losses are highly similar to the requirements of International Financial Reporting Standard 9 (IFRS 9). The standard is effective for annual periods beginning on or after 1 January 2020, and early adoption is permitted.

Both the impairment provision has been calculated in accordance with Central Bank of Jordan instructions No. (47/2009) on 10 December 2009 and the expected credit loss in accordance with IFRS 9, The calculation with the greater provision was considered in stages 2 and 3, and the material impact of the application has been recorded on the condensed consolidated financial statements as at 31 December 2018.

Standards Issued But Not Yet Effective

IFRS 16 Leases

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

IFRS (16) substantially carries forward the lessor accounting requirements in IAS (17). Accordingly, IFRS (16) introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS (16)

The Bank has the option to adopt IFRS (16) retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS (17) and IFRIC (4).

The Bank will adopt IFRS (16) using the modified retrospective approach. During 2018.

The standard implementation mechanism will be reviewed for IFRS (16), taking into consideration related Central Bank of Jordan instructions.

(70) Comparative figures

Some of the 2017 figures were reclassified to correspond with period ended 31 December 2018 presentation with no effect on equity or income for the year 2017.