البنك التجاري الأردني
Jordan Commercial Bank

2018 Annual Report

Our path to success is paved with creativity and innovation

Annual Report

For the year ended December 31, 2018

His Majesty
King Abdullah II bin Al-Hussein

HRH Crown Prince
Al-Hussein bin Abdullah II

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Mission Statement

Our Vision:

Our vision is to become Jordan's leading private financial institution. We strive to achieve this goal by providing advanced and secure services in line with best banking practices.

Our Goals:

We aim to provide our corporate, retail, and investment clients with customized, high quality and competitively priced financial solutions. Through both our ever-increasing and regularly enhanced range of cutting-edge banking solutions and our efficient distribution channels, we are able to deliver world-class products and services that reward our stakeholders and customers, as well as our employees.

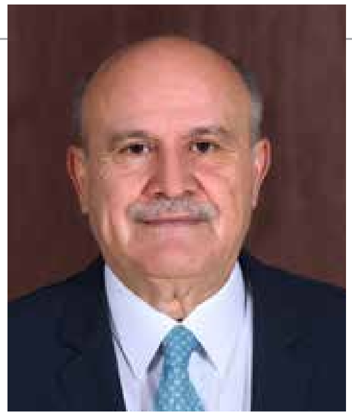
Our Values:

- Our employees are our greatest asset.
- Our customers are our highest priority.
- Transparency underpins our credibility.
- A sense of responsibility is the guide to our customer service.
- We strive for continuous improvement.
- We are driven by our deep sense of responsibility towards our community.

Members of the Board of Directors

Mr. Micheal Faiq Ibrahim Sayegh

Chairman



HE Mr. Ayman Haza' Barakat Al-Majali

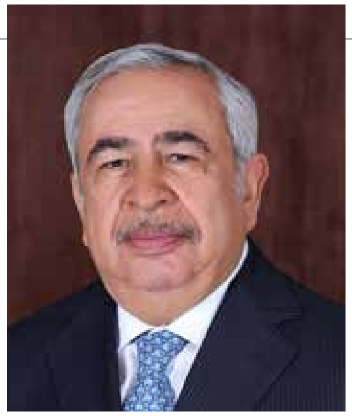
Vice Chairman

Social Security Corporation (1st Seat),
Board Member, represented by:

Mr. Mazen Hamdi Mohammad Al-Sahsah

Social Security Corporation (2nd Seat),
Board Member, represented by:

Ms. Shaden Ziad Nabih "Darwish Al-Haji"



First Jordan Investment Company,
Board Member, represented by:

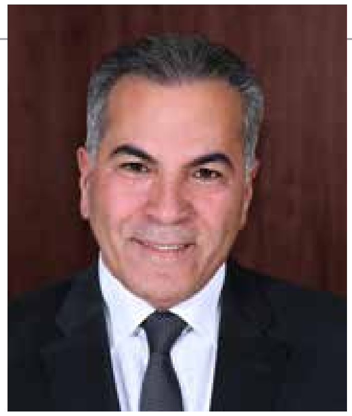
Mr. "Mohammad Khair" Abdul–Hameed Ababneh

(till 14/05/2018)

Mr. Saleh Mohammed Saleh "Zaid Al Kilani"

as of 29/07/2018

Members of the Board of Directors



Mr. Shareef Tawfiq Hamd Al-Rawashdeh

Board Member

Al Saleh Holding Investment Co. Ltd.

Board Member, represented by:

Mrs. Reem Nasser Mohammad Al-Saleh

as of 04/09/2018

Mrs. Iman Mahmoud Allan Al-Damen

Board Member

Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khaldi

Board Member

National Paints Factories Co. Ltd.,

Board Member, represented by:

Mr. Abdelnour Nayef Abdelnour Abdelnour

Mr. Nabil Zaki George Mshahwar

Board Member

First: Chairman’s Message

Ambitious visions supported by solid plans & decisions

Chairman's Message

Honorable Shareholders of The Jordan Commercial Bank,

It is my pleasure to present to you the fifteenth annual report for the Jordan Commercial Bank year 2018.

This year witnessed many challenges and difficulties that affected all aspects of financial activities; the state of instability in the region and its socio-economic effect has continued to affect the Kingdom, in addition to the economical procedures undertaken by the Jordanian government during the year, such as increasing sales taxes or levying it (on some merchandise) and the ratification of the new income tax law. Causing it to reflect on the economic activity and growth rates. In the year 2018, Jordan also witnessed a recession of economic indicators or their stability at current levels, where the growth rate of the GDP is still at its low levels and rates of public debt and unemployment levels are high. The deficit in public finances and trade balance continued and the Kingdom's foreign balance reserves have decreased. The market has seen a lack of liquidity which negatively reflected on the banking and the stock markets and on other activities.

These events were accompanied by an increase on interest rates of basic debt tools by the Central Bank more than once (in correspondence with the increase of interest rate of the US dollar). The aim of such action was to maintain financial stability, but this action affected credit facilities (due to high lending rate), which also affected many sectors such as transportation, real estate and retail and others. In addition, the year 2018 witnessed the adoption of accounting standard 9, which led to an increase in debt provisions and expenditures and affected banks' profits.

Against all odds, the results for the Jordan Commercial Bank have improved during 2018, in comparison with last year. Net profit after tax has increased by 32.7% from 3.79 million during 2017 to 5.03 million during 2018. Net bank facilities increased from 718 million at the end of 2017, to 728 million at the end of 2018 at a growth rate of 1.4%. Customer deposit credits have dropped by 8% by the end of 2018 as compared to 2017 from 971 million Jordanian Dinars to 893 million Jordanian Dinars, but this drop was accompanied by an improvement in the quality of the deposit portfolio: the drop was mainly in the term deposits (at a high cost), which dropped by JD71 million, and the savings balances went up by JD 13 million from the end of 2017. Because of the implementation of Accounting Standard 9 and its effect on the bank's holdings, property rights have dropped 10.4% to JD 134 million as compared to JD 149.5 million at the end of 2017.

Dear Shareholders,
With this improvement in the financial results of the bank, there were other financial and operational accomplishments achieved by the bank during 2018. From the financial aspect, the bank has enhanced and strengthened its financial position in many ways such as the quality of its loan portfolio where the provision for non-performing loans was increased which led to the increase of their coverage rate, which is a positive indicator as the increase of coverage rates allows the bank to face any reimbursement struggles in the future by the borrowers. Another aspect concerns sources of funds where the clients' deposits portfolios are of higher quality by decreasing high cost deposits and replacing them with low cost deposits.

The bank continued to attract new clients and sectors, focusing on individual clients by providing them with the best possible banking services and communicating with them and knowing their needs and requirements, and continuing its efforts to maintain existing clients. In order to reflect a modern outlook of the bank and enhance the bank's positive image, the bank has modernized its branches and redesigned them according to the highest banking standards. The bank also opened a number of new branches in many locations (Um Uthaina, AlMadeenah AlRiyadiyah and the city of Jeneen in Palestine) and has researched the possibility of opening branches in other areas. The bank is looking to expand and spread by opening many express branches in many areas. This came about because the cost of establishing and fitting these branches is less than that of traditional branches and the procedures for opening them are easier. These branches provide basic banking services to individuals. In ATM services, the bank has expanded the ATM network during 2018 by installing machines in many areas in the Kingdom especially in areas that have high economic and population activity.

In response to clients' needs and requirements, and in response to the developments in the business world, and in light of the highly competitive banking sector in order to attract clients and provide them with the best banking services, the bank has developed a number of products, especially a savings product (which is a highly competitive product in the banking sector). It was developed to become more competitive in the banking market by simplifying conditions of participation in prizes (lowering the minimum account balance to allow the client to participate in the draws for JD100 prizes) and increasing the value of the prizes (grand prize is half a million Jordanian Dinars). The bank also developed and launched many products such as (prepaid Yelo Card, launching the instant release service, launching the instant cash deposit service in a number of branches and replacing manual account statements with electronic ones, etc) in addition to developing the channels for providing services either traditionally or electronically.

In terms of internal operations, the bank has modernized its technological and banking systems during 2018 and it has developed and automated a number of systems and programs consistent with its strategic objectives in information technology represented by achieving full automation of all systems and programs in the future.

In terms of monitoring procedures, the bank has followed all the requirements and instructions of the regulators and implemented them and has undertaken all procedures that guarantee adherence to international standards demanded by the regulators. The bank also implemented Accounting Standard 9 to financial data during 2018.

In terms of bank employees and its human resources, the bank continued to care about this aspect, as the employees are one of the main pivots of the banking operation and an important component, by working to improve the employees' career status and increase their job satisfaction. The bank has also implemented a number of procedures and programs that make the bank a preferred employer in the banking sector, so the employees were given raises in salaries and incentives in order to decrease the gap between the benefits and incentives given to the employees at the bank in comparison with the Jordanian banking sector. It has also modernized and developed many systems and programs for employees' affairs and automating them in order to provide a suitable and comfortable work environment.

The bank also searches for qualified and competent personnel to support its staff continuously, in addition to raising the efficiency of the current staff members by providing training and development. Training plays an important role in raising the efficiency and performance of the employees.

Dear Shareholders,
In spite of the important role that the banks play in the economic activity, they also support and sponsor many social activities that benefit the local communities and contribute to their development. The Commercial Bank, as part of this sector, has not forsaken this role. During 2018, the bank provided support and sponsorship to many scientific, economic and charitable activities and events. It also provided training to a number of newly graduated university students in its branches, contributing to strengthening the practical aspect of their studies, so that they become more qualified for the work market.

Honorable Shareholders,
Finally, I would like to thank the Central Bank of Jordan for their continuous support and The Jordan Securities Commission, I would also like to thank our shareholders and dear clients for their continued trust in our establishment, the members of the board of directors, the executive management and all our employees and workers for their efforts during 2018, hoping to God Almighty that 2019 brings more progress and prosperity to our establishment and to Jordan.

Thank you,

Michael Sayegh
Chairman of the Board of Directors

Executive Management

Senior Executive Management	
Name	**Title**
Caesar Hani Aziz Qulajen	CEO
Alaa "Muhammad Salim" Abdulghani Qahef	Deputy CEO - Chief Operating Officer
Rami "Mohammad Jawad" Fuad Hadid	Deputy CEO - Chief Business Officer
Mohammad Ali Mohammad Al-Quraan	AGM Credit
Saleem Nayef Saleem Sawalha	AGM, Retail Banking and Branches
Abdallah Mahfouz Theodore Kishek	AGM Finance
Wael "Mohammad Yousef" Aref Rabieh	AGM, Corporate Banking
Anas Maher Radi Ayesh	Executive Manager, Treasury, Investment and Financial Institutions
Majdi Mahmoud Ibrahim Banat	AGM Operations (till 19/08/2018)
Zaher "Mohamed Farouk" Deeb Muala	Regional Manager of Palestine branches (Acting Regional Manager as of 28/05/2018 until 29/07/2018 and Regional Manager of Palestine Branches as of 30/07/2018)
Muntaser Marwan Shafeeq Alshashtari	Regional Manager of Palestine branches (resigned on 28/05/2018)
Mounir "Muhammad Gomaa" Ahmad Muhtasib*	Executive Manager, IT Department (as of 26/11/2018)
Ghada Mohammad Farhan Halloush*	Board Of Directors Secretary
Waheed Darwish Muhareb Haymour*	Manager, Remedial & Collection Department

*Non-Senior Executive Management members

Heads of Regulatory Departments	
Name	**Title**
Mahmoud Ibrahim Mahmoud Mahmoud	Compliance & AML Department Manager
Mazen Abdel-Salam Mahmoud Al-Khateeb	Manager, Risk Management
Ajoud Sharaf Al-Din Ali AlRousan	General Auditor

Heads of Bank Departments	
Name	**Title**
Ibrahim Barakat Fayyad Alaween	Manager, Operations Engineering Department
Ibrahim Omar Ibrahim Al-Alami	Manager, SMEs Department
Jamal Hussein Abtan Raqqad	Manager, Corporate Communications Department
Hassan Lutfi Hassan Atout	Manager, Retail Credit Facilities Department (as of 01/06/2018)
Ruba Jihad Atieh Shihab	Manager, Credit Control and Management Deparment
Ziad Ahmad Daoud Al-Ramahi	Manager, Strategic Planning Department
Sami Nimr Salem Al-Nabulsi	Manager, Financial Institutions Department
Ameed Naeem Abdul-Fattah Al-Batran	Manager, Central Operations Department
Fadi Anis Musa Rabee	Manager, Service Excellence Department
Faisal Mahmoud Mustafa Al-Nuemat	Manager, Trade Services Department
Maher Nayef Suleiman Halasa	Manager, Administrative Department
Muhammad Ahmad Muhammad Obeidat	Manager, Credit Analysis and Review Department
Noura Waleed Muhammad Al-Jitan	Manager, HR Planning & Development Department
Hani Abdul-Rahman Mahmoud Darwish	Manager, Treasury Department
Haytham Faisal Muhammad Al-Shamaileh	Manager, Follow-up and Collection Department (formerly Credit Follow-up Department)
Sajed Mahmoud Husni Abu Touq	Manager, Large Corporate Department (Acting from 08/01/2017)
Waleed Khaled Dheifullah Al-Qheiwi	Manager, Legal Department
Waleed Fakhri Omran Al-Amad	Manager, IT Department until 31/12/2018
Yaser Fouzi Yousef Al-Qsous	Manager, Engineering Department
Samar Youssef Anis Al-Eryan	Head of Shareholders Division

Second: Board of Directors Report

Financial position evaluation & actual performance examination

Jordan Commercial Bank complies with the provisions of the Corporate Governance Code issued by the Central Bank of Jordan and the Corporate Governance Code for Shareholding Companies Listed in Amman Stock Exchange in relation to disclosures included in the Annual Report in accordance with the disclosure instructions and accounting standards. In compliance with the provisions of the Corporate Governance Code for Shareholding Companies Listed in the Amman Stock Exchange 2018 and the Corporate Governance Code for Companies, all required information has been included in the Annual Report. As such, the Bank is fully compliant with the disclosure of optimal corporate governance information. Disclosure information and corporate governance report are as follows:

(1/ A): Main activities of the Bank:
Providing comprehensive banking services to all sectors of Corporate, SME's, Retail and Treasury and Investment in high quality and competitive interest rates to meet the financial needs of customers through the continuous development of products and services. The Bank also works on being geographically present in the strategic locations by spreading and developing its branches network throughout the Kingdom to enlarge its customers base and cover their various needs wherever they exist.

