ahli | الأهلي

البنك الأهلي الأردني
Jordan Ahli Bank

To: Jordan Securities Commission

Amman Stock Exchange

Date: 31/3/2019

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ: 2019/3/31

Subject: Annual Report for the fiscal year ended 31/12/2018

الموضوع: التقرير السنوي للسنة المنتهية في 2018/12/31

Attached is the Annual Report Draft of Jordan Ahli Bank PLC for the fiscal year ended 31/12/2018 subject to Central Bank of Jordan approval on Financial statements.

Kindly accept our highly appreciation and respect.

مرفق طيه مسودة التقرير السنوي لشركة البنك الأهلي الأردني المساهمة العامة المحدودة عن السنة المالية المنتهية في 2018/12/31 بانتظار مصادقة السادة البنك المركزي الأردني على البيانات المالية.

وتفضلوا بقبول فائق الاحترام

Jordan Ahli Bank

Mohammad Musa Daoud

CEO\General Manager

البنك الأهلي الأردني

محمد موسى داود

الرئيس التنفيذي/المدير العام

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٣١ آذار ٢٠١٩
الرقم المتسلسل ٣١٧
الجهة المختصة

Jordan Ahli Bank

Amman- Jordan

Public Shareholding Company

Consolidated Financial Statements

31 December 2018

JORDAN AHLI BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 JD	31 December 2017 JD
ASSETS			
Cash and balances with central banks	4	218,221,805	288,714,620
Balances at banks and financial institutions	5	173,568,186	177,424,795
Deposits at banks and financial institutions	6	19,414,579	5,037,813
Financial assets at fair value through profit or loss	7	-	954,391
Direct credit facilities, net	8	1,421,510,189	1,483,922,385
Financial assets at fair value through other comprehensive income	9	27,344,270	29,401,582
Financial assets at amortized cost, net	10	654,335,587	542,617,540
Investment in associates	11	3,531,147	3,528,666
Property, equipment and projects under construction, net	12	81,224,526	58,383,728
Intangible assets, net	13	16,478,637	19,787,541
Other assets	14	125,228,773	113,539,543
Deferred tax assets	21	9,630,207	7,659,003
Total Assets		2,783,487,914	2,728,951,577
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Banks' and financial institutions' deposits	15	98,159,977	78,304,698
Customers' deposits	16	1,911,770,121	1,916,560,372
Margin accounts	17	257,410,165	251,959,516
Loans and borrowings	18	142,471,809	106,776,765
Subordinated bonds	19	25,000,000	25,000,000
Sundry provisions	20	3,609,608	3,865,125
Income tax provision	21	7,222,661	4,418,203
Deferred tax liabilities	21	-	491,607
Other liabilities	22	36,525,459	33,260,530
Total Liabilities		2,482,175,580	2,422,765,316
SHAREHOLDERS' EQUITY			
Share capital	23	192,937,500	183,750,000
Statutory reserve	24	57,344,171	54,073,098
Voluntary reserve	24	15,761,637	24,949,137
Periodic fluctuations reserve	24	3,678,559	2,612,549
General banking risk reserve	24	-	16,363,869
Fair value reserve - net	25	(3,225,876)	912,985
Retained earnings	26	34,816,345	24,584,535
Total Shareholders' Equity		301,312,334	306,186,261
Total Liabilities and Shareholders' Equity		2,783,487,914	2,728,951,577

The accompanying notes from 1 to 49 form part of these consolidated financial statements and should be read with them

JORDAN AHLI BANK
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Interest income	27	154,970,443	143,723,065
Interest expense	28	70,773,780	61,386,926
Net interest income		84,196,663	82,337,139
Net commission income	29	19,055,445	20,991,938
Net interest and commission income		103,252,108	103,329,077
Gain from foreign currencies	30	2,814,590	3,339,016
Gain from financial assets at fair value through profit or loss	31	-	2,203
Dividends from financial assets at fair value through other comprehensive income	9	900,047	953,773
Other income	33	5,173,841	7,777,246
Gross income		8,906,478	12,065,680
		112,158,586	118,394,787
Employees' expenses	34	41,234,749	40,184,806
Depreciation and amortization	12,13	12,025,986	12,188,014
Credit loss expense on financial assets	32	1,016,077	11,838,288
Impairment on assets seized by the Bank	14	1,018,074	6,052,012
Other expenses	35	23,655,016	27,978,907
Total expenses		78,950,312	98,291,075
Operating profit		33,208,274	20,103,742
Bank's share of associate companies profit (losses)	11	2,481	(24,815)
Profit for the year before tax		33,210,755	20,078,927
Income tax expense	21	(11,933,475)	(6,760,042)
Profit for the year		21,277,280	13,318,885
Profit for the year Attributable to :			
Bank's shareholder		21,277,280	13,318,885
Profit for the year		21,277,280	13,318,885
Basic and diluted earnings per share attributable to bank's shareholders	35	0.110	0.069

The accompanying notes from 1 to 49 form part of these consolidated financial statements and should be read with them

Jordan Ahli Bank
Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December 2018

	2018	2017
	JD	JD
Profit for the year	21,277,260	13,318,885
Other comprehensive income items not to be reclassified to statement of income in subsequent year		
Change in fair value reserve Net	(3,781,869)	(1,048,028)
Total comprehensive income for the year	17,495,391	12,270,857

The accompanying notes from 1 to 49 form part of these consolidated financial statements and should be read with them

JORDAN AHLI BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Subscribed and paid in capital	Reserves: Statutory	Reserves: Voluntary	Reserves: Cyclical fluctuations	Reserves: General banking risk	Fair value reserve - net	Retained earnings	Total shareholders' equity
	JD	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2018 -								
Balance as at 1 January 2018	183,750,000	54,033,000	24,649,137	2,012,049	17,838,869	812,986	24,684,595	306,155,251
Transferred from general banking risk reserve	-	-	-	-	(15,253,850)	-	15,253,859	-
Effect of IFRS (9) adoption	-	-	-	-	-	(310,294)	(12,801,097)	(13,181,613)
Balance as at 1 January 2018 (Amended)	183,750,000	54,033,055	24,649,137	2,012,049	-	502,701	27,080,757	293,004,750
Profit for the year	-	-	-	-	-	-	21,277,280	21,277,280
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(25,753)	25,753	-
Change in fair value reserve	-	-	-	-	-	(3,751,695)	-	(3,751,695)
Total comprehensive income	-	-	-	-	-	(3,778,448)	21,454,043	17,488,384
Transferred to reserves	-	3,931,075	-	1,366,310	-	-	(4,360,005)	-
Dividends distributed (note 22)	9,187,500	-	(9,187,500)	-	-	-	(9,187,500)	(9,187,500)
Balance as at 31 December 2018	192,937,500	57,964,171	15,461,637	3,378,359	-	(3,275,570)	34,510,345	301,975,384
For the year ended 31 December 2017 -								
Balance as at 1 January 2017	175,000,000	52,015,203	33,400,137	2,204,996	14,968,716	1,531,243	22,705,109	302,025,404
Profit for the year	-	-	-		-	-	18,918,685	18,315,685
(Loss) gain from sale of financial assets at fair value through OCI		-	-	-	-	99,070	(99,070)	-
Change in fair value reserve	-	-	-	-	-	(1,048,028)	-	(1,048,028)
Total comprehensive income		-	-	-	-	(948,958)	18,215,615	17,270,557
Transferred to reserves	-	2,007,800	-	318,053	2,910,143	-	(5,231,115)	-
Dividends distributed	8,750,000	-	(8,750,000)	-	-	-	(8,750,000)	(8,750,000)
Balance as at 31 December 2017	183,750,000	54,023,003	24,649,137	2,012,049	17,877,859	812,986	24,684,595	308,168,251

- As at 31 December 2018, an amount of JD 8,630,207 from retained earnings is restricted against deferred tax assets and in addition to an amount of JD 9,125,029 which represents the restricted surplus of general banking risk reserve transferred to the retained earnings, according to the Central Bank of Jordan regulation.

- The use of fair value reserve amounted 3,225,876 is prohibited, according to the Jordan Securities Commission.

The accompanying notes from 1 to 49 form part of these consolidated financial statements and should be read with them

JORDAN AHLI BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
<u>OPERATING ACTIVITIES</u>		JD	JD
Profit for the year before tax		33,210,755	20,070,827
Adjustments -			
Depreciation and amortization	12,13	12,025,595	12,189,814
Credit loss expense on financial assets	32	1,018,077	11,006,206
Sundry provision	20	785,302	1,159,884
Impairment on assets foreclosed by the Bank	14	1,018,074	519,143
Provision for foreclosed assets		-	6,532,089
Unrealized gain from financial assets at fair value through profit or loss	31	-	32,911
Gain from sale of property and equipment		(387,032)	(19,430)
Bank's share of associate Company's (profit) losses	11	(2,481)	24,815
Net interest income		(4,464,481)	(2,759,138)
Effect of exchange rate changes on cash and cash equivalents	30	(590,460)	(857,477)
Operating profit before changes in assets and liabilities		42,631,350	47,791,804
Changes in assets and liabilities -			
Increase in cash and balances at central banks due after 3 months		(2,410,600)	
Cash and balances at banks due after 3 months		(14,400,840)	4,989,980
Decrease in restricted balances		276,305	(55,915)
(Increase) in financial assets at fair value through profit or loss		-	(10,919)
Direct credit facilities		44,078,325	(48,572,069)
Other assets		1,533,740	(3,346,516)
Increase in bank's deposit matured within 3 months		11,496,858	-
Customers deposits		(6,880,251)	(148,634,387)
Margin accounts		6,468,639	(3,923,615)
Other liabilities		(8,521,757)	(12,318,274)
Net change in assets and liabilities		30,614,420	(211,879,815)
Net cash flows from (used in) operating activities before income tax		73,246,770	(164,089,011)
Income tax paid	21	(7,604,380)	(4,709,336)
End of service indemnity paid	20	(1,050,919)	(867,648)
Net cash flows from (used in) operating activities		64,492,871	(169,483,885)
<u>INVESTING ACTIVITIES</u>			
Investment in associates		-	1,553,499
Increase of financial assets at fair value through OCI		(1,177,198)	(1,948,897)
(Increase) decrease of financial assets at amortized cost		(112,106,069)	212,492,415
Purchases of property and equipment, projects under construction, and intangible assets	12,13	(34,070,230)	(24,305,603)
Proceeds from sale of property and equipment		858,880	3,963,301
Net cash flows (used in) from investing activities		(146,444,515)	191,445,049
<u>FINANCING ACTIVITIES</u>			
Increase in loans and borrowings		35,695,544	43,258,232
Dividends paid to shareholders		(9,187,500)	(8,750,000)
Net cash flows from financing activities		26,508,044	34,508,232
Effect of exchange rate changes on cash and cash equivalents	30	590,460	857,477
Net (decrease) increase in cash and cash equivalents		(54,846,140)	57,344,763
Cash and cash equivalents, beginning of the year		379,340,012	321,995,249
Cash and cash equivalents, end of the year	37	324,493,872	379,340,012

The accompanying notes from 1 to 49 form part of these consolidated financial statements and should be read with them

(1) GENERAL

Jordan Ahli Bank was established in the year 1955 as a public shareholding Company under registration No. (6) on 1 July 1955 in accordance with the companies law for the year 1927, with headquarters in Amman. Its address is Queen Noor Street, P.O Box 3103, Amman 11181 Jordan. The Business Bank was merged with the Bank effective from December 1996. Moreover Philadelphia Investment Bank was merged with Jordan Ahli Bank Company PSC effective from 1 July 2005.

The general assembly decided in its meeting held on 30 April 2018 to increase paid-in capital by 5% to become 192,937,500 share / JD after the increase. The increase was through distribution of 5% of voluntary reserve as free stock dividends. The increase was approved by the companies control department on 16 May 2018 and the Board of Commission of Jordan Securities Commission on 29 May 2018.

The Bank provides all banking and financial services related to its business thought its main office, branches in Jordan (56 branches), external branches in Palestine and Cyprus (9 branches) and subsidiaries companies in Jordan.

The Bank's shares are listed in Amman Stock Exchange – Jordan.

The consolidated financial statements have been approved by the Board of Directors in its meeting held on 4 February 2019 meeting number (2) and are subject to the approval of the Central Bank of Jordan and the General Assembly of Shareholders.

(2-1) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee stemming from the International Accounting Standards Board and in conformity with the applicable laws and regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared on the historical cost basis except for financial assets at fair value through profit and Loss and financial assets at fair value through Comprehensive Income and financial derivatives which have been measured at fair value at the date of the consolidated financial statements, moreover assets and liabilities that have been hedged for change in fair value are stated at fair value.

The consolidated financial statements are presented in Jordanian Dinar (JD) which is the base currency of the Bank.

(2-2) BASIS OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries were the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income, and expenses between the Bank and subsidiaries are eliminated.

The Bank's subsidiaries as at 31 December 2018 are as follows:

A. Ahli Micro Finance Company

Ahli Micro Finance Company is wholly owned by Jordan Ahli Bank. The Company's objective is to grant loans to limited income individuals. Its capital amounted to JD 6 million, total assets amounted to JD 20,772,793, and total liabilities to JD 11,392,103 as of 31 December 2018. Its total revenues amounted to JD 7,008,205, and total expenses to JD 6,636,564 for the year ended 31 December 2018, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

B. Ahli Financial Brokerage Company

Ahli Financial Brokerage Company is wholly owned by Jordan Ahli Bank with a capital of JD 3 million. Its total assets amounted to JD 4,158,321, and total liabilities to JD 533,083, as of 31 December 2018. Moreover, its total revenues amounted to JD 282,629, and its total expenses to JD 324,311 for the year ended 31 December 2018, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

C. Ahli Financial Leasing Company

Ahli Financial Leasing Company is wholly owned by Jordan Ahli Bank with a capital of JD 17.5 million. Its total assets amounted to JD 87,980,267, and total liabilities to JD 58,070,111 as of 31 December 2018. Moreover, its total revenues amounted to JD 5,819,744, and its total expenses to JD 2,240,919 for the year ended 31 December 2018, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

D. Ahli Financial Technology Company

Ahli Financial Technology Company is wholly owned by Jordan Ahli Bank with a capital of JD 100 thousand. Its total assets amounted to JD 125,405, and total liabilities to JD 6,100 as of 31 December 2018. Moreover, its total revenues amounted to JD 38,055, and its total expenses to JD 13,750 for the year ended 31 December 2018, before excluding any transactions, balances, revenue, and expenses between the Company and the Bank.

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

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

- Non – controlling interests represent the portion of owners' equity not owned by the Bank in the subsidiaries.

- In case separate financial statements are prepared for the Bank as a stand-alone entity, investments in the subsidiary companies are shown in accordance with the equity method.

(3-1) CHANGES IN ACCOUNTING POLICIES

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

IFRS 9 Financial Instruments

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 a new expected 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 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated. The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in retained earnings. The standard eliminates the use of the existing IAS 39 Incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

IFRS 9 (2014) provides revised guidance on how an entity should classify and measure its financial assets and financial liabilities. IFRS 9 requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Bank reviewed and assessed the classification and measurement of financial assets and financial liabilities on the adoption of IFRS 9 (2009) and has further reviewed and assessed the existing financial assets and financial liabilities at the date of the required application on 1 January 2018.

There has been no changes in the classification and measurement of financial assets or financial liabilities on the adoption of IFRS 9 (2014).

