

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE
THREE-MONTH PERIOD ENDED
MARCH 31, 2019
TOGETHER WITH THE REVIEW REPORT

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
March 31, 2019

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Review Report

AM/009489

To the Chairman and Members of the Board of Directors
Cairo Amman Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Cairo Amman Bank (A Public Shareholding Limited Company) as of March 31, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in owners' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard IAS (34) relating to interim financial reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Condensed Interim Financial Information performed by an Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standards IAS (34) relating to condensed interim financial reporting.

Emphasis of matter

We draw the attention to note (31) of the condensed consolidated interim financial statements, which states that the corresponding figures included in the condensed consolidated interim statement of changes in shareholders' equity has been restated to comply with the requirements of a new International Financial Reporting Standards. Our conclusion is not modified in respect of this matter.

Other Matters

- 1- The fiscal year of the Bank ends on December 31st of each year. However, the accompanying condensed consolidated interim financial statements have been prepared for Management and Jordan Securities Commission purposes only.
- 2- The accompanying condensed consolidated interim financial statements are a translation of the condensed consolidated interim financial statements in the Arabic language to which reference is to be made.

Amman – The Hashemite Kingdom of Jordan
April 30, 2019


Deloitte & Touche (M.E.) – Jordan
Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		March 31, 2019 (Reviewed not audited)	December 31, 2018
	Note	JD	JD
Assets			
Cash and balances at Central Banks	5	311,271,635	333,370,286
Balances at banks and financial institutions	6	95,070,360	117,852,700
Deposits at banks and financial institutions	7	94,668,225	89,579,213
Financial assets at fair value through profit or loss	8	10,118,265	11,503,790
Financial assets at fair value through other comprehensive income	9	49,407,851	52,322,447
Financial assets at amortized cost-net	10	647,688,421	539,067,213
Financial assets pledged as collateral	11	3,912,000	24,562,000
Direct credit facilities-net	12	1,655,402,140	1,649,570,401
Property and equipment-net		43,000,793	43,232,345
Intangible assets - net		7,663,774	8,120,517
Deferred tax assets	16	9,278,471	8,699,628
Other assets	13	87,054,097	57,533,265
Total Assets		3,014,536,032	2,935,413,805
Liabilities And Owners' Equity			
Liabilities:			
Banks and financial institutions' deposits		364,708,129	378,802,862
Customers' deposits	14	1,980,218,834	1,913,902,093
Margin accounts		56,719,720	49,580,969
Borrowed funds	15	151,127,208	162,109,306
Sundry provisions		15,581,806	15,403,533
Income tax provision	16	14,302,509	15,202,732
Deferred tax liabilities		813,366	883,100
Other liabilities	17	81,896,421	53,189,141
Total Liabilities		2,665,367,993	2,589,073,736
Owners' Equity			
BANK'S SHAREHOLDERS' EQUITY			
Authorized and paid-up capital		180,000,000	180,000,000
Statutory reserve		74,578,456	74,578,456
General banking risk reserve		3,230,765	3,230,765
Cyclical fluctuations reserve		10,891,362	10,891,362
Fair value reserve-net	18	(11,992,155)	(9,789,482)
Retained earnings	19	77,307,618	77,486,036
Profit for the period		5,467,574	-
Total Bank's Shareholders' Equity		339,483,620	336,397,137
Non-controlling interests		9,684,419	9,942,932
Total Owners' Equity		349,168,039	346,340,069
Total Liabilities and Owners' Equity		3,014,536,032	2,935,413,805

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH
THE ACCOMPANYING REVIEW REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

	Note	For the Three Months Ended March 31,	
		2019	2018
		JD	JD
Interest income	20	44,453,997	38,496,378
<u>Less: Interest expense</u>	21	<u>(20,014,915)</u>	<u>(15,301,765)</u>
Net interest income		24,439,082	23,194,613
Net commission income		4,721,274	5,097,555
Net interest and commission income		29,160,356	28,292,168
Gain from foreign currencies		1,046,582	1,414,658
Gain from financial assets at fair value through profit or loss	22	338,385	286,219
Dividends from financial assets at fair value through other comprehensive income	9	2,136,860	2,083,077
Other income		2,008,451	1,623,465
Gross profit		34,690,634	33,699,587
Employees' expenses		10,821,947	10,642,487
Depreciation and amortization		2,293,077	2,362,029
Other expenses		8,479,852	7,583,964
Provision for expected credit loss	23	4,378,644	1,786,486
Sundry provisions		442,536	1,017,086
Total expenses		26,416,056	23,392,052
Profit before tax		8,274,578	10,307,535
Income tax expense	16	(3,065,517)	(3,504,422)
Profit for the year		5,209,061	6,803,113
Allocated to:			
Bank's shareholders		5,467,574	6,925,521
Non-controlling interests		(258,513)	(122,408)
Profit for the year		5,209,061	6,803,113
		JD/ Fils	JD/ Fils
Basic and diluted earnings per share (bank's shareholders)	24	0.030	0.038

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

	<u>For the Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>JD</u>	<u>JD</u>
Profit for the period	5,209,061	6,803,113
 <u>Add: Other comprehensive income items after tax</u>		
which will not be reclassified subsequently		
to the consolidated statement of income:		
Net change in fair value reserve	<u>(2,381,091)</u>	<u>(370,712)</u>
Total Comprehensive Income for the Period	<u>2,827,970</u>	<u>6,432,401</u>
 Total Comprehensive income for the period attributable to:		
Bank's shareholders	3,086,483	6,554,809
Non-controlling interests	<u>(258,513)</u>	<u>(122,408)</u>
Total Comprehensive Income for the Period	<u>2,827,970</u>	<u>6,432,401</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED
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CAISO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
(REVIEWED NOT AUDITED)