(1/ B): Geographical locations of the Bank and the number of employees in each of them:
1- The address of the head office: King Abdullah II St. 8th square–toward the airport Building No. 384 - Bayader Wadi Seer / Al-Rawnaq District, Amman, Jordan
2- The total number of Jordan Commercial Bank Employees was (878) by 31/12/2018 distributed based on geographical presence to as follows:

Jordan Branches	
Branch	Number of Employees
Head Office	523
Head Office	17
Commercial Complex	6
Jabal Amman	8
Jabal Al Hussein	6
Abdali	8
Mecca St.	6
Shmeisani	12
Suwaifeya	10
Amman	6
Al Yarmouk	6
Al Quwaysimeh	8
Marka	7
Al-Hashmi Al-Shamali	4
Sweileh	5
Fuheis	10
Wasfi Al Tal St.	8
Abu Nseir	4
Salt	9
Muadi	7
Zarqa	8
Yajouz	7
Um Uthaina	4
Madaba	8
Aqaba	8
Karak	9
Irbid	11
Irbid Office	8
Ramtha	7
Al Husn St.	7
Mafraq	9
Total	756

Palestine Branches	
Branch	Number of Employees
Regional Management	81
Nablus	10
Tulkarm	8
Ramallah	8
Ramallah Office	7
Bethlehem	8
Total	122

(1/C): Volume of the Bank's Capital Investment:
The Bank's capital investment amounted to JD27.2 million.

(2): Jordan Commercial Bank does not have any affiliate companies.

(3/A): Names and Profiles of Board Members
Names of present and resigned Board members during the year and their memberships on the boards of public shareholding companies, with confirmation that all Board Members of the Bank are nonexecutives:

1- Mr. Micheal Faiq Ibrahim Sayegh
Chairman (Non-Independent)
Date of Membership: 16/02/2004

Mr. Sayegh was born on 01/01/1946. He received his BA in Public Administration and Political Science from the University of Jordan (1971). Mr. Sayegh is the Board Chairman of Sayegh Group since 1979, comprising 33 companies across the Arab world, Eastern and Western Europe and Asia. Sayegh Group operates in different industries, such as chemicals, engineering, household appliances, real estate, banking and media, providing consumers with numerous and various services, products and commodities. The Group employs 5,000 employees.

• Mr. Sayegh holds the Order of the Holy Sepulchre of Metropolitan Vindictus of the Greek Orthodox Patriarchate in 2002.
• Mr. Sayegh holds King Hussein Medal for Distinguished Contributions of the First Class in 2007.

Mr. Sayegh is the board chairman, board member and honorary president of several companies, associations and clubs, including:
• Chairman, all Sayegh Group's companies
• Chairman, National Paints, with all its branches
• Member, the Board of Trustees of the King Abdullah II Award for Self-Employment and Entrepreneurship – Amman
• Honorary President, the Orthodox Club – Fuheis
• Member, the Orthodox Central Council
• Founder and Vice Chairman, the Executive Committee in the Orthodox Society
• Member, the Board of Trustees of the Association of International Affairs
• Founder and Chairman, the Palestine International Institute for Research and Services
• Member, the Arab Paint and Coating Producers Association - representing Palestine
• Member, the Board of Trustees of Jordan Medical Aid for Palestinians
• Member, the Board of Trustees of the Jordanian Society for Scientific Research (JSSR)
• Member, Al Jazeera Sudanese Jordanian Bank - Sudan
• Chairman, Arab Company for Paints Products - Palestine
• Member, the Board of Trustees of the Hashemite University
• Chairman, Dimensions Jordan & Emirates Commercial Investments Corp.

Mr. Micheal Al-Sayegh is the chairman/member of the following JCB's Board Committees:
• Chairman, Credit Facilities Committee
• Member, Corporate Governance Committee
• Member, Nominations and Remuneration Committee

2- HE Mr. Ayman Haza' Barakat Al-Majali
Vice Chairman (Non-Independent)
Date of Membership: 16/02/2004

HE Mr. Al-Majali was born on 20/02/1949. He received his BA in History (1972) and started his career working at the Ministry of Foreign Affairs of Jordan. In 1993, he was appointed as Chief of Royal Protocol at the Royal Court, and in 1999 he was appointed as Deputy Prime Minister as well as Minister of Sports and Minister of Information. In 2002, he became a board member at the Jordan Gulf Bank and was re-elected in 2004 as Vice Chairman of the Board at the Jordan Commercial Bank.

HE Mr. Al-Majali was elected as a member of the Jordanian Parliament and was then elected as Head of Jordan's Lower House Finance Committee in 2010-2012.

HE Mr. Al-Majali is the board chairman/board member of several companies:
• Chairman, First Jordan Investment Company PLC.
• Chairman, Jordan Press Foundation (Al Rai Newspaper), Jordan
• Chairman, Al Jazeera Sudanese Jordanian Bank
• Chairman, Al Quds Ready Mix PLC
• Chairman, International Company for Outsourcing Services (CrysTelCall)
• Vice Chairman, Solidarity - First Insurance Company

HE Mr. Al-Majali is the chairman/member of the following JCB's Board Committees:
• Chairman, Debt and Property Settlement Committee
• Member, Audit Committee

3- Social Security Corporation (1st Seat)
Board Member (Non-Independent)
Date of Membership: 25/10/2015. Represented by:

Mr. Mazen Hamdi Mohammad Al Sahsah as of 23/04/2017

Mr. Al Sahsah was born on 31/12/1975. He received his BA in Banking and Finance from the University of Yarmouk (1997). He also holds several professional certificates, including:
- Certified Valuation Analyst (CVA) certificate, IACVA, USA - Jordan (2012)
- Certified Financial Management (CFM) certificate, IMA, USA - Jordan (2003)
- Certified Management Accounting (CMA) certificate, IMA, USA - Jordan (2002)

Mr. Al Sahsah has worked in the Social Security Corporation/Social Security Investment Fund (SSIF) since 2006 as Head of Studies and Financial Analysis Division at the Project Finance Department. He also served as a Board Member at Saraya Aqaba Real Estate Development (Saraya Aqaba) (01/05/2013-22/04/2017)

Mr. Al-Sahsah is a member of the following JCB's Board Committees:
• Member, Credit Facilities Committee
• Member, Risk and Compliance Committee
• Member, Strategic Planning Committee

4- Social Security Corporation (2nd Seat)
Board Member (Non-Independent)
Date of Membership: 25/10/2015.
Represented by:

Ms. Shaden Ziad Nabih «Darwish Al-Haji» as of 24/02/2016

Ms. Shaden was born on 19/09/1981. She received her BA in Banking and Finance from the University of Jordan (2003). She also holds several professional certificates, including:
- Chartered Financial Analyst (CFA) Certificate from CFA Institute, Virginia, USA (2010)
- Certified Board Member from IFC/JIOD

Ms. Shaden held several positions in the Social Security Investment Fund since 2003 to date. She worked as a financial analyst at the Pubic Equity Department (2003-2007), and as a senior financial analyst (2007-2010). Currently, she is the Head of Portfolio Management at the Pubic Equity Department (2010 to date).

Ms. Shaden also delivers lectures on the CFA certificate at one of the accredited training centers in Jordan.
• Member of the CFA Society, Jordan
• Member of a number of committees established at the Social Security Investment Fund

Ms. Shaden is a member of the following JCB's Board Committees:
• Member, Audit Committee
• Member, Risk and Compliance Committee
• Member, Debt and Property Settlement Committee

5- First Jordan Investment Co.
Board Member (Non-Independent)
Date of Membership: 20/04/2011

Represented by: Mr. Saleh Mohammed Saleh «Zaid Al Kilani» as of 29/07/2018
Note: Mr. Saleh Mohammed Saleh «Zaid Al Kilani» was an independent member/ as an individual from 28/06/2012 to 29/07/2018.

Mr. Al-Kilani was born on 15/10/1966. He received his MBA from the United States in 1989, and BA in Political Science and International Adminstratuion from the United States in 1988. He also holds the Certified Board Member Certificate from IFC/JIOD.
Mr. Al-Kilani served as Chief Commissioner of the Development Zones Commission (2008-2010), Commissioner for Investment and Economic Development Affairs at the Aqaba Special Economic Zone Authority (2005-2008), and Former Chairman of the Dead Sea Development Company. He held a number of positions in both the public and private sectors. Mr. Al-Kilani also served as Member of the Board of Directors of Jordan Commercial Bank as a representative of the Social Security Corporation on 15/02/2010 until 28/06/2012; and Program development & impact advisor to Abdul Hameed Shoman Foundation (04/2013 to date).
Mr. Al-Kilani is a member of the following JCB's Board Committees:
• Member, Nominations and Remuneration Committee
• Member, Risk and Compliance Committee
• Member, Credit Facilities Committee

Previously represented by Mr. «Mohammad Khair» Abdul-Hameed Ababneh (until 14/05/2018)

Mr. Ababneh was born on 12/10/1945. He received his MA in Military Sciences from Air University, USA, in 1988; MA in Public Administration from Auburn University, USA, in 1989; MA in Higher Management from the Naval Postgraduate School, USA, in 1987; BA in Military Sciences from Air University, USA, in 1977; and BA in Aviation Science from the Greek Aviation Academy in 1967. He also holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Ababneh joined the Royal Jordanian Air Force in 1963, graduated as a pilot officer in 1967, and later became Chief of Staff of the Royal Jordanian Air Force (1995-1999). He served as a board member in the Royal Jordanian (1995-1999) and Vice Chairman in the Royal Wings. Mr. Ababneh retired as Air Chief Marshal. He is currently the Board Chairman of First Jordan Investment Company since 2010 until 14/05/2018.

Mr. Ababneh is a member of the following JCB's Board Committees:
- Member, Credit Facilities Committee
- Member, Debt and Property Settlement Committee
- Member, Nominations and Remuneration Committee

Mr. Saleh Mohammed Saleh «Zaid Al Kilani»
Board Member (Independent)
Date of Membership: 28/06/2012
(Profile as mentioned in First Jordan Investment Co. membership)

Mr. Al-Kilani is the chairman/member of the following JCB's Board Committees:
- Chairman, Nominations and Remuneration Committee
- Member, Audit Committee
- Member, Strategic Planning Committee

6- Mr. Shareef Tawfiq Hamd Al-Rawashdeh
Board Member (Independent)
Date of Membership: 28/06/2012

Mr. Al-Rawashdeh was born on 01/08/1958. He received his BA in Economics from Yarmouk University in 1986. He worked as Internal Auditor at Jordan Kuwait Bank (1981-1987) and Loans Manager at Al Mashreq Bank, UAE (1987-1988). Mr. Al-Rawashdeh was also the Head of Retail Banking and Private Services Group and Manager of the Head Office of the Saudi Investment Bank, Riyadh, Saudi Arabia (1988-2010). He was a former member of the 16th Jordanian Parliament and member of Health and Environment Committee and Energy Committee (2010-2011). Mr. Al-Rawashdeh holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Al-Rawashdeh is the board chairman/board member of the following:

• Chairman, Al Bilad Securities & Investment Co. since 2006
• Chairman, National Chlorine Industries Company Ltd. (from 04/2016)
• Chairman, Al Jazira Capital Company, Egypt
• Board Member, Arab Aluminum Industry Co. LTD (ARAL) (from 04/2017)
• Board Member, Al Jazeera for Configuring & Managing Security Portfolios, Egypt
• Member, the Board of Trustees of Mutah University (Until 2018)
• Chairman, Management Board of Canadian International Schools
• Chairman, Management Board of Mandala Beauty Clinic
• Member, Management Board of the Jordanian-Canadian Businessmen Association
• Member, Management Board of Royal Jordanian Gliding Club

Mr. Al-Rawashdeh is the chairman/member of the following JCB's Board Committees:
• Chairman, Audit Committee
• Member, Debt and Property Settlement Committee
• Member, Nominations and Remuneration Committee
• Member, IT Governance Committee

7- Al Saleh Investment Holding Limited Company
Board Member (Non-Independent)
Date of Membership: 04/09/2018

Represented by: Mrs. Reem Nasser Mohammad Al-Saleh

Mrs. Reem was born on 11/09/1988. She received her BSc in Business Administration, Finance & Marketing, from the American University of Sharjah – UAE (2010). Ms. Reem also hold several certificates, including:
- Commercial Lending Certificate from Barclays Bank (2011 - 2013), Corporate Banking covering large MNCs
- Investment Strategies Certificate in Managing Family Wealth, Next Generation Academy, from UBS Bank in Switzerland

Work Experience:
• Co-owner of Al Saleh Holding Investment Co. Ltd.
• Running the investment and asset management portfolio of the Holding Co.
• Actively involved in the development and operation of the subsidiaries of the Holding Company operating in the food, industrial and financial sectors
• Treasury and Global Markets, Deutsche Bank (2011)
• New Business Development Manager, Thomson Reuters (2014-2017)

8- Mrs. Iman Mahmoud Allan Al-Damen
Board Member (Independent)
Date of Membership: 25/10/2015

Mrs. Iman was born on 05/06/1957. She received her MBA in Finance from the University of Jordan in 1992; Diploma in Business Administration from University of Manchester, UK, in 1990; and BA in Business Administration from Kuwait University in 1979. She also holds the Certified Board Member Certificate from IFC/JIOD.