IFRS 9 (2014) replaces the incurred loss model in IAS 39 Financial Instruments: Recognition and Measurement with an expected credit loss model. The new Impairment model also applies to certain loan commitments, financial guarantee contracts, and placements, but not to equity investments. If a financial asset had low credit risk at the date of initial application of IFRS 9, then the credit risk of the asset has been deemed to have not increased significantly since its initial recognition. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The impact of this change in accounting policy as at 1 January 2018 caused the retained earnings to increase by JD 2,5 million as follows:

Statement of financial position items impacted	Balance as at 31 December 2017	Reclassified Amounts	Expected credit losses	Balance as at 1 January 2018 following the implementation of IFRS 9	Effect resulting from reclassification
	JD	JD	JD	JD	JD
General banking risk reserve	15,363,858	(15,363,858)	-		(15,363,858)
Retained earnings	24,584,535	19,090,414	(16,597,182)	27,088,787	2,502,252
Fair value reserve	912,985	(330,204)		582,781	(330,204)
Balances and deposits at central banks	265,714,620	-	9,348	265,705,272	-
Balances and deposits at banks and financial institutions	182,462,608		17,340	182,445,268	
Financial assets at fair value through profit or loss	854,381	(854,381)	-	-	(854,381)
Transferred to FVOCI	-	854,381	-	854,381	854,381
Equity instruments	-	854,381	-	854,381	854,381
Financial assets at fair value through other comprehensive income	29,401,562	854,381	-	30,255,943	854,381
Direct credit facilities	1,483,922,585	-	14,639,194	1,469,283,391	-
Financial assets at amortized cost	542,617,540	-	232,965	542,384,575	-
Letter of guarantee and letter of credit	424,284,125		1,086,132	423,197,993	
Unutilized facilities ceilings	187,152,155	-	612,183	186,539,972	-

The opening balance for provisions after implementation of International Financial Reporting Standard No (9)

Item	Current Provision	Re-measurement impact	Balance according to IFRS 9
	JD	JD	JD
Balances at Central Banks		9,348	9,348
Balances and deposits at banks and financial institutions	-	17,340	17,340
Direct credit facilities	90,477,858	14,639,194	105,117,052
Financial assets at amortized cost	-	232,985	232,985
Financial assets at fair value through comprehensive income	-	-	-
Letters of guarantee and letters of credit	-	1,086,132	1,086,132
Unutilized facilities ceilings	-	612,183	612,183

The expected credit losses after 1 January 2018:

Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total
	JD	JD	JD	JD
Balances at Central Banks	6,183			6,183
Balances and deposits at banks and financial institutions	61,056			61,056
Direct credit facilities	3,641,063	7,601,328	63,626,204	76,149,283
Financial assets at amortized cost	388,842	-	-	388,842
Financial assets at fair value through other comprehensive income	-	-	-	-
Letters of guarantee and letters of credit	701,130	324,715	-	1,025,845
Unutilized facilities ceilings	700,224	107,249	-	807,473

Effect of Implementation of International Financial Reporting Standard No (9) on deferred tax Assets/Liabilities:

Item	Deferred tax assets	Deferred tax liabilities
	JD	JD
Increase in expected credit losses for assets	3,415,351	
Reclassification of financial assets	-	

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Bank assessed that the impact of IFRS 15 is not material on the consolidated financial statements of the Bank.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Bank's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. If applicable - The Bank's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Bank has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Bank.

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

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

There is no impact on the Group consolidated financial statements resulted from implementing those amendments.

(3-2) SIGNIFICANT ACCOUNTING POLICIES

Segments Information

Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

Recognition of Interest Income

The effective interest rate method

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

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

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

Interest and similar income and expense

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

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

The Bank also holds investments in assets of countries with negative interest rates. The Bank discloses interest paid on these assets as interest expense.

Fee and commission income

Fee income can be divided into the following two categories:

A. Fee income earned from services that are provided over a certain period of time

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

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

Fees that the Bank considers to be an integral part of the corresponding financial instruments include:
loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit
related fees.

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 of profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVTPL

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

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

Financial Assets and Liabilities

Due from banks, loans and advances to customers and financial investments at amortized cost

Before 1 January 2018, due from banks and loans and advances to customers, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Group intended to sell immediately or in the near term
- That the Group, upon initial recognition, designated as at FVTPL or as available-for-sale
- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Group only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

Debt instruments at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first-out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss

Equity Instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 39 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis

Or

- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivatives is prohibited

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

Financial guarantees, letters of credit and unutilized facilities ceilings

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

Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

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

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

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

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

Derecognition other than for substantial modification

A. Financial assets

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

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

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

Or

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

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

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

A transfer only qualifies for derecognition if either:

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

Or

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

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

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

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

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

B. Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

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

Stage 1: When financial assets are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Financial assets considered credit-impaired. The Bank records an allowance for the LTECLs.

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

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The machinery of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed seperately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanism of the ECL method are summerized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:	For financial assets which are considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.
Loan commitments and letter of credit	When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

Debt Instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade.

The interest rate used to discount the ECLs for credit cards is based on the effective interest rate.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- Oil price indices
- Financial market performance indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed periodically. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirely only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, (rather than taking possession or to otherwise enforce collection of collateral.) The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. (Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department). Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. (Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms). It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Leasing contracts

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

1. The Bank as a lessor

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

2. The Bank as a lessee:

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

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

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associates initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Bank's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Bank's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the BAnk's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

Property and Equipment

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

	%
Buildings	2
Equipment furniture and fixtures	9-15
Vehicles	20
Computer	12-15
Others	2-12

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

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

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

Impairment of non-financial assets -

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

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

Intangible Assets

Goodwill

Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an associated company constitutes part of the investment in that company.

Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.

The value of goodwill is tested for impairment on the date of the consolidated financial statements. Good will value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated statement of income as impairment loss.

Other Intangible Assets

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

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

Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated statement of income in the same period.

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

Provisions

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

Provision for employees' end-of-service indemnities

Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Group operates. The expense for the year is recognized in the consolidated statement of income. Indemnities paid to employees are reduced from the provision.

Income Taxes

Income tax expenses represent current and deferred taxes for the year.

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

Capital Cost of Issuing or Buying the Bank's Shares

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

Assets under Management

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

Offsetting

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

Foreclosed assets

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

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

Repurchase and Resale Agreements

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

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

Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the date of the consolidated financial statements using the exchange rate prevailing at the date of the consolidated financial statement. Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.

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

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

Fair value

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

(3-3) USE OF ESTIMATES

- **Provisions for impairment on direct credit facilities**

In determining impairment of financial assets, judgement 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 asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Bank computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs) and compares the outcome to the instructions of the Central Bank of Jordan. Moreover, the strictest outcome that conforms to the (IFRSs) is used.

The Methodology of implementing international financial Reporting Standard No (9): Inputs, and methods used in calculating expected credit loss:

The implementation of default and its recording methods:

In order to classify accounts as non-performing loans (NPL), the Central Bank of Jordan (CBJ) or the regulatory authorities in the host countries of the bank's branches or its subsidiaries, whichever is more stringent, are strictly complied with. The non-performing facilities are defined as credit facilities that includes one or more of the following:

- The maturity of one installment or irregular payment of principal and/or interest of account for 90 days or more.
- The overdraft exceeding the Limit granted by (10%) or more for a period of (90) days or more
- Credit facilities that have expired on the expiry date of (90) days or more and have not been renewed.
- Credit facilities granted to any client declared bankrupt or to any company declared under liquidation.
- Credit facilities structured three times in a year.
- Current accounts that had been overdrawn for 90 days or more.
- Paid Guarantees on behalf of customers not credited to their accounts and their payments matured for (90) days or more.

Bad Debt Management

1. Debt Treatment:

This should be done by approval of the Bank and taking into consideration the satisfaction of the client and the guarantors. This type of treatment should ensure that the bank has the maximum possible rights according to the status of the account, its guarantees, and sources of payment, An acceptable period and the strengthening of guarantees and sources of payment if possible and the settlements are approved in accordance with Internal levels of Authority.

2. Grace Period

The bank may be forced to a grace period for certain clients after which the client is settled by payment or re-scheduling. However, this method is not considered an effective treatment as it keeps the client within the scope of non-performing loans. Therefore, the bank should not give the client grace period after any payment default, only in exceptional circumstances which the concerned department may determine. In this case, the grace period shall be for a short and specific period in accordance with internal levels of Authority.

3. Legal Action, including enforcement of guarantees

The bank resorted to it when exhausted all the peaceable ways of collection and form a convection that the collection of debt in this manner became the only way to ensure the bank to restore his rights.

Risk Rating System

Moody's Risk Analyst (MRA) platform is a robust, enterprise-wide credit risk management system that collects, analyzes and stores financial and non-financial information providing a comprehensive solution for managing and analyzing counter-party credit risk. It is a Browser-based internal rating system that supports centralized management of credit risk assessment objectives. The ultimate objective of the rating exercise is to categorize customers based on their risk profile. The MRA standard model has been customized to the needs of the Bank.

First: System methodology
The rating methodology analyses key financial and/or non-financial, qualitative/subjective parameters by combining the results of several components to assess and provide a risk rating grade for each customer, based on a score in the range of 0 to 100, mapped to an equivalent Rating.

Risk rating system consists of 3 basic models that are used by business division to analyze and categorize customers by relying on financial and non-financial data of their customers. The system allows the possibility of choosing one of three available models. The model is based on the availability, accuracy and clarity of the financial statements submitted. In addition to a set of questions specific to the customer's activity , the three model as per the following;

- Fundamental Analysis- Financial Only

This model used in case of clear, sufficient and detailed financial statements (audited or unaudited) that can be relied upon to reflect the accurate financial position of the customer. Quantitative information will formulate the largest weight in classification process.

- SME Rating Model- (Financial Statements Provided)

This model used in the case of the availability of Non detailed financial data and has a less relative importance in the classification process and more importance is given to the qualitative aspects of the classification.

- SME Rating Model- (No Financial Statements Provided) ;

This model is used in the absence of financial data and classification will depend entirely on qualitative Data.

Second: Scope of Application
Rating Model is used for Corporates & SMEs Portfolios in Jordan, Palestine and Cyprus

Third: Definition/key features for ORR

Risk Grade	Definitions/ Key Features	Description (Definition)
1	Excellent	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; excellent and proven management, market leader.
2	Strong	Very good business credit with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
3	Good	Good business credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity .Company is above average size and holds a good position in the industry
4	Satisfactory	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
5	Adequate	Average to below average business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance.
6	Marginal	Below average business credit and subject to high credit risk. Company is likely a lower tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigates.
7	Vulnerable	Weak business credit: Judged to be of poor standing and subject to very high credit risk .Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a substandard classification (Watch list
8	Sub-standard	In Default (Substandard). Unacceptable business credit with normal payment in jeopardy.
9	Doubtful	In Default (Doubtful): Full repayment questionable. Serious problems to the point where partial loss of principal is likely.
10	Loss	In Default (Loss): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification

System Workflow

The early identification of customers with potential problem loans is essential to the successful management of credit risk in the Bank's portfolio. The earlier a problem customer is identified, the more likely corrective action will be successful in preventing losses.

Credit operation department is responsible to start, fill out all kinds of related data to the concerned customers to identify and point out the credit risk and weaknesses associated with individual customers that falling under their supervision.

Credit department review the accuracy and credibility of the inputs and rating class entered by credit operation department and compare the inputs with the credit studies

Risk department is responsible to manage the system including the Internal Models and related approved parameters, Generating reports on regular basis for tracking and reporting purposes

The Mechanism Adopted to Calculate (ECL)

- Based on the requirement of the new standard, ECL calculation model for Exposures/debt Instruments has been applied on JAB Branches, Subsidiaries and foreign branches in accordance with the instructions of the Central Bank and the best International practices in this regard.

- Credit risk and expected credit loss calculation was calculated for each individual (credit exposure / debt instrument), not on collective basis approach.

- The mathematical model was used to calculate expected credit losses as follows:

Expected credit loss ECL = Probability of Default (PD%) X Exposure at default (EAD) X Loss Given Default (LGD%)

Probability of Default (PD)

- Transition Matrixes were built for each segment in Bank by using the historical data on exposure, rating grade to build the PiT Matrixes (Moody's Model was the base to generate PiT matrixes and similar risk level rating buckets were merged to obtain more stable observed default rate), for Retail Segment the DPD historical Data was the base to generate PiT Matrixes.

- Based on the nature of segment Economic Shocks were applied on the GDP & Unemployment rates changes compared to the last 10 years through statistical model to construct the future PiT, therefore TTC matrixes were constructed by blending the effect of Economic shocks and distance from the long term default rate (LTDR) which reflects the last five years average default rate.

- Same methodology was used to build Matrixes for Banks & Sovereigns over different regions in the world.

Exposure at Default

- EAD is the credit Limit or outstanding Balance whichever is higher & Incase of unutilized limit applying CCF of 100%. Present value (PV) of cash flows over the life time of exposure has been taken into consideration by using the effective interest rate (**EIR**).

Loss Given Default (LGD)

- LGD methodology, recovery rate approach preceded by a deep assessment of many aspects related to the bank Internal process, Default management and workout. Bank applied average recovery rate period approach (Average 3 years) for unsecured portfolio on banking segments (CORPs, SMEs & Retail) to construct the actual LGD for each type of segment, taking into consideration all recoveries were discounted based on contracts interest rate to the value at default date .
- However Managerial LGD for secured portfolio / portion were applied based on type of collateral and applying of Hair Cut per each type of collaterals as per the CBJ instructions.
- Regulatory Rates (FIRB) of 45% were applied for some segment due to the small size volatile portfolios.

Financial Assets in Scope

Under the methodology used, the following credit exposures and financial instruments have been subject to the expected credit loss in line with CBJ instructions and& IFRS 9 requirements:

Loans and Credit Facilities (Direct and Indirect)

The expected credit losses were calculated by considering the credit Limits or the outstanding Balance whichever is higher to determine the Exposure at Default (EAD), Present value (PV) of cash flows over the life of the exposure has been taken into consideration by using the effective interest rate (EIR) and discounted at time .

To Consider the Probability of Default (PD), Transition Matrixes were built for each segment In Bank by using the historical data on exposure, rating grade to build the PiT Matrixes (Moody's Model was the base to generate PiT matrixes and similar risk level rating buckets were merged to obtain more stable observed default rate), for Retail Segment the DPD historical Data was the base to generate PiT Matrixes.

Based on the nature of segment Economic Shocks were applied on the GDP & Unemployment rates changes compared to the last 10 years through statistical model to construct the future PiT, therefore TTC matrixes were constructed by blending the effect of Economic shocks and distance from the long term default rate (LTDR) which reflects the last five years average default rate.

For LGD, Bank applied average recovery rate period approach for unsecured portfolio on banking segments (CORPs, SMEs and Retail) to construct the actual LGD for each type of segment, taking into consideration all recoveries were discounted based on contracts interest rate to the value at default date.

However Managerial LGD for secured portfolio / portion were applied based on type of collateral after applying of Hair Cut .

Debt Instruments Carried at Amortized cost or Carried at Fair Value Through other Comprehensive Income (OCI)

The expected credit losses were calculated using the Outstanding Balance & Accrued Interest on the Instrument of each reporting date to determine the Exposure at Default (EAD). Probability of default was calculated using Transition Matrixes that was built for each type of debt instrument. Regulatory LGD ratio of 45% was used for these kind of instruments (FIRB Ratio) .

Present value (PV) of cash flows over the life of the debt instrument has been taken into consideration using the effective interest rate (EIR) and discounted at time .

Note : Based on the CBJ Regulations. 0% Expected Credit Loss (ECL) is applied for local and foreign currency financial assets of Jordan Governmental & CBJ.

Credit Exposures on Banks and Financial Institutions

The expected credit losses were calculated using the Outstanding Balance of ach reporting date to determine the Exposure at Default (EAD. Probability of default was calculated using Transition Matrixes that was built for banks and financial Institutions based on Geographical distribution.(Locally, Regionally & International).

Regulatory LGD ratio of 45% was used for these kind of placements (FIRB Ratio).

Staging Criteria

All Credit Exposures / Debt Instruments that are subject to expected credit loss are subject to certain determinants as an indication that they have a significant effect to increase credit risk, Therefore, Shifting to stages has been adopted by using the following methodology :

Variable	Staging Criteria / Shift to Stage 2	Staging Criteria / Shift to Stage 3
Change in Credit Rating for Exposure / Debt Instrument	Customers, which are having 2 grades deterioration in their final rating compared to their initial rating/ On Internal Rating Model The significant or expected decline in the external Credit Rating	Non-performing loans Bankruptcies or for companies under liquidation
Un Rated Exposures	Lack of credit rating for credit exposure / debt instrument subject to internal credit rating	
Past due days	Past dues above 60 Days	
Account Status	Watch List Accounts	

Governing the application of the international standard

Adopting corporate governance is a key to success. Therefore JAB has adopted the directives of the Corporate Governance in line with the directives of the Central Bank of Jordan and the best international practices recommended by the Basel Committee in this regard.
Also corporate governance one of the means to provide the proper and appropriate tools and means for the Board of Directors and senior executive management to reach the achievement of strategic objectives and ensure an effective working environment.

The Bank to make sure its financial reports were consistent with the IFRS9 requirements. To that end, an agreement was concluded with Prometeia for implementing software across Jordan Branches, Forging Branches and its subsidiaries .

To ensure that the application of the International Financial Reporting Standard in effect, the following is the responsibilities of the Board of Directors and the Senior Executive Management in this regard :

Board of Directors

- Define the strategic objectives of the bank, and guide & monitor the executive management to prepare strategies & plans of action that are consistent with these strategies.

- Evaluate existing infrastructure and make decisions regarding the changes or improvements required to ensure that the calculation of expected credit losses in line with relevant regulations.

- Ensuring through the committees emanating from the Board to supervise the senior executive management and make sure the availability of internal control and control systems that provide the Bank's policies, plans and procedures, and verify compliance with the Bank's internal policies, international standards and related legislation covering the activity of applying the international standard.

- Take measures to ensure effective control over the proper application of the standard and the protection of the systems used in the application.

- Adoption of appropriate policies and procedures for the application of the new standard.

Executive Management

- Provide the appropriate infrastructure and recommendations on the changes or improvements that help to apply the standard accurately and comprehensively, make sure to include a qualified staff, adequate database in terms of accuracy, comprehensiveness and appropriate management information system.

- Distribution of tasks and responsibilities to the concerned parties in the process of applying the International Accounting Standard.

