ARAB BANK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab Bank Group
Amman - Jordan

Opinion

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

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

Basis for Opinion

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

<table>
<tr><td colspan="2">1. Inadequate allowances (ECL) for credit facilities
Refer to note (12) to the consolidated financial statements</td></tr>
<tr><td>Key audit matter:

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

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

As at 31 December 2019, the Group's gross credit facilities amounted to USD 26.1 billion and the related impairment provisions amounted to USD 1.63 billion. The impairment provision policy is presented in the accounting policies in note (4) to the consolidated financial statements.</td><td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• We gained an understanding of the Group's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes.

• We read the Group's impairment provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

• We assessed the Group's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

• We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:

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

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

• We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (4), (5), (6) and (12) to the consolidated financial statements.</td>
</tr>
<tr>
<td colspan="2">2. Valuation of Unquoted Investments & Derivatives
Refer to notes (11) and (41) to the consolidated financial statements</td>
</tr>
<tr>
<td>Key audit matter:

The valuation of investments in private equities and the valuation of derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As at 31 December 2019, the unquoted equities, positive and negative fair value of derivatives amounted to USD 252 million, USD 54 million and USD 76 million, respectively.</td>
<td>How the key audit matter was addressed in the audit:

Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data.

Disclosures of unquoted investments and derivatives are detailed in notes (11) and (41) to the consolidated financial statements.</td>
</tr>
</table>

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

Other information consists of the information included in the Bank's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Amman – Jordan
10 February 2020

Ernst + Young

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 USD '000	31 December 2018 USD '000
ASSETS			
Cash and balances with central banks	7	7 905 810	7 974 014
Balances with banks and financial institutions	8	4 258 593	3 197 643
Deposits with banks and financial institutions	9	313 556	323 443
Financial assets at fair value through profit or loss	10	519 053	439 829
Financial derivatives - positive fair value	41	54 212	63 963
Direct credit facilities at amortized cost	12	23 960 625	23 785 542
Financial assets at fair value through other comprehensive income	11	385 933	371 010
Other financial assets at amortized cost	13	8 894 618	8 507 847
Investments in associates	14	3 513 651	3 298 251
Fixed assets	15	461 117	455 719
Other assets	16	792 291	613 418
Deferred tax assets	17	155 385	131 946
Total Assets		**51 214 844**	**49 162 625**
LIABILITIES AND OWNERS' EQUITY			
Banks' and financial institutions' deposits	18	3 761 895	4 266 590
Customers' deposits	19	33 154 995	31 430 913
Cash margin	20	3 082 753	2 913 471
Financial derivatives - negative fair value	41	75 887	51 523
Borrowed funds	21	332 936	281 479
Provision for income tax	22	345 054	321 490
Other provisions	23	226 521	210 303
Other liabilities	24	1 125 950	1 014 057
Deferred tax liabilities	25	6 402	8 210
Total Liabilities		**42 112 393**	**40 498 036**
Share capital	26	926 615	926 615
Share premium	26	1 225 747	1 225 747
Statutory reserve	27	926 615	919 507
Voluntary reserve	28	977 315	977 315
General reserve	29	1 141 824	1 141 824
General banking risks reserve	30	238 952	237 124
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve	31	(252 925)	(264 651)
Investments revaluation reserve	32	(298 403)	(322 831)
Retained earnings	33	2 584 537	2 192 006
Total Equity Attributable to the Shareholders of the Bank		**9 011 173**	**8 573 552**
Non-controlling interests	33	91 278	91 037
Total Shareholders' Equity		**9 102 451**	**8 664 589**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**51 214 844**	**49 162 625**

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	2019	2018
		USD '000	USD '000
REVENUE			
Interest income	34	2 430 077	2 206 996
Less: interest expense	35	1 088 786	916 059
Net interest income		**1 341 291**	**1 290 937**
Net commissions income	36	291 305	294 991
Net interest and commissions income		**1 632 596**	**1 585 928**
Foreign exchange differences		112 915	115 713
Gain from financial assets at fair value through profit or loss	37	7 053	3 153
Dividends on financial assets at fair value through other comprehensive income	11	6 964	7 515
Group's share of profits of associates	14	424 019	370 903
Other revenue	38	47 283	49 837
TOTAL INCOME		**2 230 830**	**2 133 049**
EXPENSES			
Employees' expenses	39	499 542	513 166
Other expenses	40	299 623	297 554
Depreciation and amortization	15/16	61 806	57 263
Provision for impairment - ECL	6	187 971	251 331
Other provisions	23	31 086	(5 237)
TOTAL EXPENSES		**1 080 028**	**1 114 077**
Recovery of legal provision		-	**325 000**
Impairment of investment held for sale	14	-	**(225 000)**
PROFIT FOR THE YEAR BEFORE INCOME TAX		**1 150 802**	**1 118 972**
Less: Income tax expense	22	304 254	298 428
PROFIT FOR THE YEAR		**846 548**	**820 544**
Attributable to :			
Bank's shareholders		844 937	820 649
Non-controlling interests	33	1 611	(105)
Total		**846 548**	**820 544**
Earnings per share attributable to the Bank's Shareholders - Basic and Diluted (US Dollars)	55	1.32	1.28

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019	2018
		USD '000	USD '000
Profit for the Year		**846 548**	**820 544**
Add: Other comprehensive income items - after tax			
Items that will be subsequently transferred to the consolidated statement of Income			
Exchange differences arising from the translation of foreign operations	31	15 875	72 009
Items that will not be subsequently transferred to the consolidated statement of Income			
Net change in fair value of financial assets at fair value through other comprehensive income	32	20 610	**(12 332)**
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income		22 804	(10 374)
Loss from sale of financial assets at fair value through other comprehensive income		(2 194)	(1 958)
Total Other Comprehensive Income Items - after tax		**36 485**	**59 677**
TOTAL COMPREHNSIVE INCOME FOR THE YEAR		**883 033**	**880 221**
Attributable to :			
- Bank's shareholders		878 890	895 196
- Non-controlling interests		4 143	(14 975)
Total		**883 033**	**880 221**

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investments Revaluation Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Total Share holoders' Equity
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
2019														
Balance at the Beginning of the year		926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 192 006	8 573 552	91 037	8 664 589
Effect of IFRS (16) adoption - Note 3		-	-	-	-	-	-	-	-	-	(5 327)	(5 327)	0	(5 327)
Restated Balance at the Beginning of the year		926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 186 679	8 568 225	91 037	8 659 262
Profit for the year		-	-	-	-	-	-	-	-	-	844 937	844 937	1 611	846 548
Other comprehensive income for the year		-	-	-	-	-	-	-	11.726	22 227	-	33,953	2 532	36,485
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	11 726	22 227	844 937	878 890	4 143	883 033
Transferred to statutory reserve		-	-	7 108	-	-	-	-	-	-	(7 108)	-	-	-
Transferred to general banking risk reserve		-	-	-	-	-	1 828	-	-	-	(1 828)	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 201	(2 201)	-		-
Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
Dividends	33	-	-	-	-	-	-	-	-	-	(417 997)	(417 997)	(2 604)	(420 601)
changes in associate equity **		-	-	-	-	-	-	-	-	-	(13 724)	(13 724)	-	(13 724)
Adjustments during the year		-	-	-	-	-	-	-	-	-	(4 221)	(4 221)	(1 291)	(5 512)
Balance at the End of the Year		926 615	1 225 747	926 615	977 315	1 141 824	238 952	1 540 896	(252 925)	(298 403)	2 584 537	9 011 173	91 278	9 102 451
2018														
Balance at the Beginning of the year		926 615	1 225 747	841 359	977 315	1 141 824	395 828	1 540 896	(350 550)	(313 438)	1 904 663	8 290 259	119 013	8 409 272
Effect of IFRS (9) adoption		-	-	-	-	-	-	-	-	-	(164 205)	(164 205)	(8 241)	(172 446)
Restated Balance at the Beginning of the year		926 615	1 225 747	841 359	977 315	1 141 824	395 828	1 540 896	(350 550)	(313 438)	1 740 458	8 126 054	110 772	8 236 826
Profit for the year		-	-	-	-	-	-	-	-	-	820 649	820 649	(105)	820 544
Other comprehensive income for the year		-	-	-	-	-	-	-	85 899	(11 352)	-	74 547	(14 870)	59 677
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	85 899	(11 352)	820 649	895 196	(14 975)	880 221
Transferred to statutory reserve		-	-	78 148	-	-	-	-	-	-	(78 148)	-	-	-
Transferred from general banking risk reserve *		-	-	-	-	-	(158 704)	-	-	-	158 704	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	1 959	(1 959)	-	-	-
Investments revaluation reserve transferred to non- controlling interests		-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Dividends	33	-	-	-	-	-	-	-	-	-	(368 911)	(368 911)	(4 759)	(373 670)
changes in associate equity **		-	-	-	-	-	-	-	-	-	(82 038)	(82 038)	-	(82 038)
Adjustments during the year		-	-	-	-	-	-	-	-	-	3 251	3 251	-	3 251
Balance at the End of the Year		926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 192 006	8 573 552	91 037	8 664 589

- Retained earnings include restricted deferred tax assets in the amount of USD 155.4 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, as a result of adopting of certain International Accounting Standards, amounted to USD 2.8 million as of 31 December 2019.

- The Bank cannot use a restricted amount of USD (298.4) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 31 December 2019.

* 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.

** Changes in associates equity represents the Group's share from the changes in the associates equities which resulted mainly from the adoption of IFRSs.

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019	2018
		USD '000	USD '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before income tax		1 150 802	1 118 972
Adjustments for:			
- Depreciation	15	48 981	48 153
- Amortization of intangible assets	16	12 825	9 110
- Expected credit losses on financial assets	6	187 971	251 331
- Net accrued interest		23 118	656
- (Gain) from sale of fixed assets		(453)	(645)
- (Gain) loss from revaluation of financial assets at fair value through profit or loss	37	(4 017)	46
- Dividends from financial assets at fair value through other comprehensive income	11	(6 964)	(7 515)
- Group's share of profits of associates	14	(424 019)	(370 903)
- (Recovery) of Legal Provision		-	(325 000)
- Impairment of investment held for sale	14	-	225 000
- Other provisions		31 086	(5 237)
Total		**1 019 330**	**943 968**
(Increase) decrease in assets:			
Balances with central banks (maturing after 3 months)		(54 411)	(13 755)
Deposits with banks and financial institutions (maturing after 3 months)		10 765	624 450
Direct credit facilities at amortized cost		(374 978)	(650 374)
Financial assets at fair value through profit and loss		(75 207)	30 779
Other assets and financial derivatives		(168 596)	(9 317)
Increase (decrease) in liabilities:			
Bank and financial institutions deposits (maturing after 3 months)		(3 162)	(10 268)
Customers' deposits		1 724 082	350 454
Cash margin		169 282	213 182
Other liabilities and financial derivatives		83 480	(390 315)
Net Cash from Operating Activities before Income Tax		**2 330 585**	**1 088 804**
Income tax paid	22	(301 419)	(265 372)
Net Cash from Operating Activities		**2 029 166**	**823 432**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of financial assets at fair value through other comprehensive income		7 304	13 200
(Purchase) of other financial assets at amortized cost		(386 955)	(770 512)
(Increase) of investments in associates	14	(4 383)	(2 165)
Dividends received from associates	14	222 950	192 170
Dividends from financial assets at fair value through other comprehensive income	11	6 964	7 515
(Purchase) of fixed assets	15	(58 572)	(62 118)
Proceeds from selling fixed assets - Net		5 022	6 584
(Purchase) of intangible assets		(19 453)	(9 220)
Net Cash (used in) Investing Activities		**(227 123)**	**(624 546)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increased borrowed funds		51 457	99 389
Dividends paid to shareholders		(414 933)	(366 940)
Dividends paid to non-controlling interests		(2 604)	(4 759)
Net Cash (Used in) Financing Activities		**(366 080)**	**(272 310)**
Net increase (decrease) in Cash and Cash Equivalents		1 435 963	(73 424)
Exchange differences - change in foreign exchange rates		11 726	85 899
Cash and cash equivalent at the beginning of the year		7 367 430	7 354 955
Cash and Cash Equivalent at the End of the Year	57	**8 815 119**	**7 367 430**
Operational cash flows from interest			
Interest Received		2 423 145	2 181 201
Interest Paid		1 058 736	889 608

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

1. GENERAL

Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman – Hashemite Kingdom of Jordan and the Bank operates worldwide through its 81 branches in Jordan and 126 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland).

Arab Bank PLC shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).

The accompanying consolidated financial statements were approved by the Board of Directors in its meeting number (1) on 30 January 2020 and are subject to the approval of the General Assembly and the Central Bank of Jordan.

2. (A) BASIS OF PREPARATION

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The consolidated financial statements are prepared in accordance with the historical cost principle, except for some of the financial assets and financial liabilities which are stated at fair value as of the date of the consolidated financial statements.

The consolidated financial statements are presented in US dollars (USD). For each entity in the group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. (B) BASIS OF CONSOLIDATION

The accompanying consolidated financial statements of Arab Bank Group, presented in US dollars, comprise the financial statements of Arab Bank plc, Arab Bank Switzerland (Limited) and the following key subsidiaries:

Company Name	Percentage of ownership (%) 2019	Percentage of ownership (%) 2018	Date of Acquisition	Principal Activity	Place of Incorporation	Paid-up Capital
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 119.3m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company L.L.C.	100.00	100.00	1996	Financial Leasing	Jordan	JD 50m
Al-Arabi Investment Group L.L.C.	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	2008	Banking	Sudan	SDG 117.5m
Al Arabi Investment Group - Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.29	51.29	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance Company PLC	50.00	50.00	2006	Insurance	Jordan	JD 10m

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

3. CHANGES IN ACCOUNTING POLICIES

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

IFRS (16) Leases

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

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

Based on the above, as at 1 January 2019:

- Right-of-use assets of USD 98,608 thousands were recognised and presented in the statement of financial position within "other assets – note 16".
- Additional lease liabilities of USD 95,880 thousands (included in "Other liabilities – note 24") were recognised.
- The impact of adoption of IFRS 16 resulted in decreasing the Group's retained earnings by USD 5,327 thousands.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	USD'000
Total operating lease obligation as of 31 December 2018	132,293
Weighted average incremental borrowing rate as at 1 January 2019	2.8%
Discounted total operating lease obligations at 1 January 2019	104,482
Less: Obligations related to short-term leases exempted from the adoption of the standard	1,968
Add: Obligations associated with finance leases (previously)	-
Lease obligations as of 1 January 2019	102,514

IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

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

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

Amendments to IFRS (9): Prepayment Features with Negative Compensation

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

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

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 clarify the accounting when a plan amendment, curtailment or settlement occurs during a fiscal year. 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 the consolidated statement of comprehensive income.

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

No significant impact resulted on the consolidated financial statement for the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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 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

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 measures its debt instruments 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 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to 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 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 undrawn loan commitments

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 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, 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.

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.