Mrs. Iman held several positions in the banking sector:
- Head of Risk and Credit Department, Capital Bank (12/2007 to 12/2011)
- Assistant General Manager for Facilities, Cairo Amman Bank (2003 to 12/2007)
- Facilities Manager, Jordan Gulf Bank (1998-2003)
- Manager, Facilities Department, Bank of Jordan (1993-1998)

In addition to banking career, Mrs. Iman worked in the field of teaching and training. She started her career as a scientific research assistant at the Faculty of Commerce, Kuwait University. Over the years, Mrs. Iman has delivered several specialized training courses on credit and SMEs financing through international and regional institutes and organizations such as the USAID, Arab Academy for Banking and Financial Sciences, and Association of Jordan Banks. She is also a certified trainer for the Financial Market International Inc.

Mrs. Iman represents women's associations at international organizations, most importantly the Organization for Economic Cooperation and Development (OECD), as well as local and quasi government organizations supporting SMEs and women entrepreneurs in Jordan. She occupied key position of the Jordan Forum for Business during the period from 2009 until 2016, and Professional Women and a member of the Higher Council of the Jordanian National Forum for Women. Co-Founder and Chairwoman for Women on Boards – Jordan which was established in 10/2018.

Mrs. Iman is the chairperson/member of the following JCB's Board Committees:
• Chairman, Risk and Compliance Committee
• Member, Audit Committee
• Member, Corporate Governance Committee
• Member, IT Governance Committee

9. Mr. Yazeed Shamseddin «Mohammad Yousef» Al-Khalidi
Board Member (Independent)
Date of Membership: 25/10/2015

Mr. Al-Khalidi was born on 14/02/1965. He received his MBA/Finance from New York Institute of Technology (2004), and BA in Economics and Statistical Analysis/Business Administration from the University of Jordan (1988). He also holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Al-Khalidi worked in several fields, including Financial Audit, Business Advisory, financial management and fund management in several regional and local companies. He served as Chief Financial Officer at Pharmacy One Group; Chief Operating Officer at EuroMena Management UK Ltd. based in Cairo and specialized in Fund Management; Chief Financial Officer for the regional real estate developer, Empire Holding; VP Finance at international reinsurer, IGI; and Group Accounting Manager at EDGO Management Group operating in the energy, contracting and oilfield services sectors. Mr. Al-Khalidi started his professional career in the Audit and Business Advisory at Arthur Andersen offices in Amman in 1991.

Mr. Al-Khalidi is also a Board Member in the following companies:

• Solidarity - First Insurance Company PLC.
• Ro'yat Amman for Investment and Development Company PSC.
• Kasih Food Production Co. PSC.

Mr. Al-Khalidi is the chairman/member of the following JCB's Board Committees:
• Chairman, Nominations and Remuneration Committee
• Member, Audit Committee
• Member, Strategic Planning Committee
• Member, Corporate Governance Committee

10. National Paints Factories Co. Ltd
Board Member (Non-Independent)
Date of Membership: 25/10/2015.

Represented by: Mr. Abdelnour Nayef Abdelnour Abdelnour

Mr. Abdelnour was born on 14/09/1972. He received his MBA/International Business from the University of Leeds, UK, (1997) andBA in Business Administration and Accounting from the University of Jordan (1994). He holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Abdelnour is currently working as:
• Financial Advisor, Sayegh Group
• General Manager, Brinsley Enterprises
• Partner, Tadribat for Skills Development Company
• Board Member, Biolab Medical Laboratories
• Chairman, BioScan Radiology Center

Mr. Abdelnour attended several courses, the most important of which are:
• Strategic Planning in Banking, Euromoney, London
• Certified Board Member from the World Bank
• Financial and administrative analysis and estimate budgets
• Negotiation skills and time and crisis management
• Several courses at the Institute of Banking Studies on banking and corporate businesses

Mr. Abdelnour is a chairman/member of the following JCB's Board Committees:
• Chairman, Strategic Planning Committee
• Member, Credit Facilities Committee
• Member, Debt and Property Settlement Committee
• Member, IT Governance Committee

11. Mr. Nabil Zaki George Mshahwar
Board Member (Independent)
Date of Membership: 10/04/2016

Mr. Mshahwar was born on 22/09/1963. He received his MA in Finance and Banking from Paris-Sorbonne University Abu Dhabi (2015) and BA in Computer Science from Utah State University, USA (1985).

Mr. Mshahwar served as Executive VP Finance and Strategic Planning, Al Hilal Bank; Senior Vice President at Arab Bank; Board Member, Visa Jordan (2008 - 2009); and Board Member, Al Nisr Al Arabi Insurance Company (2008 - 2009). He currently works as a banking consultant.

Mr. Mshahwar is the chairman/member of the following JCB's Board Committees:
• Chairman, IT Governance Committee
• Chairman, Corporate Governance Committee
• Member, Credit Facilities Committee
• Member, Strategic Planning Committee
• Member, Nominations and Remuneration Committee

(3/B): Profiles of Senior Executives

1. Caesar Hani Aziz Qulajen
Chief Executive Officer (CEO)
- Date of appointment: 01/04/2015.
- Date of Birth: 22/08/1964.

Academic Qualifications:
- MBA/Finance from the University of Dallas in Texas, USA (1999).

Work Experience:
- Deputy CEO, the Housing Bank for Trade and Finance (2012 - 2015)
- Assistant General Manager at the Housing Bank for Trade and Finance (2008 - 2012)
- CEO, Ebram Investment Group, Saudi Arabia (2006 - 2008)
- Assistant General Manager, Samba Financial Group (SAMBA) (2004 - 2006)
- Manager, Arthur Andersen & Co., Saudi Arabia (1999 - 2004)
- Social Security Corporation (1989 - 1997)

2. Alaa "Muhammad Salim" Abdulghani Qahef
Deputy CEO - Chief Operating Officer
- Date of appointment: 01/07/2004.
- Date of Birth: 17/03/1973.

Academic Qualifications:
- MBA from the German Jordanian University (2012)

Work Experience:
- Customer Service and Products Manager, DHL Company (1995 - 2004)

3. Rami "Mohammad Jawad" Fuad Hadid
Deputy CEO - Chief Business Officer
- Date of appointment: 10/09/2009.
- Date of Birth: 28/02/1969.

Academic Qualifications:
- BA in Accounting from the University of Jordan (1992)
- Master of Business Administration and Accounting from the USA (1998)
- Holds CPA Certificate, New York, USA (1999)

Work Experience:
- General Manager of Corporate Facilities at Capital Bank (2004 - 2009)
- Housing Bank, Bahrain (2003 - 2004)
- BNP Paribas, Bahrain (1999 - 2002)
- Arab Banking Corporation Bank, New York (1999)
- Whinney Murray & Co. (1995 - 1996)
- United Tube Packaging Industry Co. Ltd. (1994)
- Whinney Murray & Co. (1992 - 1993)

4. Mohammed Ali Mohammed Al-Quraan
AGM Credit
- Date of appointment: 19/06/2007
- Date of Birth: 20/10/1971

Academic Qualifications:
- BA in Economics from Yarmouk University (1995)

Work Experience:
- Industrial Development Bank (2003 - 2004)
- MMIS Management Consultants (2002 - 2003)
- Jordan Loan Guarantee Corporation (2000 - 2002)
- Egyptian Arab Land Bank (1997 - 2000)
- Aribah International Company (1996 - 1997)

5. Saleem Nayef Saleem Sawalha
AGM, Retail Banking and Branches
- Date of appointment: 01/03/2016
- Date of Birth: 20/09/1975

Academic Qualifications:
- BA in Economics from Yarmouk University (1997)
- MA in Entrepreneurship /Small Enterprises from California State University, East Bay, USA (2001)
- MA in Marketing from California State University, East Bay, USA (2001)

Work Experience:
- Regional Manager of Visa International Service Association (Jordan, Palestine and Iraq) (2014 - 2016)
- Head of Local Branches, Bank Al-Etihad (2008 - 2014)
- Branch Manager, Wachovia Bank (2007 - 2008)
- Branch Manager, Washington Mutual (2004 - 2008)

6. Abdallah Mahfouz Theodore Kishek
AGM Finance
- Date of appointment: 14/06/2015
- Date of Birth: 05/08/1967

Academic Qualifications:
- BA in Accounting from Walsh University, USA (1990)
- CPA (1991)

Work Experience:
- Assistant General Manager of Financial Operations at Bank Al-Etihad (2009 - 2015)
- Assistant General Manager of Finance at Bank AlJazira in Saudi Arabia (2003 - 2009)
- Senior Financial Officer at Arthur Andersen & Co., Saudi Arabia, (1993 - 2003)
- Accountant at Schrader - Porter & Associates, Inc., USA (1992)

7. Wael "Mohammad Yousif" Aref Rabieh
AGM, Corporate Banking (Acting as of 08/01/2017, Incumbent as of 02/01/2018)
- Date of appointment: 24/08/2014
- Date of Birth: 07/11/1977

Academic Qualifications:
- BA in Accounting from Al-Zaytoona University (1999)
- MA in Finance from the Arab Academy for Banking and Financial Studies (2004)

Work Experience:
- Arab Banking Corporation (2006–2014)
- Jordan Ahli Bank (2004 - 2006)
- Bank of Jordan (2000 - 2004)

8. Anas Maher Radi Ayesh
Executive Manager of Treasury, Investment and Financial Institutions
- Date of appointment: 12/11/2017
- Date of Birth: 12/10/1979

Academic Qualifications:
- BA in Economics and Finance from Yarmouk University (2001)

Work Experience:
- Senior Manager, Head of Investment at Safwa Islamic Bank (2011 - 2017)
- Treasury Manager, Arab Jordan Investment Bank, Qatar (2007 - 2011)
- Treasury Manager, Arab Jordan Investment Bank, Jordan (2006 - 2007)
- Treasury Officer, SGBJ (2005 - 2006)
- Capital Bank of Jordan (formerly known as Export & Finance Bank) (2001 - 2005)

9. Majdi Mahmoud Ibrahim Banat
AGM Operations (02/06/2014 to 19/08/2018)
- Date of appointment: 02/06/2014
- Date of Birth: 18/08/1970

Academic Qualifications:
- BA in Economics from Yarmouk University (1994)

Work Experience:
- AGM Operations, Jordan Commercial Bank (2014 - 2018)
- Head of Quality Excellence, Bank Al-Etihad (2012 - 2014)
- Head of the Policies and Procedures Department, Arab Bank (1994 - 2012)

10. Zaher «Mohamed Farouk» Deeb Muala
Regional Manager of Palestine branches (Acting Regional Manager as of 28/05/2018 until 29/07/2018 and Regional Manager Palestine Branches as of 30/07/2018)
- Date of appointment: 21/01/2018
- Date of Birth: 01/03/1978

Academic Qualifications:
- BA in Business Administration from Marygrove College, USA (1999)

Work Experience:
- VP - Head of Consumer Credit (Assets), Arab Bank (2007 - 2018)
- Personal Financial Representative, Washington Mutual Bank (2006 - 2007)
- Personal Banker, JP Morgan Chase (2002 - 2006)
- Financial Advisor, UBS Bank (2000 - 2002)

11. Muntaser Marwan Shafeeq Alshashtari
Regional Manager for Palestine Branches (14/04/2013 to 28/05/2018)
- Date of appointment: 14/04/2013
- Date of Birth: 26/06/1967

Academic Qualifications:
- BA in Computer Science/Banking and Finance from Yarmouk University (1989)

Work Experience:
- Regional Manager for Palestine branches, Jordan Commercial Bank (2013 - 2018)
- General Manager of Al Qamar Mineral Water Co./(family) investment companies (2010 - 2013)
- Arab Bank (1989 - 2007)

12. Mahmoud Ibrahim Mahmoud Mahmoud
Manager, Compliance & AML Dept.
- Date of appointment: 26/05/2013
- Date of Birth: 10/08/1980

Academic Qualifications:
- BA of Commerce from the University of Mysore in India (2002)
- MSc in Accounting Information Systems from Kingston University, London (2007)
- Certified Internal Controls Auditor (CICA) by the Institute for Internal Controls, New Jersey, USA (2008)
- Certified Compliance Professional (CCP) by the Global Academy of Finance and Management (2011)

Work Experience:
- Head of Compliance at Bank of Jordan (2009 - 2013)
- Audit Supervisor at Brothers CPA Jordan (member of INPACT) (2007 - 2009)
- Team Lead at Ibrahim Hamdan Auditing and Consulting Services (2002 - 2005)

13. Mazen Abdel - Salam Mahmoud Al-Khateeb
Manager, Risk Management
- Date of appointment: 22/06/2004
- Date of Birth: 20/11/1959

Academic Qualifications:
- BA in Accounting from Baghdad University (1982)

Work Experience:
- Head of the Credit Control and Management Dept. at Bank Al-Etihad (1995 - 2004)
- Internal Auditor at the Egyptian Arab Land Bank (1992 - 1995)
- Chief Internal Auditor at Kuwait Finance House (1986 - 1990)
- Auditor at Arthur Young in Kuwait (1982 - 1986)

14. Ajoud Sharaf Al-Din Ali AlRousan
General Auditor
- Date of appointment: 02/04/2017
- Date of Birth: 18/08/1969.

Academic Qualifications:
- BA in Accounting from Aleppo University, Syria (1992)
- MA in Finance and Accounting from the Arab Academy for Banking and Financial Sciences (1997)

Work Experience:
- Head of Internal Audit at Standard Chartered, Jordan (2016 - 2017)
- Chief of Internal Audit at Jordan Dubai Islamic Bank (2009 - 2016)
- Manager of Performance and Risk Assurance at Abu Dhabi Accountability Authority (1997 - 2009)
- Budget Analyst at the General Budget Department in the Ministry of Finance (1993 - 1997)

(3/C): Profiles of Non-Senior Executive Management Members:

1. Mr. Mounir «Muhammad Gomaa» Ahmad Muhtasib
Executive Manager, IT Department (as of 26/11/2018)
- Date of Appointment: 26/11/2018
- Date of Birth: 22/12/1971

Academic Qualifications:
- BA in Computer Information Systems from Amman University (1994)

Work Experience:
• Housing Bank for Trade and Finance (1995-2000)
• Saudi Investment Bank (2000–2004)
• Director of Solutions Support, Housing Bank for Trade and Finance (2004-2018)

2. Ms. Ghada Mohammad Farhan Halloush
BOD Secretary
- Date of Appointment: 25/04/2004
- Date of Birth: 26/11/1959

Academic Qualifications:
- BA of Economy from the American University (1983)
- MBA of Business Administration from University of East London – UK (1995)

Work Experience:
• Assistant Director of Projects Department, Social Security Corporation (1984-2004)
• Deputy General Manager of Jordan Commercial Bank from 25/04/2004 until 31/12/2016
• BOD Secretary from 01/01/2017 till present).