	Authorized and Paid-up Capital	Statutory Reserve	General Banking Risk Reserve *	Cyclical Fluctuations Reserve	Fair Value Reserve - Net	Retained Earnings	Profit for the Period	Shareholders' Equity	Non-controlling Interests	Total Owners' Equity
For the Period Ended March 31, 2012										
Balance at January 1, 2019	180,000,000	74,578,456	3,220,765	10,891,362	(9,789,482)	77,486,036	-	336,397,137	9,942,932	346,340,069
Total comprehensive income for the period	-	-	-	-	(2,381,091)	-	5,467,574	3,086,483	(258,513)	2,827,970
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	1,784,418	(1,784,418)	-	-	-	-
Balance at March 31, 2019	180,000,000	74,578,456	3,220,765	10,891,362	(11,992,155)	77,307,618	5,467,574	339,483,620	9,684,419	349,168,039
For the Period Ended March 31, 2018										
Balance at January 1, 2018 (adjusted)	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	71,279,760	-	336,583,677	10,469,283	347,052,960
Effect of implementing IFRS (9)	-	-	(10,689,602)	-	-	(553,043)	-	(11,242,648)	(72,777)	(11,315,425)
Balance at January 1, 2018 (adjusted)	180,000,000	69,955,203	5,907,476	7,756,997	(9,005,364)	70,726,717	-	325,341,029	10,396,506	335,737,535
Subsequent adjustments related to IFRS (9) impact - note (31)	-	-	(1,864,506)	-	-	4,999,821	-	3,135,315	(73,639)	3,101,676
Balance at January 1, 2018 (restated)	180,000,000	69,955,203	4,042,970	7,756,997	(9,005,364)	75,726,538	-	328,476,344	10,362,867	338,839,211
Effect of implementing IFRS (9) reclassification	-	-	-	-	-	182,767	-	182,767	-	182,767
Total comprehensive income for the period	-	-	-	-	(370,712)	-	6,925,521	6,554,809	(122,408)	6,432,401
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(6,580)	6,580	-	-	-	-
Balance at March 31, 2018	180,000,000	69,955,203	4,042,970	7,756,997	(9,382,576)	75,915,805	6,925,521	335,213,920	10,240,459	345,454,379

* The general banking risk reserve and the negative balance of the fair value reserve are restricted from use without a prior approval from the Central Bank of Jordan.

- As of March 31, 2019, the restricted retained earnings balance resulting from the early implementation of IFRS 9 amounted to JD 13,969,506.

- The retained earnings balance includes deferred tax assets amounting to JD 9,278,471 and is restricted from use in accordance with the instructions of the Central Bank of Jordan.

- The Bank cannot use a restricted amount of JD (11,992,155) which represents the negative fair value for the financial assets through other comprehensive income in accordance with the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.

- The Bank cannot use a restricted amount of JD (1,155,916) which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.

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CAIRO AMMAN BANK
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	Note	For the Three Months Ended March 31,	
		2019 JD	2018 JD
<u>Cash Flows from Operating Activities</u>			
Profit before tax for the period		8,274,578	10,307,535
Adjustments for:			
Depreciation and amortization		2,293,077	2,362,029
Provision for expected credit losses	23	4,378,644	1,786,486
Sundry provisions		442,536	1,017,086
Unrealized loss (gain) from financial assets at fair value through profit or loss	22	284,141	(62,713)
Loss from sale of property and equipment		169,771	830
Loss from sale of repossessed assets		-	39,000
Effect of exchange rate changes on cash and cash equivalents		(1,003,107)	(1,368,880)
Cash flow from operating activities before changes in assets		14,839,640	14,081,373
(Increase) Decrease in deposits at banks and financial institutions		(5,075,686)	19,750,803
Decrease (Increase) in financial assets at fair value through profit or loss		1,101,384	(3,357,821)
(Increase) in direct credit facilities		(10,272,761)	(56,342,322)
(Increase) Decrease in other assets		(4,892,317)	5,366
Increase in banks and financial institution deposits (maturing after more than three months)		79,599	4,592,529
Increase in customers deposits		66,316,741	72,959,228
Increase in margin accounts		7,138,751	1,616,932
Increase (Decrease) in other liabilities		3,927,197	(7,165,633)
Net cash flows from operating activities before income tax and sundry provisions		73,162,548	46,140,455
Income tax paid	16	(4,177,366)	(4,707,305)
Sundry provisions paid		(264,263)	(225,500)
Net cash flows from operating activities		68,720,919	41,207,650
<u>Cash Flows from Investing Activities</u>			
(Purchase) of financial assets at fair value through other comprehensive income		-	(770)
Sale of financial assets at fair value through other comprehensive income		96,554	296,181
(Purchase) of other financial assets at amortized cost		(185,207,105)	(150,804,740)
Maturity and sale of other financial assets at amortized cost		97,436,517	45,651,774
(Purchase) of property and equipment		(95,109)	(924,822)
Sale of property and equipment		1,244,940	20,997
(Purchase) of intangible assets		(2,924,384)	(89,819)
Net cash flows (used in) investing activities		(89,448,587)	(105,851,199)
<u>Cash Flows from Financing Activities</u>			
Increase in borrowed funds		11,373,049	27,024,381
Borrowed funds settled		(22,355,147)	(2,595,301)
Net cash flows (used in) from financing activities		(10,982,098)	24,429,080
Effect of exchange rate changes on cash and cash equivalents		1,003,107	1,368,880
Net (Decrease) in cash and cash equivalents		(31,709,766)	(38,845,589)
Cash and cash equivalents, beginning of the period		159,785,124	304,370,814
Cash and cash equivalents, end of the period	25	129,078,465	265,525,225
<u>Non-cash Transactions</u>			
Right of use assets	13	25,836,354	-
Lease liability	17	24,628,515	-

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

1. General

- Cairo Amman Bank was established as a public shareholding company, registered and incorporated in Jordan in 1960, in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964.
- The Bank provides its banking and financial services through its head office located in Amman and its 89 branches located in Jordan, 21 branches in Palestine, one in Bahrain and through its subsidiaries.
- The Bank's shares are listed on the Amman Stock Exchange.
- The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on April 22, 2019.

2. Basis of Preparation of the Condensed Consolidated Interim Financial Statements

- The accompanying condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting".
- The condensed consolidated interim financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value at the date of the condensed consolidated interim financial statements.
- The reporting currency of the condensed consolidated interim financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The condensed consolidated interim financial statements does not include all notes and information presented in the annual financial statements which is prepared in accordance with the IFRS and should be read with the Bank's annual report for the year ended December 31, 2018. The results of the three months ended March 31, 2019 do not indicate the expected results for the year ending December 31, 2019, as there was no appropriation of the profit of the three months ended March 31, 2019 which is usually performed at year end.

The consolidated financial statements include the financial statements of the Bank and its subsidiaries under its control. Moreover, control is achieved when the Bank has the power to govern the financial and operating policies of its subsidiaries in order to obtain benefits from their activities. Transactions, balances, income and expenses between the Bank and its subsidiaries are eliminated.