- To assess the impact of applying the International Accounting Standard on the financial position of the Bank from the quantitative and qualitative framework.
- suitability for the application of the standard.
- Prepare a detailed work plan to implement the standard and study the quantitative impact on the bank and adhere to the time frame specified by the regulator.
- Make sure to reflect the impact of the new standard on Bank strategy and pricing Methodology.

Ensuring the participation of the Bank's various concerned departments with the proper compliance with the

(4) CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as following:

	31 December 2018	31 December 2017
	JD	JD
Cash in vaults	42,814,521	47,393,687
Balances at the Central Bank :		
Current and call accounts	10,607,440	16,136,622
Time and notice	60,668,839	76,595,500
Statutory cash reserve	107,237,188	117,488,811
Certificates of deposit	26,900,000	31,100,000
Total Balances at the Central Bank	205,413,467	241,320,933
Less: ECL	6,183	-
Total CASH AND BALANCES WITH CENTRAL BANKS	205,407,284	241,320,933
Total	248,221,805	288,714,620

Except for cash reserves with central banks, there are no restricted balances as at 31 December 2018 and 31 December 2017.

There are no balances, matured in more than three months as at 31 December 2018 (31 December 2017 : JD 270,305).

The classification of gross balance with central banks according to the Group's internal credit rating is as follows:

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	205,413,467	-	-	205,413,467	241,320,933
Total	205,413,467	-	-	205,413,467	241,320,933

The movement on balances with central banks is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	241,320,933	-	-	241,320,933
New balances for the year	79,184,482	-	-	79,184,482
Repaid balances	(115,091,928)	-	-	(115,091,928)
Total balance at the end of year	205,413,487	-	-	205,413,487

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	-	-		-
Effect resulting from implementation of IFRS 9	9,349	-	-	9,349
Balance as of 1 January 2018 (restated)	9,349	-	-	9,349
ECL for new balances during the year	853		-	853
Recoveries from ECL related to repaid balances	(4,019)	-	-	(4,019)
Total balance at the end of year	6,183		-	6,183

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Banks and financial institutions					
	Local		Foreign		Total	
Item	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 term accounts	65,610	169,953	38,367,245	54,950,754	38,432,855	55,120,707
Deposits matures in 3 months or less	23,551,506	-	111,610,807	122,304,088	135,162,313	122,304,088
Total	23,617,116	169,953	149,978,052	177,254,842	173,595,168	177,424,795
Less: ECL charged for the year	3,043	-	23,939	-	26,982	-
	23,614,073	169,953	149,954,113	177,254,842	173,568,186	177,424,795

Non-interest-bearing balances held at banks and financial institutions amounted to JD 38,432,855 as at 31 December 2018 (31 December 2017: JD 55,120,707).

- There are no restricted balances as at 31 December 2018 and 31 December 2017.

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

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Acceptable risk /performing	173,595,168	-	-	173,595,168	177,424,795
Total	173,595,168	-	-	173,595,168	177,424,795

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	177,424,795		-	177,424,795
New balances for the year	123,540,259	-	-	123,540,259
Repaid balances	(127,369,886)	-	-	(127,369,886)
Total balance at the end of year	173,595,168	-	-	173,595,168

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	-	-		-
Effect resulting from implementation of IFRS 9	10,597	-	-	10,597
Balance as of 1 January 2018 (restated)	10,597	-	-	10,597
ECL for new balances during the year	18,168	-		18,168
Recoveries from ECL related to repaid balances	(1,783)		-	(1,783)
Total balance at the end of year	26,982	-		26,982

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Banks and financial institutions				Total	
	Local		Foreign			
Item	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	JD	JD	JD	JD	JD	JD
Deposits mature in:						
From 3 months to 6 months	5,000,000	5,000,000	14,400,855	-	19,400,855	5,000,000
From 9 months to 1 year	-	-	37,798	37,813	37,798	37,813
	5,000,000	5,000,000	14,438,653	37,813	19,438,653	5,037,813
Less: ECL	6,877	-	17,197	-	24,074	-
Total	4,993,123	5,000,000	14,421,456	37,813	19,414,579	5,037,813

There are no restricted deposits balances as at 31 December 2018 and as at 31 December 2017.

The classification of gross deposits at banks and financial institution according to the Group's internal credit rating is as follows:

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Acceptable risk / performing	19,438,653	-	-	19,438,653	5,037,813
Total	19,438,653	-	-	19,438,653	5,037,813

The movement on deposits at banks and financial institutions is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	5,037,813	-	-	5,037,813
Repaid balances	14,400,855	-	-	14,400,855
Foreign exchange adjustments	(15)	-	-	(15)
Total balance at the end of year	19,438,653			19,438,653

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	-	-	-	-
Effect resulting from implementation of IFRS 9	6,743	-	-	6,743
Balance as of 1 January 2018 (restated)	6,743			6,743
ECL for new balances during the year	17,331	-	-	17,331
Total balance at the end of year	24,074	-	-	24,074

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	31 December 2018	31 December 2017
	JD	JD
Companies shares-Quoted	-	954,381
Total	-	954,381

- On 1 January 2018 the financial assets at fair value through profit or loss were reclassified to financial assets at fair value through other comprehensive income.

(8) DIRECT CREDIT FACILITIES – NET

The details of this item are as follows:

	31 December 2018 JD	31 December 2017 JD
Individuals (Retail)		
Overdrafts	2,661,039	722,165
Loans and bills *	332,902,737	357,204,796
Credit Cards	11,307,510	12,097,178
Real Estate Loans	322,816,368	308,677,814
Corporate Customers		
Overdrafts	170,961,542	124,265,942
Loans and bills *	475,293,402	503,694,891
Small and medium enterprises "SMEs"		
Overdrafts	60,173,422	58,377,022
Loans and bills *	123,181,791	133,984,680
Governmental and public sectors	21,129,083	22,695,285
Total	1,520,516,872	1,602,520,571
Less: Provision for expected credit losses	(75,149,293)	(90,477,858)
Less: Suspended interests	(20,857,390)	(28,120,328)
Direct credit facilities, net	1,424,510,189	1,483,922,385

* Net of interest and commission received in advance amounted to JD 16,537,152 as at 31 December 2018 (31 December 2017: JD 19,695,650).

- Non-performing credit facilities amounted to JD 103,639,286 as at 31 December 2018 (31 December 2017: JD 141,574,867), representing 6.82% as at 31 December 2018 (31 December 2017: 8.83%) of total direct credit facilities.

- Non-performing credit facilities, net of suspended interests and commissions, amounted to JD 88,179,183 as at 31 December 2018 (31 December 2017: JD 116,474,540), representing 5.86% as at 31 December 2018 (31 December 2017: 7.38%) of total direct credit facilities excluding the suspended interests.

- Non-performing credit facilities transferred to off consolidated financial position items, amounted to JD 97,402,837 as at 31 December 2018 (31 December 2017: JD 60,927,035). Moreover, these credit facilities are fully covered with the suspended interests and provisions.

- There are no credit facilities granted to and guaranteed by the Jordanian government as at 31 December 2018 and 31 December 2017.

Provision for Expected Credit Losses

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

	31 December 2018					
Item	Individuals	Real estate	Corporate	SMEs	Governmental and public sectors	Total
	JD	JD	JD	JD	JD	JD
Balance as of 1 January 2018	21,842,724	2,523,560	54,501,185	11,610,389	-	90,477,859
Transition adjustment on adoption of IFRS 9	3,364,131	694,533	8,399,190	2,038,525	142,615	14,639,194
At 1st January 2018 – restated*	25,206,855	3,218,093	62,900,375	13,648,914	142,615	105,117,052
Provision for expected credit loss on new facilities during the year	4,661,281	1,273,751	1,583,971	2,899,961	-	10,418,964
Provision for expected credit loss on the old facilities	(3,071,332)	1,504,737	2,698,785	257,661	-	1,389,851
Reversal of provision for expected credit loss	(2,532,744)	(958,960)	(9,851,438)	(1,923,856)	(57,821)	(15,324,819)
Transfer to stage 1	281,599	135,378	(169,695)	(134,036)	84,994	198,237
Transfer to stage 2	(978,226)	(364,708)	(409,636)	(1,048,540)	(84,994)	(2,886,206)
Transfer to stage 3	566,527	231,330	579,336	1,182,676	-	2,559,869
Transferred to off statement of financial position	(9,012,192)	(172,330)	(15,180,508)	(2,135,515)	-	(26,500,545)
Effect on provision resulting from reclassification among three stages for the year	3,625,593	174,744	(638,709)	1,099,052	-	4,260,680
Used during the year (written-off) and transferred to off statement of financial position	(323,654)	(2,569)	(3,698,747)	(14,740)	-	(4,040,120)
Foreign exchange adjustments	418,191	(248,330)	(341,797)	50,778	-	(121,778)
Net loss in direct credit facilities at the end of the year	18,971,978	4,789,116	37,421,934	13,882,271	84,994	75,149,293
Re-allocation:						
Individual	18,971,978	4,789,116	37,421,934	13,882,271	84,994	75,149,293
Collective	-	-	-	-	-	-

The movement on the provision for impairment in direct credit facilities is as follows as at 31 December 2017:

	Individuals	Real estate loans	Companies: Corporates	Companies: Small and medium Companies	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2017						
Balance as of 1 January	19,177,603	2,999,248	62,900,088	12,226,232	-	97,303,171
Deduction from revenues for the year from revenue	5,677,013	(465,823)	4,934,870	1,840,226	-	11,986,286
Used during the year (written off)	(165,280)	(5,833)	(5,282,904)	(18,927)	-	(5,452,950)
Transferred to off consolidated statement of financial position items	(2,796,098)	(4,028)	(8,137,335)	(2,450,935)	-	(13,388,394)
Foreign currencies evaluation difference	(50,514)	-	166,466	13,793	-	129,745
Balance at the end of the year	21,842,724	2,523,560	54,501,185	11,610,389	-	90,477,858
Provision for non-performing facilities on an individual customer basis	21,054,427	2,446,358	53,103,522	11,455,248	-	88,059,555
Provision for watch list facilities on an individual customer basis	788,297	77,202	1,397,563	155,141	-	2,418,303
Balance at the end of the year	21,842,724	2,523,560	54,501,185	11,610,389	-	90,477,858

- The provisions no longer needed due to settlements or repayments and transferred against other facilities amounted to JD 16,492,543 for the year ended 31 December 2018 (JD 13,690,552 for the year ended 31 December 2017).
- Comparative amounts for 31 December 2017 are presented in accordance with IAS 39 (recognition and measurement of financial instruments)

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

Item	2018 Stage 1 Individual	2018 Stage 2 Individual	2018 Stage 3	2018 Total	2017 Total
	JD	JD	JD	JD	JD
Low risk / performing	95,154,687		-	95,154,687	58,108,215
Acceptable risk / performing	419,363,069	90,236,039	-	509,599,108	569,179,003
Non-Performing:					
Substandard	-	-	5,558,633	5,558,633	-
Doubtful	-	-	88,181	88,181	5,168,534
Loss	-		35,854,335	35,854,335	75,455,278
Total	514,517,756	90,236,039	41,501,149	646,254,944	707,960,833

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	567,960,107	59,376,913	80,623,813	707,960,833
New facilities for the year	236,460,985	35,898,102	5,317,213	277,676,300
Re-paid/derecognized facilities	(271,862,445)	(20,274,448)	(16,514,009)	(308,650,902)
Transfer to stage 1	251,929	(227,800)	(24,129)	-
Transfer to stage 2	(15,863,268)	16,708,002	(844,734)	-
Transfer to stage 3	(1,619,552)	(953,684)	2,573,116	-
Written-off facilities and transferred to off statement of financial position items	-	(391,166)	(29,230,121)	(29,621,287)
Total balance at the end of year	514,517,756	90,236,039	41,501,149	646,254,944

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	2,140,058	6,151,568	54,608,749	62,900,375
ECL for new facilities during the year	14,884		1,569,087	1,583,971
Recoveries from ECL related to settled facilities	(1,370,764)	-	(8,480,672)	(9,851,436)
Transfer to stage 1	8,580	(8,580)	-	
Transfer to stage 2	(177,318)	469,209	(291,891)	-
Transfer to stage 3	(990)	(870,237)	871,227	-
Effect on provision resulting from reclassification among three stages for the year	(6,159)	(244,052)	(430,004)	(680,215)
ECL on old facilities during the year	767,906	(980,716)	2,801,595	2,588,785
Written-off facilities and transferred to off statement of financial position items	-	(324,798)	(18,554,450)	(18,879,248)
Adjustments due to exchange rate changes	-	-	(341,797)	(341,797)
Total balance at the end of year	1,370,243	4,211,866	31,839,825	37,421,934

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

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	36,830,917			36,830,917	28,058,951
Acceptable risk / performing	90,068,491	28,610,165	-	118,678,656	138,401,143
Non-Performing:					
Substandard	-	-	2,035,530	2,035,530	2,250,491
Doubtful	-	-	4,634,543	4,634,543	4,645,211
Loss			21,176,567	21,176,567	16,505,673
Total	126,899,408	28,610,165	27,846,640	183,356,213	192,362,602

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	147,233,850	21,826,277	23,302,375	192,362,502
New facilities for the year	71,739,902	10,610,526	3,613,125	85,963,553
Re-paid/derecognized facilities	(70,567,607)	(10,710,056)	(3,844,470)	(85,122,133)
Transfer to stage 1	2,433,497	(2,318,090)	(115,407)	-
Transfer to stage 2	(13,898,709)	14,016,666	(118,957)	-
Transfer to stage 3	(3,944,956)	(4,758,453)	8,703,409	-
Written-off facilities and transferred to off statement of financial position items	(8,529)	(47,745)	(3,694,435)	(3,750,709)
Total balance at the end of year	126,899,408	28,610,165	27,846,640	183,356,213

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	366,068	1,997,061	11,283,785	13,646,914
ECL for new facilities during the year	111,155	33,781	2,755,015	2,899,951
Recoveries from ECL related to settled facilities	-	-	(1,923,858)	(1,923,858)
Transfer to stage 1	11,772	(11,772)	-	-
Transfer to stage 2	(100,950)	101,944	(994)	-
Transfer to stage 3	(44,958)	(1,138,812)	1,183,770	
Effect on provision resulting from reclassification among three stages for the year	(10,480)	57,794	1,041,738	1,089,052
ECL for old facilities during the year	(33,330)	(296,716)	587,715	257,669
Written-off facilities and transferred to off statement of financial position items	(8,529)	(584)	(2,141,142)	(2,150,255)
Adjustments due to exchange rate changes	-	-	50,776	50,776
Total balance at the end of year	292,580	749,678	12,539,735	13,582,271

The classification of gross balances relating to consumer facilities according to the Group's internal credit rating is as follows:

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	35,920,966	-	-	35,920,966	30,796,003
Acceptable risk / performing	281,641,799	9,935,412		291,577,211	301,918,874
Non-Performing:					
Substandard	-		756,028	756,028	1,202,445
Doubtful		-	3,276,443	3,276,443	3,783,699
Loss	-	-	15,430,638	15,430,638	25,122,116
Total	317,562,765	9,935,412	19,463,109	346,961,286	370,824,137

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	330,668,938	10,045,939	30,109,260	370,824,137
New facilities for the year	97,318,215	1,454,530	1,029,146	99,801,891
Re-paid/derecognized facilities	(102,872,490)	(2,693,495)	(4,654,270)	(110,220,255)
Transfer to stage 1	1,947,360	(1,684,848)	(262,512)	-
Transfer to stage 2	(5,850,586)	5,933,557	(82,971)	-
Transfer to stage 3	(3,635,467)	(3,114,626)	6,750,093	-
Written-off facilities and transferred to off statement of financial position items	(13,205)	(5,645)	(13,425,637)	(13,444,487)
Total balance at the end of year	317,562,765	9,935,412	19,463,109	346,961,286

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

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	2,345,463	2,803,714	20,056,678	25,206,855
ECL for new facilities during the year	22,111	7,539	4,631,631	4,661,281
Recoveries from ECL related to settled facilities		-	(2,532,744)	(2,532,744)
Transfer to stage 1	665,858	(337,778)	(228,178)	-
Transfer to stage 2	(165,188)	228,735	(63,547)	
Transfer to stage 3	(119,159)	(869,193)	988,352	-
Effect on provision resulting from reclassification among three stages for the year	(534,109)	1,097,044	3,062,050	3,625,595
ECL for old facilities during the year	(365,739)	316,211	(3,021,804)	(3,071,332)
Written-off facilities and transferred to off statement of financial position items	(11,000)	(3,456)	(9,321,312)	(9,335,868)
Adjustments due to exchange rate changes	-	-	418,181	418,181
Total balance at the end of year	1,730,245	2,443,426	14,789,207	18,971,878

The classification of gross balances relating to housing loans according to the Group's internal credit rating is as follows:

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	28,771,020	-	-	28,771,020	-
Acceptable risk / performing	262,345,093	16,873,865	-	279,218,958	301,138,304
Non-Performing:					
Substandard	-	-	1,972,870	1,972,870	761,022
Doubtful	-		4,622,677	4,622,677	1,349,401
Loss		-	8,230,841	8,230,841	5,828,197
Total	291,116,113	16,873,865	14,826,388	322,816,366	309,677,014