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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group 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 Group has transferred substantially all the risks and rewards of the asset

Or

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

The Group 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 Group 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 Group 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 Group 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 Group 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 Group records the allowance for expected credit loss 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 Group 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 Group 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 Group records an allowance for the LTECLs.

For financial assets for which the Group 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 Group's internal credit rating system:

The main measure of Credit Risk is at the counterparty level where the exposure is measured in line with the bank's credit standards applicable by the bank and detailed in the policies and procedures. Therefore, Arab Bank implemented an Internal Rating methodology to assess the customers financially and non-financially. In parallel, Arab Bank is using Moody's Risk Analyst (MRA), it is a financial analysis and ratings platform that aggregates quantitative and qualitative information on individual obligors to obtain an assessment that can be used to determine a credit rating for each obligor and the related probability of default (PD). The MRA model went through validation, optimization and calibration phases which lead to the development of a new model. It worthwhile to mention that MRA is complementing AB Internal Rating to better comply with regulatory requirements i.e BASEL.

The MRA Rating System is centrally managed by Risk Management Department at Head Office noting that the Corporate and Investment Banking and the Credit Department are the main users. The Customers' Ratings are being reviewed on annual basis using the two rating methodology (AB Internal Rating and MRA) during the annual review of the customers' facilities.

The calculation of ECL

The Group 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 separately 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 summarized 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

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. 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 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

Financial assets are written off either partially or in their entirety 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.

Leases (Policy applicable before 1 January 2019)

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

1. The Group 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 Group 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.

Leases (policy applicable after 1 January 2019)

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

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

Right-of-use assets

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

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

Lease liabilities

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

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

Foreign currency translation

1) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2) Group companies

On consolidation, the assets and liabilities in foreign operations are translated into dollars at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

Fixed assets

Fixed assets are stated at historical cost, net of accumulated depreciation and any accumulated impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation is charged so as to allocate the cost of assets using the straight-line method, using the useful lives of the respective assets

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.

The gain or loss arising on the disposal of an item (the difference between the net realizable value and the carrying amount of the asset) is recognized in the consolidated statement of income in the year that the assets were disposed.

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.

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.

Capital

Cost of issuing or purchasing the Group's shares are recorded in retained earnings net of any tax effect related to these costs. If the issuing or purchase process has not been completed, these costs are recorded as expenses in the consolidated statement of income.

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 Group'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 Group'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 Group'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 Group'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 Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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.

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

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized. Deferred tax assets are reviewed on the date of the consolidated financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

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.

Financial derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the consolidated statement of financial position.

Financial derivatives held for hedge purposes

Fair value hedge: Represents hedging for changes in the fair value of the Group's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the consolidated statement of income.

Cash flow hedge: Represents hedging for changes in the current and expected cash flows of the Group's assets and liabilities that affects the consolidated statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the consolidated statement of income.

When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income.

The ineffective portion is recognized in the consolidated statement of income.

Hedge for net investment in foreign entities when the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the consolidated statement of comprehensive income and recorded in the consolidated statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the consolidated statement of income.

When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income.

Financial derivatives for trading

Financial derivatives held for trading are recognized at fair value in the consolidated statement of financial position with changes in fair value recognized in the consolidated statement of income.

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.

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 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.

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.

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

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Management believes that the assumptions adopted in the consolidated financial statements are reasonable. The details are as follows:

- Impairment loss for foreclosed assets is booked after a recent valuation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.

- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards. Moreover, deferred tax assets and liabilities and the income tax provision are recorded.

- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.

- A provision is set for lawsuits raised against the Group. This provision is based to an adequate legal study prepared by the Group's legal advisor. Moreover, the study highlights potential risks that the Group may encounter in the future. Such legal assessments are reviewed periodically.

- Fair value hierarchy:
  The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

- Provisions for impairment - ECL

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.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

As per IFRS 9, SICR can be assessed at a collective/portfolio level if common risk characteristics are shared. Any instruments that are assessed collectively must possess shared credit risk characteristics. The Bank has followed the following criteria to determine the ECL calculation at Collective Basis vs on individual basis as follow:

- Retail Portfolio: on Collective Basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards)
- Corporate Portfolio: individual basis at customer/ facility level
- Financial Institutions: Individual Basis at Bank/ facility Level.
- Debt instruments measured at amortized cost: Individual Level at Instrument level.

- **Assessment of Significant Increase in Credit Risk (SICR)**

To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9, is mentioned in the "Definition of default" below.

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Notwithstanding the above, the classification of credit facilities is governed by the Central Bank of Jordan regulations unless local regulations in other countries are stricter, or the Bank has to adopt the same by law.

The Group has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

- **Expected Life**

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

To ensure proper compliance of the IFRS9 implementation, a steering committee was formed consisting of the Chief Risk Officer, Chief Financial Officer, Chief Credit Officer, Head of IT and Head of Project Management with the responsibilities to provide decisions/ feedback on the work plan regarding implementation and adoption of IFRS 9 to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the CEO and related Committees of the Board of Directors.

6- Credit Losses Expense on Financial Assets:

The below table shows the ECL charges on financial instruments for the year recorded in the consolidated statement of income:

		2019			
	Notes	Stage 1	Stage 2	Stage 3	Total
		USD '000	USD '000	USD '000	USD '000
Balances with central banks	7	1 730	5 303	-	7 033
Balances with banks and financial institutions	8	773	-	-	773
Deposits with banks and financial institutions	9	(863)	-	-	(863)
Direct credit facilities at amortized cost	12	(1 067)	62 265	138 697	199 895
Debt instruments included in financial assets at amortized cost	13	(5 260)	5 444	-	184
Indirect facilities	24	(964)	(16 048)	(2 039)	(19 051)
Total		**(5 651)**	**56 964**	**136 658**	**187 971**

		2018			
	Notes	Stage 1	Stage 2	Stage 3	Total
		USD '000	USD '000	USD '000	USD '000
Balances with central banks	7	(669)	-	-	(669)
Balances with banks and financial institutions	8	(241)	-	-	(241)
Deposits with banks and financial institutions	9	781	-	-	781
Direct credit facilities at amortized cost	12	6 571	19 174	206 123	231 868
Debt instruments included in financial assets at amortized cost	13	315	(2 627)	-	(2 312)
Indirect facilities	24	7 016	13 244	1 644	21 904
Total		**13 773**	**29 791**	**207 767**	**251 331**

7. Cash and Balances with Central Banks

The details of this item are as follows:

	31 December 2019	
	2019	2018
	USD '000	USD '000
Cash in vaults	533 785	452 637
Balances with central banks:		
- Current accounts	2 378 879	2 484 344
- Time and notice	2 776 743	2 879 087
- Mandatory cash reserve	1 760 665	1 543 327
- Certificates of deposit	464 546	616 365
Less: Net ECL Charges	(8 808)	(1 746)
Total	7 905 810	7 974 014

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.

- Balances and certificates of deposit maturing after three months amounted to USD 93 million as of 31 December 2019 (USD 38.6 million as of 31 December 2018).

The Classification of gross balances with Central Banks according to the Group's internal credit rating is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	7 168 198	-	-	7 168 198	7 523 123
Acceptable risk / performing	-	212 635	-	212 635	-
Non-performing:	-	-	-	-	-
Total	7 168 198	212 635	-	7 380 833	7 523 123

The movement on total balances with central banks is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	7 523 123	-	-	7 523 123	7 084 897
New balances (Additions)	652 958	180 719	-	833 677	1 023 659
Repaid balances (excluding write offs)	(985 371)	-	-	(985 371)	(396 069)
Transfers to stage 2	(31 916)	31 916	-	-	-
Translation Adjustments	9 404	-	-	9 404	(189 364)
Balance at the end of the year	7 168 198	212 635	-	7 380 833	7 523 123

The movement of ECL charges on balances with central banks is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	1 746	-	-	1 746	2 560
New ECL charges during the year	2 425	5 303	-	7 728	375
Recoveries (excluding write offs)	(695)	-	-	(695)	(1 044)
Transfers to stage 2	(713)	713	-	-	-
Adjustments during the year	-	-	-	-	245
Translation Adjustments	29	-	-	29	(390)
Balance at the end of the year	2 792	6 016	-	8 808	1 746

8. Balances with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions

	31 December 2019	31 December 2018
	USD '000	USD '000
Current accounts	3 637	1 171
Time deposits maturing within 3 months	169 293	167 598
Total	172 930	168 769

Abroad Banks and financial institutions

	31 December 2019	31 December 2018
	USD '000	USD '000
Current accounts	1 899 046	1 511 127
Time deposits maturing within 3 months	2 132 930	1 519 297
Certificates of deposit maturing within 3 months	56 025	-
Total	4 088 001	3 030 424
Less: Net ECL Charges	(2 338)	(1 550)
Total balances with Banks and Financial Institutions Local and Abroad	4 258 593	3 197 643

There are no non interest bearing balances as of 31December 2019 and 2018.
There are no restricted balances as of 31 December 2019 and 2018.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	2 946 585	-	-	2 946 585	2 334 965
Acceptable risk / performing	1 314 346	-	-	1 314 346	864 228
Total	4 260 931	-	-	4 260 931	3 199 193

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	3 199 193			3 199 193	3 992 234
New balances (Additions)	1 245 542	-	-	1 245 542	620 724
Repaid balances (excluding write offs)	(201 807)	-	-	(201 807)	(1 373 519)
Translation Adjustments	18 003	-	-	18 003	(40 246)
Balance at the end of the year	4 260 931	-	-	4 260 931	3 199 193

The movement of ECL charges on balances with banks and financial institutions is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	1 550	-	-	1 550	1 810
New ECL charges during the year	2 312	-	-	2 312	491
Recoveries (excluding write offs)	(1 539)	-	-	(1 539)	(732)
Adjustments during the year	-	-	-	-	37
Translation Adjustments	15	-	-	15	(56)
Balance at the end of the year	2 338	-	-	2 338	1 550

9. Deposits with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions	31 December 2019 USD '000	31 December 2018 USD '000
Time deposits maturing after 3 months and before 6 months	-	6 090
Time deposits maturing after one year	167 726	167 726
Total	167 726	173 816

Abroad banks and financial institutions	31 December 2019 USD '000	31 December 2018 USD '000
Time deposits maturing after 3 months and before 6 months	33 883	148 817
Time deposits maturing after 6 months and before 9 months	57 600	-
Time deposits maturing after 9 months and before one year	-	3 327
Certificates of deposit maturing after 9 months and before one year	56 025	
Total	147 508	152 144
Less: Net ECL Charges	(1 678)	(2 517)
Total Deposits with banks and financial institutions Local and Abroad	313 556	323 443

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

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	261 745	-	-	261 745	179 193
Acceptable risk / performing	53 489	-	-	53 489	146 767
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	315 234	-	-	315 234	325 960

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	325 960	-	-	325 960	150 419
New balances (Additions)	47 015	-	-	47 015	223 793
Repaid balances (excluding write offs)	(60 607)	-	-	(60 607)	(45 755)
Translation Adjustments	2 866	-	-	2 866	(2 497)
Balance at the end of the year	315 234	-	-	315 234	325 960

The movement of ECL charges on Deposits with Banks and Financial Institutions is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	2 517	-	-	2 517	1 726
New ECL charges during the year	151	-	-	151	1 245
Recoveries (excluding write offs)	(1 014)	-	-	(1 014)	(464)
Adjustments during the year	-	-	-		47
Translation Adjustments	24	-	-	24	(37)
Balance at the end of the year	1 678	-	-	1 678	2 517

10. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Treasury bills and Government bonds	207 411	96 878
Corporate bonds	257 574	289 808
Loans and advances	29 624	29 624
Corporate shares	1 767	1 845
Mutual funds	22 677	21 674
Total	**519 053**	**439 829**

	31 December 2019		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	207 411	-	207 411
Corporate bonds	257 574	-	257 574
Loans and advances	29 624	-	29 624
Corporate shares	-	1 767	1 767
Mutual funds	-	22 677	22 677
Total	**494 609**	**24 444**	**519 053**

	31 December 2018		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	96 878	-	96 878
Corporate bonds	289 808	-	289 808
Loans and advances	29 624	-	29 624
Corporate shares	-	1 845	1 845
Mutual funds	-	21 674	21 674
Total	**416 310**	**23 519**	**439 829**

11. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Quoted shares	133 480	135 452
Un-quoted shares	252 453	235 558
Total	**385 933**	**371 010**

* Cash dividends from investments above amounted to USD 7 million for the year ended 31 December 2019 (USD 7.5 million as of 31 December 2018).

	31 December 2019		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	133 480	133 480
Un-quoted shares	-	252 453	252 453
Total	-	**385 933**	**385 933**

	31 December 2018		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	135 452	135 452
Un-quoted shares	-	235 558	235 558
Total	-	**371 010**	**371 010**

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

	31 December 2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	72 273	135 087	495 919	218 956	40 575	962 810
Overdrafts *	111 828	1 258 110	3 340 082	5 044	307 513	5 022 577
Loans and advances *	3 248 797	1 786 258	11 596 328	32 627	707 599	17 371 609
Real-estate loans	2 228 624	165 225	201 243	-	-	2 595 092
Credit cards	182 689	-	-	-	-	182 689
Total	**5 844 211**	**3 344 680**	**15 633 572**	**256 627**	**1 055 687**	**26 134 777**
Less: Interest and commission in suspense	71 191	110 022	359 718	59	-	540 990
Provision for impairment - ECL	165 691	236 333	1 222 169	5 013	3 956	1 633 162
Total	**236 882**	**346 355**	**1 581 887**	**5 072**	**3 956**	**2 174 152**
Net Direct Credit Facilities at Amortized Cost	**5 607 329**	**2 998 325**	**14 051 685**	**251 555**	**1 051 731**	**23 960 625**

* Net of interest and commission received in advance, which amounted to USD 136.2 million as of 31 December 2019.

- Rescheduled loans during the year ended 31 December 2019 amounted to USD 1105.8 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2019 amounted to USD 2.9 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31December 2019 amounted to USD 116.6 million, or 0.5% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2019 amounted to USD 1929.1 million, or 7.4% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2019 amounted to USD 1412.6 million, or 5.5 % of direct credit facilities, after deducting interest and commission in suspense.

	31 December 2018					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	76 150	141 571	575 281	65 946	2 519	861 467
Overdrafts *	114 302	1 289 711	3 576 415	5 083	284 498	5 270 009
Loans and advances *	3 103 539	1 698 771	11 445 370	45 835	768 636	17 062 151
Real-estate loans	2 197 746	157 954	87 985	-	-	2 443 685
Credit cards	176 099	-	-	-	-	176 099
Total	**5 667 836**	**3 288 007**	**15 685 051**	**116 864**	**1 055 653**	**25 813 411**
Less: Interest and commission in suspense	73 128	98 914	273 939	7 955	-	453 936
Provision for impairment - ECL	163 495	171 933	1 232 759	505	5 241	1 573 933
Total	**236 623**	**270 847**	**1 506 698**	**8 460**	**5 241**	**2 027 869**
Net Direct Credit Facilities at Amortized Cost	**5 431 213**	**3 017 160**	**14 178 353**	**108 404**	**1 050 412**	**23 785 542**

* Net of interest and commission received in advance, which amounted to USD 137.3 million as of 31 December 2018.