3. Mr. Waheed Darwish Muhareb Haymour
Manager, Remedial & Collection Department
- Date of Appointment: 01/06/2017
- Date of Birth: 03/08/1964

Academic Qualifications:
- BA of Law from Al-Zaytoona University (2012)
- Two-Year Diploma in Financial and Banking Sciences from the Arab Community College (1988)

Work Experience:
• Director of Settlement and Debt Recovery Center, Housing Bank for Trade and Finance (1989-2017)

(3/D): Name of The Executive Management and Board of Directors persons who resigned during 2018:

- Mr. Saleh Mohammed Saleh «Zaid Al Kilani» resigned from the Board of Directors as an independent member on 29/07/2018 and became a non-independent member on the same date and a representative of First Jordan Investment Company.
- Majdi Mahmoud Ibrahim Banat - AGM Operations – resignation date: 19/08/2018.
- Muntaser Marwan Shafeeq Alshashtari - Regional Manager of Palestine Branches – resignation date: 28/05/2018.

4): Names of Major Shareholders with Equity of %1 or More Compared to Previous Year and Final Beneficiary:

Sequence	Contributor	Nationality	Final Beneficiary	Shares Owned		Number of Shares Pledged	Percentage of Shares Pledged	Pledging Agency	Number of Shares Held		Number of Shares Pledged	Percentage of Shares Pledgd	Pledging Agency
				As of 2018/12/31	Percentage %				As of 2017/12/31	Percentage %			
1	Al Saleh Holding Investment Co Ltd	Saudi	Reem bint Nasser bin Mohammed Al Saleh at 25% Noura bint Nasser bin Mohammed Al Saleh at 25% Maha bint Nasser bin Mohammed Al Saleh at 25% Sara bint Nasser bin Mohammed Al Saleh at 25%	31,800,000	26,50%	None	None	None	31,800,000	26,50%	None	None	None
2	Social Security Corporation	Jordanian	Himself	23,808,021	19,84%	None	None	None	23,808,021	19,84%	None	None	None
3	Michael Faiq Ibrahim Al Saygh	Jordanian	A - Gimbal Holding Company at 27.20%, final beneficiary NAC Ventures WLL at 100%, final beneficiary AD NAC Ventures WLL at 100%, final beneficiary ADCB 99.75% B - Commercial Bank at 9.96% C - National Paints Holding Company at 6.72% D - United for Real Estate Development at 5.33%, final beneficiary Global Investment House at 99% E - Clara Abdel Nour Nayef Abdel Nour at 5.19%	14,741,872	12,28%	1,199,998	8.14%	Arab Jordan Investment Bank	14,776,558	12.31%	1,199,998	8.12%	Arab Jordan Investment Bank
						1,250,000	8.48%	Bank al Etihad			1,250,000	8.46%	Bank al Etihad
4	Michael Faiq Ibrahim Al Saygh	Jordanian	Himself	12,844,687	10,70%	None	None	None	12,800,475	10.66%	None	None	None
5	Ibrahim Faiq Ibrahim Al Sayegh	Jordanian	Himself	12,089,011	10.07%	None	None	None	12,065,877	10.05%	None	None	None
6	Samer Salim Faik Al Sayegh	Jordanian	Himself	6,894,048	5,74%	None	None	None	6,894,048	5.74%	None	None	None
7	Sami Salim Faik Al Sayegh	Jordanian	Himself	3,628,590	3,02%	None	None	None	3,628,590	3,02%	None	None	None
8	Samar Salim Faik Sayegh	Jordanian	Herself	1,814,296	1,51%	None	None	None	1,814,296	1,51%	None	None	None
9	National Paints Factories Co Ltd	Jordanian	Michael Faiq Ibrahim Al Saygh at 33.33% Ibrahim Faeq Al Saygh at 33.33% Samer Salim Faik Al Sayegh at 33.33%	1,656,641	1.38%	None	None	None	1,656,641	1,38%	None	None	None
10	Noha Michel Moussa Haddad	Jordanian	Herself	1,295,926	1,07%	None	None	None	1,295,926	1,07%	None	None	None

(5/A): Bank's Competitive Position by Segment*:

Description	2018	2017
Market share/facilities	2.84%	2.77%
Market share/deposits	2.39%	2.66%
Market share/assets	2.64%	2.69%

*For Jordan branches only

(5/B): Jordan Commercial Bank's credit ratings issued by Capital Intelligence:

Foreign currency risk rating (short term)	B	Sovereign risks (short term)	B
Foreign currency risk rating (long term)	BB-	Sovereign risks (long term)	BB-
Financial strength rating	BB	Outlook	Negative
Support rating	3		

(6): There is no dependence on specific suppliers or customers, local or foreign, whose dealings with the bank constitute %10 or more of the total purchases and/or sales or revenues.

(7/A): Neither Jordan Commercial Bank nor any of its products enjoy any government protection or privileges by virtue of any laws or regulations.

(7/B): Jordan Commercial Bank has not obtained any patents or concession rights from any local or international organizations.

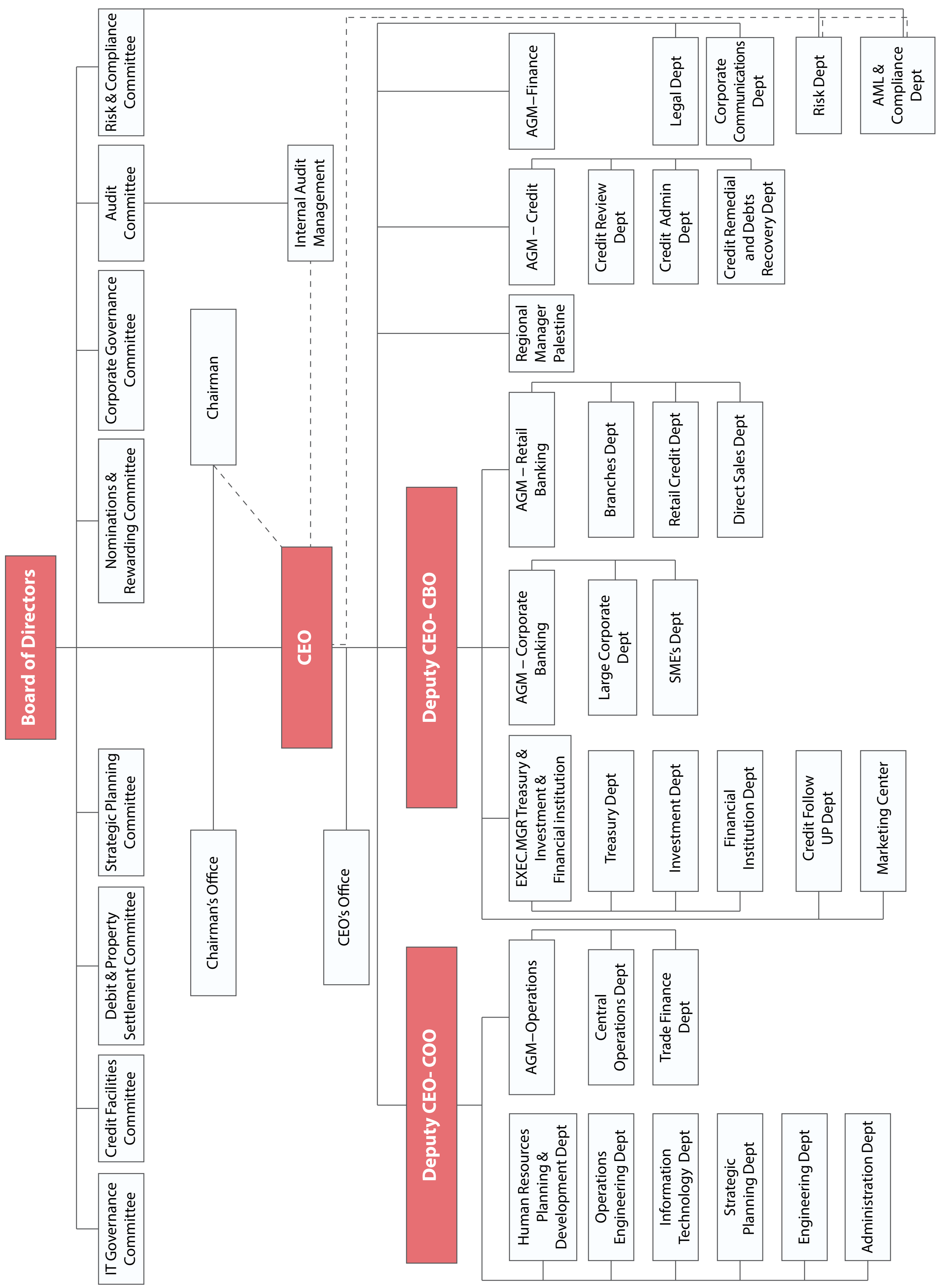
(8/A): No resolutions rendered by the government, international organizations or others have any material impact on the Bank, its products or competitiveness.

(8/B): International Quality Standards

- In an effort to strengthen the Bank's security and protection systems, the Bank has started in 2018 to implement a set of security processes, controls and solutions to comply with the Cyber-Security requirements. This will strengthen the security and protection systems and reduce cyber risks in light of the evolution of electronic attack methods.
- The COBIT project has been completed to comply with the CBJ's requirements in the area of IT governance to ensure optimal use of IT resources and effective risk management.
- The PCI-DSS compliance certificate has been renewed, thus enhancing the protection of card systems.

(9): The organizational structure of the Bank, the number of employees, their qualifications, and the training programs attended by the employees during 2018:

A- Jordan Commercial Bank Origanizational Structure:



B- The number of Bank's Employees and their qualifications as of 31/12/2018:

Academic Qualifications	Number		Number		Total	%
	Males	%	Females	%		
PhD	1	0.11	0	0.00	1	0.11
Master's Degree	45	5.13	22	2.51	67	7.63
Higher Diploma	2	0.23	1	0.11	3	0.34
Bachelor's Degree	376	42.82	211	24.03	587	66.86
2-Year Diploma	38	4.33	41	4.67	79	9.00
1-Year Diploma	1	0.11	20	2.28	21	2.39
High School (Tawjihi) (Pass)	16	1.82	13	1.48	29	3.30
Below High School (Tawjihi)	90	10.25	1	0.11	91	10.36
Total	**569**	**64.81**	**309**	**35.19**	**878**	**100.00**

C- Internal and External Training Courses:

Internal and External Training Courses From 01/01/2018 Until 31/12/2018				
	No. of Courses	No. of Participants	Males	Females
Institute of Banking Studies	114	334	199	135
Training institutes (courses, conferences, seminars) within Jordan	154	363	238	125
Internal training courses (Training & Development Center)	117	2728	1596	1132
Training courses (outside Jordan)	11	15	12	3
Conferences & Seminars outside Jordan / Senior Management	0	0	0	0

- The Bank held 117 training courses at the Bank's Training and Development Center benefiting 2,728 employees. In addition, 114 courses were held at the Institute of Banking Studies and 363 employees participated in the courses delivered at the Union of Arab Banks and other distinguished and reputable centers specialized in skill development.

- The Bank also distributed 70 graduates from Jordanian universities to the Bank›s branches to train them as a means of effective contribution and partnership with the local community.

(10): Risks faced by the Bank:

- Credit Risk: Credit Risk is defined as the current and potential financial loss arising from the failure of the Bank's borrower or counterparty to meet the terms of the loan in full and on time, which affects the Bank's revenue.

- Market Risk: It refers to the potential loss that may arise from changes in market prices, such as the change in interest rates, foreign currency exchange rates and equity instrument prices, and consequently, the change in the fair value of cash flows of the financial instruments on and off the statement of financial position.

- Liquidity Risk: Liquidity Risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its growing operations or obligations upon their maturity at the appropriate cost and time. It is considered as part of the Assets and Liabilities Management (ALM).

- Operational Risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

- Compliance Risk: Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with applicable laws, regulations, instructions and professional and ethical banking regulations issued by local and international regulatory bodies, including the Bank's internal policies, codes of conduct and sound banking practices and standards.

- Information Security Risk: It is defined as the loss or negative effects that the Bank may be exposed to as a result of internal or external attacks that threaten its information, whether in electronic or paper form.