- The Bank owns the following subsidiaries as of March 31, 2019:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Operation	Country of Operation	Ownership Date
			Investment Brokerage and Portfolio Management	Jordan	1992
Al-Watanieh Financial Services Company	5,500,000	100	Investment Brokerage	Palestine	1995
Al-Watanieh Securities Company	1,600,000	100	Finance Leasing	Jordan	2013
Tamallak For Financial Leasing Company	5,000,000	100	Islamic Banking	Palestine	2016
Safa Bank	53,175,000	79	Investment	Palestine	2016
Thimmar Company for Investment Services *	35,450	100			

- The most important financial information for the subsidiaries as of March 31, 2019 is as follows:

	Al-Watanieh Financial Services Company (Awraq)		Al-Watanieh Securities Company	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	JD	JD	JD	JD
Total Assets	15,589,062	15,901,594	2,292,961	2,027,581
Total Liabilities	6,378,209	6,769,974	929,112	644,119
Net Assets	9,210,853	9,131,620	1,363,849	1,383,462

	For the Period Ended March 31,		For the Period Ended March 31,	
	2019	2018	2019	2018
	JD	JD	JD	JD
Total Revenues	277,236	461,662	47,942	41,053
Total Expenses	157,184	164,344	67,555	82,183

	Tamallak For Financial Leasing Company		Safa Bank	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	JD	JD	JD	JD
Total Assets	35,694,298	32,904,403	133,043,461	90,455,081
Total Liabilities	29,585,144	26,893,435	86,899,690	40,571,632
Net Assets	6,109,154	6,010,968	46,143,771	49,883,449

	For the Period Ended March 31,		For the Period Ended March 31,	
	2019	2018	2019	2018
	JD	JD	JD	JD
Total Revenues	387,610	299,213	761,445	612,643
Total Expenses	251,242	285,287	1,993,192	1,195,887

- * Thimmar Company for Investment Services is 90% owned by the subsidiary Al-Watanieh Securities Company and 10% by the Bank.

3. Significant accounting policies:

The accounting policies used in the preparation of this consolidated condensed interim financial information are consistent with those used in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of certain new and revised standards, that became effective on or after January 1st, 2019.

a. Amendments that didn't have an effect on the condensed consolidated interim financial statements of the Bank:

Annual improvements to IFRSs issued between 2015 and 2017:

Improvements include amendments to IFRS (3) Business Combinations. (11) Joint Arrangements. International Accounting Standards (12). Income Taxes and (23) Borrowing Costs.

IFRIC (23) Uncertainty on the Treatment of Income Tax.

The interpretation clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates when there is uncertainty about the treatment of income tax under IAS (12) and specifically addresses:

- Whether the tax treatment should be considered in aggregate.
- Assumptions regarding the procedures for the examination of tax authorities;
- Determination of taxable profit (tax loss), tax basis, unused tax losses, unused tax breaks, and tax rates;
- The impact of changes in facts and circumstances.

Amendments to IFRS 9 Financial Instruments.

These amendments relate to the advantages of prepayment with negative compensation, where the current requirements of IFRS (9) regarding termination rights have been amended to allow for the measurement at amortized cost (or on the business model at fair value through other comprehensive income) status of negative compensation payments.

Amendments to IAS (28) "Investment in Associates and Joint Ventures".

These amendments relate to long-term shares in allied enterprises and joint ventures. These amendments clarify that an entity applies IFRS (9) "*Financial Instruments*" to long-term interests in an associate or joint venture that forms part of the net investment in an associate or joint venture if the equity method has not been applied to it.

Amendments to IAS 19 Employee Benefits.

These amendments relate to adjustments to plans, reductions, or settlements.

b. Amendments with material effect on the condensed consolidated interim financial statements of the Bank:

Effect of Application of IFRS 16 "Leases"

The Bank adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including 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 in the Legal Form of a Lease".

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

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

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

The recognised right-of-use assets relate to leased properties as of March 31, 2019 and January 1st, 2019.

The movement on the right-of-use assets and lease liabilities during the period is as follow:

	Right-of-Use Assets	Lease Liabilities
	JD	JD
Balance as at January 1, 2019	26,654,280	26,654,280
Amortization of prepaid rent expense as January 1, 2019	-	(1,371,517)
Interest during the period	-	239,496
Amount paid during the period	-	(893,744)
Amortization during the period	(817,926)	-
Balance as March 31, 2019	25,836,354	24,628,515

The Bank's leasing activities and how these are accounted for:

The Bank leases properties to be used in it's activities. Rental contracts are typically made for fixed periods more than one year and may have extension options, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

4. Significant Accounting Judgments and key Sources of Uncertainty

Estimates:

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

The critical judgements and estimates used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the Bank's annual financial statements for the year ended December 31, 2018 except for the changes highlighted below:

Extension and termination options in leases contracts:

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

Determining the lease term:

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

Discounting of lease payment

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

5. Cash and Balances at Central Banks

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Cash on hand	111,956,240	113,091,651
Balances at Central Banks:		
Current and demand accounts	30,863,204	53,401,903
Time and notice deposits	13,635,246	10,635,000
Statutory cash reserve	105,818,496	100,843,314
Certificate of deposits	49,000,000	55,400,000
	311,273,186	333,371,868
Provision for expected credit losses (central banks)	(1,551)	(1,582)
Total	311,271,635	333,370,286

- Restricted balances amounted to JD 10,635,000 as of March 31, 2019 (JD 10,635,000 as of December 31, 2018). In addition to the statutory cash reserve as stated above.

- There are no balances that mature in a period more than three months as of March 31, 2019 and December 31, 2018.

- All balances at the Central Bank of Jordan are classified within stage 1 in accordance with the requirements of IFRS (9) and there are no transfers between stages 1, 2 and 3 or any written of balances as of March 31, 2019.

Movement on the provision for expected credit losses:

	March 31, 2019	December 31, 2018
	JD	JD
Beginning Balance	1,582	-
Effect of implementing IFRS (9) net after tax	-	1,094
Balance as of January 1, 2018 (adjusted)	1,582	1,094
Provision for expected credit loss for the period	(31)	488
Total	1,551	1,582

6. Balances at Banks and Financial Institutions

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
<u>Local Banks and Financial Institutions:</u>		
Current and demand accounts	1,256,036	1,043,055
Deposits maturing within 3 months or less	31,272,799	24,642,428
Total	32,528,835	25,685,483
<u>Foreign Banks and Financial Institutions:</u>		
Current and demand accounts	30,098,945	36,406,594
Deposits maturing within 3 months or less	32,465,281	55,787,873
Total	62,564,226	92,194,467
	95,093,061	117,879,950
<u>Less: provision for expected credit losses (balances at banks)</u>	<u>(22,701)</u>	<u>(27,250)</u>
Total	95,070,360	117,852,700

- Non-interest bearing balances at banks and financial institutions amounted to JD 31,354,981 as of March 31, 2019 (JD 37,449,649 as of December 31, 2018).