- Rescheduled loans during the year ended 31 December 2018 amounted to USD 428.3 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2018 amounted to USD 3.3 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2018 amounted to USD 31.9 million, or 0.12% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2018 amounted to USD 1742.1 million, or 6.7% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2018 amounted to USD 1302.9 million, or 5.1 % of direct credit facilities, after deducting interest and commission in suspense.

The details of movement on the provision for impairment - ECL as of 31 December 2019 are as follows:

	31 December 2019						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total	The Total includes movement on the real-estate loans provision as follows
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	163 495	171 933	1 232 759	505	5 241	1 573 933	18 560
ECL charges during the year	27 567	58 158	164 861	1,081	1,850	253 517	5 408
Recoveries	(20 650)	(20 793)	(44 703)	(115)	(3 005)	(89 266)	(5 029)
Transferred to Stage 1	(494)	3 725	1 964	-	199	5 394	(54)
Transferred to Stage 2	(1 290)	(10 866)	(34 734)	-	(199)	(47 089)	(11)
Transferred to Stage 3	1 784	7 141	32 770	-	-	41 695	65
Impact on year end ECL caused by transfers between stages during the year	6 125	17 346	12 458	-	(285)	35 644	559
Used from provision (written off or transferred to off statement of financial position)	(14 773)	(4 241)	(136 879)	-	-	(155 893)	(19)
Adjsutments during the year	824	7 885	(11 760)	3 525	28	502	1 244
Translation Adjustments	3 103	6 045	5 433	17	127	14 725	(3)
Balance at the End of the Year	165 691	236 333	1 222 169	5 013	3 956	1 633 162	20 720

The details of the movement of the provision for impairment - ECL for direct credit facilities at amortized cost as of 31 December 2018 was as follows :

	31 December 2018						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total	The total includes movement on the real - estates loans provision as follows:
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	158583	157613	1071575	507	4636	1 392 914	11 782
ECL charges during the year	22 241	22 557	213 915	42	409	259 164	2 559
Recoveries	(13 343)	(7 504)	(64 957)	(19)	(952)	(86 775)	(2 999)
Transferred to Stage 1	960	1 008	(7 700)	-	102	(5 630)	(76)
Transferred to Stage 2	(1 207)	(11 984)	7 986	-	(102)	(5 307)	(62)
Transferred to Stage 3	247	10 976	(286)	-	-	10 937	138
Impact on year end ECL caused by transfers between stages during the year	1 990	9 258	47 764	-	467	59 479	950
Used from provision (written off or transferred to off statement of financial position)	(392)	(4 300)	(30 490)	-	-	(35 182)	(32)
Adjsutments during the year	814	2 053	1 761	(13)	778	5 393	6 331
Translation Adjustments	(6 398)	(7 744)	(6 809)	(12)	(97)	(21 060)	(31)
Balance at the End of the Year	163 495	171 933	1 232 759	505	5 241	1 573 933	18 560

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of 31 December 2019 and 2018.

- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 152.6 million as of 31 December 2019. (USD 5 million as of 31 December 2018) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

The of movement on Interest and commissions In suspense are as follows:

	31 December 2019						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total Includes Interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	73 128	98 914	273 939	7 955	-	453 936	14 211
Interest and commission suspended during the year	18 020	19 913	94 017	1 581	-	133 531	4 061
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(15 621)	(7 146)	(3 858)	(9 534)	-	(36 159)	(1 632)
Recoveries	(3 561)	(4 095)	(5 256)	-	-	(12 912)	(3 076)
Adjustments during the year	(33)	(190)	166	57	-	-	-
Translation adjustments	(742)	2 626	710	-	-	2 594	47
Balance at the End of the Year	71 191	110 022	359 718	59	-	540 990	13 611

	31 December 2018						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	64 406	94 150	213 160	6 545	-	378 261	12 273
Interest and commission suspended during the year	16 531	12 119	78 100	1 410	-	108 160	3 876
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(2 350)	(4 878)	(4 376)	-	-	(11 604)	(412)
Recoveries	(3 587)	(797)	(2 440)	-	-	(6 824)	(1 449)
Adjustments during the year	-	-	(8 669)	-	-	(8 669)	(75)
Translation adjustments	(1 872)	(1 680)	(1 836)	-	-	(5 388)	(2)
Balance at the End of the Year	73 128	98 914	273 939	7 955	-	453 936	14 211

Classification of direct credit facilities at amortized cost based on the geographical and economic sectors as follows:

	Inside Jordan	Outside Jordan	31 December 2019	31 December 2018
Economic Sector	USD '000	USD '000	USD '000	USD '000
Consumer Banking	2 865 505	2 741 824	5 607 329	5 431 213
Industry and mining	1 518 080	3 091 807	4 609 887	4 796 276
Constructions	439 233	1 510 226	1 949 459	2 047 525
Real - Estates	345 630	1 505 426	1 851 056	1 860 580
Trade	1 263 904	2 937 776	4 201 680	4 244 561
Agriculture	153 266	204 007	357 273	329 476
Tourism and Hotels	225 121	347 003	572 124	645 659
Transportations	105 799	235 887	341 686	361 788
Shares	-	11 984	11 984	11 985
General Services	838 338	2 316 523	3 154 861	2 897 663
Banks and Financial Institutions	91 972	159 583	251 555	108 404
Government and Public Sector	210 822	840 909	1 051 731	1 050 412
Net Direct Credit Facilities at amortized Cost	8 057 670	15 902 955	23 960 625	23 785 542

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	5 276 498	-	-	5 276 498	5 000 417
Acceptable risk / performing	16 189 481	2 739 720	-	18 929 201	19 070 853
Non-performing:					
- Substandard	-	-	93 429	93 429	57 542
- Doubtful	-	-	259 862	259 862	349 461
- Problematic	-	-	1 575 787	1 575 787	1 335 138
Total	21 465 979	2 739 720	1 929 078	26 134 777	25 813 411

The movement on total direct credit facilities at amortized cost - Total:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	21 521 561	2 549 709	1 742 141	25 813 411	25 138 211
New balances (Additions)	4 772 028	811 189	156 449	5 739 666	6 396 378
Repaid balances (excluding write offs)	(4 831 778)	(449 623)	(86 101)	(5 367 502)	(5 205 356)
Transfers to stage 1	552 693	(548 398)	(4 295)	-	-
Transfers to stage 2	(596 529)	602 783	(6 254)	-	-
Transfers to stage 3	(53 810)	(236 781)	290 591	-	-
Facilities written off	-	-	(177 248)	(177 248)	(46 784)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	101 814	10 841	13 795	126 450	(469 038)
Total	21 465 979	2 739 720	1 929 078	26 134 777	25 813 411

The movement of ECL charges on direct credit facilities at amortized cost by stage is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	86 435	302 549	1 184 949	1 573 933	1 392 914
ECL charges during the year	38 586	62 066	152 865	253 517	259 164
Recoveries (excluding write offs)	(37 558)	(14 236)	(37 472)	(89 266)	(86 775)
Transfers to stage 1	8 403	(8 367)	(36)	-	-
Transfers to stage 2	(2 328)	2 748	(420)	-	-
Transfers to stage 3	(681)	(41 470)	42 151	-	-
Impact on year end ECL caused by transfers between stages during the year	(2 095)	14 435	23 304	35 644	59 479
Used from provision (written off or transferred to off statement of financial position)	-	-	(155 893)	(155 893)	(35 182)
Adjustments during the year	1 772	631	(3 635)	(1 232)	5 393
Translation Adjustments	2 005	1 623	12 831	16 459	(21 060)
Total	94 539	319 979	1 218 644	1 633 162	1 573 933

Direct Credit Facilities at Amortized Cost - Consumer Banking

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 023 206	-	-	1 023 206	966 673
Acceptable risk / performing	4 476 114	92 058	-	4 568 172	4 461 580
Non-performing:					
- Substandard	-	-	31 443	31 443	23 165
- Doubtful	-	-	32 056	32 056	20 523
- Problematic	-	-	189 334	189 334	195 895
Total	5 499 320	92 058	252 833	5 844 211	5 667 836

The movement on total direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	5 361 734	66 519	239 583	5 667 836	5 564 848
New balances (Additions)	993 143	23 759	29 432	1 046 334	855 136
Repaid balances (excluding write offs)	(795 977)	(50 322)	(25 983)	(872 282)	(626 180)
Transfers to stage 1	16 136	(13 329)	(2 807)	-	-
Transfers to stage 2	(75 276)	76 843	(1 567)	-	-
Transfers to stage 3	(22 646)	(11 776)	34 422	-	-
Facilities written off	-	-	(22 827)	(22 827)	(2 750)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	22 206	364	2 580	25 150	(123 218)
Total	5 499 320	92 058	252 833	5 844 211	5 667 836

The movement of ECL charges on direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	14 125	6 354	143 016	163 495	158 583
ECL charges during the year	7 412	2 323	17 832	27 567	22 241
Recoveries (excluding write offs)	(5 953)	(3 407)	(11 290)	(20 650)	(13 343)
Transfers to stage 1	278	(249)	(29)	-	-
Transfers to stage 2	(226)	322	(96)	-	-
Transfers to stage 3	(546)	(1 363)	1 909	-	-
Impact on year end ECL caused by transfers between stages during the year	(31)	241	5 915	6 125	1 990
Used from provision (written off or transferred to off statement of financial position)	-	-	(14 773)	(14 773)	(392)
Adjustments during the year	986	(199)	(905)	(118)	814
Translation Adjustments	330	74	3 641	4 045	(6 398)
Total	16 375	4 096	145 220	165 691	163 495

Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 221 724	-	-	1 221 724	1 207 214
Acceptable risk / performing	1 258 517	472 093	-	1 730 610	1 749 947
Non-performing:					
- Substandard	-	-	31 083	31 083	23 150
- Doubtful	-	-	51 435	51 435	31 013
- Problematic	-	-	309 828	309 828	276 683
Total	2 480 241	472 093	392 346	3 344 680	3 288 007

The movement on total direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	2 700 861	256 300	330 846	3 288 007	3 136 052
New balances (Additions)	497 969	256 125	36 206	790 300	769 463
Repaid balances (excluding write offs)	(666 174)	(73 561)	(30 229)	(769 964)	(512 143)
Transfers to stage 1	31 226	(30 328)	(898)	-	-
Transfers to stage 2	(100 803)	101 939	(1 136)	-	-
Transfers to stage 3	(14 604)	(41 633)	56 237	-	-
Facilities written off	-	-	(5 624)	(5 624)	(9 170)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	31 766	3 251	6 944	41 961	(96 195)
Total	2 480 241	472 093	392 346	3 344 680	3 288 007

The movement of ECL charges on direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	14 918	7 242	149 773	171 933	157 613
ECL charges during the year	2 999	26 509	28 650	58 158	22 557
Recoveries (excluding write offs)	(6 201)	(830)	(13 762)	(20 793)	(7 504)
Transfers to stage 1	4 373	(4 373)	-	-	-
Transfers to stage 2	(607)	619	(12)	-	-
Transfers to stage 3	(41)	(7 112)	7 153	-	-
Impact on year end ECL caused by transfers between stages during the year	(95)	9 441	8 000	17 346	9 258
Used from provision (written off or transferred to off statement of financial position)	-	-	(4 241)	(4 241)	(4 300)
Adjustments during the year	281	58	4 492	4 831	2 053
Translation Adjustments	390	328	8 381	9 099	(7 744)
Total	16 017	31 882	188 434	236 333	171 933

Direct Credit Facilities at Amortized Cost - Large Corporates

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	2 343 500	-	-	2 343 500	2 242 420
Acceptable risk / performing	9 859 107	2 151 690	-	12 010 797	12 308 794
Non-performing:					
- Substandard	-	-	30 903	30 903	11 227
- Doubtful	-	-	176 371	176 371	264 733
- Problematic	-	-	1 072 001	1 072 001	857 877
Total	12 202 607	2 151 690	1 279 275	15 633 572	15 685 051

The movement on total direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	12 368 914	2 182 300	1 133 837	15 685 051	15 038 924
New balances (Additions)	2 827 261	520 923	89 230	3 437 414	4 475 297
Repaid balances (excluding write offs)	(3 071 041)	(325 738)	(29 857)	(3 426 636)	(3 571 370)
Transfers to stage 1	473 487	(472 897)	(590)	-	-
Transfers to stage 2	(420 445)	423 996	(3 551)	-	-
Transfers to stage 3	(16 560)	(183 372)	199 932	-	-
Facilities written off	-	-	(114 025)	(114 025)	(34 864)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	40 991	6 478	4 299	51 768	(222 936)
Total	12 202 607	2 151 690	1 279 275	15 633 572	15 685 051

The movement of ECL charges on direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	52 984	288 688	891 087	1 232 759	1 071 575
ECL charges during the year	26 207	32 271	106 383	164 861	213 915
Recoveries (excluding write offs)	(22 319)	(9 964)	(12 420)	(44 703)	(64 957)
Transfers to stage 1	3 553	(3 546)	(7)	-	-
Transfers to stage 2	(1 495)	1 807	(312)	-	-
Transfers to stage 3	(94)	(32 995)	33 089	-	-
Impact on year end ECL caused by transfers between stages during the year	(1 724)	4 793	9 389	12 458	47 764
Used from provision (written off or transferred to off statement of financial position)	-	-	(136 879)	(136 879)	(30 490)
Adjustments during the year	503	772	(10 773)	(9 498)	1 761
Translation Adjustments	1 197	1 163	811	3 171	(6 809)
Total	58 812	282 989	880 368	1 222 169	1 232 759

Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	67 000	-	-	67 000	10 897
Acceptable risk / performing	185 638	-	-	185 638	68 760
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	33 192
- Problematic	-	-	3 989	3 989	4 015
Total	252 638		3 989	256 627	116 864

The movement on total direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	79 657	-	37 207	116 864	136 431
New balances (Additions)	292 047	-	1 581	293 628	81 481
Repaid balances (excluding write offs)	(118 373)	-	-	(118 373)	(96 440)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Facilities written off	-	-	(34 772)	(34 772)	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(693)	-	(27)	(720)	(4 608)
Total	252 638		3 989	256 627	116 864

The movement of ECL charges on direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	100	-	405	505	507
ECL charges during the year	1 060	21	-	1 081	42
Recoveries (excluding write offs)	(80)	(35)	-	(115)	(19)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	-	-	-	-
Used from provision (written off or transferred to off statement of financial position)	-	-	-	-	-
Adjustments during the year	-	-	3 525	3 525	(13)
Translation Adjustments	5	14	(2)	17	(12)
Total	1 085		3 928	5 013	505