(11): Bank's Achievements in figures and a description of the important events the bank experienced throughout the year:

Business Sectors:

Retail and Branches:

- Retail banking is one of the most prominent business sectors in the Bank. It is the largest source of funds and the second largest sector in terms of utilization and investment of the Bank's funds. The Bank has a wide network of branches covering all regions of the Kingdom. The Bank has 35 branches (30 branches in Jordan and 5 in Palestine). Moreover, the Bank has a wide network of ATMs (68 ATMs), which are spread throughout Jordan and Palestine. The most prominent achievements of the Bank's retail banking sector in 2018 include the following:

o Technology and Digital Services:
- Re-Launching the Bank's website
- Re-launching Tejari Mobile in a new look with additional services, such as fingerprint access and self-registration
- Extending call center service hours to become 24 hours a day, seven days a week
- Launching the Instant Issuance service of debit cards in 11 branches
- Launching the instant cash deposit service (BNA) in the main branch and Fuheis and Um Uthaina branches
- Launching new credit card services via ATMs
- Implementing a collection tracking system and automating account opening and credit card applications
- Continuing to replace account paper statements with electronic statements, issuing e-statements to more than 35,000 customers
- Developing and modernizing the Call Center's infrastructure
- Subscribing all retail customers to SMS service to immediately inform them of all transactions that occur on their accounts, giving them a sense of security and satisfaction, and achieving the principle of continuous communication with customers

o Operating System in Branches:
- The operating system in branches was checked to ensure the best levels of service, achieve a distinct and smooth customer experience, and create an express service function that aims to serve customers in fast matters and refer customers to electronic channels.
- The Bank worked on automating the internal procedures, reviewing customers' journeys to achieve a record period of service delivery, improving operational efficiency, and re-engineering procedures that have the greatest impact on the Bank and customer experience.

o Expansion and Branching

- In line with its balanced expansion strategy, the Bank continued to expand its network of branches, by opening Um Uthaina Branch and modernizing Shmeisani branch.
- The Bank installed new ATMs (Al-Kemmah Pharmacy in Sweifieh, Al-Sarw, Abu Alandah, Khirbat Kan Zaman, Dhahiat Al-Yasmeen).

o Customer Relationship Management

As part of the Bank's efforts to enhance its competitive position and distinct standing, JAH Center established, during the year and by employing a competent team of Account Relationship Managers, professional relationships based on rapid response to the needs of VIP customers as per the professional banking standards. The team also helps customers to better manage their cash flows and provides them with tailored services that meet their needs. This is done with the aim of providing an operational model designed to improve the quality of services and reducing the time required to deliver any service to customers. In addition, two new JAH centers were opened in Shmeisani and Um Uthaina branches.

o Product Development

Building on the Bank's strategy to develop its products, the Bank has focused on the savings account product and distinguished it from the rest of the Bank's products by reducing the minimum balance required to open the account, making prize draws and achieving profit opportunities. New prizes have been launched for savings accounts through a successful marketing campaign, resulting in a portfolio growth by 14% and an increase of 35% in the number of customers of this product.

The Bank has also launched several new, innovative products and services, including:

- Visa Infinite, a credit card which is one of the top tiers of Visa cards, to meet the needs, desires and aspirations of customers.
- Yelo Prepaid Card, a prepaid card that customers load with cash and use it for purchases, cash withdrawals and online shopping.
- Property financing products with competitive interest rates and easy procedures.
- Extra features on credit cards, such as 0 intro rate and 3D secure.
- 280 new companies have joined the list of approved companies.

Corporate Banking

The corporate sector (i.e. large corporations and SMEs) retains great economic importance as a major driver of economic growth and sustainable development. It supports economy and achieves added value that advances development and progress, not to mention its pivotal social role in reducing unemployment, since it is considered the main employer in Jordan. For all these reasons, the Bank has paid great attention to this sector and endeavored to meet its requirements by offering a full range of banking services and solutions.

The corporate sector is a major source of deposits and the largest source of funds (through access to credit facilities). It has witnessed significant growth in 2018 despite the difficult economic conditions in the Kingdom and the fact that the corporate sector is more affected by economic and political changes than other sectors. The Bank has been able to overcome these difficulties and turn them into real opportunities. That is, the direct credit facilities granted at the total portfolio level grew by 5.6%, which is one of the highest growth rates in the banking sector, and when considering the repaid credit facilities, the growth rate is actually greater. Meanwhile, indirect credit facilities witnessed growth during 2018. That growth was accompanied by an improvement in the quality of credit facilities portfolio by addressing non-performing debt accounts. To achieve that, the Bank adopted a policy to reduce non-performing debts and exit from some accounts that show default signs and replace them with new relatively stable, low-risk accounts to improve the ratio of non-performing debts and improve portfolio quality.

In line with government directions and continuous evaluation of banking market needs, Jordan Commercial Bank focused on the sectors that are receiving government support and incentives (e.g. renewable energy, information technology, industry, tourism, education and health). A booklet of the financed products was published. The Bank also provided financing to a number of leading companies in vital and strategic sectors, including for example some educational institutions, food trade, general trade, and industrial and service companies, which contribute to the domestic and foreign economic activity and provide foreign currency to the domestic economy. In addition, the JCB paid particular attention to the SMEs sector by launching several related products and programs, such as financing customer withdrawals at any MEPS' points of sale, under an agreement signed with Middle East Payment Services (MEPS) as well as the signing of an agreement with International Fund for Agricultural Development (IFAD).

With the expansion of credit facilities activity, the Bank took into account the extent to which the sector is affected by interest rates more than other sectors, which requires continuous monitoring of changes in interest rates globally and their impact on the corporate sector locally and on the banking sector as a whole, taking the necessary measures to minimize fluctuation risks. In this context, emphasis has been placed on deepening partnership with Jordan Loan Guarantee Corporation (JLGC) in relation to startup business.

Treasury and Investment

Treasury Sector

The treasury sector plays a major role in the management of the Bank's assets and liabilities through the treasury departments. The sector's main activities in this area include:

First: Treasury Department

The Treasury Department offers a variety of financial instruments to customers to optimize hedging in the local and international markets through dealing in foreign currencies, including future contracts and trading as well as margin trading in foreign currency and metals. This has had a positive impact on the Bank's profits despite the continued global fluctuations in financial markets. It also offers competitive prices for the exchange of foreign currency to the Bank's retail and corporate customers. Furthermore, the Department plays a key role in the pricing and managements of assets and liabilities by closely monitoring and controlling the cost of sources of funds in accordance with the international standards, which has led to a significantly expanded customer base.

Additionally, the Treasury Department manages the Bank's liquidity and maintains high levels of cash and legal liquidity compared to the requirements of the Central Bank of Jordan. It also manages a solid, high-yield government bond portfolio and the risks associated with it, as well as helps to achieve the Bank's annual objectives and strategies. Moreover, the Department opens new channels of communication with regional and foreign banks, which has led to the expansion of foreign investment base.

Second: Investment Department

The Investment Department takes advantage of investment opportunities available locally and regionally to achieve the best possible return on the investment portfolio, while maintaining its quality by selecting securities with good return, high liquidity and within acceptable risk levels.

Despite the weak performance of the local and regional financial markets due to the political and economic conditions in the region, the Investment Department continued to achieve good revenues from the investment portfolio of shares traded on the Amman Stock Exchange. The Department also expanded in the provision of specialized investment services, including issue management and custody services, payment and registration agent, custodian and financial advisory services, by attracting a number of companies operating in the area of issue management and bonds. The Bank engaged in some of these bonds with good returns. The Department is currently developing advanced investment products that meet customers' aspirations to achieve high returns with well-considered risks.

Third: Financial Institutions Department

The Financial Institutions Department is expanding its network of regional and international correspondent banks, especially in the field of external financing, as well as consolidating existing relationships with correspondent banks. This enhances the Bank's efforts and endeavors to serve its customers by providing a wide network of correspondent banks and offering a variety of services at competitive prices.

The Bank recently visited a number of countries to market its products and services, and meet the requirements of banks and financial institutions for existing projects. It also participated in a number of conferences related to the banking sector in general and the development and financing of foreign trade.

Support Services:

Information Technology Department

In 2018, and in order to achieve its comprehensive strategy to automate the Bank›s operations and systems, the Bank worked on developing its internal processes to help provide the best services and products and enable customers to complete their various banking transactions faster and more securely. It managed to do so through the application of new systems, upgrading of existing systems and development of the current infrastructure. In 2018, a number of systems and applications were implemented and upgraded, particularly the following:

- Upgrading the banking system to the latest version of ICS, a leading provider of banking solutions, to improve and provide new services and solutions;
- Upgrading and developing the electronic services provided to customers through the upgrading of Tejari Mobile system which aims to provide electronic banking services that are highly secure and easy to use;
- Upgrading and developing ATMs to provide new services to customers, leading to an increase in the volume of banking transactions made through ATMs;
- Implementing an instant card issuance system through branches, enabling customers to obtain cards immediately;
- Implementing the collection system; and
- Upgrading and developing the SWIFT system in line with international standards.

In order to ensure the constant availability of systems and non-interruption of work in emergency situations, the Bank completed the project of upgrading the backup site to ensure flexibility and automatic transition of alternative systems in case of failures.

Operations Engineering Department

The Operations Engineering Department of Jordan Commercial Bank is one of the main arms supporting all the Bank's functions and is a cornerstone for ensuring that all banking services are provided to customers in line with the sound banking rules. This comes in implementation of the Bank's strategy to be one of the leading banks in the provision of banking services.

Operations engineering involves studying and redesigning all banking operations within the framework of a systematic approach conforming to best practices, ensuring fast and quality service delivery, achieving significant savings in operating costs, and meeting the requirements of the regulatory body in all areas. The main achievements of the Department during 2018 include:

- Development of the Bank's Policies and Procedures: Work policies and procedures were laid out and approved for the majority of functions and activities at the Bank, including: branches, operations, banking services, credit, treasury and investment, and control). This involves redesigning the course of banking operations as per best practices and in compliance with the control systems and regulatory requirements. In addition, all contracts and forms used at the Bank were standardized to ensure conformity to all legal frameworks in force.

- Organization and Development of Operations: The organizational structure of the various functions and descriptions of all positions were reviewed, modified and approved to suit the outputs of the staffing sufficiency project with the aim of increasing operational efficiency and ensuring the optimal utilization of the human resources operating in the Bank.

- Automation of Banking Operations: The Department played a key role in the area of full automation of banking operations to meet all requirements of various functions in the Bank through the effective role of the Department's team in cooperation with the IT Department. Many automation projects were implemented to meet the requirements of the regulatory authorities, ensure better customer services and improve the automated regulatory environment for various banking operations.

Human Resources Department

Our employees are an integral and active part of the banking system. We value our employees and strive to meet their satisfaction, making the Bank a preferred employer.

As part of the Bank's pursuit of its objectives and plans as regards incentivizing our employees and reducing the gap between the salaries of our employees and those in the banking sector, annual salary increases were granted at the beginning of the second quarter of 2018. In addition, the Bank incentivized outstanding performance by granting employees bonuses based on 2017 performance evaluation as per an approved bonuses and incentives policy. Moreover, the Bank updated, developed and adopted a staff mobility policy commensurate with work needs.

As part of the efforts made to improve the medical benefits for employees, the Bank opened the Tejari Clinic and appointed a doctor to provide medical services to the Head Office's staff and their families. The HR Planning and Development Department, in collaboration with the King Hussein Cancer Center, hosted the «Think Pink» initiative where an awareness lecture was given to the Bank's female employees to provide them with advice, guidance and free consultations.

The «Employee Handbook» was adopted with a modern design to help employees learn about the applicable laws and regulations as well as the benefits offered to employees, which in turn would directly affect business practices. The Handbook shall serve as an adequate reference for employees to address their needs.

The Bank also affirmed its commitment, through the HR Planning & Development Department, to apply effective policies ensuring the selection of the best qualified human resources to achieve efficiency and competency in the recruitment process and equal opportunities in the application of the selection and recruitment policy. In addition, the Bank implemented employee development and motivation policies through a number of programs, including job succession, second line qualification and talent pool program, in order to give staff members the opportunity to fill vacant posts with high administrative and supervisory functions, ensuring the principle of efficiency and competency in filling such posts internally. The revised policies for promotions, financial benefits and bonuses were also approved by the Board of Directors and entered into force.

In the same context, 64 employees were promoted internally to fill several positions in the Head Office and branches, as follows:

- Branches: Head Teller, Customer Relationship Officer, Branch Manager
- Head Office: Head of Division, Head of Unit, Director of Center, Director of Department

To increase the return on investment in human capital, the Bank gave special attention to the training and development process, which had a significant impact on employee performance. Branch employees received specialized qualitative training through different courses held internally at the Training Center and at the hands of qualified trainers from inside and outside the Bank. Those training courses grew by 85%. The Bank, through the Bank's internal training center, delivered 43 courses benefiting 2,678 employees.

In addition, 82 courses were held at the Institute of Banking Studies and 378 employees participated in the courses delivered at the Union of Arab Banks and other distinguished and reputable centers specialized in skill development. During 2018, the Bank implemented "Voice of the Employee" - VOE survey and studied the results of the said survey to identify and address weaknesses.

Administrative Department

The Administrative Department plays an important and pivotal role in providing support to the Bank's departments. It also coordinates with all departments to provide a convenient and comfortable working environment for employees. In addition, it has an important role in controlling expenses and maintaining the Bank's financial and in-kind resources. The key achievements of the Department include:

- Achieving financial savings and controlling the administrative and general expenses of the Head Office and branches through the recycling and maintenance of furniture for reuse as well as disposal of surplus vehicles;
- Achieving financial savings in the 2018 budget of the Administrative Department regarding administrative and general expenses (e.g. water, electricity, stationery, hospitality, etc.);
- Conducting a mock evacuation drill for the staff at the Head Office and Main Branch on 04/10/2018, under the supervision of Civil Defense Directorate, to promote the culture of public safety and occupational health among them and how to address emergency cases to ensure their safety;
- Contributing to the success of the initiative launched by Princess Alia Foundation for the recycling of waste paper and preservation of the environment as a charity initiative in public schools. The Green Prints initiative was signed by Jordan Commercial Bank, Princess Alia Foundation and Minister of Education and under the sponsorship of the Association of Banks;
- Complying with the instructions of the Central Bank of Jordan to provide the necessary human guards for all branches through a specialized security and protection company of 1/8/2018;
- Ensuring the non-interruption of the work of branches and departments in an a convenient and comfortable environment by providing the necessary needs (e.g. furniture, forms, stationery, equipment, ink, etc.);
- Supervising the relocation and preparation of new branches (Um Uthaina, Shmeisani) as well as supervising the transfer of internal departments of the Head Office; and
- Achieving a higher level of job satisfaction among the Bank's employees and enhancing the social role of the Bank and reflecting a bright image of it by fulfilling the individual and basic needs of employees. In this regard, the Bank secured the transportation of staff to the Bank's Headquarters.