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

Movement on the provision for expected credit losses:

	March 31, 2019	December 31, 2018
	JD	JD
Beginning Balance	27,250	-
Effect of implementing IFRS (9) net after tax	-	62,193
Balance as of January 1, 2018 (adjusted)	27,250	62,193
Provision for expected credit loss for the period	(4,549)	(34,943)
Total	22,701	27,250

7. Deposits at Banks and Financial Institutions

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Deposit maturing within:		
More than 3 to 6 months	926,936	-
More than 6 to 9 months	28,000,000	612,376
More than 9 to 12 months	5,065,706	28,000,000
More than 12 months	60,907,100	61,207,100
Total	94,899,742	89,819,476
Less: provision for expected credit losses (deposits at banks)	(231,517)	(240,263)
Total	94,668,225	89,579,213

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

Movement on the provision for expected credit losses of deposits at Banks and financial institutions:

	March 31, 2019	December 31, 2018
	JD	JD
Beginning Balance	240,263	-
Effect of implementing IFRS (9) net after tax	-	332,570
Balance as of January 1, 2018 (adjusted)	240,263	332,570
Provision for expected credit loss for the period	(8,746)	(92,307)
Total	231,517	240,263

8. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Corporate shares	9,409,307	11,503,790
Foreign government treasury bills	708,958	-
Total	10,118,265	11,503,790

9. Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Quoted shares	45,352,325	48,264,787
Unquoted shares *	4,055,526	4,057,660
	49,407,851	52,322,447

- Dividends on investments amounted to JD 2,136,860 for the period ended March 31, 2019 (JD 2,083,077 for the period ended March 31, 2018).

* Fair value calculation for unquoted investments are based on the most recent financial data available.

10. Financial Assets at Amortized Cost - Net

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Quoted Investments		
Foreign government treasury bonds	19,841,303	12,012,326
Corporate debt securities	17,409,534	17,410,154
Total quoted investments	37,250,837	29,422,480
Unquoted Investments		
Treasury bills	24,443,872	44,057,267
Government treasury bonds	530,779,666	410,312,489
Governmental debt securities	1,960,903	1,938,854
Corporate debt securities	54,000,000	54,283,600
Total unquoted investments	611,184,441	510,592,210
Total	648,435,278	540,014,690
Less: Provision for expected credit losses (financial assets at amortized cost)	(746,857)	(947,477)
	647,688,421	539,067,213
Analysis of bonds and treasury bills:		
Fixed rate	648,435,278	540,014,690
Floating rate	-	-
Total	648,435,278	540,014,690

Movement on the provision for expected credit losses:

	March 31, 2019	December 31, 2018
	JD	JD
Beginning Balance	947,477	-
Effect of implementing IFRS (9) net after tax	-	745,183
Balance (adjusted)	947,477	745,183
Provision for expected credit loss for the period	(200,620)	202,294
Total	746,857	947,477

11. Financial Assets Pledged as Collateral

This item consists of the following:

	March 31, 2019		December 31, 2018	
	Financial assets pledged as collateral	Related financial liabilities	Financial assets pledged as collateral	Related financial liabilities
	JD	JD	JD	JD
Financial assets at amortized cost	<u>3,912,000</u>	<u>3,912,000</u>	<u>24,562,000</u>	<u>24,562,000</u>

These bonds were collateralized against the borrowed funds obtained from the Central Bank of Jordan for financing industrial loans and SMEs.

12. Direct Credit Facilities - Net

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Consumer lending		
Overdrafts	7,202,911	8,440,709
Loans and bills *	647,399,382	655,572,767
Credit cards	14,743,602	15,259,761
Others	6,258,530	6,434,899
Residential mortgages	216,852,562	212,744,385
Corporate lending		
Overdrafts	105,145,769	103,296,280
Loans and bills *	366,175,659	357,055,703
Small and medium enterprises lending "SMEs"		
Overdrafts	32,557,438	22,273,715
Loans and bills *	113,657,119	119,181,918
Lending to governmental sectors	<u>222,143,063</u>	<u>221,114,559</u>
	1,732,136,035	1,721,374,696
Less: Suspended interest	(10,604,307)	(10,288,548)
Less: Provision for expected credit loss	<u>(66,129,588)</u>	<u>(61,515,747)</u>
Total	<u>1,655,402,140</u>	<u>1,649,570,401</u>

* Net of interest and commissions received in advance amounting to JD 6,289,567 as of March 31, 2019 (JD 10,639,644 as of December 31, 2018).

- Non-performing credit facilities, in accordance with the instructions of the Central Bank of Jordan, amounted to JD 90,039,902 as of March 31, 2019 (JD 82,778,735 as of December 31, 2018), representing 5.2% (December 31, 2018: 4.81%) of gross direct credit facilities granted.

- Non-performing credit facilities, net of suspended interest, amounted to JD 79,590,348 as of March 31, 2019 (JD 72,561,170 as of December 31, 2018), representing 4.62% (December 31, 2018: 4.24%) of gross direct credit facilities granted after excluding the suspended interest.

- Credit facilities granted to the Government of Jordan amounted to JD 66,689,448 as of March 31, 2019 (JD 77,511,279 as of December 31, 2018), representing 3.85% (December 31, 2018: 4.50%) of gross direct credit facilities granted.

- Credit facilities granted to the public sector in Palestine amounted to JD 66,624,342 as of March 31, 2019 (JD 55,351,850 as of December 31, 2018), representing 3.22% (December 31, 2018: 3.22%) of gross direct credit facilities granted.

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

	Residential			Corporates			Government and		Total
	Consumer	Loans	Large	SMEs	Public Sector	JD	JD	JD	
For the period ended March 31, 2019	JD	JD	JD	JD	JD	JD	JD	JD	
Balance as of January 1, 2019	40,799,652	5,120,597	7,032,429	6,883,599	1,679,470			61,515,747	
Credit loss on new facilities during the year	806,617	222,137	540,356	525,741	8,063			2,102,914	
Reversed from credit losses on settled facilities	(1,818,833)	(327,705)	(118,376)	(380,148)	(64,570)			(2,709,632)	
Transferred to stage 1	(125,259)	(75,404)	(26,502)	112,911	150,882			36,628	
Transferred to stage 2	1,276,866	522,854	(1,485)	318,497	(150,989)			1,965,743	
Transferred to stage 3	(1,151,607)	(447,450)	27,987	(431,408)	107			(2,002,371)	
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the period	2,127,444	269,472	769,283	1,599,376	101,386			4,866,961	
Changes resulting from adjustments	(918,446)	(284,202)	101,526	145,258	1,136,643			180,779	
Valuation differences	172,819	-	-	-	-			172,819	
Balance at the End of the Period	41,169,253	5,000,299	8,325,218	8,773,826	2,860,992			66,129,588	