The movement on Housing loans at year end is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	291,580,668	9,557,828	7,539,420	300,677,814
New facilities for the year	69,082,334	4,721,071	1,468,859	75,272,264
Re-paid/derecognized facilities	(56,899,650)	(1,776,290)	(2,437,608)	(61,113,448)
Transfer to stage 1	4,105,813	(3,650,468)	(455,345)	-
Transfer to stage 2	(12,085,071)	12,414,127	(329,056)	-
Transfer to stage 3	(4,667,159)	(4,391,661)	9,058,820	
Written-off facilities and transferred off statement of financial position items	(720)	(742)	(18,802)	(20,264)
Total balance at the end of year	291,116,113	16,873,865	14,826,388	322,816,366

The movement on the provision for expected credit losses for housing loans for the year is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	290,641	542,660	2,384,802	3,218,093
ECL for new facilities during the year	3,463	19,102	1,251,166	1,273,731
Recoveries from ECL related to settled facilities		-	(958,969)	(958,969)
Transfer to stage 1	165,176	(49,127)	(116,049)	
Transfer to stage 2	(16,227)	27,599	(11,372)	-
Transfer to stage 3	(15,571)	(343,180)	358,751	-
Effect on provision-resulting from reclassification among three stages for the year	(81,950)	71,764	184,930	174,744
ECL for old facilities during the year	3,404	7,943	1,493,390	1,504,737
Written-off facilities and transferred off statement of financial position items	(560)	(293)	(174,416)	(175,269)
Adjustments due to exchange rate changes	-	-	(248,930)	(248,930)
Total balance at the end of year	348,341	276,358	4,163,417	4,788,116

The classification of gross balances relating to government and public sector facilities according to the Group's internal credit rating is as follows:

Item	2018 Stage 1 Individual	2018 Stage 2 Individual	2018 Stage 3	2018 Total	2017 Total
	JD	JD	JD	JD	JD
Acceptable risk / performing	21,129,063	-	-	21,129,063	22,695,285
Total	21,129,063	-	-	21,129,063	22,695,285

The movement on the provision for expected credit losses for government and public sector loans at year end is as follows:

	31 December 2018 Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	-	22,695,285	-	22,695,285
Repaid /derecognized facilities	-	(1,566,222)	-	(1,566,222)
Effect from reclassification among three stages for the year/year	21,129,063	(21,129,063)		-
Total balance at the end of year	21,129,063	-	-	21,129,063

The movement on the provision for expected credit losses for government and public sector facilities for the year is as follows:

	31 December 2018 Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	-	142,815	-	142,815
Recoveries from ECL related to settled facilities	-	(57,821)	-	(57,821)
Net transferred in stage 1	84,994	(84,994)	-	-
Total balance at the end of year	84,994	-	-	84,994

The classification of gross balances relating to total direct facilities according to the Group's internal credit rating is as follows:

Item	2018				2017
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	195,788,590	-	-	195,788,590	126,613,202
Acceptable risk / performing	1,075,435,515	145,855,481	-	1,221,290,996	1,334,332,602
Non-Performing:					
Substandard	-		10,323,061	10,323,061	4,215,758
Doubtful		-	12,621,844	12,621,844	14,647,845
Loss		-	80,694,381	80,694,381	122,711,204
Total	1,271,222,106	145,855,481	103,639,286	1,520,716,873	1,602,520,571

The movement on facilities at collective basis at year-end is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	1,337,443,461	123,502,242	141,574,868	1,602,520,571
New facilities for the year	473,591,438	52,784,228	11,428,343	537,804,009
Re-paid/derecognized facilities	(508,092,192)	(37,028,511)	(27,850,257)	(572,970,960)
Transfer to stage 1	8,738,585	(7,897,196)	(841,389)	-
Transfer to stage 2	(47,698,564)	49,072,282	(1,373,718)	-
Transfer to stage 3	(13,867,134)	(13,218,304)	27,085,438	-
Effect on provision resulting from reclassification among three stages for the year	21,129,063	(21,129,063)		-
Written-off facilities and transferred to off statement of financial position items	(22,454)	(445,298)	(46,368,988)	(46,836,740)
Total balance at the end of year	1,271,222,106	145,855,481	103,639,286	1,520,716,873

The movement on the provision for expected credit losses for facilities at collective basis for the year is as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Balance as of 1 January 2018	6,146,250	10,837,708	88,134,094	105,117,052
ECL for new facilities during the year	151,613	57,402	10,209,949	10,418,964
Recoveries from ECL related to settled facilities	(1,370,754)	(57,821)	(13,896,244)	(15,324,819)
Transfer to stage 1	836,478	(492,251)	(344,227)	
Transfer to stage 2	(459,683)	827,407	(367,724)	-
Transfer to stage 3	(180,688)	(3,221,412)	3,402,100	-
Effect on provision resulting from reclassification among three stages for the year	(602,608)	982,850	3,860,748	4,240,990
ECL for old facilities during the year	372,233	(903,278)	1,920,896	1,389,851
Written off facilities and transferred to off statement of financial position items	(20,207)	(328,129)	(30,192,329)	(30,540,665)
Adjustments due to exchange rate changes	-	-	(121,770)	(121,770)
Total balance at the end of year	3,841,883	7,881,928	63,426,284	76,149,250

Suspended Interests

The movement on suspended interests is as follows:

	Individuals	Real estate loans	Companies: Corporates	Companies: Small and medium Companies	Total
	JD	JD	JD	JD	JD
For the year ended in 31 December 2018					
Balance at the beginning of the year	5,599,083	1,070,621	17,107,567	4,342,227	28,120,398
Add: Interests in suspense for the year	2,272,105	1,029,859	6,726,567	2,202,053	11,500,546
Less: Interests transferred to revenues	(107,081)	(107,326)	(928,589)	(95,678)	(252,024)
Less: Transferred to off Consolidated statement of financial position items	(4,326,829)	(115,447)	(7,072,144)	(1,414,410)	(13,475,024)
Interests in suspense written-off	(1,188,829)	(17,714)	(3,354,525)	(112,950)	(4,652,309)
Foreign currencies evaluation difference	-	-	-	65,400	65,400
Balance at the end of the year	2,252,484	1,020,682	11,477,038	5,021,665	20,857,303
For the year ended in 31 December 2017					
Balance at the beginning of the year	5,591,777	874,953	16,325,015	2,590,064	27,475,326
Add: Interests in suspense for the year	1,687,428	283,553	7,409,057	1,287,521	10,651,105
Less: Interests transferred to revenues	(335,375)	(18,923)	(1,287,201)	(163,413)	(1,807,712)
Less: Transferred to off Consolidated statement of financial position items	(1,350,049)	(110,848)	(2,419,018)	(1,048,098)	(4,928,850)
Interests in suspense written-off	(215,790)	(44,177)	(3,097,255)	(186,732)	(3,443,451)
Foreign currencies evaluation difference	(60,398)	-	7,170	6,720	(44,353)
Balance at the end of the year	5,599,083	1,070,621	17,107,567	4,342,227	28,120,398

(9) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Quoted shares*	10,649,493	11,474,277
Unquoted shares	14,312,545	12,601,277
Mutual funds**	2,382,240	5,326,008
Total	**27,344,278**	**29,401,562**

* On 1 January 2018, financial assets at fair value through profit or loss of JD 954,381 were reclassified to financial assets at fair value through other comprehensive income.

- Cash dividends distributions for the above mentioned financial assets amounted to JD 908,047 for the year ended 31 December 2018 (JD 953,223 for the year ended 31 December 2017).

(10) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Treasury bonds and bills	552,079,389	484,763,654
Corporate bonds	102,645,000	57,853,886
	654,724,389	542,617,540
Provision for expected credit losses	(388,812)	-
Total	654,335,587	542,617,540
Fixed rate	654,335,587	542,617,540
Total	654,335,587	542,617,540
Unquoted bonds and bills	**654,335,587**	**542,617,540**

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

	2018				2017
Item	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk / performing	552,079,389	-	-	552,079,389	484,763,654
Acceptable risk / performing	102,645,000	-	-	102,645,000	57,853,886
Total	654,724,389	-		654,724,389	542,617,540

The movement of the financial assets at amortized cost at year end is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Fair value at 1 January 2018	542,617,540	-	-	542,617,540
New investment for the year	327,851,079	-	-	327,851,079
Matured investment	(215,377,892)	-	-	(215,377,892)
Change in fair value	(366,328)	-		(366,328)
Total balance at the end of year	654,724,399	-	-	654,724,399

The movement on the provision for expected credit losses of financial assets at amortized cost for the year is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
At 1 January 2018 (restated)	232,965	-		232,965
ECL for new balances during the year	161,255		-	161,255
Recoveries from ECL related to matured investment	(5,408)		-	(5,408)
Total balance at the end of year	388,812	-		388,812

(11) INVESTMENT IN ASSOCIATES

- The Bank has one associate as of 2018 and 2017, as shown in the table below:

	Country of establishment	Ownership percentage	Shareholders' equity 31 December 2018	Shareholders' equity 31 December 2017	Nature of business	Bank's share of profit	Calculation method	Acquisition date
		%	JD	JD		%		
Beach Hotels and Tourist Resorts Company *	Jordan	24.815	3,531,147	3,528,666	Hospitality	24.815	Equity	2005
			3,531,147	3,528,666				

- The Bank's voting rights in the General Assembly's decisions for this company is based on to its ownership percentage.

The following is a summary of the movement on investment in the associated company:

	2018	2017
	JD	JD
Balance - beginning of the year	3,528,666	5,106,980
Disposals	-	(1,553,499)
Cash dividends	-	-
Bank's share from investing in associated companies profit (losses)	2,481	(24,815)
Balance - End of the Year	3,531,147	3,528,666

(12) PROPERTIES, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION - NET

	Lands	Buildings	Equipment Furniture and Fixtures	Vehicles	Computers Hardware	Other	Total
	JD	JD	JD	JD	JD	JD	JD
2018 -							
Cost:							
Balance – beginning of the year	9,242,350	36,817,655	33,122,248	1,021,709	18,173,486	9,008,118	108,385,605
Additions	12,295,530	15,679,755	4,295,952	60,500	1,447,185	1,127,726	32,574,155
Disposals	(34,422)	-	(442,732)	(63,189)	(138,321)	(297,957)	(1,321,601)
Balance – end of the year	21,487,288	52,497,410	36,975,468	1,019,020	19,425,738	9,837,887	141,227,862
Accumulated Depreciation:							
Balance- beginning of the year	-	8,834,215	27,095,386	391,897	14,116,260	5,453,344	56,891,112
Depreciation for the year	-	886,043	1,484,457	131,908	2,001,720	816,373	6,422,620
Disposals	-	-	(296,186)	(79,823)	(41,443)	(82,819)	(530,065)
Balance – end of the year	-	9,720,258	28,189,742	443,982	16,076,537	6,339,898	60,774,867
Net book value of property and equipment	21,487,288	42,777,152	8,785,726	575,038	3,350,232	3,497,989	80,453,495
Down payments for projects under construction	-	-	771,031	-	-	-	771,031
Net Book Value – end of the year	21,487,288	42,777,152	9,556,757	575,038	3,350,232	3,497,989	81,224,526
2017 -							
Cost:							
Balance – beginning of the year	8,647,318	30,106,353	31,173,978	980,506	22,022,880	8,946,089	102,490,205
Additions	595,037	6,711,302	3,713,252	433,355	3,927,866	399,464	17,149,554
Disposals	-	-	(1,757,890)	(391,389)	(7,776,990)	(337,442)	(10,244,154)
Balance – end of the year	9,242,350	36,817,655	33,122,248	1,021,709	18,173,486	9,008,118	109,385,605
Accumulated Depreciation:							
Balance- beginning of the year	-	8,188,805	27,713,836	671,431	15,452,018	5,081,244	57,006,068
Depreciation for the year	-	645,410	1,024,310	125,594	2,757,158	641,352	6,192,267
Disposals	-	-	(1,630,575)	(392,728)	(4,093,844)	(259,552)	(6,308,223)
Balance – end of the year	-	8,834,215	27,095,386	391,897	14,116,260	5,463,344	55,891,112
Net book value of property and equipment	9,242,350	27,983,440	6,026,862	629,812	4,057,226	3,654,774	53,494,493
Down payments for projects under construction	-	-	2,869,225	-	-	-	2,869,235
Net Book Value – end of the year	9,242,350	27,983,440	8,896,087	629,812	4,057,226	3,654,774	56,363,728

Properties and equipment include fully depreciated assets amounted to JD 37,795,823 as of December 31, 2018 (JD 33,042,789 as of December 31, 2017).

During the last quarter of the year 2017, assets that were affected by a fire incident were written off amounting JD 593,358.

(13) INTANGIBLE ASSETS - NET

The details of this item are as follows:

	Computer, software and applications Total	
	2018	2017
	JD	JD
Balance beginning of the year	19,787,541	21,141,035
Additions	3,294,372	5,643,263
Amortization for the year	(6,603,276)	(6,996,757)
Balance – end of the year	16,478,637	19,787,541
Annual amortization rate %	14-30	14-30

(14) Other Assets

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Real estate foreclosed by the Bank against debts *- Net	84,107,268	76,838,461
Accrued interest and commissions	14,241,044	9,959,540
Checks and transfers under collection	5,850,019	5,837,267
Foreclosed assets sold - net	12,411,423	8,626,585
Prepaid expenses	2,946,126	3,126,728
Various debtors	3,217,546	4,538,864
Prepaid rent	1,109,834	1,456,198
Refundable deposits Net	334,008	294,532
Temporary advances	872,523	2,229,564
Other debit balances	138,982	631,824
	125,228,773	113,539,543

* The movement on assets foreclosed by the Bank against debts is as follows:

	2018	2017
	JD	JD
Balance beginning of the year	76,838,461	65,696,413
Additions	18,129,960	23,469,319
Disposals	(10,384,335)	(7,060,687)
Impairment loss	(1,018,074)	(519,143)
Provision for breached foreclosed assets **		(5,532,869)
Recovered impairment loss	541,256	765,428
Balance - End of the Year	84,107,268	76,838,461

The Central Bank of Jordan regulations require a disposal of these assets during a maximum period of two years from the date of foreclose.

** Movement on the impairment on breached assets sized by the bank:

	31 December 2018	31 December 2017
	JD	JD
Balance at the beginning of the year	10,037,839	4,989,038
Provided for the year	-	5,532,869
Provision for sold property for the year	(162,865)	(484,068)
Balance at the end of the year	9,874,974	10,037,839

(15) Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2018		
	Inside Jordan	Outside Jordan	Total
	JD	JD	JD
Current accounts and demand deposits	1,008,676	2,514,280	3,522,956
Time deposits	14,062,455	80,574,566	94,637,021
Total	15,071,131	83,088,846	98,159,977

	December 31, 2017		
	Inside Jordan	Outside Jordan	Total
	JD	JD	JD
Current accounts and demand deposits	1,344,357	3,345,098	4,689,455
Time deposits	124,731	73,490,512	73,615,243
Total	1,469,088	76,835,610	78,304,698

- There are banks and financial institutions deposits maturing within a period exceeding three months amounted to JD 11,498,858 as of 31 December 2018 and there are no banks and financial institutions deposits maturing within a period exceeding three months as of 31December 2017.

(18) CUSTOMERS' DEPOSITS

The details of this item are as follows:

	Individual	Corporate	SMEs	Government and public sectors	Total
	JD	JD	JD	JD	JD
31 December 2018					
Current and demand deposits	172,062,077	111,622,519	138,014,912	27,505,990	449,205,498
Saving accounts	270,938,226		-	-	270,938,226
Time and notice deposits	744,337,898	245,934,330	142,624,401	58,729,768	1,191,626,397
Total	1,187,338,201	357,556,849	280,639,313	86,235,758	1,911,770,121
31 December 2017					
Current and demand deposits	226,152,350	98,867,450	110,764,236	12,891,130	448,675,166
Saving accounts	302,366,406	-	-		302,366,406
Time and notice deposits	792,831,663	227,764,237	107,922,691	39,100,199	1,167,618,790
Total	1,321,350,419	326,631,687	218,686,927	51,991,329	1,918,660,362

- Public sectors and the government of Jordan deposits inside the Kingdom amounted to JD 85,780,909 representing 4.49% of total customers' deposits as at 31 December 2018 compared to JD 51,771,611 representing 2.70% of total customers' deposits as at 31 December 2017.

- Non interest-bearing deposits amounted to JD 550,004,317 representing 28.77% of total customers' deposits as at 31 December 2018 compared to JD 466,949,336 representing 24.34% of total customers' deposits as at 31 December 2017.

- Restricted deposits amounted to JD 3,328,706 representing 0.17% of total customers' deposits of as at 31 December 2018 compared to JD 3,952,230 representing 0.21% of total customers' deposits as at 31 December 2017.

- Dormant deposits amounted to JD 35,740,193 representing 1.87% of total customers' deposits as at 31 December 2018 compared to JD 56,899,761 representing 2.97% of total customers' deposits as at 31 December 2017.