Engineering Department

The Engineering Department provides support to all the Bank's departments in order to maintain a convenient and comfortable work environment and reflect a modern image of the Bank in line with the Bank's strategy and objectives as follows:

First: New Standard Design for Branches

- To create a modern image of the Bank, the Engineering Department, in coordination with the Branch Department and Consulting Office, approved the new design of the Bank's branches and made the modifications that would serve the Bank's customers. The Department also focused on implementing a standard design in the branches of Um Uthaina, Shmeisani and Sports City.
- The Engineering Department continuously makes proposals regarding the reallocation of some departments in line with the new changes, including the redesigning and implementation of the Bank›s Headquarters.

Second: Energy Projects and Rationalization of Electricity Consumption
- The Engineering Department works, in coordination with the specialized companies, to prepare the ideal site for the implementation of the solar energy generation project, which has been started to link the buildings and branches of the Bank. The first phase of the project is expected to complete at the beginning of the first quarter of 2019.

Third: Business Continuity
- With regard to the procedures adopted to ensure continuity of work in different circumstances, the Department continued, in coordination with the other competent departments, to ensure the readiness of the Disaster Recovery Site in Mafreq. The Department also secured backup sources of electricity through the supply and installation of spare generators at branches according to their geographical distribution.

Fourth: Requirements and Duties of the Engineering Department
- To develop the work of the Engineering Department, the Department invited and qualified new contractors and suppliers in various specialties to ensure the highest level of service and best prices.
- The Department upgraded and developed the security systems in the Bank's buildings and branches in accordance with the security aspects and the requirements of the Central Bank of Jordan, Association of Banks and Public Security Directorate.

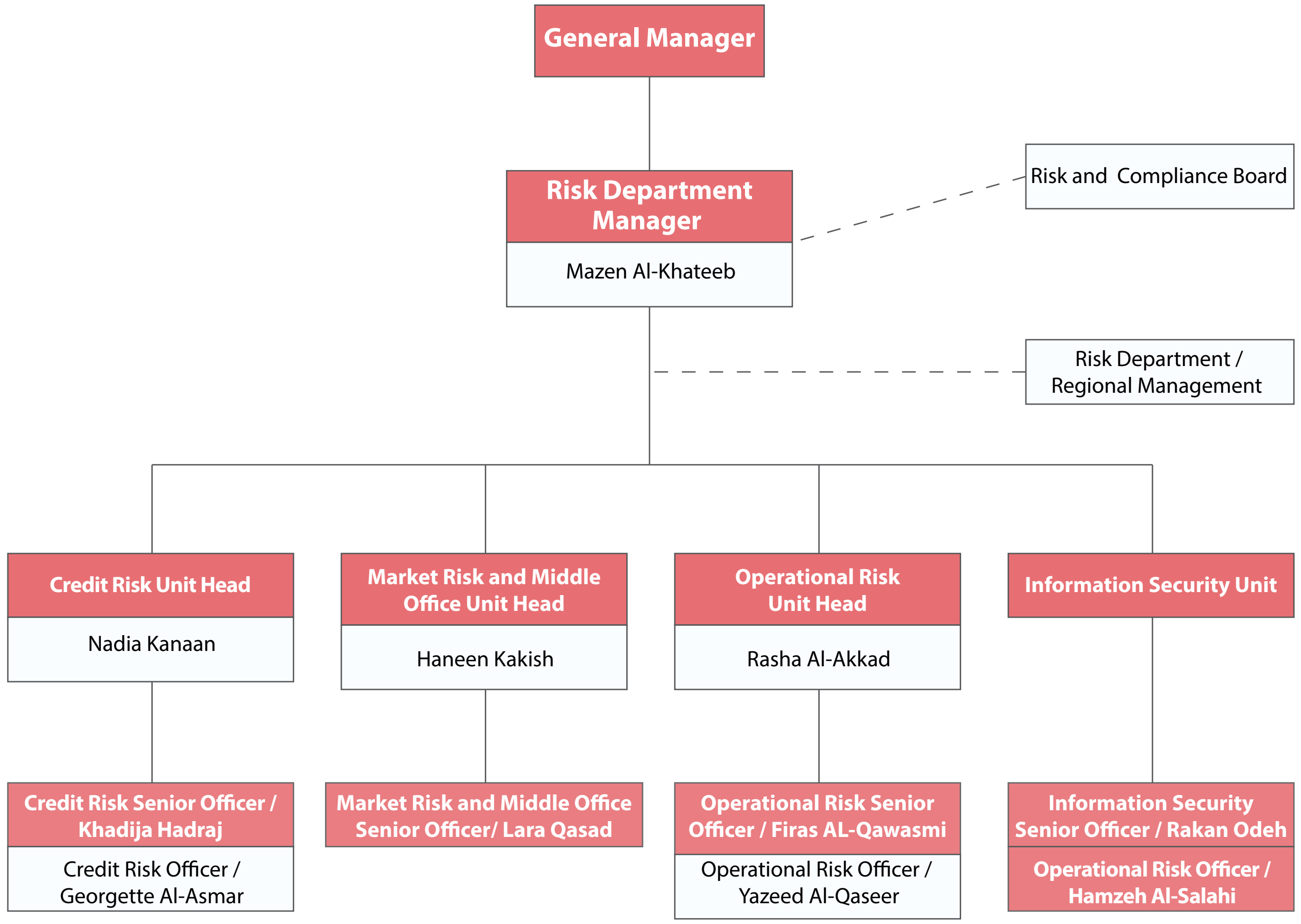
Fifth: Sustainability of Preventive Maintenance and Preservation the Bank's Property
- The Engineering Department's scope of work involves various activities, such as periodic and preventive maintenance works and monitoring of the Bank's buildings and branches, including the maintenance of various systems and devices to ensure uninterrupted operation. For this reason, the Department signed maintenance contracts with the specialized companies and suppliers of systems, and followed up on reports issued by the said companies. It also implemented property protection programs and maintained them throughout the year.

Control:

Risk Department
The Risk Management Department carries out its functions within the framework of the risk management strategy emanating from the bank's general strategy and the work plans in place in manner that is compatible with the instructions issued by the local regulatory authorities and Basel accords and the best international practices in risk management.
As part of its strategy to focus on risk identification and management, the Risk Department achieved the following in 2018:
- Prepared a comprehensive study on changes in the Bank's interest rates and their impact on the Bank's income.
- Conducted a study showing the impact of expected cash inflows and outflows on the legal liquidity ratio.
- Developed and implemented the foreign currency buying and selling settlement risk policy and prepared the necessary report in this regard.
- Created a profile for the overall risk position (the Bank's risk profile) and another profile for reputational risk.
- Continued to implement and develop stress tests by applying scenarios required by the Central Bank of Jordan in addition to other scenarios developed by the Risk Department in cooperation with the relevant departments in the Bank.
- Prepared a study on the Bank's financial indicators compared to the financial solvency results of Jordanian and similar banks; and continued to monitor the Bank's performance against such indictors.
- Prepared a study on the predicted historical financial burdens that have affected the Bank in the last 3 years.
- Applied the IFRS 9 requirements according to the CBJ's instructions and its impact on the Bank's position.
- Studied the historical record of the credit portfolio customers for the last 5 years and in accordance with the IFRS 9 requirements and the CBJ's instructions.
- Conducted an internal capital adequacy assessment process (ICAAP) for the Bank by calculating the capital required to address all the risks faced by the Bank.
- Prepared a study on facilities customers to identify the scope of default.
- Updated and developed the Bank's risk appetite levels and developed a reporting system for risk levels, periodically monitoring such levels to identify any deviation and its impact on the calculation of capital charges.
- Calculated, in cooperation with the concerned departments, the impact of the implementation of Basel III requirements, specifically the liquidity coverage ratio.
- Prepared a detailed Risk Matrix for all types of risks faced by the Bank as a whole, indicating the degree of the impact of such risks on the Bank and the effectiveness of control systems in reducing such risks.
- Tested the contingency liquidity plan by assuming certain scenarios in coordination with the concerned bodies at the Bank.
- Developed the Business Continuity Plan based on business impact analysis and risk assessment.

- Assessed information and data risks, identified information security threats, and assessed data sensitivity and the levels of its exposure to risks.
- Prepared an action plan for ATM instructions issued by the Central Bank of Jordan to ensure compliance with all requirements within the specified period and distribution of roles to all concerned.
- Carried out penetration tests for all systems, peripherals and networks to detect vulnerabilities and assess risks and systems immunity against outside or inside attacks.
- Assessed cyber risks in terms of probability and impact or severity, applied ISO 27005 standard, and created a Cyber Risk Register.
- Fulfilled the requirements of the COBIT 5 requirements in cooperation with the concerned bodies.
- Held awareness workshops for all departments in the Bank to introduce them to the provisions of the General Data Protection Regulation (GDPR) and its impacts; and held a workshop with the concerned parties to analyze gaps in the GDPR application.
- Offered training to Risk Department employees to obtain professional certifications in their field of work.
- Continued to provide training on risk culture at all levels of the Bank for all types of risks, as well as training on business continuity plans and information security.

Risk Department Organizational Structure:



Compliance Department
The Compliance Department plays a crucial role in monitoring the Bank's implementation of compliance standards to avoid exposure to the risks of non-compliance in its banking transactions and to avoid actions against it by regulatory authorities. It manages to do so through the following:

- Periodic disclosures: The Compliance Department monitors the relevant parties in the Bank to ensure implementation of the requirements of the regulatory bodies received by the Bank sufficiently in advance and ensures compliance with disclosures. The Department strives to enhance the accuracy of the data provided by the Bank to the regulatory bodies.

- Application of the instructions of dealing with customers fairly and transparently and addressing customer complaints: Handling customer complaints and feedback is one of the most important elements of dealing with customers fairly and transparently. Customer feedback is extremely important as it provides a wealth of information about issues affecting customer satisfaction. Such information can be used to improve services and help the Bank develop its work and take actions to avoid or minimize customer complaints in the future. The complaint handling system is defined as «the organization›s response to any failure in the process of providing services to customers.»

The Bank has a Customer Complaints Unit that reports to the Compliance & AML Department. The Unit receives and responds to customer complaints through various channels with the aim of enhancing customer satisfaction and trust. It classifies complaints and conducts various quantitative and analytical studies to identify the causes of complaints, where required. It also submits periodic reports to the Board of Directors and the Central Bank of Jordan in this regard.

In 2018, the Unit received a total of 254 complaints. Most complaints were related to the central region branches and focused on work processes, some technical errors and other complaints related to customers' lack of knowledge of the services provided by the Bank or invalidity of a customer's request. The Compliance & AML Department/Customer Complaints Unit follows up on the subjects of complaints, communicate with customers to gain their satisfaction and clarify any misunderstanding, and recommend appropriate corrective measures. The most commonly used method for submitting complaints is telephone followed by the Bank's website.

- Monitoring and management of compliance at external branches and mutual coordination and cooperation: The organizational structure of the compliance function at the Regional Office (Palestine) has been modified to become an independent department and was provided with additional staff, to ensure consistency between its practices and the Bank's general policy. The anti-money laundering function has been separated from the compliance function (in the Regional Office) and an anti-money laundering policy stemming from the Bank's general policy has been adopted.

- FATCA compliance: A plan was implemented in accordance with the policy of registration with the IRS. A specialized department was established, meetings were held, and follow-ups with the relevant parties were conducted, and reporting procedures were implemented.

- Development of compliance function at the Bank: In this regard, the Department reviewed and approved the compliance control policy and the AML/CFT Policy. It also applied the GoAML reporting system. In 2019, the Bank will adopt an integrated system aimed at strengthening compliance and AML/CFT mechanisms.

- Corporate governance: The requirements of the CBJ's Corporate Governance Instructions were identified and the Bank's Corporate Governance Manual was adapted accordingly. A study was conducted to identify the most important requirements and compare them to the Bank's practices, and a work plan was also developed for implementation. In addition, the policies, manuals and charters for Board committees were prepared, reviewed and approved by Board members. Moreover, the Bank took steps to ensure compliance with IT governance requirements within the COBIT 5 Framework, as well as the Corporate Governance Regulations for Listed Shareholding Companies issued by Jordan Securities Commission.

- HR development: The Department was provided with qualified and experienced staff. Current employees received training in line with the best international standards. A number of the Department's staff obtained professional certificates including: Advanced Certification Recertification Guide, COBIT 5 foundation, IISI, TOT, CCO and CAMS. This would enable the Department to address the challenges and risks associated with the Bank's various operations and with the banking sector in general as part of a leading compliance culture and in line with the best banking practices.

Internal Audit Department

The Internal Audit Department provides independent and objective assurances and consulting services to improve the control environment at the Bank. The Department's programs and activities are designed to provide added value that helps achieve the Bank's objectives and strategic goals, by working side by side with various departments, improve internal controls over all the Bank's activities and daily operations, and create an effective control environment.

The Board Audit Committee oversees the internal audit function and defines its responsibilities and tasks as part of the Committee's regulatory role. The Auditor-General is responsible for managing and overseeing all internal audit work and activities.

The main responsibilities of the Audit Department include:

• Preparing audit-related corporate governance system and approving the same by the competent parties in the Bank in accordance with the relevant laws and regulations;

• Preparing an annual audit plan approved by the Audit Committee, covering most activities and organizational units of the Bank according to the risk degree in these activities;
• Implementing the approved annual audit plan, and any special tasks or projects requested by the Senior Management;
• Preparing an annual report on the adequacy of internal control systems to reduce risks faced by the Bank and making appropriate recommendations to address weaknesses;
• Reviewing compliance with the Corporate Governance Manual;
• Reviewing the Bank's compliance with its internal policies as well as with the relevant laws and regulations;
• Following up on the Executive Management's plan to address internal audit notes in accordance with the timeline agreed with the audited department;
• Following up on the violations and notes contained in the reports of the regulatory authorities and the external auditor to ensure that they are addressed and that there are appropriate controls adopted by the Executive Management to avoid such violations in the future; and
• The Audit Department provides advisory support when planning any new products, policies or procedures prior to the adoption thereof.