Direct Credit Facilities at Amortized Cost - Government & Public Sector

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	621 068	-	-	621 068	573 213
Acceptable risk / performing	410 105	23 879	-	433 984	481 772
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	635	635	668
Total	1 031 173	23 879	635	1 055 687	1 055 653

The movement on total direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	1 010 395	44 590	668	1 055 653	1 261 956
New balances (Additions)	161 608	10 382	-	171 990	215 001
Repaid balances (excluding write offs)	(180 213)	(2)	(32)	(180 247)	(399 223)
Transfers to stage 1	31 844	(31 844)	-	-	-
Transfers to stage 2	(5)	5	-	-	-
Transfers to stage 3	-	-	-	-	-
Facilities written off	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	7 544	748	(1)	8 291	(22 081)
Total	1 031 173	23 879	635	1 055 687	1 055 653

The movement of ECL charges on direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	4 308	265	668	5 241	4 636
ECL charges during the year	908	942	-	1 850	409
Recoveries (excluding write offs)	(3 005)	-	-	(3 005)	(952)
Transfers to stage 1	199	(199)	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	(245)	(40)	-	(285)	467
Used from provision (written off or transferred to off statement of financial positio	-	-	-		-
Adjustments during the year	2	-	26	28	778
Translation Adjustments	83	44	-	127	(97)
Total	2 250	1 012	694	3 956	5 241

13. Other financial assets at amortized cost

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Treasury bills	2 220 784	2 619 749
Government bonds and bonds guaranteed by the government	5 180 877	4 513 903
Corporate bonds	1 533 674	1 414 711
Less: Net ECL Charges	(40 717)	(40 516)
Total	**8 894 618**	**8 507 847**

Analysis of bonds based on interest nature:

	31 December 2019	31 December 2018
	USD '000	USD '000
Floating interest rate	647 408	524 708
Fixed interest rate	8 287 927	8 023 655
Less: Net ECL Charges	(40 717)	(40 516)
Total	**8 894 618**	**8 507 847**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:

	31 December 2019	31 December 2018
	USD '000	USD '000
Treasury bills	663 617	789 039
Government bonds and bonds guaranteed by the government	988 913	832 774
Corporate bonds	1 428 472	1 315 893
Total	**3 081 002**	**2 937 706**

Financial assets unquoted in the market:

	31 December 2019	31 December 2018
	USD '000	USD '000
Treasury bills	1 557 167	1 830 710
Government bonds and bonds guaranteed by the government	4 191 964	3 681 129
Corporate bonds	105 202	98 818
Total	**5 854 333**	**5 610 657**
Less: Net ECL Charges	**(40 717)**	**(40 516)**
Grand Total	**8 894 618**	**8 507 847**

Other Financial Assets at Amortized Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Internal rating grade performing					
Low risk / performing	8 574 582	-	-	8 574 582	8 233 424
Acceptable risk / performing	168 409	187 568	-	355 977	310 163
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	4 776	4 776	4 776
Total	8 742 991	187 568	4 776	8 935 335	8 548 363

An analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	8 359 854	183 733	4 776	8 548 363	7 788 051
New investments (Additions)	5 319 462	2 499	-	5 321 961	4 008 674
Matured investments	(4 927 497)	(25 632)	-	(4 953 129)	(3 095 327)
Transfers to stage 1	12 066	(12 066)	-	-	-
Transfers to stage 2	(33 670)	33 670	-	-	-
Transfers to stage 3	-	-	-	-	-
Investments written off	-	-	-	-	-
Adjustments during the year	-		-	-	(25 855)
Translation Adjustments	12 776	5 364	-	18 140	(127 180)
Total	8 742 991	187 568	4 776	8 935 335	8 548 363

The movement of ECL charges on other financial assets at amortized cost is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	18 175	17 565	4 776	40 516	53 028
ECL charges during the year	4 008	3 544	-	7 552	1 597
Recoveries from matured investments	(9 268)	(26)	-	(9 294)	(3 909)
Transfers to stage 1	4 651	(4 651)	-	-	-
Transfers to stage 2	(306)	306	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	1,926	-	1,926	-
Investments written off	-	-	-	-	-
Adjustments during the year	(138)	1		(137)	(9 139)
Translation Adjustments	31	123		154	(1 061)
Total	17 153	18 788	4 776	40 717	40 516

During the year ended 31 December 2019 certain financial assets at amortized cost amounted to USD 10.2 million were sold (USD 183.2 million during the year ended 31 December 2018).

14. Investments in Associates

The details of this item are as follows:

	31 December 2019						
	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
2019	%	USD '000					
Oman Arab Bank S.A.O.	49.00	375 439	Oman	Unquoted	2019	Banking	1984
Arab National Bank	40.00	3 068 877	Saudi Arabia	4 348 000	2019	Banking	1979
Arabia Insurance Company	42.51	36 296	Lebanon	Unquoted	2018	Insurance	1972
Commercial buildings	35.39	9 369	Lebanon	Unquoted	2018	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	8 614	Oman	Unquoted	2019	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	15 056	Various			Various	
Total		3 513 651					

	31 December 2018						
	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
2018	%	USD '000					
Oman Arab Bank S.A.O.	49.00	360 192	Oman	Unquoted	2018	Banking	1984
Arab National Bank	40.00	2 870 438	Saudi Arabia	3 402 667	2018	Banking	1979
Arabia Insurance Company	42.02	37 623	Lebanon	Unquoted	2017	Insurance	1972
Commercial buildings	35.39	8 867	Lebanon	Unquoted	2017	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	10 475	Oman	Unquoted	2018	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	10 656	Various			Various	
Total		3 298 251					

The details of movement on investments in associates are as follows:

	2019	2018
	USD '000	USD '000
Balance at the beginning of the year	3 298 251	3 226 231
Purchase of investments in associates	4 383	2 165
Group's share of profits for the year	424 019	370 903
Dividends received	(222 950)	(192 170)
Translation Adjustment	828	(41 236)
Group's share of other changes in equity	9 120	(67 642)
Balance at the end of the year	3 513 651	3 298 251
Group's share of taxes	92 877	86 579

* This account represents mostly the investments in Arab Tunisian Lease Company, Arabia Sicaf and Arab Tunisian Invest Company amounting to USD 10 million, USD 1.7 million and USD 1.1 million respectively, as of 31December 2019. (As of 31 December 2018 these investments amounted to USD 5.9 million, USD 1.7 million and USD 1 million respectively.)

During 2018, the Group classified its 50% investment in Turkland Bank A.S.as an investment held for sale in accordance with IFRS 5. The details of the loss on the investment held for sale appearing in the consolidated income statement are as follows:

	2018
	USD '000
Share of loss of Turkland Bank A.S.	(23 371)
Impairment relating to measurment at fair value less cost to sell.	(13 587)
	(36 958)

The group share of Turkland Bank A.S. statement of financial position:

	2018
	USD '000
Assets	362 278
Liabilities	(304 691)
Net Assets	57 587
Fair value less cost to sell	(44 000)
Impairment Loss	13 587

As a result of the reclassification, the foreign currency translation reserve relating to Turkland Bank A.S. of USD 211 million recorded in other comprehensive income was recognized in the consolidated statement of income.

The Group's share from the profit and loss of the associates are as follows:

	December 31,	
	2019	2018
	USD '000	USD '000
Turkland Bank A.Ş.	-	(23 371)
Oman Arab Bank S.A.O.	41 436	38 522
Arab National Bank	378 885	353 272
Arabia Insurance Company	2 054	1 144
Other	1 644	1 336
Total	424 019	370 903

The Group's share of associates are as follows:

	31 December							
	2019				2018			
	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	19 567 198	3 176 258	256 432	22 999 888	19 017 654	2 971 587	243 915	22 233 156
Total Liabilities	16 498 321	2 800 819	187 097	19 486 237	16 147 216	2 609 699	177 990	18 934 905
Total Revenue	719 357	118 315	18 244	855 916	698 393	111 709	20 162	830 264
Total Expenses	340 471	76 879	14 547	431 897	345 121	73 187	41 053	459 361
Net Profit / (Loss)	378 885	41 436	3 698	424 019	353 272	38 522	(20 891)	370 903

16. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Other	Total
Historical Cost:	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018	72 190	402 749	219 143	151 947	15 149	82 223	943 401
Additions	39	23 906	8 004	19 619	1 888	8 662	62 118
Disposals	-	(5 204)	(7 520)	(4 471)	(1 422)	(4 370)	(22 987)
Adjustments during the year	355	(1 863)	(6 294)	60	-	7 742	-
Translation Adjustments	(2 616)	(4 693)	(3 012)	(4 382)	(1 147)	(4 759)	(20 609)
Balance as of 31 December 2018	69 968	414 895	210 321	162 773	14 468	89 498	961 923
Additions	-	21 283	7 950	22 016	2 047	5 276	58 572
Disposals	(2 112)	-	(2 722)	(8 746)	(1 424)	(5 201)	(20 205)
Adjustments during the year	-	(2)	(167)	(1 902)	-	2	(2 069)
Translation Adjustments	99	2 224	239	596	221	998	4 377
Balance at 31 December 2019	67 955	438 400	215 621	174 737	15 312	90 573	1 002 598
Accumulated Depreciation :							
Balance as of 1 January 2018	-	137 573	168 419	113 712	11 421	53 135	484 260
Depreciation charge for the year	-	9 698	11 854	17 164	1 275	8 162	48 153
Disposals	-	(466)	(7 364)	(4 401)	(1 415)	(2 179)	(15 825)
Adjustments during the year	-	-	(3 550)	-	-	3 550	-
Translation adjustments	-	(1 287)	(1 754)	(3 456)	(640)	(3 247)	(10 384)
Balance as of 31 December 2018	-	145 518	167 605	123 019	10 641	59 421	506 204
Depreciation charge for the year	-	9 670	11 127	19 655	1 400	7 129	48 981
Disposals	-	-	(2 670)	(8 537)	(1 420)	(3 009)	(15 636)
Adjustments during the year	-	54.00	(28)	(26.00)	-	-	-
Translation adjustments	-	533	148	429	161	661	1 932
Balance at 31 December 2019	-	155 775	176 182	134 540	10 782	64 202	541 481
Net Book Value as of 31 December 2019	67 955	282 625	39 439	40 197	4 530	26 371	461 117
Net Book Value as of 31 December 2018	69 968	269 377	42 716	39 754	3 827	30 077	455 719

* The cost of fully depreciated fixed assets amounted to USD 293.7 million as of 31 December 2019 (USD 256.7 million as of 31 December 2018).

16. Other Assets

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Accrued interest receivable	213 108	206 176
Prepaid expenses	100 410	116 949
Foreclosed assets *	121 457	88 344
Intangible assets **	29 820	22 587
Right of use assets ***	98 608	-
Other miscellaneous assets	228 888	179 362
Total	**792 291**	**613 418**

* The Central Bank of Jordan instructions require a disposal of these assets during a maximum period of two years from the date of foreclosure.

*** The details of movement on foreclosed assets are as follows:**

2019	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	50 377	37 967		88 344
Additions	4 414	32 787	-	37 201
Disposals	(75)	(1 089)		(1 164)
Provision for impairment and impariment losses	(2 913)	(77)	-	(2 990)
Translation adjustments	-	66	-	66
Balance at the end of the year	**51 803**	**69 654**	-	**121 457**

2018	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	23 697	35 320	355	59 372
Additions	27 941	4 546	-	32 487
Disposals	(1 449)	(1 402)	(355)	(3 206)
Provision for impairment and impariment losses	188	(398)	-	(210)
Translation adjustments	-	(99)	-	(99)
Balance at the End of the Year	**50 377**	**37 967**	-	**88 344**

**** The details of movement on intangible assets are as follows:**

	31 December 2019	31 December 2018
	USD '000	USD '000
Balance at the beginning of the year	22 587	23 675
Additions	19 453	9 220
Amortization charge for the year	(12 825)	(9 110)
Adjustment during the yeat and translation adjustments	605	(1 198)
Balance at the End of the Year	**29 820**	**22 587**

***** The dateails of movement of Right of use assets are as follows :**

	2019
	USD '000
Balance at the beginning of the year	104 211
Additions	11 929
Depreciation	(17 532)
Balance at the End of the Year	**98 608**

17. Deferred Tax Assets

The details of this item are as follows :

Items attributable to deferred tax assets are as follows:

	2019					
	Balance at the Beginning of the Year (Restated)	**Amounts Added**	**Amounts Released**	**Adjustments During the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ECL on direct credit facilities at amortized cost	315 176	170 516	(108 742)	(148)	376 802	91 569
End-of-Service indemnity	68 401	9 300	(5 370)	(158)	72 173	20 716
Interest in suspense	30 695	26 817	(5 125)	110	52 497	12 536
Other	101 686	29 019	(19 446)	2 140	113 399	30 564
Total	**515 958**	**235 652**	**(138 683)**	**1 944**	**614 871**	**155 385**

	2018					
	Balance at the Beginning of the Year	**Amounts Added**	**Amounts Released**	**Adjustments During the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ECL on direct credit facilities at amortized cost	232 999	115 425	(32 466)	(782)	315 176	76 525
End-of-Service indemnity	65 472	9 925	(7 879)	883	68 401	19 817
Interest in suspense	18 537	14 591	(2 433)	-	30 695	6 571
Other	107 821	26 355	(26 973)	(5 517)	101 686	29 033
Total	**424 829**	**166 296**	**(69 751)**	**(5 416)**	**515 958**	**131 946**

Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates. The Group will benefit from these amounts in the near future.

The details of movements on deferred tax assets are as follows:

	2019	2018
	USD '000	USD '000
Balance at the beginning of the year	131 946	110 267
Additions during the year	63 698	42 557
Amortized during the year	(40 515)	(20 460)
Adjustments during the year and translation adjustments	256	(418)
Balance at the end of the year	**155 385**	**131 946**

18. Banks and Financial Institutions Deposits

The details of this item are as follows:

	31 December 2019			31 December 2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	-	411 539	411 539	-	472 139	472 139
Time deposits	136 654	3 213 702	3 350 356	124 475	3 669 976	3 794 451
Total	**136 654**	**3 625 241**	**3 761 895**	**124 475**	**4 142 115**	**4 266 590**

19. Customers' Deposits

The details of this item are as follows:

	31 December 2019				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	7 707 130	2 161 544	2 087 225	219 873	12 175 772
Savings	3 139 015	100 503	15 204	10 545	3 265 267
Time and notice	9 302 986	1 128 913	4 914 718	1 763 826	17 110 443
Certificates of deposit	406 515	29 008	119 607	48 383	603 513
Total	**20 555 646**	**3 419 968**	**7 136 754**	**2 042 627**	**33 154 995**

	31 December 2018				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	7 494 375	2 130 174	1 961 191	308 044	11 893 784
Savings	2 984 797	124 049	20 775	3 449	3 133 070
Time and notice	8 475 548	1 106 333	3 883 541	2 525 223	15 990 645
Certificates of deposit	308 169	17 117	40 913	47 215	413 414
Total	**19 262 889**	**3 377 673**	**5 906 420**	**2 883 931**	**31 430 913**

- Government of Jordan and Jordanian public sector deposits amounted to USD 869.8 million, or 2.6 % of total customer deposits as of 31 December 2019 (USD 769.3 million , or 2.5% of total customer deposits as of 31 December 2018).
- Non-interest bearing deposits amounted to USD 10968.4 million, or 33.1 % of total customer deposits as of 31 December 2019 (USD 10677.8 million or 34% of total customer deposits as of 31 December 2018).
- Blocked deposits amounted to USD 193.9 million, or 0.6% of total customer deposits as of 31 December 2019 (USD 162.8 million or 0.5% of total customer deposit as of 31 December 2018).
- Dormant deposits amounted to USD 342.1 million, or 1 % of total customer deposits as of 31 December 2019 (USD 371.3 million , or 1.2% of total customer deposits as of 31 December 2018).