	Residential			Corporates			Government and		Total
	Consumer	Loans	Large	SMEs	Public Sector	JD	JD	JD	
For the year ended December 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD	
Balance as of January 1, 2018 (adjusted)	42,536,594	4,085,511	5,079,507	5,295,164	493,059			57,489,835	
Credit loss on new facilities during the year	1,563,403	973,160	2,250,008	2,438,422	114,310			7,339,303	
Reversed from credit losses on settled facilities	(4,942,698)	(788,362)	(283,527)	(801,828)	(6,672)			(6,823,087)	
Transferred to stage 1	1,118,979	244,379	550,817	758,117	438,738			3,111,030	
Transferred to stage 2	465,286	(199,513)	(435,822)	(14,127)	(438,738)			(622,914)	
Transferred to stage 3	(1,584,265)	(44,866)	(114,995)	(743,990)	-			(2,488,116)	
Effect on the provision at the end of the year - resulting from the reclassification between the three stages at the end of the year	7,839,227	1,065,657	1,681,817	1,257,255	943,916			12,787,872	
Changes resulting from adjustments	(5,012,628)	(215,369)	(720,929)	(1,305,414)	134,857			(7,119,483)	
Written off facilities	(1,184,246)	-	(974,447)	-	-			(2,158,693)	
Balance at the End of the Year	40,799,652	5,120,597	7,032,429	6,883,599	1,679,470			61,515,747	

* The Bank has implemented the instructions of the Central Bank of Jordan relating to the implementation of IFRS (9) as of January 1, 2018 with a retrospective effect.

The accumulated effect of the implementation of the expected credit losses amounting to JD 8,826,805 before tax has been recognized as an adjustment to the beginning balance of the provision for expected credit losses as of January 1, 2018.

Suspended Interest

	Residential			Government and		
	Consumer	Loans	Corporates	SMEs	Public Sector	Total
<u>For the period ended March 31, 2019</u>	JD	JD	JD	JD	JD	JD
Balance as of January 1, 2019	1,996,485	278,066	6,411,115	1,314,025	288,857	10,288,548
Suspended interest on new exposures during the year	275,584	34,544	109,002	213,267	-	632,397
Suspended interest on settled exposures transferred						
to revenue during the year	(192,749)	(25,778)	(3,803)	(4,606)	(89,702)	(316,638)
Transferred to stage 1	(347)	-	(108)	22	-	(433)
Transferred to stage 2	17,760	93,158	116	525	-	111,559
Transferred to stage 3	(17,413)	(93,158)	(8)	(547)	-	(111,126)
Balance at the End of the Period	2,079,320	286,832	6,516,314	1,522,686	199,155	10,604,307

	Residential			Government and		
	Consumer	Loans	Corporates	SMEs	Public Sector	Total
<u>For the year ended December 31, 2018</u>	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year (Adjusted)	7,095,997	158,438	2,000,892	1,274,837	23	10,530,187
Suspended interest on new exposures during the year	562,231	125,292	39,169	127,368	288,857	1,142,917
Suspended interest on settled exposures transferred						
to revenue during the year	(833,064)	(5,664)	(83,275)	(115,882)	(23)	(1,037,908)
Transferred to stage 1	(38,690)	261	41,855	(924)	-	2,502
Transferred to stage 2	8,410	808	(5,599)	6	-	3,625
Transferred to stage 3	30,280	(1,069)	(36,256)	918	-	(6,127)
Effect on suspended revenue at the end of the year - resulting from the reclassification between the three stages at the end of the year	-	-	-	-	-	-
Effect on suspended interest resulting from adjustments	(4,808,967)	-	4,808,967	27,702	-	27,702
Suspended interest on written off exposures	(19,712)	-	(354,638)	-	-	(374,350)
Balance at the End of the Year	1,996,485	278,066	6,411,115	1,314,025	288,857	10,288,548

13. Other Assets

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Right of use assets	25,836,354	-
Accrued income	15,395,248	14,931,416
Prepaid expenses	9,537,654	7,878,593
Repossession Assets - net *	9,620,311	8,675,310
Accounts receivable - net	11,119,265	5,260,313
Clearing checks	12,065,797	15,619,774
Settlement guarantee fund	148,000	30,000
Trading settlement account	453	5,829
Refundable deposits	578,653	574,650
Deposits at Visa International	1,999,401	1,999,401
Others	752,961	2,557,979
Total	87,054,097	57,533,265

* As per the Central Bank of Jordan instructions the repossession assets should be sold within two years of repossession, and can be extended under exceptional circumstances by the Central Bank of Jordan for a maximum of four years.

Movement on repossessed assets during the period is as follows:

	March 31, 2019	December 31, 2018
	JD	JD
Balance - beginning of the period / year	10,361,210	14,872,868
Additions	945,001	1,538,424
Disposals	-	(1,146,481)
Transferred to accounts receivable*	-	(4,903,601)
Total	11,306,211	10,361,210
Impairment of repossessed assets	(495,909)	(495,909)
Impairment of repossessed assets as per the Central Bank of Jordan instructions	(1,189,991)	(1,189,991)
Balance - End of the Period / Year	9,620,311	8,675,310

A summary of the impairment movement on repossessed assets:

Balance-beginning of the period	1,685,900	2,053,900
Used during the period	-	(368,000)
Balance - End of the Period	1,685,900	1,685,900

As per the Central Bank of Jordan instructions the repossessed assets should be sold within two years of under exceptional circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has started to book a gradual provision for the repossessed assets which are being held for more than four years in accordance to the central Bank of Jordan circular number 10/1/4076 dated March 27, 2014, and 10/1/7096 dated June 8, 2014, the bank started to book provision gradually for those sized asset with aging more than 4 year. In light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the Bank, it was decided to stop the Circular rules mentioned above for the year 2018 and continue on booking provisions in the year 2020 according to the Central Bank of Jordan circular number 10/1/13967 dated October 25, 2018.

* The Bank has transferred the land to accounts receivable due to finalizing the lawsuit against the previous debtor during the last quarter of 2018, noting that the Bank is in the process of taking the necessary measures in accordance with policies.

14. Customers Deposits

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Current and demand accounts	417,122,448	400,618,274
Saving deposits	491,049,221	487,865,952
Time and notice deposits	1,072,047,165	1,025,393,761
Certificates of deposits	-	24,106
Total	1,980,218,834	1,913,902,093

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 278,638,981, equivalent to 14.07% of total deposits as of March 31, 2019 (JD 287,269,563, equivalent to 15.01% of total deposits as of December 31, 2018).

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

- Non-interest bearing deposits amounted to JD 361,546,415 as of March 31, 2019 (JD 364,030,959 as of December 31, 2018) representing 18,26% (December 31, 2018: 19.02%) of total deposits.

- Dormant accounts amounted to JD 39,706,652 as of March 31, 2019 (JD 38,620,539 as of December 31, 2018).