- Dormant fund deposits amount JD zero as at 31 December 2018 compared to JD 667,419 representing 0.03% of total customers' deposits as at 31 December 2017.

(17) Margin accounts

The details of this item are as follows:

	December 31 2018	December 31 2017
	JD	JD
Cash margins on direct credit facilities	215,107,461	206,328,124
Cash margins on indirect credit facilities	29,520,800	30,714,006
Marginal deposits	1,197,082	3,052,392
Other margins	11,590,812	11,864,994
	257,416,155	251,959,516

(18) LOANS AND BORROWINGS

The details of this item are as follows:

	Amount	Number of installments: Total	Number of installments: Remaining	Installment maturity frequency	Collaterals	Interest rate	Relending interest rate
	JD	JD	JD			%	
31 December 2018							
Central Bank of Jordan	[illegible]	30	[illegible]	Semi-annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	441,302	30	[illegible]	Semi-annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	2,138,[illegible]	14	11	Semi-annual installments		[illegible]	[illegible]
Central Bank of Jordan	[illegible]	20	20	Semi-annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	17,780,[illegible]		-	Renewed monthly		[illegible]	[illegible]
European Bank for Reconstruction and Development	7,090,[illegible]	7	7	[illegible]		[illegible]	[illegible]
Jordan Mortgage Refinance Company	55,000,000	1	1	-	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	1	1	[illegible]	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	24	24	[illegible]	-	[illegible]	[illegible]
Jordan Mortgage Refinance Company (loan to a Subsidiary)	[illegible]	5	3	[illegible]	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	-	-	[illegible]	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]		-			[illegible]	[illegible]
Total	[illegible]						

	Amount	Number of installments: Total	Number of installments: Remaining	Installments maturity frequency	Collateral	Interest rate	Relending interest rate
	JD	JD	JD			%	
31 December 2017 –							
Central Bank of Jordan	[illegible]	30	[illegible]	Semi - annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	[illegible]	30	[illegible]	Semi - annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	[illegible]	[illegible]	[illegible]	Semi - annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	[illegible]	20	[illegible]	Semi – annual installments	-	[illegible]	[illegible]
Central Bank of Jordan	[illegible]	20	[illegible]	Semi – annual installments	-	[illegible]	[illegible]
Local Bank	[illegible]	1	1	-	-	[illegible]	
European Bank for Reconstruction and Development	[illegible]	[illegible]	[illegible]	Semi - annual installments		[illegible]	[illegible]
Jordan Mortgage Refinance Company	[illegible]	1	1	-	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	24	-	[illegible]		[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	24	-	[illegible] 2016	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible] monthly installments effective from the disbursal date	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible]	-	[illegible]	[illegible]
Jordan Mortgage Refinance Company (loan to a Subsidiary)	[illegible]	6	5	[illegible] July 2018, [illegible] December 2018, [illegible] April 2019, [illegible] May 2019, [illegible] May 2019, [illegible] August 2019, [illegible] 2019	-	[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible] monthly installments effective from [illegible]		[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible] monthly installments effective from [illegible]		[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible] monthly installments effective from [illegible]		[illegible]	[illegible]
Local Bank (loan to a Subsidiary)	[illegible]	[illegible]	-	[illegible] monthly installments effective from the disbursal date		[illegible]	[illegible]
Total	[illegible]						

- Loans with fixed-interest rates amounted to JD 142,471,809 as at 31 December 2018 (31 December 2017: JD 106,776,265).

(19) Subordinated bonds

The details of this item are as follows:

	Nominal amount	Maturity date	No. of issued bonds: Total	Remaining	Guarantees	Interest rate
31 December 2018	JD					
Subordinated bonds non transferrable to shares	25,000,000	12 October 2023	250	-	-	7/5

	Nominal amount	Maturity date	No. of issued bonds: Total	Remaining	Guarantees	Interest rate
31 December 2017	JD					
Subordinated bonds non transferrable to shares	25,000,000	12 October 2023	250	-	-	5/75

During the year 2017, the bank issued subordinated bonds non transferrable to shares for a period of six years through private subscription and the nominal value of the bond is JD 100,000 at variable interest rate that equals the discounted interest rate to the Central Bank of Jordan in addition to 2% margin. Moreover, the interest is paid semi- annually and the bonds mature on 12 October 2023.

(20) Sundry Provisions

The details of this item are as follows:

2018	Balance beginning of the Year	Additions	Disposals	Balance end of the Year
	JD	JD	JD	JD
Provision for end - of - service indemnity	3,092,330	521,118	(394,177)	3,229,271
Provision for legal claims against the Bank	458,580	10,000	(145,075)	323,505
Other provisions	334,135	254,184	(531,667)	56,652
	3,885,125	785,302	(1,080,919)	3,609,508

2017	Balance beginning of the Year	Additions	Disposals	Balance end of the Year
	JD	JD	JD	JD
Provision for end - of - service indemnity	3,027,634	664,644	(619,918)	3,092,330
Provision for legal claims against the Bank	216,180	290,200	(47,700)	458,580
Other provisions	149,005	105,043		334,135
	3,392,069	1,159,884	(667,618)	3,885,125

(21) INCOME TAX

The movement on the income tax provision was as follows:

	31 December 2018	31 December 2017
	JD	JD
Balance at the beginning of the year	4,418,203	926,721
Income tax paid	(7,684,980)	(4,708,336)
Income tax for the year	10,489,328	8,199,818
Balance at the end of the year	7,222,551	4,418,203

Income tax in the consolidated income statement represents the following:

	31 December 2018	31 December 2017
	JD	JD
Accrued income tax on the year's profit	10,489,328	8,199,818
Deferred tax assets for the year	(1,042,404)	(2,408,469)
Amortization of deferred tax assets for the year	2,486,551	968,693
	11,933,475	6,760,042

- According to the Income Tax Law which has come effective from 1 January 2015, a tax rate of 35% is used to calculate the income tax expense for the year ended 31 December 2018 and 2017. The Income tax rates on foreign branches and subsidiaries range between 12.5% 26.72%. Starting from January 2019 the tax rate has been amended and the tax rate will become 35% income tax plus 3% national contribution tax, i.e. a total of 38%, in accordance with Income tax law No (34) of 2014 amended by tax law No.(38) of 2018.

- The Bank has reached a final settlement with the Income and Sales Tax Department for all previous years up to 2013 for the Jordan Branch.

- During February 2018 a notice was received from the income and sales tax department to impose an Income tax on the bank for the year 2014 for an amount of JD 1,642,474. In the opinion of the bank and the tax consultant, there is no need to take additional provision and. The Bank filed a lawsuit at the court rejecting the claim.

- 2015 and 2016 were audited, and the income sale tax department imposed additional tax amounted 1,479,310 and 805,719, the bank filed lawsuit at court rejecting the claim . In the opinion of the bank and tax consultant no need for additional provision.

- Self assessment was submitted for the 2017. however, the income tax department did not review the records until the date of these consolidated financial statements.

- Income tax provision for the year 2018 was calculated for the Bank. In the opinion of the management and the tax consultant, the tax provision booked for the year is sufficient.

- A final tax settlement has been reached with the income tax and value-Added tax for the bank in Palestine up to the year 2017.

- A final tax settlement has been reached for Cyprus branch up to the year 2017.

- Ahli Financing Brokerage Company (a subsidiary) – has reached a final settlement with the Income and Sales Tax Department up to 2014. In addition, the self-tax assessment was submitted for the years 2015, 2016 and 2017. Noting that an objection was issued for the year 2015 along with a claim of 43,000 JOD in which the company is held liable of. In the opinion of the company's tax consultant, there is no need to take provision against the fiscal year 2015 because the decision is against the law. In the opinion of the management and tax consultant, no tax provision are required for that year.

- Ahli Financing Leasing Company (a subsidiary) – has reached a final settlement with the Income and Sales Tax Department up for 2015, the income tax department reviewed the company record for the 2015 but did not issue it's report yet. In addition, the self-tax assessment was submitted for the year 2016 and 2017. However, the income tax department did not review the records until the date of these consolidated financial statements.

- Ahli Micro Finance Company (a subsidiary) – has reached a final settlement with the Income and Sales Tax Department up for 2017.

	31 December 2018	31 December 2017
	JD	JD
Income tax rate		
Jordan Branches	35%	35%
Palestine Branches	26.72%	26.72%
Cyprus Branch	12.5%	12.5%

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance – beginning of the year	7,659,003	491,607	6,219,227	1,002,584
Effect of applying IFRS 9	3,415,351	-	-	-
Additions	1,042,404	-	2,406,469	160,305
Amortized	(2,486,551)	(491,607)	(966,693)	(671,282)
Balance – end of the year	9,630,207	-	7,659,003	491,607

	2018				
Accounts Included	Beginning Balance JD	Additions JD	Amounts released JD	Year -End balance JD	Deferred Tax JD
A. Deferred tax assets					
Prior years' provision for non-performing loans	2,062,267		(20,506)	2,041,761	545,648
Interest in suspense	2,212,309	-	(76,733)	2,135,576	570,714
Provision for impairment in real estate	15,398,592		(4,523,618)	10,874,974	4,132,490
Provision for lawsuits	308,860	10,000	(145,075)	173,785	59,949
Provision for end-of-service indemnity	3,008,496	497,446	(383,203)	3,122,739	884,641
Provision for impairment in financial assets measured at amortized cost	9,758,142	-	(1,000,000)	8,758,142	3,328,094
Other provisions	150,773	406,642	(150,773)	406,642	108,671
Total	32,899,469	914,088	(6,299,908)	27,513,639	9,630,207
B. Deferred tax liabilities					
Fair value reserve for financial assets at fair value through other comprehensive income	1,404,591	-	(4,630,469)	(3,225,878)	-
Total	1,404,591	-	(4,630,469)	(3,225,878)	-

	2017				
Accounts Included	Beginning Balance JD	Additions JD	Amounts released JD	Year -End balance JD	Deferred Tax JD
A. Deferred tax assets					
Prior years' provision for non-performing loans	2,127,492	-	(65,205)	2,062,267	593,798
Interest in suspense	2,180,196	124,539	(92,426)	2,212,309	636,894
Provision for impairment in real estate	10,798,671	6,052,012	(1,452,091)	15,398,592	5,309,507
Provision for lawsuits	216,160	140,400	(47,700)	308,860	104,721
Provision for end-of-service indemnity	2,917,118	659,012	(567,634)	3,008,496	890,571
Provision for impairment in financial assets measured at amortized cost	625,338	-	(625,338)	-	-
Other provisions	138,648	12,125	-	150,773	43,412
Total	19,003,623	6,988,088	(2,850,394)	23,141,317	7,659,003
B. Deferred tax liabilities					
Fair value reserve for financial assets at fair value through other comprehensive income*	2,864,527	458,014	(1,917,950)	1,404,591	491,607
Total	2,864,527	458,014	(1,917,950)	1,404,591	491,607

Summary of the reconciliation of accounting income to taxable income:

	2018	2017
	JD	JD
Accounting profit	33,210,755	20,078,927
Non-taxable profit	(9,221,481)	(10,098,027)
Non-deductible expenses	3,755,551	10,664,167
Taxable profit	27,744,825	20,645,067
Effective income tax rate	35.83%	33.67%

(22) OTHER LIABILITIES

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Accepted checks and transfer	4,437,743	4,898,586
Accounts payable to financial brokerage customers	333,736	657,609
Accrued interests	9,778,565	7,405,258
Temporary deposits	9,037,866	11,235,379
Various creditors	3,194,964	1,727,376
Accrued expenses	4,083,617	4,167,105
Interest and commissions received in advance	953,993	407,036
Check and transfers – delayed in payment	2,552,015	1,637,382
Provision for technical and vocational education and training support fund fees	-	157,255
Board of directors remuneration	83,018	83,018
Provision for expected credit losses on indirect credit facilities and unutilized facilities ceilings*	1,833,316	-
Others	259,624	898,466
	36,525,459	33,269,530

The classification of gross balance for indirect facilities according to the Group's international credit rating is as follows:

	2018				2017
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Acceptable Risk / performing	444,874,846	30,686,203	-	475,561,049	565,878,327
Non- performing	-		6,419,686	6,419,686	-
Total	444,874,846	30,686,203	6,419,686	481,980,735	565,878,327

- The movement on indirect facilities is as follows:

	31 December 2018			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at 1 January	500,050,063	63,175,594	2,652,670	565,878,327
New facilities during the year	167,302,606	11,713,898	3,380,844	182,397,348
Re paid/derecognized facilities	(217,727,902)	(48,202,109)	(364,929)	(266,294,940)
Transfer to stage 1	2,245,169	(1,952,991)	(292,178)	-
Transfer to stage 2	(6,384,490)	6,600,231	(215,741)	-
Transfer to stage 3	(610,600)	(646,420)	1,259,020	-
Total balance at the end of year	444,874,846	30,888,203	6,419,686	481,980,735

The movement on the provision for expected credit losses for indirect credit facilities and unutilized facilities ceilings is as follows:

	31 December 2018			
	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at 1 January	-	-	-	-
Adjustments resulted from IFRS 9 implementation	1,486,908	211,407	-	1,698,315
Balance as of 1 January 2018 (restated)	1,486,908	211,407	-	1,698,315
ECL for new facilities during the year	-	220,557	-	220,557
Recoveries from ECL related to settled facilities	(85,554)	-	-	(85,554)
Transfer to stage 1	217,045	(4,747)	(212,298)	-
Transfer to stage 2	(56,374)	197,031	(140,657)	-
Transfer to stage 3	(717)	(17,874)	18,591	-
Effect on provision-resulting from reclassification among three stages during the year	(159,954)	(174,410)	801,862	467,498
ECL for old facilities during the year	-	-	(467,498)	(467,498)
Balance at the end of the year	1,401,354	431,964		1,833,318

(23) Capital and Share Premium

The bank's authorized and paid-up capital amounted to JD 192,937,500 divided into 192,937,500 shares of one Jordanian Dinar each as of 31 December 2018 (JD 183,750,000 as of December 2017).

The General Assembly resolved, in its ordinary meeting held on 30 April 2018, to distribute 5% of paid-up capital as cash dividends and 5% free shares from the voluntary reserve to the shareholders for the year 2017.

The General Assembly resolved, in its ordinary meeting held on 30 April 2017, to distribute 5% of paid up capital as cash dividends and 5% free shares from the voluntary reserve to the shareholders for the year 2016.

(24) Reserves

The details of reserves as of 31 December 2018 and 2017 are as follows:

Statutory Reserve
The accumulated amounts in this account represent the amounts transferred from the annual net income before tax at 10% according to the Bank's Law and the Companies law This reserve cannot be distributed to shareholders.

Voluntary Reserve
This reserve represents amounts transferred from the pre-tax profits at a rate not exceeding 20% during previous years. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly shall have the right to distribute it in whole or in part as dividends to shareholders.

General banking risks reserve
The Central Bank of Jordan issued a new 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 of Jordan's regulations) to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018. The regulations also instructs that the balance of the general banking risk 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.

Periodic fluctuations reserve
This reserve represents the periodic fluctuations reserve, calculated according to the Palestinian Monetary Authority's Instructions No. (1) for the year 2011, concerning all the banks operating in Palestine on January 27, 2010. Moreover, the periodic fluctuations reserve is calculated at 15% of the net profit after tax. Reference to Monetary Authority's Instructions No. (1) for year 2018 the percentage was amended to become0.57% of high risk asset . The reserve cannot be used for any purpose unless a prior written approval is obtained from the Palestinian Monetary Authority.

The restricted reserve are as follows:

Reserve	31 December 2018	31 December 2017	Restriction nature
	JD	JD	
General banking risks reserve	-	15,353,890	According to the Central Bank of Jordan Instructions
Statutory reserve	57,344,171	54,023,066	According to Banks and Companies Laws
Periodic fluctuation reserve	3,879,659	2,612,849	According to the Palestinian Monetary Authority Instructions

(25) FAIR VALUE RESERVE - NET

The movement on this item is as follows:

	31 December 2018 JD	31 December 2017 JD
Balance at the beginning of the year	912,985	1,861,943
IFRS 9 implementation impact	(330,204)	-
Balance as at 1 January 2018 (Restated)	582,781	1,861,943
Sold shares	(26,763)	99,070
Deferred tax liabilities	491,607	510,978
Net Unrealized loss transferred to the consolidated statement of comprehensive Income	(4,273,503)	(1,559,006)
Balance at the end of the year	(3,225,878)	912,985

(26) RETAINED EARNING AND DISTRIBUTED DIVIDENDS

RETAINED EARNINGS

The details of this item are as follows:

	31 December 2018 JD	31 December 2017 JD
Balance at the beginning of the year	24,584,535	22,705,839
General banking risk reserve *	15,353,859	-
Expected credit loss for assets (ECL) resulted from IFRS 9 implementation	(16,597,162)	-
The effect of IFRS (9) (effect of reclassification of financial assets)	330,204	-
The effect of IFRS (9) on deferred tax assets	3,415,351	-
Balance as at 1 January 2018 (Restated)	27,086,787	22,705,839
Profit for the year	21,277,280	13,318,885
Gain (loss) from sale of financial assets at fair value through other comprehensive income statement	26,763	(99,070)
Distributed Dividends	(9,187,500)	(8,750,000)
(Transferred) to reserves	(4,386,985)	(2,591,119)
Balance at the end of the year	34,816,345	24,584,535

The Central Bank of Jordan issued a new 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 of Jordan's regulations) to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018. The regulations also instructs that the balance of the general banking risk 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.