20. Cash Margin

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Against direct credit facilities at amortized cost	2 015 162	1 943 583
Against indirect credit facilities	1 058 857	964 456
Against margin trading	2 665	1 792
Other cash margins	6 069	3 640
Total	**3 082 753**	**2 913 471**

21. Borrowed Funds

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
From Central Banks *	86 237	78 341
From banks and financial institutions **	246 699	203 138
Total	**332 936**	**281 479**

Analysis of borrowed funds according to interest nature is as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Floating interest rate	210 210	141 987
Fixed interest rate	122 726	139 492
Total	**332 936**	**281 479**

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 4.5 million (USD 5.1 million as of 31 December 2018).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.9 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 2.5 million (USD 3.1 million as of 31 December 2018).

* During 2015 and 2016, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 2%, The advances are repaid in accordance with customers monthly installments which starts on January 2020 and ends on August 2029, these advances amounted USD 69.4 million as of 31 December 2019 (USD 62.6 million as of 31 December 2018).

* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.1 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 5.1 million (USD 5.1 million as of 31 December 2018).

* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 10.9 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of 31 December 2019 amounted to USD 4.8 million (USD 2.4 million as of 31 December 2018).

During 2019, Arab Bank (Jordan branches) signed a loan agreement with the European Investment Bank in the amount of $ 69.8 million for a period of six years with a variable interest rate (1.503% + LIBOR 3 months). The interest is paid in two installments during the year and the loan is paid in the form of semi-annual installments in each of The month of March and September of each year starts with the first installment from 15 September 2020, and the last installment ends on 15 September 2025, as the balance reached $ 69.8 million as of 31 December 2019.

During 2018,Arab Bank (Jordan branches) signed loan agreements with Mitsui Sumitomo Banking Company in Dubai with fixed interest rates ranging between (0.860% - 0.872%) as the balance reached $ 21.7 million as on 31 December 2018 the first contract matured on 4 January 2019 and the last contract on 7 May 2019 ($ 23.5 million as on 31 December 2018).

* During 2018, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to USD 100 million, for the duration of 7 years with a floating interest rate of (1.92%+LIBOR 3 months) the interest is repaid in 4 installment during the year, the loan is repaid semi-annually, with installments in March and September of each year. the Balance of the loan as of 31 December 2019 amounted to USD 100 million (USD 100 million as of 31 December 2018).

* During 2019 Arab National Leasing Co. signed loan agreement with Jordanian Mortgage Refinance Company for a duration of two years with a fixed interest rate of 5.6% , the balance of the loan as of 31 December 2019 amounted to USD 7.1 million

* Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 69.9 million as of 31 December 2019 (USD 81.5 million as of 31 December 2018) whereas the lowest interest rate is (0.7%) and the highest is (9.3%) and the last maturity date is on 19 May 2032, as per the following details:

	31 December	
	2019	2018
	USD '000	USD '000
Loans maturing within one year	6 850	10 266
Loans maturing after 1 year and less than 3 years	33 414	18 934
Loans maturing after 3 years	29 593	52 331
Total	**69 857**	**81 531**

22. Provision for Income Tax

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Balance at the beginning of the year	321 490	272 205
Income tax charge	324 983	314 657
Income tax paid	(301 419)	(265 372)
Balance at the end of the year	**345 054**	**321 490**

Income tax expense charged to the consolidated statement of income consists of the following:

	31 December 2019	31 December 2018
	USD '000	USD '000
Income tax charge for the year	324 983	314 657
Deferred tax assets for the year	(61 746)	(40 622)
Amortization of deferred tax assets	40 515	19 834
Deferred tax liabilities for the year	720	4 671
Amortization of deferred tax liabilities	(218)	(112)
Total	**304 254**	**298 428**

- The Banking income tax rate in Jordan is 35%. The Jordanian income tax law No. (34) for the year 2018 has been amended and the tax rate has become 35% income tax + 3% national contribution tax, i.e. a total of 38%. While the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of 31 December 2019 and 2018. Arab Bank Group effective tax rate was 26.4% as of 31 December 2019 and 26.7% as of 31 December 2018.

- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2018 such as Arab Bank United Arab Emirates and arab bank Egypt and Islamic International Arab Bank and 2017 such as Arab Bank Palestine.

23. Other Provisions

The details of this item are as follows:

2019	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	116 787	16 103	(10 158)	(14)	43	122 761
Legal cases	6 473	4 858	(818)	(808)	39	9 744
Other	87 043	11 871	(4 227)	(924)	253	94 016
Total	**210 303**	**32 832**	**(15 203)**	**(1 746)**	**335**	**226 521**

2018	Balance at the Beginning of the Year	Addition during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	117 568	14 131	(14 754)	-	(158)	116 787
Legal cases	17 467	2 849	(2 424)	(11 319)	(100)	6 473
Other	191 005	2 480	(91 894)	(13 378)	(1 170)	87 043
Total	**326 040**	**19 460**	**(109 072)**	**(24 697)**	**(1 428)**	**210 303**

24. Other Liabilities

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Accrued interest payable	211 698	181 648
Notes payable	168 629	127 704
Interest and commission received in advance	75 085	101 512
Accrued expenses	77 471	68 017
Dividends payable to shareholders	20 332	17 268
Provision for impairment - ECL of the indirect credit facilities*	59 213	77 358
Lease liabilities	95 880	-
Other miscellaneous liabilities	417 642	440 550
Total	**1 125 950**	**1 014 057**

Indirect Credit Facilities

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 074 744	-	-	1 074 744	980 692
Acceptable risk / performing	15 618 975	416 638	-	16 035 613	17 090 187
Non-performing:	-	-	51 167	51 167	26 777
Total	16 693 719	416 638	51 167	17 161 524	18 097 656

The movement on total indirect credit facilities is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at beginning of the year	17 469 268	601 611	26 777	18 097 656	18 892 135
New balances (Additions)	6 241 771	191 277	649	6 433 697	6 020 296
Matured balances	(6 932 139)	(433 423)	(8 316)	(7 373 878)	(6 598 793)
Transfers to stage 1	117 344	(116 749)	(595)	-	-
Transfers to stage 2	(203 197)	203 452	(255)	-	-
Transfers to stage 3	(1 310)	(31 623)	32 933	-	-
Balances written off	-	-	-	-	-
Adjustments during the year	-	-	-		-
Translation Adjustments	1 982	2 093	(26)	4 049	(215 982)
Total	16 693 719	416 638	51 167	17 161 524	18 097 656

The movement of ECL charges on indirect credit facilitiess is as follows:

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at beginning of the year	35 481	30 398	11 479	77 358	42 855
ECL charges during the year	12 900	1 892	31	14 823	30 907
Recoveries (excluding write offs)	(13 707)	(17 869)	(2 070)	(33 646)	(10 931)
Transfers to stage 1	628	(628)	-	-	
Transfers to stage 2	(115)	115	-	-	-
Transfers to stage 3	-	(427)	427	-	-
Impact on year end ECL caused by transfers between stages dı	(157)	(71)	-	(228)	1 928
Balances written off	-	-	-	-	-
Adjustments during the year	321	89	(346)	64	12 184
Translation Adjustments	801	16	25	842	415
Total	36 152	13 515	9 546	59 213	77 358

25. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

2019

	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Other	33 598	4 434	(5 310)	(930)	31 792	6 402
Total	**33 598**	**4 434**	**(5 310)**	**(930)**	**31 792**	**6 402**

2018

	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Retained earnings						
Other	22 532	15 346	(2 800)	(1 480)	33 598	8 210
Total	**22 532**	**15 346**	**(2 800)**	**(1 480)**	**33 598**	**8 210**

The details of movements on deferred tax liabilities are as follows:

	2019	2018
	USD '000	USD '000
Balance at the beginning of the year	8 210	3 693
Additions during the year	811	4 728
Amortized during the year	(218)	(112)
Adjustments during the year and translation adjustments	(2 401)	(99)
Balance at the end of the year	**6 402**	**8 210**

26. Share Capital & Premium

a .Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of 31 December 2019 and 2018 with an authorized capital of 640.8 million shares (at a par value of USD1.41 per share).

b. Share premium amounted to USD 1225.7 million as of 31 December 2019 and 2018.

27. Statutory Reserve

Statutory reserve amounted to USD 926.6 million as of 31 December 2019 (USD 919.5 million as of 31 December 2018) according to the regulations of the Central Bank of Jordan and Companies Law and it can not be distributed to the shareholders of the banks.

28. Voluntary Reserve

The voluntary reserve amounted to USD 977.3 million as of 31 December 2019 and 2018. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

29. General Reserve

The general reserve amounted to USD 1141.8 million as of 31 December 2019 and 2018. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30. General Banking Risks Reserve

The general banking risk reserve amounted to USD 239 million as of 31 December 2019 (USD 237.1 million as of 31 December2018).

31. Foreign currency translation reserve

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Balance at the beginning of the year	(264 651)	(350 550)
Changes during the year	11 726	85 899
Balance at the end of the year	(252 925)	(264 651)

32. Investment Revaluation Reserve

The details of this item are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Balance at the beginning of the year	(322 831)	(313 438)
Change in fair value during the year	22 227	(11 352)
Net realized losses transferred to retained earnings	2 201	1 959
Balance at the End of the Year	(298 403)	(322 831)

33. Retained Earnings and Non-controlling interests

The movement of retained earnings are as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Balance at the beginning of the year	2 192 006	1 904 663
Profit for the year Attributable to Shareholders of the Bank	844 937	820 649
Investments revaluation reserve transferred to retained earnings	(2 201)	(1 959)
Dividends paid *	(417 997)	(368 911)
Transferred to statutory reserve	(7 108)	(78 148)
Transferred from general banking risk reserve **	(1 828)	158 704
Changes in associates equity	(13 724)	(82 038)
Adjustments during the year	(4 221)	3 251
Effect of IFRS (9) adoption **	-	(164 205)
Effect of IFRS (16) adoption	(5 327)	-
Balance at the end of the year **	2 584 537	2 192 006

* Arab Bank plc Board of Directors recommended a 30 % of USD 1.41 of par value as cash dividend, equivalent to USD 271.1 million, for the year 2019. This proposal is subject to the approval of the General Assembly of shareholders. (The General Assembly of the Arab Bank plc in its meeting held on 28 March 2019 approved the recommendation of the Bank's Board of Directors to distribute 45% of par value as cash dividends for the year 2018 equivalent to USD 406.6 million).

** 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.

The details of non-controlling interests are as follows:

	2019			2018		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)
Arab Tunisian Bank	35.76	63 868	287	35.76	62 091	1 342
Arab Bank Syria	48.71	12 744	(129)	48.71	14 096	(3 317)
Al Nisr Al Arabi Insurance Company plc	50.00	14 666	1 453	50.00	14 850	1 870
Total		91 278	1 611		91 037	(105)

The following are some basic financial data related to basic subsidiaries that contrains non contorlling interest:

	2019			2018		
	Arab Tunisian Bank	Arab Bank Syria	Al Nisr Al Arabi Insurance Company plc	Arab Tunisian Bank	Arab Bank Syria	Al Nisr Al Arabi Insurance Company plc
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	2 522 400	137 157	145 883	2 153 015	151 959	132 101
Total Liabilities	2 343 796	110 917	116 551	1 979 382	122 933	102 401
Net Assets	178 604	26 240	29 332	173 633	29 026	29 700
Total Income	83 157	3 591	11 540	79 669	2 355	12 513
Total Expenses	82 354	3 858	8 634	75 917	9 184	8 773
Net Profit (Loss)	803	(267)	2 906	3 752	(6 829)	3 740

34. Interest Income

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Direct credit facilities at amortized cost *	1 708 635	1 608 944
Central banks	95 575	65 798
Banks and financial institutions	87 275	59 192
Financial assets at fair value through profit or loss	23 788	30 218
Other financial assets at amortized cost	514 804	442 844
Total	**2 430 077**	**2 206 996**

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

	2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4 312	13 703	33 955	2 422	702	55 094
Overdrafts	7 443	97 928	280 312	545	15 882	402 110
Loans and advances	260 546	112 798	639 665	2 098	48 639	1 063 746
Real estate loans	143 304	12 731	12 767	-	-	168 802
Credit cards	18 883	-	-	-	-	18 883
Total	**434 488**	**237 160**	**966 699**	**5 065**	**65 223**	**1 708 635**

	2018					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4 199	15 183	25 548	3 833	89	48 852
Overdrafts	6 813	92 880	270 776	115	24 869	395 453
Loans and advances	248 950	107 180	581 317	1 256	55 065	993 768
Real estate loans	140 059	8 830	5 405	-	-	154 294
Credit cards	16 577	-	-	-	-	16 577
Total	**416 598**	**224 073**	**883 046**	**5 204**	**80 023**	**1 608 944**

35. Interest Expense

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Customers' deposits *	889 421	744 792
Banks' and financial institutions' deposits	101 456	89 907
Cash margins	58 997	45 725
Borrowed funds	12 336	6 127
Deposit insurance fees	26 576	29 508
Total	**1 088 786**	**916 059**

* The details of interest expense paid on customer deposits are as follows:

	2019				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	27 440	4 998	20 580	3 767	56 785
Savings	39 535	2 088	151	71	41 845
Time and notice	357 055	46 133	220 395	92 863	716 446
Certificates of deposit	54 343	10 125	5 805	4 072	74 345
Total	**478 373**	**63 344**	**246 931**	**100 773**	**889 421**

	2018				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	18 420	2 911	26 380	4 367	52 078
Savings	36 753	3 147	150	17	40 067
Time and notice	329 222	37 027	147 492	88 984	602 725
Certificates of deposit	38 071	5 223	4 860	1 768	49 922
Total	**422 466**	**48 308**	**178 882**	**95 136**	**744 792**

36. Net Commission Income

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Commission income:		
- Direct credit facilities at amortized cost	92 566	92 276
- Indirect credit facilities	117 102	121 054
- Assets under management	19 163	14 774
- Other	114 024	107 218
Less: commission expense	(51 550)	(40 331)
Net Commission Income	**291 305**	**294 991**