15. Borrowed Funds

This item consists of the following:

	Amount	No. of Installments		Payable	Maturity	Collaterals	Interest Rate
		Total	Outstanding				
March 31, 2019	JD						
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	2,304,250	20	13	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	8,075,000	10	7	Semi- annually	2028	None	2.700%
Amounts borrowed from Central Bank of Jordan**	31,234,309	180	180	At maturity / per Loan	2026 - 2019	Treasury Bills	1% - 2.25%
Amounts borrowed from Central Bank of Jordan*	1,896,127	14	11	Semi- annually	2028	None	2.500%
Amounts borrowed from European Bank for Reconstruction and Development	4,045,714	7	4	Semi- annually	2021	None	4.750%
Amounts borrowed from European Bank for Reconstruction and Development	2,025,714	7	2	Semi- annually	2020	None	3.25%
Amounts borrowed from European Bank for Reconstruction and Development	14,180,000	7	7	Semi- annually	2025	None	5.250%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.750%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	2039	None	3.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2020	None	5.900%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity		Treasury Bills	
Amounts borrowed from European Bank for Reconstruction and Development	3,545,000	7	7	Semi- annually	2023	None	4.560%
Amounts borrowed from French Development Agency	4,269,898	20	19	Semi- annually	2023	None	4.570%
Union Bank	700,000	48	37	Quarterly	2020	None	6.000%
Union Bank	500,000	48	46	Quarterly	2021	None	6.000%
Union Bank	500,000	48	47	Quarterly	2021	None	6.000%
Societe Generale Banque de Jordanie	644,444	45	31	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	151,127,208						
December 31, 2018							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.895%-4.845%
Amounts borrowed from French Development Agency	2,304,250	20	13	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	8,550,000	10	8	Semi- annually	2028	None	2.700%
Amounts borrowed from Central Bank of Jordan**	31,471,064	186	186	At maturity / per Loan	2018 - 2026	Treasury Bills	2.5% - 1%
Amounts borrowed from Central Bank of Jordan*	1,896,127	14	11	Semi- annually	2028	None	2.500%
Amounts borrowed from European Bank for Reconstruction and Development	5,057,143	7	5	Semi- annually	2021	None	4.750%
Amounts borrowed from European Bank for Reconstruction and Development	3,038,571	7	3	Semi- annually	2020	None	3.25%
Amounts borrowed from European Bank for Reconstruction and Development	14,180,000	7	7	Semi- annually	2025	None	5.250%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.750%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi- annually	2039	None	3.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2020	None	5.900%
Amounts borrowed from Central Bank of Jordan	19,000,000	1	1	At maturity	2019	Treasury Bills	5.500%
Amounts borrowed from European Bank for Reconstruction and Development	3,545,000	7	7	Semi- annually	2023	None	4.560%
Amounts borrowed from French Development Agency	4,349,288	20	20	Semi- annually	2023	None	4.570%
Union Bank	800,000	24	24	Quarterly	2024	None	6.000%
Societe Generale Banque de Jordanie	711,111	45	44	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	162,109,306						

* The borrowed funds from Central Bank of Jordan for SMEs loans were re-lent on an average interest rate of 8.5%

** The borrowed funds from Central Bank of Jordan for industrial, energy, agriculture and tourism financing loans were re-lent on an average interest rate of 4.5%.

*** Residential loans acquired from Jordan Mortgage Refinance Company amounted to JD 33,177,984 as of March 31, 2019 at a fixed rate of 7%.

16. Income Tax

A- Income Tax Provision

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

	March 31, 2019 JD	December 31, 2018 JD
Balance - beginning of the period / year	15,202,732	17,321,461
Income tax paid	(4,177,366)	(14,440,422)
Income tax expense	3,277,143	12,321,693
Balance - End of the Period / Year	14,302,509	15,202,732

B- Income tax appearing in the income statement represents the following:

	For the Three Months Ended March 31, 2019 JD	2018 JD
Income tax expense for the period / year	3,277,143	3,689,835
Deferred tax assets	(152,286)	(185,413)
Amortization of deferred tax liabilities	(59,340)	-
Income Tax for the Year's Profits	3,065,517	3,504,422

- The statutory tax rate on banks in Jordan is 35% until the end of 2018, which became 38% starting January 1, 2019 and the statutory tax rate on foreign branches and subsidiaries range between 0%-31% (income tax rate for banks in Palestine is 15% plus VAT of 16%).
- The Bank reached a final settlement with the Income and Sales Tax Department for the year ended December 31, 2015 for the branches in Jordan. The Income and Sales Tax Department has not reviewed the accounts for the years 2016 and 2017 and 2018 up to the date of these consolidated financial statement.
- A final settlement was reached with the tax authorities for Palestine branches for the year ended December 31, 2017.
- Al-Watanieh Financial Services Company reached a final settlement with the Income and Sales Tax Department up to the year 2014. The Income and Sales Tax Department has reviewed 2010 and 2011 records and estimated the tax payable for these years at JD 318,664 for the amount paid. This decision was objected by the company in the specialized courts where a decision was issued by the Court of First Instance in June 2016 to annul a claim, consider it voided and return it in order to be corrected to the Sales and Tax Department. This decision has been confirmed during the appeal stage in October 2016. Based on court's decision, the Income Tax Department reissued certificates with the same amounts. As a result, the company appealed against the decision, for which an objection was issued in June 2017 and therefore the appeal was filed before the courts which ended in July 2017. The court is still awaiting to correct the legal procedures, even though the legal period available after submitting the statements has passed by 4 years. The Sales and Income Tax Department has not reviewed the accounts for the years 2015, 2016 and 2017 up to the date of these consolidated financial statement.
- Al-Watanieh Securities Company – Palestine reached a final settlement with the income tax Department for the year 2017. No income tax provision has been booked for the year 2018 due to the Company's operating losses in 2018.
- Tamallak for leasing Company financial statements has reached a final settlement with the Income and Sales tax Department for the year 2016. The Income and Sales Tax Department has not reviewed the accounts for the year 2017, up to the date of these consolidated financial statement.
- In the opinion of the Bank's management, income tax provisions as of March 31, 2019 are sufficient to face any future tax liabilities.

C - Deferred Tax Assets and Liabilities

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Balance - beginning of the period / year	8,699,628	5,743,006
Effect of the implementation of IFRS (9)	-	3,310,327
Adjusted balance - beginning of the period / year	8,699,628	9,053,333
Additions during the period / year	583,536	1,310,988
Disposal during the period / year	(4,693)	(1,664,693)
Balance - End of the Period / Year	9,278,471	8,699,628

- Deferred tax is calculated using the tax rates that are expected to be applied when the deferred tax asset will be realized or the deferred tax liability will be settled.