As at 31 December 2018, an amount of JD 9,630,207 from retained earnings is restricted against deferred tax assets (JD 7,659,003 as at 31 December 2017) in addition an amount of JD 3,125,029 which represents the restricted surplus of general banking risk reserve transferred to retained earnings, according to the Central Bank of Jordan regulations.

The board of directors recommended to distribute 6% of the paid in capital as cash dividends equivalent of JD 11.6 Million and 4% as stocks dividends equivalent to JD 7.7 Million/ share for the year 2018. the proposal is subject to central bank and general assembly approval distributed dividends of the prior year amounted to 5% as cash dividends equivalent of JD 9.19 million and 5% as stock dividends equivalent to JD 9.19 millions/ share.

(27) INTEREST INCOME

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Direct Credit Facilities:		
Individuals (Retail)		
Overdraft	432,601	859,505
Loans and discounted notes	32,676,007	31,231,695
Credit cards	2,230,452	2,341,727
Real estate mortgages	27,417,018	24,738,520
Companies		
Large corporates		
Overdraft	12,279,371	9,967,489
Loans and discounted notes	32,708,945	30,130,710
Small and medium enterprises lending:		
Large corporates		
Overdraft	5,218,327	4,787,102
Loans and discounted notes	14,203,037	16,579,713
Government and Public Sector	1,187,558	1,177,982
Balances at Central Banks	1,116,682	799,291
Balances and deposits at banks and financial institutions	3,008,857	1,708,297
Financial assets measured at amortized cost	22,491,498	22,381,034
	154,970,443	146,723,065

(28) INTEREST EXPENSE

The details of this item are as follows:

	For the year ended 31 December	
	2018	2017
	JD	JD
Banks and financial institutions deposits	2,548,541	1,699,748
Customers' deposits:		
Current accounts and demand deposits	359,073	203,270
Saving accounts	1,245,387	1,252,255
Time and notice placements	47,835,802	42,877,304
Cash margins	6,545,902	5,996,433
Borrowed funds	6,273,288	4,457,485
Subordinated bonds	1,791,761	374,486
Deposit insurance fees	4,172,906	4,524,945
	70,773,760	61,385,926

(29) Commissions income – net

	2018	2017
	JD	JD
Commissions income:		
Direct credit facilities	4,245,215	6,227,981
Indirect credit facilities	4,852,276	5,764,682
Other commissions	10,658,748	9,756,485
Less: Commission expense	(690,794)	(757,210)
	19,065,445	20,991,938

(30) Foreign Exchange Income

	2018	2017
	JD	JD
From trading	2,224,130	2,475,541
From re-evaluation	590,460	857,477
	2,814,590	3,333,018

(31) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Realized Gain (loss)	Unrealized (losses)	Dividends	Total
	JD	JD	JD	JD
31 December 2018				
Equity instruments	-	-	-	-
Total		-	-	-
31 December 2017				
Equity instruments	2,692	(32,911)	32,422	2,203
Total	2,692	(32,911)	32,422	2,203

(32) CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

		31 December 2018				31 December 2017
	Notes	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
		JD	JD	JD	JD	JD
Balance and deposit at Central Bank, banks, financial institution	4,5,6	30,651	-	-	30,651	
Financial assets at amortized cost	10	155,847	-		155,847	-
Direct credit facilities	8	(1,479,597)	58,953	2,115,320	694,676	11,886,288
Indirect facilities and unutilized balances ceilings	22	(245,608)	46,147	334,374	135,003	-
Total		(1,538,707)	105,100	2,449,694	1,016,677	11,886,288

(33) OTHER INCOME

The details of this item are as follows:

	2018	2017
	JD	JD
Recovered suspended interest	832,901	1,807,712
Brokerage commission income	101,430	96,934
Income from sale of properties and equipment	367,032	15,430
Recovery of debts previously written-off	1,804,865	1,806,642
Income from check books	148,795	175,379
Rental income of Bank's real estate	301,050	284,411
Rental income of safe deposit boxes	152,120	161,594
Insurance company compensation		1,000,000
Recovered impairment loss from foreclosed assets sold	541,258	765,428
Other income	1,124,592	1,083,716
	5,173,841	7,777,246

(34) EMPLOYEES EXPENSES

	2018	2017
	JD	JD
Salaries, bonuses and employees' benefits	33,404,274	32,585,465
Bank's contribution to social security	2,919,729	2,933,291
Bank's contribution to staff provident fund	1,734,495	1,718,410
Medical Expenses	1,597,881	1,371,718
End-of-service indemnity	521,118	684,644
Employees' training	236,550	205,873
Travel expenses	511,516	358,612
Employees' life insurance	137,075	115,530
Employees' meals	169,141	204,038
Employees' uniforms	2,970	7,227
	41,234,749	40,184,808

(35) Other expenses

	2018	2017
	JD	JD
Fees and subscriptions	5,085,182	5,936,204
Maintenance, repair and cleaning	4,109,740	4,724,821
Advertisement	1,381,433	2,473,508
Printing and stationary	670,333	810,991
Rent and key money	2,793,783	2,931,727
Studies, research and consulting expenses	526,716	562,687
Insurance fees	1,650,040	1,688,191
Water, electricity and heating	1,138,230	1,728,733
Legal fees	1,430,363	1,408,267
Donations	954,790	1,160,147
Transportation	365,937	731,478
Telecommunication	853,905	1,363,874
Other operating expenses	614,400	315,161
General assembly meeting expenses	80,778	70,792
Board of Directors' expenses	1,043,148	743,756
Security	502,487	482,398
Professional fees	279,769	346,120
Entertainment and hospitality	53,275	74,715
Expenses of land and real estate evaluations	26,507	40,139
Lawsuits provision expenses	10,000	290,200
Board of Director's remunerations	65,000	65,000
	23,655,816	27,978,907

(36) EARNINGS PER SHARE ATTRIBUTED TO THE SHAREHOLDERS OF THE BANK

	2018	2017
	JD	JD
Profit for the year	21,277,280	13,318,885
Weighted average number of shares *	192,937,500	192,937,500
Basic and diluted earnings per share	-/110	-/069

*Weighted average number of shares to the diluted earning per share attributed to shareholders was calculated based on the number of shares authorized for the year 2018. Morover, the weighted average number of shares was adjusted for the year 2017 assuming that he increase in the bank's capital took place retroactively.

(37) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

	2018	2017
	JD	JD
Cash and balances with central banks maturing within three months	237,586,805	280,490,220
Add: Balances at banks and financial institutions maturing within three months	173,568,186	177,424,795
Less: Banks and financial institutions' deposits maturing within three months	(86,661,119)	(78,304,698)
Restricted cash balances	-	(270,305)
	324,493,872	379,340,012

(38) Related Parties Transactions and balances

The Consolidated Financial Statements includes the financial statements of the Bank and its subsidiaries include the following:

Company's Name	Ownership Percentage	Company's Capital	
		2018	2017
	%	JD	JD
Ahli Micro Finance Company	100	6,000,000	6,000,000
Ahli Financial Leasing Company	100	17,500,000	17,500,000
Ahli Brokerage Company	100	3,000,000	5,000,000
Ahli Financial Technology	100	100,000	100,000

The Bank has entered into transactions with members of the Board of Directors and Executive Management within the normal course of its activities at the commercial interest rates and commissions. All facilities granted to key management personnel are performing and classified under Stage 1 and ECL for these facilities was calculated according to IFRS 9 requirements.

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

						Total	
						31 December	
	Associates	Subsidiaries	Board of directors members	Executive Management	Other*	2018	2017
	JD	JD	JD	JD	JD	JD	JD
Consolidated Statement of Financial Position Items:							
Credit facilities	-	1,017,243	4,615,263	4,728,818	81,027,608	87,398,300	96,081,584
Customers' deposits	25,734	1,805,257	45,817,142	3,056,518	5,497,542	57,201,719	87,487,042
Cash margins	-	-	-	179,851	2,427,242	2,606,[illegible]	2,412,641
Assets at amortized cost	-		-	-	3,578,385	3,578,385	
Off- Consolidated Statement of Financial Position Items:							
Indirect facilities	50,000	545,000	88,000	038	9,241,534	[illegible]	8,162,409
Consolidated Statement of Income Items:							
Credit interest and commission	1,062	106,216	624,610	217,638	3,249,010	4,284,881	6,130,845
Debit interest and commission	1,541	184,058	1,817,858	30,428	101,122	1,725,[illegible]	1,258,855

* This item represents companies partially owned by members of the Bank's Board of Directors' relatives, and the Bank's employees.

There are accounts receivable from a subsidiary company (Ahli Brokerage Company) of JD 2,395,890, belonging to a related party as at 31 December 2018. On 31 October 2013, the Company signed a settlement agreement with those clients to pay the obligations through an advance payment upon signing the settlement agreement, in addition to monthly installments, as well as enhancement of their guarantees.

Interest income rate range from 3,4% to 10,5% .

Interest expense rate range from 0% to 6,5%.

The following is a summary of the benefits (salaries and remunerations plus other benefits) of the executive management of the Bank:

	For the year ended 31 December	
	2018	2017
	JD	JD
Salaries and other benefits	3,625,317	3,748,582
Travel and transportation	197,338	170,474
periderms	35,554	154,100
	3,858,209	4,073,156

(39) Financial Instruments That Do Not Appear at Fair Value In The Consolidated Financial Statements

There are no significant differences between the carrying value and fair value of financial assets and financial liabilities at the end of the year 2018 and 2017.

(40) Risk management

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

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

(40/A) Credit Risk

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

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

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

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

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

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

2. Deterring the risk mitigation methods:
The bank's risk management activity depends on several methods to mitigate risk as follows:

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

3. Mitigating the assets and liabilities' risk concentration:
The bank works efficiently to manage this risk as its annual plan includes the well-studied distribution of credit focusing on the most promising sectors. In addition, credit is distributed to several geographic areas inside and outside of the kingdom.

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

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

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

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

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

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

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

	2018	2017
	JD	JD
On- Consolidated Statement of Financial Position		
Balances at Central Bank of Jordan	205,407,284	241,320,933
Balances at banks and financial institutions	173,568,186	177,424,795
Deposits at banks and financial Institutions	19,414,579	5,037,813
Credit Facilities:		
Individual	325,419,814	343,381,520
Real-estate loans	310,199,258	305,113,633
Corporates	597,395,971	636,352,081
Small and medium companies	164,451,077	176,379,886
Government & public sector	21,044,069	22,695,285
Bonds and Treasury Bills:		
Financial assets measured at amortized Cost	654,335,587	542,617,540
Other assets	14,241,044	9,959,540
Total	2,491,476,869	2,460,283,006
Off- Statement of Financial Position Items		
Letters of guarantee	221,790,115	236,506,604
Letters of credit	61,226,604	91,505,478
Letters of acceptances	48,549,981	48,713,690
Un-utilized facilities	150,414,035	187,152,155
Total	481,980,735	565,878,327

Fair value of collaterals obtained against total credit exposures as of 31 December 2018

		Collateral Fair Value								
Items	Total Exposure Value	Cash Margins	Traded Shares	Acceptable LGs	Real Estates	Cars and Machineries	Others	Total Collateral Value	Net Exposure after collaterals	Expected Credit Loss (ECL)
Credit exposure related to the consolidated statement of financial position										
Balances At Central Bank	205,413,457	-	-	-	-	-	-	-	205,403,967	6,153
Balances at Banks and Financial Institution	173,595,158	-	-	-	-	-	-	-	173,565,169	28,952
Deposits at Banks and Financial Institution	19,438,653	-	-	-	-	-	-	-	19,436,825	24,074
Credit Facilities	1,520,316,872	169,442,895	12,719,754	31,452,637	1,054,822,467	38,955,712	1,858,255	1,309,795,250	210,720,622	75,148,289
Individuals	340,051,288	50,365,271	336,554	242,579	21,205,907	8,022,209	10,215	80,066,169	265,085,117	16,971,379
Real Estate Loans	322,216,386	321,070	-	4,179,256	437,567,972	54,000	229,407	443,182,715	(120,964,949)	4,759,118
Corporate	646,354,544	82,615,210	11,628,098	-	433,789,944	11,080,125	451,486	538,920,760	107,884,784	37,421,634
SMEs	189,353,210	95,210,844	550,224	27,031,362	162,044,570	19,279,358	642,284	245,898,929	(56,533,923)	13,962,371
Government and Public Sectors	21,123,363	-	-	-	-	-	-	-	21,129,033	64,384
Financial Assets At Amortized Cost	654,724,302	-	-	-	-	-	-	-	654,727,378	393,512
Other Assets	14,241,044	-	-	-	-	-	-	-	14,241,044	-
Total balance sheet items	2,557,985,303	169,442,036	12,719,754	31,452,907	1,054,822,457	38,955,702	1,858,255	1,309,795,250	1,278,153,959	75,595,544
Total off balance sheet items	481,862,785	28,256,236	1,341	-	46,750,737	304,275	-	75,849,394	406,851,151	1,833,315
Grand total	3,039,848,088	197,727,571	12,721,105	31,452,907	1,101,591,224	39,266,872	1,858,255	1,385,146,854	1,684,734,304	77,428,859

Fair value of collaterals obtained against Stage 3 credit exposures

		Collateral Fair Value								
Items	Total Exposure Value	Cash Margins	Traded Shares	Acceptable LGs	Real Estates	Cars and Mechanics	Others	Total Collateral Value	Net Exposure after collaterals	Expected Credit Loss (ECL)
Balances at Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at Banks and Financial Institution	-	-	-	-	-	-	-	-	-	-
Deposits at Banks and Financial Institution	-	-	-	-	-	-	-	-	-	-
Credit Facilities	101,558,206	675,625	1 078 713	-	85,807,503	6 111,634	1 254 854	97,587,703	5,771,583	33,626,264
Individuals	18,469,105	98 250	203 254	-	5,050,207	1 208,248	10,219	6,513,173	12,949 936	14,768,107
Real Estate Loans	14,238,382	49 879	-	-	24,281 658	-	228,407	24,560,939	(9,734 551)	4,158,417
Corporate	41,501,149	55 415	875,459	-	20 957 865	1 702 200	407,180	23,511,425	17 889 714	31,253,525
SMEs	27,348,540	869 682	-	-	20 907 020	3 644 111	608,288	43,182,139	(15,333,513)	17,524,700
Government and Public Sectors	-	-	-	-	-	-	-	-	-	-
Financial Assets at Amortized Cost	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total statement of financial position items	101,556,205	675,626	1,078,712	-	88 807,256	6,111,554	1,284,264	97 857 729	5,771,582	63,326,284
Total off statement of financial position items	-	-	-	-	-	-	-	-	-	-
Grand total	101,558,285	675,528	1,078,713	-	88,807,556	6,111,504	1,284,864	97 857,728	5,771,582	63 623 734

	Individual	Real Estate Loans	Companies: Large companies	Companies: Small and medium companies	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
31 December 2017-						
Low Risk	40,335,258	7,893,367	53,215,681	28,348,658	-	131,093,504
Acceptable risk	314,516,420	336,654,365	475,026,467	167,033,502	22,685,250	1,318,225,606
Watch list	2,252,166	3,674,126	27,211,654	10,850,145	-	46,018,067
Non-performing :						
Substandard grade	324,305	224,725	-	2,418,257	-	2,967,287
Doubtful	8,059,224	1,179,911	6,411,387	5,175,404	-	21,823,926
Loss	4,037,547	6,579,837	34,304,062	16,046,565	-	62,563,311
Total	371,454,968	363,007,251	366,158,761	232,774,515	22,686,285	1,356,081,771
As :						
Cash margins	83,095,854	354,171	85,011,404	39,797,532	-	208,258,961
Accepted bank guarantees	5,323,553	4,756,207	33,322,872	4,078,452	-	47,480,114
Real estate	46,854,030	348,775,026	270,384,394	145,304,207	-	814,317,477
Listed shares	65,554	-	6,963,511	206,598	-	7,232,633
Vehicles and equipment	11,946,665	205,914	27,580,362	18,502,124	-	57,355,585
Total	146,124,817	353,093,318	424,162,153	208,352,033	-	1,133,729,331

The disclosures below is prepared in two phases (The first phase of the total credit exposure and the second of the expected credit loss) as of 31-December-2018

A. Total credit exposures classified

Items	Stage 2		Stage 3		Total	Percentage of
	Total Exposure Value	Reclassified Exposures	Total Exposure Value	Reclassified Exposures	Reclassified Exposure	Reclassified Exposure
	JD	JD	JD	JD	JD	%
Balances at Central Bank	-	-	-	-	-	-
Balances at banks and financial institution	-	-	-	-	-	-
Deposits at banks and financial institution	-	-		-	-	-
Credit facilities	145,655,481	27,970,882	103,639,286	24,856,327	52,827,209	21.19%
Financial assets at amortized cost	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total balance sheet exposure	145,655,481	27,971,882	103,639,286	24,856,327	52,827,209	
Total Off-balance sheet exposure	32,686,203	3,998,820	9,418,686	751,101	4,749,921	12.82%
Grand total	178,341,684	31,970,702	113,057,972	25,606,428	57,577,130	

B. Expected credit losses of reclassified exposures as of 31-December-2018

	Reclassified Exposures						
Items	Total Exposures reclassified from stage 2	Total Exposures reclassified from stage 3	Total Reclassified Exposur	Stage 2 (Individual)	Stage 3 (Individual)	Total	Percentage of loss Reclassified Exposure
	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-
Balances at banks and financial institution	-	-	-	-	-	-	-
Deposits at banks and financial institution	-	-	-	-	-	-	-
Credit facilities:	27,571,852	24,955,327	52,527,259	(2,885,226)	2,689,969	(198,237)	(0,371%)
Financial assets at amortized cost	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total balance sheet exposure	27,971,982	24,655,327	52,827,209	(2,886,206)	2,669,969	(196,237)	
Total Off-balance sheet exposure	3,998,820	751,101	4,749,921	174,411	(334,354)	(159,553)	(3,37%)
Grand total	31,970,702	25,606,428	57,577,130	(2,711,795)	2,335,605	(355,790)	

Collectable against credit facilities are as the followings:

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

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

Rescheduled loans

These represent loans classified previously as non-performing credit facilities but taken out therefrom according to proper scheduling and classified as watch list loans they amounted to JD 43,945,292 for the year 2018 (2017: JD 6,847,095).