37. Gains from Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

	2019			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	2 957	2 988	-	5 945
Companies shares	-	(47)	-	(47)
Mutual funds	-	1 076	79	1 155
Total	**2 957**	**4 017**	**79**	**7 053**

	2018			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	3 093	569	-	3 662
Companies shares	-	(100)	106	6
Mutual funds	-	(515)	-	(515)
Total	**3 093**	**(46)**	**106**	**3 153**

38. Other Revenue

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Revenue from customer services	14 876	15 290
Safe box rent	4 078	3 657
Losses from derivatives	(994)	(245)
Miscellaneous revenue	29 323	31 135
Total	**47 283**	**49 837**

39. Employees' Expenses

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Salaries and other benefits	360 191	368 235
Social security	36 090	33 547
Savings fund	5 099	4 853
Indemnity compensation	1 917	3 649
Medical	14 975	13 869
Training	3 105	2 918
Allowances	66 510	74 116
Other	11 655	11 979
Total	**499 542**	**513 166**

40. Other Expenses

The details of this item are as follows:

	2019	2018
	USD '000	USD '000
Utilities and rent	76 810	73 961
Office	69 920	66 867
Services	47 839	41 017
Fees	13 397	13 617
Information technology	48 087	41 278
Other administrative expenses	43 570	60 814
Total	**299 623**	**297 554**

41. Financial Derivatives

The details of this item is as follows:

	31 December 2019						
				Notional amounts by maturity			
(Held at FVTPL)	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	9 731	8 862	708 656	94 066	553 172	61 418	-
Interest rate swaps	10 317	9 977	1 806 287	300 372	104 979	516 019	884 917
Foreign currency forward contracts	13 520	30 274	9 923 017	7 347 285	1 800 393	775 339	-
Derivatives held for trading	**33 568**	**49 113**	**12 437 960**	**7 741 723**	**2 458 544**	**1 352 776**	**884 917**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	20 644	26 634	2 393 125	102 932	532 006	1 161 743	596 444
Foreign currency forward contracts	-	-	125 805	111 834	13 971	-	-
Derivatives held for fair value hedge	**20 644**	**26 634**	**2 518 930**	**214 766**	**545 977**	**1 161 743**	**596 444**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	140	3 970	-	3 970	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	**140**	**3 970**	-	**3 970**	-	-
Total	**54 212**	**75 887**	**14 960 860**	**7 956 489**	**3 008 491**	**2 514 519**	**1 481 361**

(Held at FVTPL)	Positive Fair Value	Negative Fair Value	Total Notional Amount	31 December 2018 Notional amounts by maturity			
				Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	7 340	6 972	864 855	209 419	616 519	38 917	-
Interest rate swaps	7 914	5 637	1 269 610	326 839	145 850	430 735	366 186
Foreign currency forward contracts	23 722	20 058	9 254 913	7 908 129	1 181 505	165 279	-
Derivatives held for trading	**38 976**	**32 667**	**11 389 378**	**8 444 387**	**1 943 874**	**634 931**	**366 186**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	24 987	18 722	1 981 298	20 325	441 711	647 016	872 246
Foreign currency forward contracts	-	-	103 060	103 060	-	-	-
Derivatives held for fair value hedge	**24 987**	**18 722**	**2 084 358**	**123 385**	**441 711**	**647 016**	**872 246**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	134	3 818	-	-	3 818	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	**134**	**3 818**	-	-	**3 818**	-
Total	**63 963**	**51 523**	**13 477 554**	**8 567 772**	**2 385 585**	**1 285 765**	**1 238 432**

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

42. Concentration of Assets, Revenues and Capital Expenditures According to the Geographical Distribution

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of assets, revenues and capital expenditures inside and outside Jordan:

	Inside Jordan		Outside Jordan		Total	
	2019	2018	2019	2018	2019	2018
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenues	668 928	631 000	1 561 902	1 502 049	**2 230 830**	**2 133 049**
Assets	16 258 619	15 238 310	34 956 225	33 924 315	**51 214 844**	**49 162 625**
Capital Expenditures	27 261	24 140	50 764	47 198	**78 025**	**71 338**

43. BUSINESS SEGMENTS

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate and Institutional Banking

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's business unit, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.

3. Consumer Banking

The Consumer Banking division is focused on offering customers an extensive range of feature-rich value proposition through its vast branch network and integrated direct banking channels, both locally and regionally. Consumer Banking provides a comprehensive range of programs that are specifically designed to cater to the needs of a diverse customer base. These range from Jeel Al Arabi, the special program for children, to Elite, the exclusive service offered to our high net worth clients. The bank believes in building meaningful customer relationships, placing client needs at the heart of our services and constantly reassessing those services in line with evolving customer needs and expectations.

Advanced digital solutions are important to our ability to serve customers efficiently and to streamline our internal operations. New solutions are constantly under review and are introduced regularly to ensure that customers benefit from the latest and most effective direct banking services and channels.

A key element of the bank's long term strategy is to offer banking services at a regional level by introducing cross-border solutions to our Elite and Arabi Premium clients throughout the bank's branch network and online banking services.

Information about the Group's Business Segments

	31 December 2019					
	Corporate and institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	1 012 120	690 107	(176 147)	244 156	460 594	2 230 830
Net inter-segment interest income	(172 173)	(425 222)	424 583	172 812	-	-
Less:						
ECL expense on financial assets	174 396	2 308	412	10 855	-	187 971
Other provisions	14 820	3 556	3 375	9 335	-	31 086
Direct administrative expenses	137 520	22 959	38 220	176 421	8 353	383 473
Result of operations of segments	**513 211**	**236 062**	**206 429**	**220 357**	**452 241**	**1 628 300**
Less: indirect expenses on segments	208 146	59 377	54 122	153 469	2 384	477 498
Profit for the year before income tax	**305 065**	**176 685**	**152 307**	**66 888**	**449 857**	**1 150 802**
Less: income tax expense	81 440	51 629	44 222	21 044	105 919	304 254
Profit for the Year	**223 625**	**125 056**	**108 085**	**45 844**	**343 938**	**846 548**
Depreciation and amortization	19 607	4 784	3 614	33 801	-	61 806
Other information						
Segment assets	18 287 524	19 370 170	3 887 063	4 616 489	1 539 947	47 701 193
Inter-segment assets			12 012 940	2 946 295	5 576 666	-
Investment in associates					3 513 651	3 513 651
TOTAL ASSETS	**18 287 524**	**19 370 170**	**15 900 003**	**7 562 784**	**10 630 264**	**51 214 844**
Segment liabilities	15 874 478	1 247 315	15 900 003	7 562 784	1 527 813	42 112 393
Shareholdres' equity	-	-	-	-	9 102 451	9 102 451
Inter-segment liabilities	2 413 046	18 122 855	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**18 287 524**	**19 370 170**	**15 900 003**	**7 562 784**	**10 630 264**	**51 214 844**

Information about the Group's Business Segments

	31 December 2018					
	Corporate and institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	1 041 550	585 350	(133 007)	232 064	407 092	2 133 049
Net inter-segment interest income	(256 670)	(229 794)	333 146	153 318	-	-
Less:						
ECL expense on financial assets	240 058	(1 365)	1 826	10 812	-	251 331
Other provisions	(2 710)	(4 232)	(3 933)	5 638	-	(5 237)
Direct administrative expenses	124 019	18 266	30 921	162 901	7 730	343 837
Result of operations of segments	**423 513**	**342 887**	**171 325**	**206 031**	**399 362**	**1 543 118**
Less: indirect expenses on segments	232 297	74 173	58 489	156 529	2 658	524 146
Recovery of legal provision	-	-	-	-	325 000	325 000
Impairment of investment held for sale	-	-	-	-	(225 000)	(225 000)
Profit for the year before Income tax	**191 216**	**268 714**	**112 836**	**49 502**	**496 704**	**1 118 972**
Less: income tax expense	56 718	65 650	31 407	18 409	126 244	298 428
Profit for the Year	**134 498**	**203 064**	**81 429**	**31 093**	**370 460**	**820 544**
Depreciation and amortization	17 863	4 615	2 874	31 911	-	57 263
Other Information						
Segment assets	18 393 458	18 538 865	3 282 334	4 383 312	1 266 405	45 864 374
Inter-segment assets	-	-	11 200 439	2 798 783	5 071 019	-
Investment in associates	-	-	-	-	3 298 251	3 298 251
TOTAL ASSETS	**18 393 458**	**18 538 865**	**14 482 773**	**7 182 095**	**9 635 675**	**49 162 625**
Segment liabilities	15 379 936	2 482 146	14 482 773	7 182 095	971 086	40 498 036
Shareholders' equity	-	-	-	-	8 664 589	8 664 589
Inter-segment liabilities	3 013 522	16 056 719	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**18 393 458**	**18 538 865**	**14 482 773**	**7 182 095**	**9 635 675**	**49 162 625**

44. BANKING RISK MANAGEMENT

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built in line with leading practices, and is supported by a risk governance structure consisting of risk-related Board Committees, Executive Management Committees, and three independent levels of control.

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management frameworks, policies and procedures for all types of risks and monitor their implementation
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Monitor and report to Senior Management and the Board on a timely basis
- Advise and promote risk awareness based on leading practices

a. Credit Risk Management

Arab Bank maintains a low risk strategy towards the activities it takes on. This combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination. Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits.

b. Geographic Concentration Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (45- E) shows the details of the geographical distribution of assets.

c. Liquidity Risk

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost. The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk.

Note (48) shows the maturities of the assets and liabilities of the Bank.

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Group's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Group to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (46) shows the details of market risk sensitivity analysis.

1. Interest Rate Risk

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the ALCO.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative risk-free rates (referred to as 'IBOR reform'). The Group has exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is uncertainty over the timing and the methods of transition. The Group anticipates that IBOR reform may have operational, risk management and accounting impacts.

The Bank is in the process of reviewing the impact of the IBOR reform on their floating rate loans and advances to customers' contracts and their floating rate financial liabilities contracts.

Most of the Group's hedging relationships are fair value hedges and accordingly, any uncertainties are already included in the consolidated statement of income.

Derivatives held for risk management purposes and hedge accounting:

The Group holds derivatives for risk management purposes, some of which are designated as hedging relationships and management is in the process of assessing the impact.

Note (47) shows the details of the interest rate risk sensitivity of the Group.

2. Capital Market Exposures

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (49) shows the net positions of foreign currencies.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Group.

45. Credit Risk

A. Gross exposure to credit risk (net of ECL provisions and interest in suspense and prior to collaterals and other risk mitigations).

	31 December	
	2019	2018
	USD '000	USD '000
Credit risk exposures relating to items on the consolidated statement of financial position:		
Balances with central banks	7 372 025	7 521 377
Balances with banks and financial institutions	4 258 593	3 197 643
Deposits with banks and financial institutions	313 556	323 443
Financial assets at fair value through profit or loss	494 609	416 310
Direct credit facilities at amortized cost	**23 960 625**	**23 785 542**
Consumer Banking	5 607 329	5 431 213
Small and Medium Corporate	2 998 325	3 017 160
Large Corporate	14 051 685	14 178 353
Banks and financial institutions	251 555	108 404
Government and public sector	1 051 731	1 050 412
Other financial assets at amortized cost	8 894 618	8 507 847
financial derivatives - positive fair value	54 212	63 963
Other assets	313 518	323 125
Total Credit Exposure related to items on the consolidated statement of financial position:	**45 661 756**	**44 139 250**
Credit risk exposures relating to items off the consolidated statement of financial position:		
Total of indirect facilities.	**17 102 311**	**18 020 298**
Grand Total for Credit Exposure	**62 764 067**	**62 159 548**

The table above shows the maximum limit of the bank credit risk as of 31 December 2019 and 2018 excluding collaterals and risks mitigations.

B. Fair value of collaterals obtained against total credit exposures :

	31 December 2019									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:										
Balances with central banks	7 380 833								7 380 833	8 808
Balances with banks and financial institutions	4 260 931								4 260 931	2 338
Deposits with banks and financial institutions	315 234								315 234	1 678
Financial assets at fair value through profit or loss	494 609								494 609	
Direct credit facilities at amortized cost	**26 134 777**	**1 793 133**	**371 676**	**3 667 550**	**553 790**	**429 591**	**5 012 716**	**11 828 456**	14 306 321	**1 633 162**
Consumer Banking	5 844 211	400 351	6 460	190 021	2 250	84 467	1 481 903	2 165 452	3 678 759	165 691
Small and Medium Corporates	3 344 680	298 456	34 909	698 436	194 169	26 843	456 086	1 708 899	1 635 781	236 333
Large Corporates	15 633 572	1 072 110	330 208	2 773 804	357 371	318 281	2 860 238	7 712 012	7 921 560	1 222 169
Banks and Financial Institutions	256 627	-	99	-	-	-	718	817	255 810	5 013
Government and Public Sector	1 055 687	22 216	-	5 289	-	-	213 771	241 276	814 411	3 956
Other financial assets at amortized cost	8 935 335	-	-	-	-	-	-	-	8 935 335	40 717
Financial derivatives - positive fair value	54 212	-	-	-	-	-	-	-	54 212	-
Other assets	313 518	-	-	-	-	-	-	-	313 518	-
Total	**47 889 449**	**1 793 133**	**371 676**	**3 667 550**	**553 790**	**429 591**	**5 012 716**	**11 828 456**	**36 060 993**	**1 686 703**
Credit exposures relating to items off statement of financial position:										
Total	**17 161 524**	**1 076 314**	**27 921**	**222 450**	**15 304**	**11 225**	**1 923 934**	**3 277 148**	**13 884 376**	**59 213**
Grand Total	**65 050 973**	**2 869 447**	**399 597**	**3 890 000**	**569 094**	**440 816**	**6 936 650**	**15 105 604**	**49 945 369**	**1 745 916**
Grand Total as of 31 December 2018	**64 311 104**	**2 749 416**	**450 269**	**3 617 190**	**667 416**	**466 667**	**6 830 483**	**14 781 441**	**49 529 663**	**1 697 620**

C. **Fair value of collaterals obtained against Stage 3 Credit Exposures :**

	31 December 2019									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	**Total**	**Net Exposure**	**Expected Credit Loss**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:										
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	**1 929 078**	**13 687**	**182**	**281 069**	**3 530**	**36 317**	**44 417**	379 202	1 549 876	**1 218 644**
Consumer Banking	252 833	-	-	24 749	165	1 625	19 793	46 332	206 501	145 220
Small and Medium Corporates	392 346	913	182	90 091	-	678	5 921	97 785	294 561	188 434
Large Corporates	1 279 275	12 774	-	166 229	3 365	34 014	18 703	235 085	1 044 190	880 368
Banks and Financial Institutions	3 989	-	-	-	-	-	-	-	3 989	3 923
Government and Public Sector	635	-	-	-	-	-	-	-	635	694
Other financial assets at amortized cost	4 776	-	-	-	-	-	-	-	4 776	4 776
Financial derivatives - positive fair value	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1 933 854**	**13 687**	**182**	**281 069**	**3 530**	**36 317**	**44 417**	**379 202**	**1 554 652**	**1 223 420**
Credit exposures relating to items off statement of financial position:										
Total	**51 167**	**1 570**	-	**4 724**	-	-	**6 680**	**12 974**	**38 193**	**9 546**
Grand Total	**1 985 021**	**15 257**	**182**	**285 793**	**3 530**	**36 317**	**51 097**	**392 176**	**1 592 845**	**1 232 966**
Grand Total as of 31 Decmeber 2018	**1 773 694**	**17 683**	**2 209**	**241 440**	**3 946**	**14 333**	**31 085**	**310 696**	**1 462 998**	**1 201 204**

The disclosures below were prepared on two stages: the first for the total exposures of credit facilities and the second for the size of the expected credit loss.