17. Other Liabilities

This item consists of the following:

	March 31, 2019	December 31, 2018
	JD	JD
Lease liability	24,628,515	-
Accrued interest	14,184,122	12,467,347
Accrued income	195,707	390,829
Accounts payable	6,948,224	5,444,344
Accrued expenses	9,330,175	10,156,785
Temporary deposits	16,799,593	14,041,406
Checks and withdrawals	4,333,549	4,091,790
Others	3,194,988	4,466,660
	79,614,873	51,059,161
Provision for expected credit losses (other liabilities)	2,281,548	2,129,980
Total	81,896,421	53,189,141

Movement on the provision for expected credit losses:

	March 31, 2019	December 31, 2018
	JD	JD
Beginning balance	2,129,980	-
Effect of implementing IFRS (9) net after tax	-	1,556,232
Balance - (adjusted)	2,129,980	1,556,232
Provision for expected credit loss for the period	151,568	573,748
Total	2,281,548	2,129,980

18. Fair Value Reserve - Net

This item consists of the following:

	March 31, 2019 JD	December 31, 2018 JD
Balance - beginning of the period / year	(9,789,482)	(9,005,364)
Unrealized (gain)	(2,782,141)	(377,275)
Loss (Gain) from sale financial assets at fair value through other comprehensive income	178,418	(6,500)
Deferred tax assets	390,656	(395,410)
Deferred tax liability	10,394	(4,933)
Balance - end of the Period / Year	(11,992,155)	(9,789,482)

19. Retained Earnings

This item consists of the following:

	March 31, 2019 JD	December 31, 2018 JD
Beginning balance	77,486,036	71,279,760
Transferred to general banking risk reserve	-	12,554,111
Effect of implementing IFRS (9) reclassification	-	174,331
Effect of implementing IFRS (9)	-	(8,107,333)
Adjusted beginning balance	77,486,036	75,900,869
Profit for the year	-	30,126,670
Transferred to statutory reserve	-	(4,623,253)
Transferred from (to) general banking risk reserve	-	812,205
Transferred to cyclical fluctuations reserve	-	(3,134,365)
Cash dividends	-	(21,600,000)
Capital increase related expenses	-	(2,590)
Net gain from sale of financial assets at fair value through other comprehensive income	(178,418)	6,500
Ending Balance	77,307,618	77,486,036

- Retained earnings balance include unrealized gains amounting to JD 13,969,506 resulting from the early implementation of IFRS 9. This amount is not available for distribution in accordance with the Securities Commission instructions, except for the amounts realized through the sale of the financial assets.
- Retained earnings include deferred tax assets amounted to JD 9,278,471 as of March 31, 2019 which is not available for distribution in accordance with the Central Bank of Jordan instructions.
- The amount of JD 11,992,155 represents negative change for the assets in fair value reserve through other comprehensive income restricted from use as per the Central Bank of Jordan and the Securities Commission instructions.
- The amount JD 1,155,916 represents the remaining balance of the general banking risk reserve restricted from use as per the Central Bank of Jordan instructions.

20. Interest Income

This item consists of the following:

	For the Three Months Ended March 31,	
	2019	2018
	JD	JD
Direct Credit Facilities:		
Overdrafts	4,857,573	4,580,991
Loans and bills	29,288,925	26,159,769
Credit cards	698,872	687,427
Balances at Central Banks	951,673	1,884,959
Balances and deposits at banks and financial institutions	1,603,198	1,540,028
Financial assets at amortized cost	6,987,673	3,580,343
Others	66,083	62,861
Total	44,453,997	38,496,378

21. Interest Expense

This item consists of the following:

	For the Three Months Ended March 31,	
	2019	2018
	JD	JD
Banks' and financial institutions' deposits	3,095,256	2,391,478
Customers' deposits:		
Current and demand accounts	572,088	481,925
Saving accounts	984,988	1,106,665
Time and notice placements	12,470,510	8,772,561
Certificates of deposits	73	237
Margin accounts	169,548	170,213
Borrowed funds	1,838,707	1,404,081
Deposit guarantee fees	883,745	974,605
Total	20,014,915	15,301,765

22. Gains from Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

	Realized Gains (Losses)	Unrealized (Losses) Gains	Stock Dividends	Total
	JD	JD	JD	JD
For the Three Months Ended March 31, 2019				
Equities	93,462	(284,141)	529,064	338,385
Total	93,462	(284,141)	529,064	338,385
For the Three Months Ended March 31, 2018				
Equities	(20,637)	62,486	244,144	285,993
Investment funds	-	226	-	226
Total	(20,637)	62,712	244,144	286,219

23. Provision for Expected Credit Losses

This item consists of the following:

	March 31,	
	2019	2018
	JD	JD
Balances at central banks	(31)	-
Balances at banks and financial institutions	(4,549)	69,837
Deposits at banks and financial institutions	(8,746)	(126,197)
Financial assets at amortized cost	(200,620)	94,973
Direct credit facilities	4,441,022	1,747,873
Indirect credit facilities	151,568	-
Total	4,378,644	1,786,486

24. Earnings per Share

This item consists of the following:

	For the Three Months Ended March 31,	
	2019	2018
	JD	JD
Profit for the year attributable to bank's shareholders (JD)	5,467,574	6,925,521
Weighted average number of shares (share)	180,000,000	180,000,000
	Fils / JD	Fils / JD
Basic and diluted earnings per share (Bank's Shareholders)	0.030	0.038

The Diluted earnings per share for the current year income is equal to the basic Earnings per share, because the bank has not issued any financial tools that convert to Stocks which it may affect the earnings per share for the current year.

25. Cash and Cash Equivalents

This item consists of the following:

	March 31,	
	2019	2018
	JD	JD
Cash and balances with Central Banks maturing within 3 months	311,271,635	333,370,286
<u>Add:</u> Balances at banks and financial institutions' maturing within 3 months	95,070,360	117,852,700
<u>Less:</u> Banks and financial institutions' deposits maturing maturing within 3 months	266,628,530	280,802,862
Restricted cash balances	10,635,000	10,635,000
Total	129,078,465	159,785,124

26. Balances and Transactions with Related Parties

The accompanying consolidated financial statements of the Bank include the following subsidiaries:

Company Name	Ownership	Paid in Capital	
		March 31, 2019	December 31, 2018
	%	JD	JD
Al-Watanieh Financial Services Company Limited Liability	100	5,500,000	5,000,000
Al-Watanieh Securities Company private shareholding	100	1,600,000	1,600,000
Tamallak for Financial Leasing Company	100	5,000,000	5,000,000
Safa Bank	79	53,175,000	53,175,000
Thimar for Investment Services*	100	70,900	70,900

The Bank entered into transactions with subsidiaries, major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the credit facilities to related parties are performing facilities and are free of any provision.