Restructured loans

Restructuring means to rearrange facilities instalments or by increasing their duration postpone some instalments or increase the grace period…etc They are classified as a watch-list debt and it amounted to JD 33,806,050 for the year 2018 (2017: JD 53,163,376).

Bills bonds and debentures

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

As of 31 December 2018			
Rating Grade	Rating Institution	Within financial assets measured at amortized cost	Total
		JD	JD
Unclassified	-	102,645,000	102,645,000
Governmental	Governmental and government bonds	552,079,399	552,079,399
Total		654,724,399	654,724,399

As of 31 December 2017			
Rating Grade	Rating Institution	Within financial assets measured at amortized cost	Total
		JD	JD
AA3	MOODYS	708,886	708,886
Unclassified	-	57,145,000	57,145,000
Governmental	Governmental and government bonds	484,763,654	484,763,654
Total		542,617,540	542,617,540

(40/B) Market risks:

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

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

Interest rate risks

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

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

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

Sensitivity Analysis 2018

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	(271,095)	-
Euro	1	17,640	-
British Pound	1	(13,684)	-
Japanese Yen	1	(6,158)	-
Others	1	105,101	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	271,095	-
Euro	1	(17,640)	
British Pound	1	13,664	-
Japanese Yen	1	6,158	-
Others	1	(105,101)	-

Sensitivity Analysis 2017

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	298,910	
Euro	1	(167,704)	-
British Pound	1	18,147	-
Japanese Yen	1	162,959	-
Others	1	29,058	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue (profit and loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	(298,910)	-
Euro	1	167,704	-
British Pound	1	(18,147)	
Japanese Yen	1	(162,959)	-
Others	1	(29,058)	-

Foreign currencies risk

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

Moreover, the bank follows the hedging policy to mitigate the risks of foreign currencies by using financial derivatives.

Sensitivity analysis 2018

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
		JD	JD
US Dollar	-		
Euro	5	20,610	-
British Pound	5	20,181	-
Japanese Yen	5	237	
Other currencies	5	5,246	-

Sensitivity analysis 2017

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
		JD	JD
US Dollar	-	-	-
Euro	5	(637,731)	-
British Pound	5	(23,663)	-
Japanese Yen	5	633,468	-
Other currencies	5	(313,433)	-

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

Sensitivity analysis 2018

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
		JD	JD
Financial markets	5	-	532,475

Sensitivity Analysis 2017

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
		JD	JD
Financial markets	5	47,719	573,714

Shares prices risks

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

Interest repricing gap:

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

Interest rate sensitivity gap

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

31 December 2018	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	Over 3 years	Non - Interest bearing items	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at central banks	76,927,830	-	-	-	-	10,835,000	160,658,975	248,421,805
Balances at banks and financial institutions	124,565,550	10,569,784	-	-	-	-	38,433,255	173,568,589
Deposits at banks and financial institutions	-	-	19,376,809	37,770	-	-	-	19,414,579
Direct credit facilities	71,013,341	83,968,745	102,005,678	120,976,663	311,044,322	719,486,843	7,632,803	1,424,910,185
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	27,344,278	27,344,278
Financial assets at amortized costs	10,120,531	5,704,620	44,188,245	73,447,319	330,250,995	190,612,882	-	654,333,587
Investments in associate company	-	-	-	-	-	-	3,531,147	3,531,147
Property and equipment – Net	-	-	-	-	-	-	91,224,526	91,224,526
Intangible assets – Net	-	-	-	-	-	-	19,478,637	19,478,637
Other assets	-	-	-	-	-	-	125,228,773	125,228,773
Deferred tax assets	-	-	-	-	-	-	9,630,207	9,630,207
Total assets	282,627,242	99,941,150	165,574,738	200,461,742	641,306,278	920,715,725	479,162,301	2,789,487,914
Liabilities								
Banks and financial institution deposits	27,759,748	59,901,371	11,498,258	-	-	-	-	99,159,377
Customers' deposits	515,802,110	197,580,879	220,255,312	155,152,955	262,115,646	-	550,034,317	1,901,770,121
Cash collaterals	16,416,078	12,250,882	13,913,873	27,109,415	177,728,506	-	-	257,418,155
Borrowed funds from the central bank of Jordan	1,101,880	7,680,466	16,474,736	14,011,859	103,076,297	149,582	-	142,494,009
Subordinated bonds	-	-	-	-	-	25,000,000	-	25,000,000
Various provisions	-	-	-	-	-	-	3,608,508	3,608,508
Income tax provisions	-	-	-	-	-	-	7,222,551	7,222,551
Other liabilities	-	-	-	-	-	-	38,525,458	38,525,458
Total Liabilities	560,891,512	276,399,450	272,078,546	207,394,138	542,919,254	25,149,582	597,391,835	2,482,175,550
Interest rate sensitivity gap	(278,264,270)	(176,758,220)	(105,498,813)	(6,932,396)	98,387,024	895,566,143	(127,155,834)	301,312,334
31 December 2017								
Total Assets	214,292,657	270,432,964	103,343,280	397,416,782	534,620,955	764,942,964	453,952,380	2,738,951,577
Total Liabilities	440,983,459	397,890,385	276,747,083	296,685,791	471,302,519	29,375,106	509,795,979	2,422,795,318
Interest rate sensitivity gap	(226,730,802)	(127,457,421)	(173,403,803)	100,730,991	63,322,436	735,567,858	(55,842,699)	309,156,261

Foreign Currency risk concentration:

	USD	Euro	Sterling Pounds	Japanese Yen	Others	Total
31 December 2018	JD	JD	JD	JD	JD	JD
Assets						
Cash and balances at Central Banks	39,173,479	1,358,249	114,264	-	30,129,934	70,775,126
Balances at banks and financial institutions	125,790,201	21,364,608	5,435,412	497,687	10,679,821	163,747,729
Deposits at banks and financial institutions	-	8,093,725	6,289,576	-	97,755	14,421,456
Direct credit facilities	205,829,052	4,575,325	177	7	49,064,764	259,469,295
Financial assets at fair value through other comprehensive income	2,446,263	390,551	-	-	-	2,836,814
Financial assets measured at amortized cost	67,569,839	-	-	-	184,581	67,754,420
Properties and equipment and projects under construction	765,384	-	-	-	-	765,384
Property and equipment - net	158,902	-	-	-	-	158,902
Other assets	3,735,705	51,071	(3,025)	3	4,963,120	8,746,827
Total Assets	445,418,836	35,783,459	11,836,576	497,697	95,059,375	588,595,933
Liabilities						
Banks and financial institutions deposits	1,128,575	328,534	1,937,791	-	35,393	3,430,293
Customers' deposits	402,245,291	32,461,077	9,421,141	160,417	85,089,292	529,377,218
Cash margins	36,571,541	2,517,119	54,502	332,487	8,950,171	48,426,815
Borrowed funds	7,090,000	-	-	-	-	7,090,000
Various provisions	47,120	-	-	-	-	47,120
	92,455	-	-	-	-	92,455
Other Liabilities	2,859,174	64,539	19,579	44	879,609	3,822,945
Total Liabilities	450,035,137	35,371,263	11,432,953	492,948	94,954,465	592,285,896
Net concentration on - balance sheet for the current year	(4,616,441)	412,196	403,623	4,749	104,910	(3,690,963)
Contingent liabilities off - balance sheet for the current year	209,187,820	12,135,310	1,481,915	3,281,408	8,680,094	325,766,447
31 December 2017						
Total Assets	421,722,078	21,692,784	9,035,780	21,550,551	87,368,996	561,370,189
Total Liabilities	421,625,397	38,447,397	9,513,036	4,681,159	93,637,658	568,104,687
Net concentration on - balance sheet for the current year	96,681	(16,754,613)	(477,256)	16,869,352	(6,268,662)	(6,734,498)
Contingent liabilities off - balance sheet for the current year	229,635,377	14,651,832	2,591,380	2,599,153	8,240,101	257,721,843

(40/C) Liquidity risk

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

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

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

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

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

The existence of the bank in most of the cities of the Hashemite Kingdom of Jordan (56 branches) I addition to its branches in Palestine and Cyprus, enables the bank to diversify its funding sources and not to rely on one geographic area as a source of funding.

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

31 December 2018	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 Months to 1 year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks and financial institution's deposits	27,759,745	56,003,919	11,301,103	-	-	-	-	95,064,467
Customers' deposits	917,634,053	750,155,155	231,236,379	156,749,190	264,049,634	-	-	1,919,834,561
Cash margins	16,418,073	12,256,662	13,013,673	37,231,528	177,726,422	-	-	257,446,791
Borrowed funds from the central bank of Jordan	1,101,880	7,660,486	16,474,796	14,520,593	103,826,676	146,562	-	143,630,913
Subordinated bonds	-	-	-	-	-	25,416,096	-	25,416,096
Miscellaneous provisions	-	-	-	-	-	-	3,609,008	3,509,906
Income tax provision	-	-	-	-	-	-	7,222,551	7,222,551
Other liabilities	-	-	-	-	-	-	35,525,499	35,525,499
TOTAL	992,913,766	929,119,931	273,127,881	208,296,651	545,574,742	25,562,658	47,357,518	2,451,552,145
TOTAL ASSETS (according to expected maturities)	490,741,558	133,324,461	165,022,265	205,227,117	544,452,063	929,882,750	253,461,750	2,797,776,958

31 December 2017	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 months to 1 Year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks and financial institution's deposits	17,220,285	61,166,711	-	-	-	-	-	78,497,597
Customers' deposits	390,466,822	796,487,437	262,451,318	253,366,674	219,630,714	-	-	1,924,813,975
Cash margins	54,566,019	10,566,561	15,130,805	21,810,469	165,391,064	4,375,105	-	251,969,012
Borrowed funds from the central bank of Jordan	-	-	-	20,728,649	85,722,306	-	-	107,451,339
Subordinated bonds	-	-	-	-	-	25,374,456	-	25,374,496
Miscellaneous provisions	-	-	-	-	-	-	3,855,125	3,855,125
Income tax provision	-	-	-	-	-	-	4,419,233	4,419,203
Deferred tax liabilities	-	-	-	-	-	-	491,537	491,537
Other liabilities	-	-	-	-	-	-	33,269,530	33,269,520
TOTAL	442,181,737	868,020,709	277,582,123	295,107,775	472,464,174	25,749,591	42,064,465	2,430,170,574
TOTAL ASSETS (according to expected maturities)	428,311,385	270,545,494	103,903,020	338,587,293	538,695,756	760,116,019	230,280,043	2,736,911,117

In order to comply with the instructions of the regulatory authorities, the bank maintains part of its customers' deposits at the central banks as a restricted cash reserve that cannot be utilized expect under specified regulations. In addition, the liquidity ratios are reserved at levels higher than the minimum imposed by the central banks in the countries in which the Bank operates.

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

Off- consolidated statement of financial position items:

31 December, 2018	Up to 1 Year	from 1-5 Years	Total
	JD	JD	JD
Letters of credit and acceptances	182,687,494	5,213,895	187,901,389
Un-utilized facilities	150,414,035	-	150,414,035
Letters of guarantee	203,774,583	18,015,532	221,790,115
Total	536,876,112	23,229,427	560,105,539
31 December, 2017			
Letters of credit and acceptances	179,328,800	6,448,521	185,777,321
Un-utilized facilities	178,748,994	8,403,161	187,152,155
Letters of guarantee	194,347,806	44,158,998	238,506,804
Total	552,425,600	59,010,680	611,436,280

The credit exposure is distributed according to the degree of risks as follows:

	Individual	Real Estate Loans	Companies: Large companies	Companies: Small and medium companies	Government and public sector	Banks and financial institutions	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2018-								
Low Risk	35,920,336	28,771,020	95,154,555	35,935,317	757,486,683	-	-	953,279,272
Acceptable risk	257,864,835	272,443,668	444,056,140	104,062,220	21,129,063	295,238,953	14,241,044	1,430,078,741
From which past due								
Up to 30 days	552,983	232,425	115,364	780,493	-	-	-	1,711,408
From 31 to 60 days	7,640	-	2,383	12,614	-	-	-	22,317
Watch list	8,712,563	6,775,302	55,502,970	15,902,493	-	-	-	81,454,254
Non-performing :	19,463,103	14,225,388	41,507,148	27,848,640	-	-	-	103,625,235
Substandard grade	756,025	1,972,370	5,368,633	2,035,530	-	-	-	10,288,051
Doubtful	3,276,443	4,622,677	88,180	4,634,543	-	-	-	12,621,843
Loss	15,430,636	8,230,841	35,854,335	21,178,567	-	-	-	80,684,301
Total	343,961,288	322,815,366	645,254,944	183,355,213	778,615,746	295,238,953	14,241,044	2,507,453,552
Less: Interest in suspense	2,539,424	1,836,992	11,437,033	5,321,865	-	-		20,857,390
Less: Provision for impairment	18,371,978	4,728,116	37,421,634	13,582,271	84,904	-	-	75,149,293
Net	325,419,874	316,158,258	597,395,871	164,451,077	778,530,752	295,238,953	14,241,044	2,461,476,869

	Individual	Real Estate Loans	Companies: Large companies	Companies: Small and medium companies	Government and public sector	Banks and financial institutions	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2017-								
Low Risk	38,796,003	-	58,158,215	28,850,954	726,064,557	-	-	852,897,786
Acceptable risk	296,112,538	296,412,173	572,435,102	130,490,845	22,665,255	240,316,494	9,959,540	1,506,454,957
From which past due								
Up to 30 days	521,785	-	301,700	45,279	-	-	-	868,764
From 31 to 60 days	40,680	-	251,856	1,379	-	-	-	293,919
Watch list	6,805,356	5,726,221	58,719,704	9,810,294	-	-	-	76,193,555
Non-performing	30,109,260	7,539,420	80,523,812	23,362,375	-	-	-	141,574,967
Substandard grade	1,203,445	761,022	-	2,250,491	-	-	-	4,215,755
Doubtful	3,783,806	1,149,401	5,189,534	4,346,211	-	-	-	14,647,945
Loss	25,122,116	5,629,197	75,455,278	16,765,673	-	-	-	122,711,264
Total	375,824,137	309,677,814	707,560,935	192,563,508	748,779,872	240,316,494	9,959,540	2,575,881,192
Less: Interest in suspense	5,858,893	1,340,621	17,107,587	4,372,227	-	-	-	28,120,328
Less: Provision for impairment	21,342,724	2,523,560	54,601,186	11,810,888	-	-	-	90,477,858
Net	348,622,520	305,813,633	635,852,051	176,379,885	748,779,872	240,316,494	9,959,540	2,460,253,005

(41) SEGMENT INFORMATION

1- Information on Bank Activities

The Bank is organized for administrative purposes through six main operating segments, also brokerage and consulting services the bank's subsidiary (Ahli Financing Brokerage Company).

1- Individual accounts: Principally following up on individual customers accounts real estate loans overdrafts credit cards facilities and transfer facilities.

2- SME's: Principally "SME's" transactions on loans credit facilities and deposits and whom classified according to the volume of deposits and facilities in accordance with the instructions and policies existing in the bank and commensurate with the instructions of the regulatory authorities.