	31 December 2019					
	Stage 2		Stage 3		Total Reclassified Credit Risk Exposure	Percentage of Reclassified Credit Risk Exposure (%)
	Total Credit Risk Exposure	Reclassified Credit Risk Exposure	Total Credit Risk Exposure	Reclassified Credit Risk Exposure		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:						
Balances with central banks	212 635	31 916			31 916	15%
Balances with banks and financial institutions						
Deposits with banks and financial institutions						
Financial assets at fair value through profit or loss						
Direct credit facilities at amortized cost	2 739 720	(182 396)	1 929 078	280 042	97 646	2.1%
Other financial assets at amortized cost	187 568	21 604	4 776	-	21 604	11.2%
Other assets and financial derivatives - positive fair value						
Total	3 139 923	(128 876)	1 933 854	280 042	151 166	3.0%
Credit exposures relating to items off statement of financial position:						
Total	416 638	55 080	51 167	32 083	87 163	18.6%
Grand Total	3 556 561	(73 796)	1 985 021	312 125	238 329	4.3%
Grand Total as of 31 December 2018	3 335 053	979 521	1 773 694	211 252	1 190 773	23.3%

	31 December 2019					
	Stage 2		Stage 3		Total Reclassified Expected Credit Loss	Percentage of Reclassified Expected Credit Loss (%)
	Total Expected Credit Loss	Reclassified Expected Credit Loss	Total Expected Credit Loss	Reclassified Expected Credit Loss		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:						
Balances with central banks	6 016	713	-	-	713	12%
Balances with banks and financial institutions	-	-	-	-	-	
Deposits with banks and financial institutions	-	-	-	-	-	
Financial assets at fair value through profit or loss	-	-	-	-	-	
Direct credit facilities at amortized cost	319 979	(47 089)	1 218 644	41 695	(5 394)	-0.4%
Other financial assets at amortized cost	18 788	(4 345)	4 776	-	(4 345)	-18%
Other assets and financial derivatives - positive fair value	-	-	-	-	-	
Total	344 783	(50 721)	1 223 420	41 695	(9 026)	-0.6%
Credit exposures relating to items off statement of financial position:						
Total	13 515	(940)	9 546	427	(513)	-2%
Grand Total	358 298	(51 661)	1 232 966	42 122	(9 539)	-0.6%
Grand Total as of 31 December 2018	350 512	(6 496)	1 201 204	10 938	4 442	0.3%

- Expected Credit Losses for Reclassified Credit Exposures:

	31 December 2019						
	Reclassified Credit Exposures			Expected Credit Losses for Reclassified Credit Exposures:			
	Reclassified Credit Exposures from Stage 2	Reclassified Credit Exposures from Stage 3	Total Reclassified Credit Exposures	Stage 2 (Individual)	Stage 2 (Collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:							
Balances with central banks	31 916	-	31 916	713	-	-	713
Balances with banks and financial institutions							
Deposits with banks and financial institutions					-		
Financial assets at fair value through profit or loss					-		
Direct credit facilities at amortized cost	(182 396)	280 042	97 646	(31 605)	(1 049)	64 999	32 345
Other financial assets at amortized cost	21 604		21 604	(2 419)	-		(2 419)
Other assets and financial derivatives - positive fair value							
Total	(128 876)	280 042	151 166	(33 311)	(1 049)	64 999	30 639
Credit exposures relating to items off statement of financial position:							
Total	55 080	32 083	87 163	(1 011)	-	427	(584)
Grand Total	(73 796)	312 125	238 329	(34 322)	(1 049)	65 426	30 055
Grand Total as of 31 December 2018	979 521	211 252	1 190 773	(423)	16 772	43 239	59 588

D. Classification of debt securities facilities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	31 December 2019		
	Financial assets at fair value through profit or loss	**Other financial assets at amortized cost**	**Total**
Credit rating	**USD '000**	**USD '000**	**USD '000**
Private sector:			
AAA to A-	240 142	1 172 701	1 412 843
BBB+ to B-	6 283	255 068	261 351
Below B-	9 259	-	9 259
Unrated	31 514	96 993	128 507
Governments and public sector	207 411	7 369 856	7 577 267
Total	**494 609**	**8 894 618**	**9 389 227**

	31 December 2018		
	Financial Assets at Fair Value through P&L	**Other Financial Assets at Amortized Cost**	**Total**
Credit rating	**USD '000**	**USD '000**	**USD '000**
Private sector:			
AAA to A-	272 987	1 083 197	1 356 184
BBB+ to B-	7 188	235 503	242 691
Below B-	8 908	-	8 908
Unrated	30 349	85 165	115 514
Governments and public sector	96 878	7 103 982	7 200 860
Total	**416 310**	**8 507 847**	**8 924 157**

E. Credit exposure categorized by geographical distribution:

	31 December 2019						
	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	3 129 449	2 872 887	374	1 354 778	-	14 537	**7 372 025**
Balances and deposits with banks and financial institutions	339 468	1 593 924	361 963	1 236 846	940 945	99 003	**4 572 149**
Financial assets at fair value through profit or loss	-	270 321	19 988	198 017	-	6 283	**494 609**
Direct credit facilities at amortized cost	8 057 670	13 512 944	337 684	1 272 859	67 207	712 261	**23 960 625**
Consumer Banking	2 865 505	2 334 243	18	129 483	83	277 997	**5 607 329**
Small and Medium Corporates	871 514	1 529 882	45 870	390 807	26 238	134 014	**2 998 325**
Large Corporates	4 017 857	8 752 373	291 796	654 433	40 886	294 340	**14 051 685**
Banks and Financial Institutions	91 972	153 673	0	-	-	5,910.00	**251 555**
Government and public Sector	210 822	742 773		98 136	-	-	**1 051 731**
Other financial assets at amortized cost	3 783 214	4 085 369	141 721	488 890	113 983	281 441	**8 894 618**
financial derivatives - positive fair value	8 743	30 394	89	7 110	0	7 876	**54 212**
Other assets	70 059	185 693	2 210	53 122	226	2 208	**313 518**
Total	**15 388 603**	**22 551 532**	**864 029**	**4 611 622**	**1 122 361**	**1 123 609**	**45 661 756**
Total - as of 31 December 2018	**14 478 064**	**21 648 345**	**937 132**	**5 201 814**	**834 500**	**1 039 395**	**44 139 250**

* Excluding Arab Countries

E. Credit exposure categorized by geographical distribution and stagings according to IFRS 9:

	31 December 2019					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Jordan	11 315 564	2 819 565	1 188 848	28 269	36 357	**15 388 603**
Other Arab Countries	18 636 263	2 272 638	1 444 306	42 617	155 708	**22 551 532**
Asia*	864 011	18	-	-	-	**864 029**
Europe	4 465 082	124 064	8 214	5 419	8 843	**4 611 622**
America	1 099 516	83	22 762	-	-	**1 122 361**
Rest of the World	832 825	265 945	12 481	11 093	1 265	**1 123 609**
Total	**37 213 261**	**5 482 313**	**2 676 611**	**87 398**	**202 173**	**45 661 756**
Total as of 31 December 2018	**36 273 176**	**5 346 584**	**2 340 144**	**59 477**	**119 869**	**44 139 250**

* **Excluding Arab Countries.**

F. Credit exposure categorized by economic sector

	31 December 2019												
		Corporates											
	Consumer Banking	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	-	-	-	-	-	-	-	-	-	-	-	7 372 025	7 372 025
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 572 149	-	4 572 149
Financial assets at fair value through profit or loss	-	15 541	-	-	-	-	-	29 624	-	-	242 033	207 411	494 609
Direct credit facilities at amortized cost	5 607 329	4 609 887	1 949 459	1 851 056	4 201 680	357 273	572 124	341 686	11 984	3 154 861	251 555	1 051 731	23 960 625
Other financial assets at amortized cost	-	90 182	-	6 938	-	-	-	-	-	166 931	1 260 701	7 369 866	8 894 618
Financial derivatives - positive fair value	-	5	-	-	872	-	-	1 501	-	4 283	25 624	21 927	54 212
Other assets	16 473	33 723	13 801	6 352	27 617	1 370	2 551	3 309	-	41 901	21 122	145 299	313 518
Total	**5 623 802**	**4 749 338**	**1 963 260**	**1 864 346**	**4 230 169**	**358 643**	**574 675**	**376 120**	**11 984**	**3 367 976**	**6 373 184**	**16 168 259**	**45 661 756**
Total as of 31 December 2018	**5 447 156**	**4 913 605**	**2 058 717**	**1 868 126**	**4 300 092**	**330 849**	**648 581**	**396 112**	**11 985**	**3 093 478**	**5 150 291**	**15 920 258**	**44 139 250**

F. Credit exposure categorized by economic sector and stagings according to IFRS 9:

	31 December 2019					
	Stage 1		Stage 2			
	(Individual)	(Collective)	(Individual)	(Collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Consumer Banking	16 473	5 482 313	-	87 398	37 618	5 623 802
Industry and Mining	4 133 920	-	566 640	-	48 778	4 749 338
Constructions	1 544 834	-	388 873	-	29 553	1 963 260
Real Estate	1 540 487	-	308 106	-	15 753	1 864 346
Trade	3 724 417	-	490 899	-	14 853	4 230 169
Agriculture	283 606	-	68 388	-	6 649	358 643
Tourism and Hotels	288 353	-	256 296	-	30 026	574 675
Transportation	321 724	-	51 067	-	3 329	376 120
Shares	11 984	-	-	-	-	11 984
General Service	3 204 226	-	148 076	-	15 674	3 367 976
Banks and Financial Institutions	6 373 184	-	-	-	-	6 373 184
Government and Public Sector	15 770 053	-	398 266	-	(60)	16 168 259
Total	**37 213 261**	**5 482 313**	**2 676 611**	**87 398**	**202 173**	**45 661 756**
Total as of December 31, 2018	**36 273 176**	**5 346 584**	**2 340 144**	**59 477**	**119 869**	**44 139 250**

46. Market Risk

Market Risk Sensitivity

Assuming market prices as at December 31, 2019 and 2018 change by 5%, the impact on statement of income and shareholders equity will be as follows:

	31 December 2019			31 December 2018		
	Statement of Income	Shareholders' Equity	Total	Statement of Income	Shareholders' Equity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Interest rate sensitivity	49 807	-	49 807	47 989	-	47 989
Foreign exchange rate sensitivity	1 375	6 348	7 723	2 447	6 811	9 258
Equity instruments price sensitivity	1 222	19 297	20 519	1 176	18 551	19 727
Total	**52 404**	**25 645**	**78 049**	**51 612**	**25 362**	**76 974**

47. Interest Rate Risk

Below is the Group Exposure to interest rate volatility as of 31 December 2019 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ASSETS								
Cash at vaults	-	-	-	-	-	-	533 785	533 785
Mandatory cash reserve	-	-	-	-	-	-	1 760 665	1 760 665
Balances with central banks	3 047 048	100 902	68 050	-	25 000	-	2 370 360	5 611 360
Balances and deposits with banks and financial institutions	3 840 499	516 063	33 872	113 105	-	68 610	-	4 572 149
Financial assets at fair value through profit or loss	11 899	81 179	121 005	21 475	126 361	132 690	24 444	519 053
Direct credit facilities at amortized cost	7 087 753	3 559 992	2 759 446	3 138 758	2 421 966	4 992 710	-	23 960 625
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	385 933	385 933
Other financial assets at amortized cost	1 166 331	1 212 308	1 097 739	840 723	3 420 596	1 156 921	-	8 894 618
Investments in associates	-	-	-	-	-	-	3 513 651	3 513 651
Fixed assets	-	-	-	-	-	-	461 117	461 117
Other assets and financial derivatives - positive fair value	23 007	38 951	45 061	8 709	23 272	38 090	669 413	846 503
Deferred tax assets	-	-	-	-	-	-	155 385	155 385
TOTAL ASSETS	**15 176 537**	**5 509 395**	**4 125 173**	**4 122 770**	**6 017 195**	**6 389 021**	**9 874 753**	**51 214 844**
LIABILITIES								
Banks and financial institutions' deposits	1 561 405	1 544 078	97 479	90 148	55 718	1 528	411 539	3 761 895
Customer deposits	10 723 528	4 747 273	2 848 527	3 107 765	634 207	125 295	10 968 400	33 154 995
Cash margin	680 950	215 626	1 447 022	397 446	12 615	7 932	321 162	3 082 753
Borrowed funds	56 146	186 624	13 655	5 389	33 333	37 789	-	332 936
Provision for income tax	-	-	-	-	-	-	345 054	345 054
Other provisions	-	-	-	-	-	-	226 521	226 521
Other liabilities and financial derivatives - negative fair value	119 778	50 173	58 971	13 843	10 697	5 344	943 031	1 201 837
Deferred tax liabilities	-	-	-	-	-	-	6 402	6 402
Total liabilities	**13 141 807**	**6 743 774**	**4 465 654**	**3 614 591**	**746 570**	**177 888**	**13 222 109**	**42 112 393**
Gap	**2 034 730**	**(1 234 379)**	**(340 481)**	**508 179**	**5 270 625**	**6 211 133**	**(3 347 356)**	**9 102 451**