Corporate Social Responsibility

Corporate social responsibility activities are an integral part of the Bank's commitment towards the local community. In 2018, the Bank provided financial and in-kind support to various activities in different fields. such as education, environment, sports, health, poverty alleviation and many other community activities. The Bank made donations to disadvantaged groups across the Kingdom, including people with special needs, orphans and the elderly. The Bank also sponsored many conferences, seminars and social events and cooperated with many educational and social institutions.
The Bank made important achievements in the area of social responsibility. For example, it provided support to the Jordanian Hashemite Fund for Human Development and Al-Aman Fund For The Future of Orphans. It also supported educational institutions, such as the graduation project of fifth grade students at Ibn Rushd Academy by donating to the purchase of waste baskets to be distributed to the gardens and forests in Naour area with the aim of preserving the environment and raising the awareness of residents in the area of the importance of reducing pollution and supporting the right to a healthy life for Naour residents.
In the areas of health, the Bank organized an event and lunch for the SANAD Group of the King Hussein Cancer Center as an initiative by the Bank to support breast cancer fighters in Breast Cancer Awareness Month. The event aimed to providing psychological and moral support to breast cancer patients.
The Bank also sponsored and supported many cultural, social and sports events, sponsored many conferences and forums, and provided continuous support and donations to various charity, cultural and social institutions and centers in the Kingdom.
As a contribution to the labor market, the Bank trained 70 graduates from Jordanian universities by distributing them to the Bank's branches and training them on the Bank's work in order to provide them with the necessary skills for joining the labor market.

(12): There is no financial impact of any non-recurring transactions that occurred during the financial year which are not within the bank's main activities.

(13): Chronological order of realized profits (losses), dividends, shareholders' net equity, and share price for the years 2014-2018 (JD):

Description	2018	2017	2016	2015	2014
Net profit	5,029,366	3,788,813	9,325,406	15,756,877	11,728,020
Shareholders' net equity	134,043,930	149,540,599	145,814,791	137,981,433	120,411,810
Cash dividend (proposed)		-		-	-
Dividend payout ratio (proposed)		-		-	-
Bonus issue (proposed)		-	7,125,000	7,875,000	5,000,000
Bonus issue ratio (proposed)		-	6.3%	7.5%	5.0%
Closing price/share	0.85	1.19	1.4	1.17	1.16

- Priority given to shareholders upon issuance of new shares:
Shareholders shall be given priority to subscribe to new shares in an IPO.

(14): Financial Position and Operating Results:

	2018	2017	2016	2015	2014
Main Items of the Income Statement					
Net interest income	32.3	36.4	38.6	36.9	29.9
Net interest and commission income	37.8	41.4	43.4	42.7	35.5
Gross income	44.6	48.2	49.6	64.0	44.9
Net income before tax	6.3	6.3	12.0	24.1	15.6
Net income after tax	5.0	3.8	9.3	15.8	11.7
Earnings (Loss) per share/JD	0.042	0.032	0.082	0.139	0.111
Main Items of the Balance Sheet					
Total assets	1,353.6	1,382.3	1,265.3	1,487.6	1,165.3
Shareholders' equity	134.0	149.5	145.8	138.0	120.4
Credit portfolio, Net	727.9	718.0	634.0	599.3	523.9
Securities portfolio	316.7	344.6	341.0	405.9	365.4
Cash and Bank Balances	153.9	180.0	161.7	362.2	180.5
Customer deposits	893.2	971.3	957.3	1,041.5	810.3
Cash margins	84.4	91.8	69.9	73.0	69.4
Banks' deposits	117.3	121.4	51.8	193.4	140.3
Key Financial Ratios:					
Return on assets ratio	0.4%	0.3%	0.7%	1.2%	1.1%
Return on equity ratio	3.5%	2.6%	6.6%	12.2%	10.2%
Capital adequacy	11.5%	13.7%	15.3%	14.2%	13.1%
Net credit portfolio / customers' deposits	81.5%	73.9%	66.2%	57.5%	64.7%
Net non-performing loans (not covered by provisions) / Net credit portfolio	2.6%	2.5%	2.9%	3.6%	1.9%
Coverage ratio for non-performing loans	75.8%	63.2%	54.8%	56.3%	65.3%
Statutory liquidity ratio	104.6%	119.8%	119.7%	131.0%	116.1%

*Up to 2015 according to Basel II, and from 2016 onward according to Basel III.

(15): Important future developments and future plan:

• Overall Strategic Objective:
To be well positioned for growth with solid financial and operating results by maintaining high quality deposits and loans and achieving growth in operating profits leading to a strong competitive position and attracting quality deposits and loans from new customers. With the economic outlook for 2019, the bank is experiencing a 25% decline in profits this year.

• Strategy Main Pillars:
The Bank's general strategy has the following main pillars:
- Financial pillar: To achieve a strong financial position with constant growth in operating profits in order to be competitive, especially in the retail sector.
- Banking services: To be a leading bank in the provision of competitive services to targeted customer groups.
- Human resources: Focus on human resources to become the best bank to work for.

• General Strategic Objectives:

First: Business
- Retail: To be one of the top five banks in providing services to targeted customer groups such as upper mass employees and achieve constant growth in these groups by providing services and products that match their needs (launch new targeted services or improve existing ones).
- Treasury: In addition to its supporting role in managing funds and maturity and interest rate gaps, Treasury should become a profit center as well.
- Corporate: The following sub-goals should be achieved:
  - Addressing and improving the credit portfolio.
  - Achieving balanced growth in credit facilities.
  - Focusing on cross-selling.

Second: Support
- Business process engineering: Enhance the banking identity by establishing a general and unified framework governing the work of the various departments. The procedures, conduct of business and operations of the Bank should be unified and documented for all departments.
- Information technology: Achieve comprehensive automation of the various activities.
- Human resources: Invest in human capital by attracting and retaining experienced and competent employees and improving their performance to become the preferred bank to work for.

Third: Control
- Credit: Improve the credit process by implementing the highest credit control standards in cooperation with the business departments.
- Compliance: Aim to have the best compliance department in Jordan and identify the necessary tools to achieve this goal.
- Risk: Identify, monitor and manage all risks (current and expected/ quantitative and qualitative) and develop appropriate solutions to reduce those risks in line with best practices.
- Debt collection: Consolidate the follow up and collection process starting from default to foreclosure.

• Operational Objectives aligned with the 2019 Strategic Plan:
- Continue to apply the expansion plan to cover different regions of the Kingdom through the opening, or preparation of feasibility studies for the opening, of a number of branches for the Bank and Tejari and ATMs; and continue to modernize and develop the existing branches, reflecting a modern banking vision, and study their locations to ensure their accessibility to the Bank›s customers and their proximity to the economic and population activities;
- Develop/launch competitive products and services in the market and continue to advertise existing products;
- Continue to attract customers, segments and sectors that are consistent with the Bank›s policies and strategic directions;
- Improve the quality of the credit facilities portfolio by focusing on good lending and reducing non-performing loans; as well as raise the quality of the deposit portfolio by focusing on good and stable deposits;
- Develop the technologies used and continue to automate a number of programs and systems, as well as develop the MIS and review its programs and components;
- Follow up on the existing and updated requirements of the regulatory body and comply with them; and
- Implement a number of projects aimed at developing the banking business and improving the quality of banking services after approving such projects in accordance with the established rules.

(16): The auditor's fees including sales tax amounted to JD (161,358).

(17/A): Number of Securities Owned by Board Members, and Names and Shares of Companies Controlled by Them in Comparison with the previous year:

SN	Name	Nationality	No. of Securities		No. of Shares Held by Companies Controlled by Them	
			31/12/2018	31/12/2017	31/12/2018	31/12/2017
1	Micheal Faiq Ibrahim Sayegh Chairman	Jordanian	12,844,687	12,800,475	National Paints Factories Co. Ltd 11,428 National Paints Holding Company 1,656,641	National Paints Factories Co. Ltd 11,428 National Paints Holding Company 1,656,641
2	Ayman Haza' Barakat Al-Majali Vice Chairman	Jordanian	1,144,546	1,144,546	—	—
3 4	Social Security Corporation Two seats represented by: Shaden Ziad Nabih «Darwish Al-Haji» Mazen Hamdi Mohammad Al-Sahsah	Jordanian Jordanian Jordanian	23,808,021 — —	23,808,021 — —	—	—
5	First Jordan Investment Co. Represented by Saleh Mohammad Saleh «Zeid Al Kilani» as of 29/07/2018 Instead of «Mohammad Khair» Abdul-Hameed Ababneh (till 14/05/2018)	Jordanian Jordanian Jordanian	14,741,872 11,999 —	14,776,558 11,999 20,000	—	—
6	Shareef Tawfiq Hamd Al-Rawashdeh Board Member	Jordanian	1,073,754	1,073,754	—	—
7	Al Saleh Investment Holding Limited Company as of 04/09/2018 Represented by Reem Nasser Mohammad Al-Saleh Board Member	Saudi Saudi	31,800,000 —	31,800,000 —	—	—
8	Iman Mahmoud Allan Al-Damen Board Member	Jordanian	11,999	11,999	—	—
9	Yazeed Shamseddin «Mohammad Yousef» Al-Khalidi Board Member	Jordanian	11,999	11,999	—	—
10	National Paints Factories Co. Ltd Represented by Abdelnour Nayef Abdelnour Abdelnour	UAE Jordanian	11,428 615	11,428 615	—	—
11	Nabil Zaki George Mshahwar Board Member	Jordanian	11,428	11,428	—	—

(17/B): Number of Securities Owned by Relatives of Board Members, Names and Shares of Companies Controlled by them in Comparison with the Previous year:

SN	Name	Nationality	No. of Securities		No. of Shares Held by Companies Controlled by Them	
			31/12/2018	31/12/2017	31/12/2018	31/12/2017
1	Nazi Tawfiq Nakhleh Qebti Chairman's Wife	Jordanian	240,000	240,000	_	_
2	Flare Adel Abdul-Rahman Zawati Vice Chairman's Wife	Jordanian	_	22,439	_	_

(17/C): Number of Securities Owned by Members of Senior Executive Management, and Names and Shares of Companies Controlled by Them in Comparison with the previous year:

SN	Name	Nationality	Number of Securities		Number of Shares Owned by Controlled Companies	
			2018/12/31	2017/12/31	2018/12/31	2017/12/31
1	Ghada Mohammed Farhan Hallosh BOD Secretary	Jordanian	18,978	18,978	None	None

There are no securities owned by senior management persons with executive authority and no companies controlled by any of them compared to the previous year except for the Secretary of the Board of Directors.

(17/D): Number of Securities Owned by Relatives of Senior Executive Management Members, and Names and Shares of Companies Controlled by them :N/A

(18/A): Salaries, Remunerations and Benefits of the Board of Directors and Executive Management (For the period from 1/1/2018 - 31/12/2018):

Board of Directors:	Transportation allowance for Board members	Transportation allowance for Board committee members	BoD Members' annual bonus	Travel, training and other expenses	Total
Micheal Sayegh	36,000	3,600	5,000	600	45,200
HE Ayman Al-Majali	27,000	4,800	5,000	424,840	461,640
Social Security Corporation (2 Seat)	72,000	9,800	10,000	4,651	96,451
First Jordan Investment Co.	35,000	5,400	5,000	1,450	46,850
Sharif Al-Rawashdeh	35,000	7,500	5,000	1,450	48,950
Saleh Al Kilani	20,000	2,700	5,000	1,450	29,150
National Paints Factories Co. Ltd	33,000	4,800	5,000	1,450	44,250
Yazeed Al-Khalidi	36,000	5,500	5,000	1,450	47,950
Ms. Iman Al-Damen	36,000	4,500	5,000	4,045	49,545
Nabil Mshahwar	31,000	1,800	5,000	1,450	39,250
Al Saleh Investment Holding Limited Company	9,000	-	-	-	9,000
Total	**370,000**	**50,400**	**55,000**	**442,836**	**918,236**

(18/B): Salaries, Remunerations and Benefits of the Senior Executive Management Members (For the period from 1/1/2018 - 31/12/2018):

Senior Executive Management	Salaries	Bonus	Transportation allowance for committees	Travel, training and other expenses	Total
Caesar Qulajen	367,500	150,000	-	-	517,500
Alaa Qahef	135,814	20,800	-	828	157,442
Rami Hadid	144,353	22,100	-	-	166,453
Mohammed Al-Quraan	117,184	17,963	600	-	135,747
Saleem Sawalha	112,867	17,306	-	-	130,174
Abdallah Kishek	192,649	24,825	-	-	217,474
Wael Rabieh	103,782	13,118	-	-	116,899
Anas Ayesh	76,400	-	-	1,242	77,642
Majdi Banat (till 19/08/2018)	91,115	38,493	-	-	129,607
Mahmoud Mahmoud	40,377	3,716	500	-	44,593
Mazen Al-Khateeb	74,879	6,877	300	-	82,056
Ajoud AlRousan	114,140	13,125	-	420	127,685
Mounir Muhtasib (as of 28/11/2018)*	10,555	20,400	-	-	30,955
Ghada Farhan - Board Secretary *	61,096	1,872	800	360	64,128
Waheed Haymour *	65,300	-	800	-	66,100
Total	**1,708,011**	**350,594**	**3,000**	**2,849**	**2,064,455**

*Non-Senior Executive Management members

Total of Board of Directors and Executive Management - Jordan	**2,078,011**	**400,994**	**58,000**	**445,685**	**2,982,691**

Regional Manager (Zaher Muala)	**122,571**	-	-	**909**	**123,481**
Regional Manager (Muntaser Alshashtari) till 24/05/2018	**54,918**	**10,650**	-	-	**65,568**

Total of Board of Directors and Executive Management – Combined	**2,255,500**	**411,644**	**58,000**	**446,595**	**3,171,739**

(19): Bank's Donations and Support during 2018 (Jordan and Palestine Branches):

Domain:	Value/JOD:
Environment	200
Education	17,443
Charitable societies and social institutions	201,670
Sports	8,000
Health	16,135
Children, Women & Families	5,550
Poverty	51,018
Culture and Arts	8,450
Supporting National Institutions	11,380
People with Special Needs	1,300
Total:	**321,146**

(20)/A: No contracts, projects, or engagements have been concluded between Jordan Commercial Bank and its subsidiaries, sister companies, affiliates, the Chairman, members of the Board of Directors, the General Manager, the bank's employees or their relatives that have not been disclosed.