3- Corporate accounts: Principally corporate transactions on loans credit facilities and deposits, whom classified according to the volume of deposits and facilities in accordance with the instructions and policies existing in the bank and commensurate with the instructions of the regulatory authorities.

4- Treasury: principally providing money market trading and treasury services as well as management of the Bank's funding operations through treasury bills government securities placements and acceptances with other banks and that is through treasury and banking services.

5- Investment and Foreign currency management: The activity of this sector is related to local and foreign bank investment as well as those restricted at fair value, in addition services for trading in foreign currency.

6- Others: This sector includes all non listed accounts in the above sectors, for example equity and investments in associates, receivables, equipment, and general management.

	Individuals	SMEs	Corporate	Institutional Financing and treasury	Others	Total For the year ended 31 December: 31 December 2018	Total For the year ended 31 December: 31 December 2017
	JD	JD	JD	JD	JD	JD	JD
Gross income	44,684,931	22,186,034	37,764,817	4,295,888	3,225,916	112,158,586	118,354,757
Expected credit losses allowance	(4,677,080)	(2,332,896)	6,315,210	(321,401)	-	(1,016,077)	(11,852,276)
Segment results	40,007,851	19,853,138	44,080,027	3,974,487	3,225,916	111,142,509	106,502,481
Not distributed segment expenses	-	-	-	-	-	(76,516,161)	(80,352,727)
Provision for seized assets	-	-	-	-	(1,016,074)	(1,019,074)	(6,053,012)
Bank's share of profit (loss) in associate companies profit (loss)	-	-	-	2,451	-	2,481	(34,515)
Income before tax	40,007,851	19,853,138	44,080,027	3,976,938	2,209,842	33,210,755	20,078,327
Income tax						(11,933,473)	(6,760,342)
Income for the year						21,277,283	13,318,885
Other information:							
Segment assets	511,711,309	198,810,475	617,525,058	1,102,352,711	124,298,743	2,654,727,594	2,611,882,368
Investments in associates	-	-	-	-	3,531,147	3,531,147	3,328,856
Asset not distributed over sector	-	-	-	-	125,228,773	125,228,773	113,586,543
Total assets	511,711,309	198,810,475	617,525,058	1,102,352,711	253,058,663	2,783,487,514	2,728,851,577
Segment liabilities	1,257,548,444	344,153,125	587,887,843	240,448,769	35,832,140	2,445,850,121	2,385,495,786
Liabilities not distributed over sector					36,525,459	36,525,459	33,259,530
Total Liabilities	1,257,548,444	344,153,125	587,887,843	240,448,769	72,357,599	2,482,375,580	2,422,755,316
Capital Expenditure						34,070,323	24,335,600
Depreciation and amortization						12,025,595	12,159,014

2- Geographical distribution information

This sector represents the geographical distribution of the Banks operation. The Bank operates mainly in the Kingdom, which represents the local business. The Bank also carries out international activates in the Middle East, Europe, Asia, America and the Near East representing international business.

	Inside Jordan		Outside Jordan		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
Bank's Assets	2,447,937,208	2,368,602,585	335,550,706	362,349,012	2,783,487,914	2,722,951,577
Gross income	100,758,504	104,587,972	11,400,082	13,806,795	112,158,586	118,394,767
Capital Expenditure	32,921,471	21,623,385	1,148,855	2,682,224	34,070,326	24,305,609

The table shows economical distribution of credit risk exposure

	Financial	Industrial	Trading	Real estate	Agricultural	Services and public facilities	Shares	Individual	Government and other sector	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central bank	-	-	-	-	-	-	-	-	205,407,294	-	205,407,294
Balances at banks and financial institutions	173,586,188	-	-	-	-	-	-	-	-	-	173,586,128
Deposits at banks and financial institutions	19,414,579	-	-	-	-	-	-	-	-		19,414,579
Direct credit facilities	19,955,219	151,251,859	305,504,367	485,207,031	33,739,253	144,537,303	8,494,117	248,843,270	21,044,369	7,284,402	1,424,910,159
Financial assets at amortized cost	134,265,670	-	-	-	-	-	-	-	520,036,708	-	654,300,707
Other assets	14,241,044	-	-	-	-	-	-	-	-	-	14,241,044
Total on balance sheet	364,927,907	151,251,859	305,504,367	485,207,031	33,739,256	144,537,303	8,494,117	248,843,270	745,498,081	7,284,402	2,451,475,269
LGs	221,730,115	-	-	-	-	-	-	-	-	-	221,780,115
LCs	109,776,585	-	-	-	-	-	-	-	-	-	109,776,585
Other obligations	150,414,035	-	-	-	-	-	-	-	-	-	150,414,035
Total	846,858,642	151,251,359	305,504,367	488,207,031	33,739,256	144,537,303	8,494,117	248,843,270	745,498,081	7,284,402	2,933,457,904

Credit exposure categorized by economic sector and stages according to IFRS 9 as at 31 December 2018..

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	JD	JD	JD	JD
Financial	615,657,582	21,093,825	57,274	636,808,342
Industrial	110,192,505	39,098,352	2,372,602	151,251,659
Trading	257,645,094	42,537,336	5,361,579	305,504,097
Real estates	441,683,321	33,403,527	13,120,203	488,207,051
Agriculture	32,040,133	1,370,736	328,427	33,739,296
Services and public facilities	129,323,373	11,495,972	4,043,718	144,837,063
shares	8,758,137	-	735,980	9,494,117
Individuals	237,250,051	11,476,332	1,108,243	249,843,235
Governments and Public sector	745,488,091	-	-	745,488,091
Other	7,284,402	-	-	7,284,402
Total	2,786,312,519	159,422,880	27,722,325	2,973,457,724

The below table shows geographical distribution of credit risk exposure as at 31 December 2018:

	Inside Jordan	Middle east	Europe	Asia *	America	Total
	JD	JD	JD	JD	JD	JD
Balances with central bank	166,548,901	38,411,642	446,721	-	-	205,407,264
Balances at banks and financial institutions	17,765,570	37,512,846	92,904,871	473,489	24,911,410	173,568,186
Deposits at banks and financial institutions	4,553,108	87,770	14,353,701	-	-	18,994,579
Direct credit facilities	1,258,862,136	131,880,200	29,797,853	-	-	1,424,510,186
Financial assets at amortized cost	618,762,818	35,572,769	-	-	-	654,335,587
Other assets	13,080,933	1,000,434	159,677	-	-	14,241,044
Total current year	2,087,074,456	245,416,661	132,331,822	473,489	24,911,410	2,491,478,968
LGs	213,229,384	7,487,832	1,013,899	-	-	221,730,115
LCs	104,534,815	5,241,770	-	-	-	109,776,585
Other obligations	139,242,239	4,190,059	7,981,677	-	-	151,414,065
Total	2,543,080,894	262,335,152	142,653,619	473,489	24,911,410	2,973,457,504

* Except the Middle East countries

Credit exposure categorized by geographical distribution and stages in accordance to IFRS 9 as at 31 December 2018:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
	JD	JD	JD	JD
Inside Jordan	2,364,169,730	151,188,379	27,722,325	2,543,080,434
Middle east	254,081,371	8,253,781	-	262,335,152
Europe	142,653,619	-	-	142,653,619
Asia *	473,489	-	-	473,489
America	24,911,410	-	-	24,911,410
Total	2,786,312,618	159,422,160	27,722,325	2,973,457,604

* Except the Middle East countries

(42) CAPITAL MANAGEMENT

Through the management of its paid-up capital, the Bank seeks to achieve the below goals:

- Compliance with the Central Bank capital related requirements.
- To keep the ability of the bank to continue as a going concern.
- Having a strong capital base for supporting the Bank's expansion and development.

Capital adequacy is reviewed monthly, and reported quarterly to the Central Bank.

According to the Central Bank Instructions, the minimum requirement for capital adequacy is 12%. Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

The Bank manages its capital in a way that ensures the continuation of its operating activities and achieving the highest possible return on equity, and capital is defined according to BASIL III as shown in the below table:

	2018	2017
	JD In Thousands	JD In Thousands
Primary capital according to bank's management requirements		
Paid-up capital	192,937	183,750
Retained Earnings	34,816	24,604
Cumulative change in fair value	(3,226)	913
Statutory Reserve	57,344	54,023
Voluntary Reserve	15,762	24,736
Other Reserves	3,679	2,826
Total Ordinary Share Capital (CET 1)	301,312	290,852
Total regulatory Adjustments (deductions from capital)		
Goodwill and Intangible assets	(16,479)	(19,787)
Dividends suggested to be paid	(11,576)	(9,188)
Investment in Bank's Capital and financial institutions and insurance companies	(3,525)	(3,500)
Investments where the bank owns more than 10%	(3,531)	(3,529)
Deferred tax assets	(9,630)	(7,659)
Net Ordinary Shareholders	256,571	247,189
Additional Capital		
Net primary Capital (Tier 1)	256,571	247,189
Secondary Capital (Tier 2)		
General banking risk reserve	-	15,335
Provision required against credit facilities in stage 1	5,689	
Total Stable loan	20,000	25,000
Net stable capital	25,689	40,335
Total regulatory capital	282,260	287,524
Total risk weighted assets	1,916,753	2,048,138
Capital percentage from regular shares (CET 1) (%)	%13.39	%12.07
Regulatory capital percentage (%)	%14.73	%14.04

* During October 2017, the bank issued subordinated bonds in the amount of JD 25 million for a period of six year. The bonds were issued at the discounted interest rate to the Central Bank of Jordan in addition to 2% margin. In order to improve the capital adequacy percentage.

* Ordinary shares capital was calculated net of Investments more than 10% in banks and subsidiary financial institution.

(43) Assets and liabilities Maturity Analysis:

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

December 31, 2018	Up to One Year	More than One Year	Total
	JD	JD	JD
Assets:			
Cash and balances at central banks	248,221,805	-	248,221,805
Balances at banks and financial institutions	173,588,186	-	173,588,186
Deposits at banks and financial institutions	19,414,579	-	19,414,579
Direct credit facilities - net	393,999,024	1,030,511,165	1,424,510,189
Financial assets at fair value through other comprehensive income	-	27,344,279	27,344,279
Financial assets measured at amortized cost	582,507,984	71,827,603	654,335,587
Investments in associates and unconsolidated subsidiary companies	-	3,531,147	3,531,147
Properties, equipment and projects under construction - net	-	81,224,526	81,224,526
Intangible assets - net	-	16,478,637	16,478,637
Other assets	45,474,114	79,754,659	125,228,773
Deferred tax assets	-	9,630,207	9,630,207
Total Assets	1,464,185,692	1,319,302,222	2,783,487,914
Liabilities:			
Banks and financial institutions deposits	98,159,977	-	98,159,977
Customers deposits	1,649,658,473	282,113,648	1,931,772,121
Cash margins	79,687,846	177,728,309	257,416,155
Borrowed funds	39,248,950	103,222,859	142,471,809
	-	25,000,000	25,000,000
Various provisions	-	3,609,508	3,609,508
Provision for income tax	7,222,551	-	7,222,551
Other liabilities	-	36,525,459	36,525,459
Total Liabilities	1,873,975,797	588,199,783	2,462,175,580
Net	(409,790,105)	711,102,439	321,312,334

December 31, 2017	Up to One Year	More than One Year	Total
Assets:	JD	JD	JD
Cash and balances at central banks	288,714,620	-	288,714,620
Balances at banks and financial institutions	177,424,795	-	177,424,795
Deposits at banks and financial institutions	5,037,313	-	5,037,313
Financial assets at fair value through profit or loss	954,381	-	954,381
Direct credit facilities - net	522,560,688	961,361,697	1,483,922,385
Financial assets at fair value through other comprehensive income	-	29,401,562	29,401,562
Financial assets measured at amortized cost	500,472,540	42,145,000	542,617,540
Investments in associates and unconsolidated subsidiary companies	-	3,528,666	3,528,666
Properties, equipment and projects under construction - net	-	56,363,728	56,363,728
Intangible assets - net	-	19,787,541	19,787,541
Other assets	40,151,356	75,388,187	115,539,543
Deferred tax assets	-	7,659,003	7,659,003
Total Assets	1,535,316,193	1,195,635,364	2,728,951,577
Liabilities:			
Banks and financial institutions deposits	78,304,698	-	78,304,698
Customers deposits	1,699,702,353	218,958,019	1,918,660,372
Cash margins	81,693,347	170,266,169	251,959,516
Borrowed funds	20,316,829	85,459,436	105,776,265
	-	25,000,000	25,000,000
Various provisions		3,885,125	3,885,125
Provision for income tax	4,418,203	-	4,418,203
Deferred tax liabilities	-	491,607	491,607
Other liabilities	-	33,269,530	33,269,530
Total Liabilities	1,884,435,430	538,329,885	2,422,765,316
Net	(349,119,237)	855,305,498	306,186,261

(44) Accounts Managed on Behalf of Customers

The details of this item are as follows:

	December 31	
	2018	2017
	JD	JD
Accounts managed on behalf of customers*	12,565,665	15,345,697

*This item represents accounts with no guaranteed capital managed on behalf of customers. These accounts do not appear within the assets and liabilities of the Bank in the consolidated statement of financial position.

(45) COMMITMENTS AND CONTINGENT LIABILITIES

The details of this item are as follows:

	31 December 2018	31 December 2017
	JD	JD
Letter of credit:		
Letter of credit-outgoing	61,226,604	91,505,478
Letter of credit-incoming	78,124,614	45,557,853
Acceptances	48,549,981	48,713,890
Letter of guarantees:		
-Payment	110,146,698	122,067,582
-Performance bonds	77,304,183	80,245,276
Others	34,339,234	36,193,946
Unutilized direct credit facilities ceilings	150,414,035	187,152,155
	560,105,549	611,436,280

(46) LITIGATION

- Lawsuits raised against the Bank amounted to JD 2,541,116 as at 31 December 2018 (31 December 2017: JD 3,161,020). In the opinion of the Bank's management and the legal advisor, no further liabilities exceeding the provision of JD 323,585 as at 31 December 2018 (31 December 2017: JD 458,660).

- Lawsuits raised by the bank against others amounted around JD 213 million, those lawsuits are still pending at the specialized court and they have no financial impact on the bank.

(47) FAIR VALUE MEASUREMENT

A. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS:

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

	Fair value 31 December 2018 JD	Fair value 31 December 2017 JD	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs of fair value %
Financial assets at fair value						
Financial assets at fair value through profit or loss:						
Companies stocks	-	954,381	Level 1	Quoted shares	Not applicable	Not applicable
Financial assets at fair value through Comprehensive income						
Quoted shares	10,649,493	11,474,277	Level 1	Quoted shares	Not applicable	Not applicable
Mutual fund	2,382,240	5,528,008	Level 2	The fund managers evaluation of the fair value	Not applicable	Not applicable
Unquoted shares	14,312,545	12,601,277	Level 2	Through using the equity method and latest financial information available	Not applicable	Not applicable
	27,344,278	29,401,562				
Total financial assets at fair value	27,344,278	30,355,943				

There is no transfer between Level 1 and Level 2 during the year ended 31 December 2018 and the year ended 31 December 2017.

B. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS:

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

	31 December 2018		31 December 2017		
	Book value	Fair value	Book value	Fair value	Fair value Hierarchy
Financial assets not calculated at fair value	JD	JD	JD	JD	
Deposits at Central Banks	60,058,839	60,096,005	76,085,570	76,122,467	Level 2
Balances and deposits at banks and financial institutions	102,852,705	103,102,071	102,402,070	102,562,586	Level 2
Direct credit facilities at amortized cost	1,424,010,189	1,430,072,267	1,403,522,335	1,406,214,188	Level 2
Financial assets at amortized cost	604,335,087	608,063,406	542,641,549	547,903,767	Level 2
Foreclosed assets against debts	58,852,400	64,107,350	61,357,052	70,430,481	Level 1+2
Total financial assets not calculated at fair value	2,451,301,789	2,490,700,687	2,378,830,085	2,372,210,884	
Financial liabilities not calculated at fair value					
Banks and financial institutions deposits	98,150,077	98,336,082	76,304,608	76,497,087	Level 2
Customer deposits	1,911,770,121	1,910,950,204	1,818,690,272	1,824,657,183	Level 2
Cash margin	267,410,185	267,448,701	251,009,810	251,068,012	Level 2
Borrowed funds	142,471,808	143,222,168	105,776,265	107,036,225	Level 2
Total financial Liabilities not calculated at fair value	2,409,816,092	2,416,893,805	2,365,700,651	2,332,403,817	

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

(48) New International Financial Reporting Standards and its explanations and Issued amendments and not implemented yet

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The intends to adopt those standards, if applicable, when they become 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, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

The 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 Bank has performed a detailed impact assessment of IFRS 16. The Bank expect the effect of adopting IFRS 16 to be JD 4.8 Million on the total assets and total liabilities.

IFRS 17 Insurance Contracts

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

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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

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

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

(49) Comparative figures

Some of 2017 balances were reclassified to correspond with those of 2018 presentation, the reclassification has no effect