Below is the Group Exposure to interest rate volatility as of 31 December 2018 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ASSETS								
Cash at vaults	-	-	-	-	-	-	452 637	452 637
Mandatory cash reserve	-	-	-	-	-	-	1 543 327	1 543 327
Balances with central banks	3 390 329	66 515	13 610	-	-	24 287	2 483 309	5 978 050
Balances and deposits with banks and financial institutions	2 685 357	512 283	153 772	3 327	166 347	-	-	3 521 086
Financial assets at fair value through profit or loss	86 279	72 029	14 917	22 875	65 844	154 366	23 519	439 829
Direct credit facilities at amortized cost	8 027 652	3 825 207	2 294 684	2 766 203	2 131 677	4 740 119	-	23 785 542
Financial assets at fair value through OCI	-	-	-	-	-	-	371 010	371 010
Other financial assets at amortized cost	984 571	1 506 287	766 572	983 669	2 777 828	1 488 920	-	8 507 847
Investments in associates	-	-	-	-	-	-	3 298 251	3 298 251
Fixed assets	-	-	-	-	-	-	455 719	455 719
Other assets and financial derivatives - positive fair value	74 593	47 175	41 402	9 333	16 519	16 653	471 706	677 381
Deferred tax assets	-	-	-	-	-	-	131 946	131 946
TOTAL ASSETS	**15 248 781**	**6 029 496**	**3 284 957**	**3 785 407**	**5 158 215**	**6 424 345**	**9 231 424**	**49 162 625**
LIABILITIES								
Banks and financial institutions' deposits	1 856 476	1 627 048	163 605	802	113 566	32 954	472 139	4 266 590
Customer deposits	10 247 573	4 360 822	2 222 335	3 434 781	436 805	50 808	10 677 789	31 430 913
Cash margin	726 432	949 320	558 862	285 666	27 047	10 744	355 400	2 913 471
Borrowed funds	82 444	127 461	15 314	7 661	16 341	32 258	-	281 479
Provision for income tax	-	-	-	-	-	-	321 490	321 490
Other provisions	-	-	-	-	-	-	210 303	210 303
Other liabilities and financial derivatives - negative fair value	95 782	79 771	46 622	14 596	2 356	371	826 082	1 065 580
Deferred tax liabilities	-	-	-	-	-	-	8 210	8 210
Total liabilities	**13 008 707**	**7 144 422**	**3 006 738**	**3 743 506**	**596 115**	**127 135**	**12 871 413**	**40 498 036**
Gap	**2 240 074**	**(1 114 926)**	**278 219**	**41 901**	**4 562 100**	**6 297 210**	**(3 639 989)**	**8 664 589**

48. Liquidity Risk

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2019:

	Within 1 month	After 1 months and till 3 months	After 3 months and till 6 months	After 6 months and till one year	After one year and till 3 years	After 3 years	Not tied to a specific maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Liabilities								
Banks and financial institutions' deposits	1 360 495	1 484 474	283 540	57 947	154 697	1 528	422 743	3 765 424
Customer deposits	9 306 834	5 163 521	2 815 316	3 142 109	622 520	129 466	12 175 772	33 355 538
Cash margin	642 347	213 641	336 862	1 514 684	12 615	7 932	360 265	3 088 346
Borrowed funds	564	12 905	10 018	4 928	47 051	284 356	-	359 822
Provision for income tax	-	-	-	-	-	-	345 054	345 054
Other Provisions	-	-	-	-	-	-	226 521	226 521
Financial derivatives - negative fair value	14 819	14 203	1 747	5 335	7 169	6 661	25 953	75 887
Other liabilities	99 314	31 009	56 199	8 914	8 292	5 344	916 878	1 125 950
Deferred tax liabilities	-	-	-	-	-	-	6 402	6 402
Total Liabilities	**11 424 373**	**6 919 753**	**3 503 682**	**4 733 917**	**852 344**	**435 287**	**14 479 588**	**42 348 944**
Total Assets according to expected maturities	**10 440 621**	**4 325 168**	**3 337 315**	**3 987 435**	**7 957 709**	**9 596 532**	**11 570 064**	**51 214 844**

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2018

	Within 1 month	After 1 months and till 3 months	After 3 months and till 6 months	After 6 months and till one year	After one year and till 3 years	After 3 years	Not tied to a specific maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Liabilities								
Banks and financial institutions' deposits	1 671 673	477 727	1 134 246	325 802	153 566	35 272	472 139	4 270 425
Customer deposits	8 767 783	4 302 510	2 259 615	3 501 958	886 912	110 157	11 893 784	31 722 719
Cash margin	723 904	1 146 785	374 651	299 607	40 565	9 945	324 290	2 919 747
Borrowed funds	33 582	21 363	14 591	4 341	22 654	185 166	-	281 697
Provision for income tax	-	-	-	-	-	-	321 490	321 490
Other Provisions	-	-	-	-	-	-	210 303	210 303
Financial derivatives - negative fair value	9 214	8 556	2 303	5 426	570	5 497	19 961	51 527
Other liabilities	84 984	67 440	276 148	8 533	2 160	371	574 421	1 014 057
Deferred tax liabilities	-	-	-	-	-	-	8 210	8 210
Total Liabilities	**11 291 140**	**6 024 381**	**4 061 554**	**4 145 667**	**1 106 427**	**346 408**	**13 824 598**	**40 800 175**
Total Assets according to expected maturities	**11 267 150**	**4 495 198**	**2 900 103**	**3 674 833**	**6 837 409**	**9 134 189**	**10 853 743**	**49 162 625**

49. Net Foreign Currency Positions

The details of this item are as follows:

	31 December 2019		31 December 2018	
	Base currency in thousands	Equivalent in USD 000	Base currency in thousands	Equivalent in USD 000
USD	(17 006)	(17 006)	90 344	90 344
GBP	26 652	34 947	29 957	37 999
EUR	8 219	9 211	(8 763)	(10 013)
JPY	34 688	319	(148 183)	(1 342)
CHF	(893)	(922)	3 978	4 036
Other currencies *		(54 041)		(72 093)
		(27 492)		48 931

* Various foreign currencies translated to US Dollars

50. Fair Value Hierarchy

Financial instruments include financial assets and financial liabilities.

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

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

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

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

a. Fair value of financial assets and financial liabilities measured at fair value on recurring basis.

Some of the financial assets and financial 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 assets and financial liabilities are determined (valuation techniques and key inputs).

Financial assets / Financial liabilities	Fair Value as at 31 December		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019	2018				
	USD '000	USD '000				
Financial assets at fair value						
Financial assets at fair value through profit or loss						
Government Bonds and bills	207 411	96 878	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds	257 574	289 808	Level 1	Quoted	Not Applicable	Not Applicable
Loans and advances	29 624	29 624	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	24 444	23 519	Level 1	Quoted	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	519 053	439 829				
Financial derivatives - positive fair value	54 212	63 963	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	133 480	135 452	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	252 453	235 558	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at fair value through other comprehensive Income	385 933	371 010				
Total Financial Assets at Fair Value	959 198	874 802				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	75 887	51 523	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	75 887	51 523				

There were no transfers between Level 1 and 2 during 2019 & 2018.

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

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Group consolidated financial statements approximate their fair values:

	31 December 2019		31 December 2018		
	Book value	Fair value	Book value	Fair value	Fair value Hierarchy
	USD '000	USD '000	USD '000	USD '000	
Financial assets not calculated at fair value					
Mandatory reserve , time and notice and certificates of deposits at Central Banks	4 993 146	4 994 782	5 037 033	5 038 895	Level 2
Balances and Deposits with banks and Financial institutions	4 572 149	4 575 696	3 521 086	3 525 427	Level 2
Direct credit facilities at amortized cost	23 960 625	24 034 879	23 785 542	23 871 686	Level 2
Other Financial assets at amortized cost	8 894 618	8 996 983	8 507 847	8 596 806	Level 1 & 2
Total financial assets not calculated at fair value	42 420 538	42 602 340	40 851 508	41 032 814	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	3 761 895	3 774 410	4 266 590	4 284 245	Level 2
Customer deposits	33 154 995	33 297 984	31 430 913	31 553 011	Level 2
Cash margin	3 082 753	3 097 979	2 913 471	2 925 635	Level 2
Borrowed funds	332 936	338 201	281 479	284 080	Level 2
Total financial liabilities not calculated at fair value	40 332 579	40 508 574	38 892 453	39 046 971	

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being that discount rate.

51.- Analysis of Assets and Liabilities Maturities

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2019:

	UP to one year	More than one year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	533 785	-	533 785
Mandatory cash reserve	1 760 665	-	1 760 665
Balances with central banks	5 586 360	25 000	5 611 360
Balances and deposits with banks and financial institutions	4 404 423	167 726	4 572 149
Financial assets at fair value through profit or loss	239 214	279 839	519 053
Direct credit facilities at amortized cost	11 905 341	12 055 284	23 960 625
Financial assets at fair value through other comprehensive income	-	385 933	385 933
Other financial assets at amortized cost	4 050 141	4 844 477	8 894 618
Investment in subsidiaries and associates	-	3 513 651	3 513 651
Fixed assets	48 981	412 136	461 117
Other assets and financial derivatives - positive fair value	803 425	43 078	846 503
Deferred tax assets	155 385	-	155 385
Total assets	29 487 720	21 727 124	51 214 844
Liabilities			
Banks' and financial institutions' deposits	3 605 671	156 224	3 761 895
Customer deposits	32 449 948	705 047	33 154 995
Cash margin	3 065 528	17 225	3 082 753
Borrowed funds	28 210	304 726	332 936
Provision for income tax	345 054	-	345 054
Other Provisions	226 521	-	226 521
Other liabilities and financial derivatives - negative fair value	1 174 331	27 506	1 201 837
Deferred tax liabilities	6 402	-	6 402
Total liabilities	40 901 665	1 210 728	42 112 393
Net	(11 413 945)	20 516 396	9 102 451

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2018:

	UP to one year	More than one year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	452 637	-	452 637
Mandatory cash reserve	1 543 327	-	1 543 327
Balances with central banks	5 953 762	24 288	5 978 050
Balances and deposits with banks and financial institutions	3 354 743	166 343	3 521 086
Financial assets at fair value through profit or loss	157 195	282 634	439 829
Direct credit facilities at amortized cost	12 991 779	10 793 763	23 785 542
Financial assets at fair value through other comprehensive income	-	371 010	371 010
Other financial assets at amortized cost	3 835 185	4 672 662	8 507 847
Investment in subsidiaries and associates	-	3 298 251	3 298 251
Fixed assets	48 153	407 566	455 719
Other assets and financial derivatives - positive fair value	645 473	31 908	677 381
Deferred tax assets	131 946	-	131 946
Total assets	29 114 200	20 048 425	49 162 625
Liabilities			
Banks' and financial institutions' deposits	4 080 071	186 519	4 266 590
Customer deposits	30 568 208	862 705	31 430 913
Cash margin	2 862 964	50 507	2 913 471
Borrowed funds	49 049	232 430	281 479
Other Provisions	210 303	-	210 303
Provision for Income Tax	321 490	-	321 490
Other liabilities and financial derivatives - negative fair value	1 056 984	8 596	1 065 580
Deferred tax liabilities	8 210	-	8 210
Total liabilities	39 157 279	1 340 757	40 498 036
Net	(10 043 079)	18 707 668	8 664 589

52. Contingent Accounts

The table below details the maturity of expected liabilities and commitments:

	31 December 2019			
	Within 1 year	More than 1 year and up to 5 years	More than 5 years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 662 582	36 487	-	1 699 069
Acceptances	761 198	5 865	-	767 063
Letters of guarantee:				
- Payment guarantees	1 445 287	114 634	93 023	1 652 944
- Performance guarantees	3 611 661	1 415 474	164 239	5 191 374
- Other guarantees	2 713 430	401 265	25 683	3 140 378
Unutilized credit facilities	4 275 911	406 747	28 038	4 710 696
Total	**14 470 069**	**2 380 472**	**310 983**	**17 161 524**
Constructions projects contracts	3 752		-	3 752
Procurement contracts	8 044	2 620	1 906	12 570
Total	**11 796**	**2 620**	**1 906**	**16 322**

	31 December 2018			
	Within 1 year	More than 1 year and up to 5 years	More than 5 years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 781 377	33 312	766	1 815 455
Acceptances	814 634	16 271	-	830 905
Letters of guarantee:				
- Payment guarantees	1 020 651	51 737	20 309	1 092 697
- Performance guarantees	4 188 910	1 416 457	250 689	5 856 056
- Other guarantees	2 855 962	672 003	19 086	3 547 051
Unutilized credit facilities	4 631 092	297 868	26 532	4 955 492
Total	**15 292 626**	**2 487 648**	**317 382**	**18 097 656**
Constructions projects contracts	2 740	10 409	-	13 149
Procurement contracts	6 861	1 744	2 252	10 857
Operating lease contracts	3 870	12 515	26 124	42 509
Total	**13 471**	**24 668**	**28 376**	**66 515**

53. Capital Management

On October 31, 2016, The Central Bank of Jordan announced the instructions of capital management according to Basel III standards and stopped Basel II instructions.

The Group manages its capital to safeguard its ability to continue its operating activities while maximizing the return to shareholders. The composition of the regulatory capital, as defined by Basel III standards is as follows:

	31 December 2019	31 December 2018
	USD '000	USD '000
Common Equity Tier 1	8 543 121	7 963 395
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(3 036 069)	(2 791 745)
Additional Tier 1	437	8 528
Supplementary Capital	395 519	398 172
Regulatory Capital	**5 903 008**	**5 578 350**
Risk-weighted assets (RWA)	**36 460 222**	**35 662 164**
Common Equity Tier 1 Ratio	**%15.10**	**%14.50**
Tier 1 Capital Ratio	**%15.11**	**%14.53**
Capital Adequacy Ratio	**%16.19**	**%15.64**

- The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

54. Transactions with Related Parties

The details of this item are as follows:

	31 December 2019			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	372 918	-	55 768	67 888
Major Shareholders and Members of the Board of Directors	-	268 698	633 541	83 469
	372 918	**268 698**	**689 309**	**151 357**

	31 December 2018			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	138 980	-	96 987	90 118
Major Shareholders and Member of the Board of Directors	-	324 102	668 829	89 388
	138 980	**324 102**	**765 816**	**179 506**

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	2019	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 436	655

	2018	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 974	1 439

- Direct credit facilitates granted to key management personnel amounted to USD 2.3 million and indirect credit facilities amounted to USD217.1 thousand as of 31 December 2019 (USD 1.6 million direct credit facilities and USD 14.1 thousand indirect credit facilities as of 31 December 2018).

- Deposits of key management personnel amounted to USD 4.4 million as of December 31, 2019 (USD 3.1 million as of December 31, 2018)

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 66.9 million for the year ended on 31 December 2019 (USD 65.2 million for the year ended on 31 December 2018).

55. Earnings Per Share

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Profit for the year attributable to Shareholders of the Bank	844 937	820 649
	Thousand Shares	
Average number of shares	640 800	640 800
	USD / Share	
Earnings Per Share (Basic and diluted)	1.32	1.28

There are no instruments that could potentially dilute basic earnings per share in the future.

56. Assets under management

Assets under management as of 31 December 2019 amounted to USD 4274 million (USD 3803 million as of 31 December 2018). These assets are not included in the Group consolidated financial statements.

57. Cash and Cash Equivalent

The details of this item are as follows:

	31 December	
	2019	2018
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	7 821 568	7 937 150
Add: balances with banks and financial institutions maturing within 3 months	4 260 931	3 199 193
Less: banks and financial institutions deposits maturing within 3 months	3 267 380	3 768 913
Total	**8 815 119**	**7 367 430**

58. LEGAL CASES

There are lawsuits filed against the Group totaling USD 210.8 million as of 31 December 2019, (USD 192.5 million as of 31 December 2018). In the opinion of the management and the lawyers representing the Group in the litigation at issue, the provisions taken in connection with the lawsuits are adequate.

59. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

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

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 3: Definition of a Business

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

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

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

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

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

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

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

60. COMPARATIVE FIGURES

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