The following related party transactions took place during the year:

	Related Parties			Total	
	Board of Directors and Relatives	Executive Management	Other *	March 31, 2019	December 31, 2018
	JD	JD	JD	JD	JD
Statement of Financial Position Items:					
Direct credit facilities	26,904,268	4,018,918	21,479,279	52,402,465	45,469,892
Deposits at the Bank	27,016,133	2,276,810	10,427,013	39,719,956	29,613,569
Cash Margins	431,838	-	125,303	557,141	244,488

Off Statement of Financial Position Items:

Indirect credit facilities	2,598,194	300	283,125	2,881,619	2,702,755
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	For the Three Months Ended March 31,				
	2019		2018		
	JD	JD	JD	JD	
Income Statements Items:					
Interest and commission income	544,550	25,267	681,590	1,251,407	2,906,971
Interest and commission expense	148,561	4,212	42,766	195,539	130,896

* Others include the rest of bank employees and their relatives up to the third degree.

- Credit interest rates on credit facilities in Jordanian Dinar range between 4% - 9.5%
- Credit interest rates on credit facilities in foreign currency range between 4% - 4.75%
- Debit interest rates on deposits in Jordanian Dinar range between 0% - 5.5%
- Debit interest rates on deposits in foreign currency range between 0% - 3.5%

Salaries, wages and bonuses of executive management amounted to JD 733,695 as of March 31, 2019 (JD 698,004 as of March 31, 2018).

27. Segment Information

A- Information on the Bank's Segments:

For management purposes the Bank is organised into three major business segments which are measured according to reports used by the general manager and key decision makers at the Bank, through the following major sectors:

- Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer
- Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations

Following is the Bank's segment information:

	Retail Banking	Corporate Banking	Treasury	Other	Total	
					For the Three Months Ended March 31,	
					2019	2018
	JD	JD	JD	JD	JD	JD
Total revenues	27,065,496	14,119,142	13,144,866	376,045	54,705,549	49,001,352
Provision for expected credit losses	1,857,562	2,583,460	(62,378)	-	4,378,644	1,786,486
Sundry provisions	-	-	-	-	-	(519,751)
Segmental results					30,311,990	31,393,350
Unallocated expenses					22,037,412	21,085,815
Profit before tax					8,274,578	10,307,535
Income tax					(3,065,517)	(3,504,422)
Net profit					5,209,061	6,803,113
Capital expenditures					3,019,493	1,014,641
Depreciation and amortisation					2,293,077	2,362,029
					March 31,	December 31,
					2019	2018
					JD	JD
Other information						
Segmental Total Assets	839,390,027	816,012,113	1,221,415,228	137,718,664	3,014,536,032	2,935,413,805
Segmental Total Liabilities	903,951,705	907,515,311	742,120,241	111,780,736	2,665,367,993	2,589,073,736

B- Geographical Information:

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment, the Bank operates in Jordan and Palestine.

Below is the distribution of the revenues, assets and capital expenditures as per the geographical information:

	Inside Jordan		Outside Jordan		Total	
	March 31,		March 31,		March 31,	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total revenue	42,853,129	36,157,055	11,852,420	12,844,297	54,705,549	49,001,352
Capital expenditures	588,143	432,884	2,431,350	581,757	3,019,493	1,014,641
	Inside Jordan		Outside Jordan		Total	
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total assets	2,213,618,901	2,165,453,634	800,917,131	769,960,171	3,014,536,032	2,935,413,805

28. Segment Information

a) The total outstanding commitments and contingent liabilities are as follows:

	March 31,	December 31,
	2019	2018
	JD	JD
Letters of credit:		
Received	14,967,049	17,378,484
Acceptances	16,959,418	11,686,023
Letters of guarantee:		
Payments	23,445,485	22,207,718
Performance	19,535,007	20,781,390
Other	12,388,643	13,142,122
Irrevocable commitments to extend credit	108,614,494	97,951,571
Total	195,910,096	183,147,308

b) The contractual commitments of the Bank are as follows:

	March 31,	December 31,
	2019	2018
	JD	JD
Contracts to purchase property and equipment	1,353,660	1,173,705
Grand Total	197,263,756	184,321,013

29. Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 36,827,505 as of March 31, 2019 (JD 41,372,238 as of December 31, 2018). In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

On January 1, 2019 multiple civil lawsuits have been filed at US courts against multiple banks and financial institutions claiming financial compensation using the US antiterrorism law for damages allegedly resulting from attacks by groups listed under the US sanctions list in 2001. These lawsuits have been filed at courts hours before their filing deadline, and have been filed by an attorney office which has filed several similar complaints against other banking institutions on behalf of the same plaintiffs claiming the damages. Cairo Amman Bank is one of the banks the aforementioned lawsuit has been filed against. The lawsuit is still in the preliminary phase.

In the opinion of management and legal counsel, no provisions should be recorded for the lawsuits filed at US courts against the Bank as of March 31, 2019 as the Bank has consulted with legal consultants specialized in US courts and concluded that the legal status of the lawsuits is in favour of the Bank and that there is no legal or judicial grounds for the lawsuits.

30. Statutory Reserve

The Bank did not deduct the statutory reserves during the period due to the fact that these statements are condensed consolidated financial statements, as it is done in the year end.

31. Amendment of Comparative Figures

During the period ended March 31, 2019, the bank has restated the comparative figure related to the three-month period ended March 31, 2018 to comply with the requirements of IFRS (9). The restatement impacted the statement of Changes in Shareholders' Equity for the three-month period ended March 31, 2018 which is considered an accounting error under international accounting standard (8).

The reason behind restating the comparative figure is that the bank have develop and applied a systematic approach and system to calculate the expected credit loss for the affected financial statements items during the 2018, taking into consolidation initial implementation of the IFRS9 - expected credit losses on beginning balance of retained earnings for the period ended March 31, 2018 which were amended and posted in the year 2018.

The effect of the restatement on the consented consolidated interim statements of shareholders equity as follows:

	January 1, 2018		
	Balance before Restated	Prior Period Adjustments	Restated Balance
	JD	JD	JD
Statements of Changes in Shareholders' Equity			
General Banking risk reserve	5,907,476	(1,864,506)	4,042,970
Retained earning	70,726,717	4,999,821	75,726,538
Non-Controlling interest	10,396,506	(33,639)	10,362,867
		<u>3,101,676</u>	

32. Subsequent events

In its ordinary meeting held on February 24, 2019, the General Assembly of Shareholders approved the recommendation of the Bank's Board of Directors to distribute dividends of 9% which is equivalent to JD 16,200,000 in addition to increasing the paid-up capital by JD 10,000,000 or 5.6% through distributing free shares to the shareholders.