(20/B): Contracts, projects and engagements that are traded by the Bank with the Chairman of the Board of Directors, members of the Board, the Director General or any employees of the Bank or their relatives:

	SN	Member's Name	Direct Facilities (Credit Limits) as at 31/12/2018	Direct Facilities (Credit Balances) as at 31/12/2018	Indirect Facilities (Credit Limits) as at 31/12/2018	Indirect Facilities (Credit Balances) as at 31/12/2018
As Associated Parties	1	Michael Sayegh	11,927,866	6,757,019	876,370	294,398
	2	Sharif Al-Rawashdeh	3,888,770	3,864,073	0	0
	3	HE Ayman Al-Majali	4,803,554	4,501,276	0	0
	4	Abdelnour Nayef Abdelnour Group	6,666,502	6,651,683	0	0
	5	First Jordan Investment	4,398,538	4,445,153	0	155,000
As Individuals	6	Nabil Zaki Mshahwar	10,000	0	0	0
	7	Yazeed Shamseddin Al-Khalidi	10,000	7	0	10,000
	8	Iman Mahmoud Allan Al-Damen	10,000	0	0	0
	9	Mazen Al-Sahsah	10,000	0	0	0
As Related Parties	9	Sharif Al-Rawashdeh Group	1,500,000	1,446,469	0	600,000

(21/A): Bank's Contribution in Saving the Environment:
None

(21/B): Bank's Corporate Responsibility:

Corporate Responsibility:
Corporate social responsibility activities are an integral part of the Bank's commitment to the local community. In 2018, the Bank provided cash and in-kind support to various activities in different fields such as education, sports, health, poverty alleviation and many others. The Bank made donations to disadvantaged groups nationwide including people with special needs, orphans and the elderly.

In 2018, the Bank also sponsored many conferences, seminars and economic, cultural, social and sports events in cooperation with many educational and social institutions. Throughout the year, the Bank supported and made donations to various charitable institutions and centers in Jordan.

(22): The Board of Directors of Jordan Commercial Bank declares that, to the best of its knowledge and belief, there are no material issues that may affect the Bank's business continuity during the next fiscal year. The Board of Directors also declares that they did not receive any payments or benefits in cash or in-kind other than those disclosed in the remuneration table.

(23): The Board of Directors acknowledges that it is responsible for the preparation of the financial statements, provision of an effective control system at the Bank, and adequacy of the internal control systems.

(The following signatures of the members of the Board of Directors shall include the declarations in clauses No. 22 and 23)

Chairman
Micheal Sayegh

Vice Chairman
Ayman Al-Majali

First Jordan Investment Company
Saleh Al-Kilani

Board Member
Sharif Al-Rawashdeh

Board Member
Yazeed Al-Khalidi

Board Member
Iman Al-Damen

Board Member
Al Saleh Holding Investment Co. Ltd.
Represented by Reem Al-Saleh

Board Member
Nabil Mshahwar

Board Member
National Paints Factories Co. Ltd
Represented by Abdelnour Abdelnour

Board Member
Social Security Corporation
(1st Steat)
Represented by Mazen Al-Sahsah

Board Member
Social Security Corporation
(2nd Seat)
Represented by Shaden Al-Haji

(24): We, the undersigned, acknowledge the validity, accuracy and completeness of the information and data contained in the Annual Report and the effectiveness of the Bank's internal control systems.

Chairman
Micheal Sayegh

General Manager
Caesar Qulajen

Finance Manager
Abdallah Kishek

Third: Financial Statements & Independent Auditor's Report

Detailed information on the financial situation

Statement Of Financial Position

	Note	December 31,	
		2018	2017
ASSETS		JD	JD
Cash and balances at central banks	5	91,872,118	128,088,936
Balances at banks and financial institutions	6	61,995,613	51,866,315
Direct credit facilities - net	7	727,873,818	718,016,916
Financial assets at fair value through statement of income	8	1,792,801	1,394,915
Financial assets at fair value through statement of comprehensive income	9	11,915,302	11,833,839
Financial assets at amortized cost	10	303,031,611	331,324,142
Property and equipment - net	11	27,817,839	27,161,679
Intangible assets - net	12	2,313,919	2,064,338
Deferred tax assets	18/d	13,867,924	4,032,827
Other assets	13	111,088,591	106,477,287
TOTAL ASSETS		1,353,569,536	1,382,261,194
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits	14	117,304,754	121,378,075
Customers deposits	15	893,225,288	971,307,775
Cash margins	16	84,417,327	91,770,630
Borrowed funds	17	83,481,873	14,168,978
Provision for income tax	18/أ	745,548	3,145,154
Other provisions	19	1,924,266	890,887
Deffered Tax Liability	18/d	14,107	-
Other liabilities	20	38,412,442	30,059,096
TOTAL LIABILITIES		1,219,525,605	1,232,720,595
OWNERS EQUITY:			
BANK SHAREHOLDERS' EQUITY:			
Authorized and paid-up capital	21	120,000,000	120,000,000
Statutory reserve	22/a	14,714,563	14,082,158
General banking risks reserve	22/b	-	7,002,848
Cyclicality reserve	22/c	2,597,047	1,833,820
Fair value reserve - net	23	(2,053,183)	(1,504,051)
Retained earnings	24	(1,214,496)	8,125,824
Total Bank Shareholders' Equity		134,043,931	149,540,599
TOTAL LIABILITIES AND OWNERS' EQUITY		1,353,569,536	1,382,261,194

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDET AUDITOR'S REPORT.

Statement Of Income

	Note	For the Year Ended December 31,	
		2018	2017
		JD	JD
Interest income	25	79,030,918	75,569,068
Less: Interest expense	26	(46,736,364)	(39,210,834)
Net Interest Income		32,294,554	36,358,234
Net commission income	27	5,481,516	5,074,630
Net Interest and Commission		37,776,070	41,432,864
Foreign exchange income	28	1,074,290	1,211,924
(Loss) Gain from financial assets at fair value through statement of income	29	418,099	(4,030)
Cash dividends from financial assets at fair value through statement of comprehensive income	9	352,818	260,582
Other income - net	30	4,945,191	5,252,853
Gross Income		44,566,468	48,154,193
Employees expenses	31	15,735,628	15,374,369
Depreciation and amortization	11 و 12	3,036,229	3,151,156
Provision for impairment in credit facilities	32	5,406,363	8,641,231
Other provisions	19	1,291,073	234,722
Other expenses	33	12,773,131	14,414,787
Total Expenses		38,242,424	41,816,265
Income for the Year before Income Tax		6,324,044	6,337,928
Less: Income tax for the year	18/ب	(1,294,678)	(2,549,115)
Income for the Year		5,029,366	3,788,813
Earnings per Share for the Year attributable to the Bank's Shareholders			
Basic and Diluted	34	042/-	032/-

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDET AUDITOR›S REPORT.

Statement Of Comprehensive Income

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Income for the year	5,029,366	3,788,813
Other Comprehensive income items:		
Items that are not transferable subsequently to statement of income		
Net change in fair value reserve of financial assets through statement of comprehensive income - net	(552,104)	21,561
(Loss) Gains from sale of financial assets at fair value through statement of comprehensive income	(1,848)	(84,566)
Total Comprehensive Income for the Year	4,475,414	3,725,808

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDET AUDITOR›S REPORT.

Statement Of Changes In Owners' Equity

Description	Note	Shareholders' Equity						
			Reserves					
		Authorized and Paid-up Capital	Statutory	General Banking Risks	Cyclical	«Fair Value Reserve-net»	Retained Earnings	Total
		JD	JD	JD	JD	JD	JD	JD
For the Year Ended December 31, 2018								
Balance - beginning of the year		120,000,000	14,082,158	7,002,848	1,833,820	(1,504,051)	8,125,824	149,540,599
Effect of implementation of International Financial Reporting Standard No. (9)	3	-	-	-	-	-	(30,065,991)	(30,065,991)
Deferred tax assets resulting from implantation of IFRS (9)	18/d	-	-	-	-	-	10,093,909	10,093,909
Transferred from general banking risks reserve		-	-	(7,002,848)	-	-	7,002,848	-
Adjusted beginning balance		120,000,000	14,082,158	-	1,833,820	(1,504,051)	(4,843,410)	129,568,517
Profit for the year		-	-	-	-	-	5,029,366	5,029,366
Net change in fair value reserve for financial assets at fair value through statement of comprehensive income -net		-	-	-	-	(552,104)	-	(552,104)
Fair value reserve released from sale of financial assets at fair value through comprehensive income		-	-	-	-	2,972	(2,972)	-
Realized (losses) from sale of financial assets at fair value through statement of comprehensive income		-	-	-	-	-	(1,848)	(1,848)
Total comprehensive income for the year		-	-	-	-	(549,132)	5,024,546	4,475,414
Transferred to reserves		-	632,405	-	763,227	-	(1,395,632)	-
Balance - End of the Year		120,000,000	14,714,563	-	2,597,047	(2,053,183)	(1,214,496)	134,043,931
For the Year Ended December 31, 2017								
Balance - beginning of the year		112,875,000	13,448,365	6,229,516	1,705,716	(1,852,705)	13,408,899	145,814,791
Profit for the year		-	-	-	-	-	3,788,813	3,788,813
Net change in fair value reserve for financial assets at fair value through statement of comprehensive income -net		-	-	-	-	21,561	-	21,561
Fair value reserve released from sale of financial assets at fair value through comprehensive income		-	-	-	-	327,093	(327,093)	-
Realized (losses) from sale of financial assets at fair value through statement of comprehensive income		-	-	-	-	-	(84,566)	(84,566)
Total comprehensive income for the year		-	-	-	-	348,654	3,377,154	3,725,808
Transferred to increase capital	21	7,125,000	-	-	-	-	(7,125,000)	-
Transferred to reserves		-	633,793	773,332	128,104	-	(1,535,229)	-
Balance - End of the Year		120,000,000	14,082,158	7,002,848	1,833,820	(1,504,051)	8,125,824	149,540,599

- The Central Bank of Jordan issued instructions No. 2018/13 in June 2018 ,6, which requested to transfer the balance of the general banking risk reserve to the retained earning through netting with the effect of IFRS 9 on the beginning balance of the retained earning as of January 2018 ,1. In addition it also includes instructions to retain the general Banking risk reserve to be restricted and not be distributed as a profit to the shareholders, and may not be used for any other purpose without the pre approval of the Central Bank of Jordan.
- Retained earnings balance includes JD 13,867,924 as of December 2018 ,31, restricted against deferred tax assets according to Central Bank of Jordan instructions.
- Use of retained earnings for an amount equal to the negative cumulative change in fair value of financial assets of JD 2,053,183 as of December 2018 ,31 is restricted (including JD 311,112 against implementation of International Financial Reporting Standard No. (9)) according to Jordan Securities Commission and Central Bank of Jordan instructions.
- Use of the Cyclical Reserve is restricted and may not be released without the approval of the Palestinian Monetary Authority .

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDET AUDITOR›S REPORT.

Statement Of Cash Flows

		For the Year Ended December 31,	
	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		JD	JD
Income for the year before income tax		6,324,044	6,337,928
Adjustments:			
Depreciation and amortization	11 & 12	3,036,229	3,151,156
Provision for impairment loss in credit facilities	7	5,406,363	8,641,231
Provision for end-of-service indemnity	19	245,709	171,772
Provision for lawsuits against the Bank	19	45,364	62,950
Other provisions	19	1,000,000	-
(Gain) on sale of properties seized	30	-	(908,909)
(Gain) on sale of property and equipment	30	(86,109)	(44,104)
Loss (gain) from valuation of financial assets through statement of income	29	397,886	(104,177)
(Released) provision for seized assets	13	(126,014)	2,790,052
Effect of exchange rate fluctuations on cash and cash equivalents	28	(290,739)	(449,560)
Total		15,952,733	19,648,339
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) in direct credit facilities		(42,690,000)	(92,652,333)
(Increase) decrease in financial assets at fair value through statement of income		(795,772)	637,714
(Increase) in other assets		(4,485,290)	(12,650,625)
Decrease in banks' and financial institutions deposits for more than three months		3,499,947	58,000,000
(Decrease) increase in customers' deposits		(78,082,487)	13,970,151
(Decrease) increase in cash margins		(7,353,303)	21,839,187
Increase in other liabilities		4,971,878	7,004,134
Net Change in Assets and Liabilities		(124,935,027)	(3,851,772)
Net Cash Flows (used in) from Operating Activities before Provisions Paid and Income Tax Paid		(108,982,294)	15,796,567
Lawsuits provision paid	19	(9,730)	(900)
End-of-service indemnity provision paid	19	(247,964)	(120,242)
Income tax paid	18/a	(3,070,525)	(4,246,433)
Net Cash Flows (used in) from Operating Activities		(112,310,513)	11,428,992
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (increase) in financial assets at amortized cost		28,292,531	(453,942)
(Increase) in financial assets at fair value through statement of comprehensive income		(630,595)	(3,368,025)
(Purchase) of property and equipment and advance payment for property and equipment	11	(3,363,878)	(1,750,310)
(Purchase) of intangible assets	12	(402,382)	(1,167,498)
Proceeds from sale of property and equipment		296,951	146,633
Net Cash Flows from (used in) Investing Activities		24,192,627	(6,593,142)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in borrowed funds		69,312,895	1,381,287
Net Cash Flows from Financing Activities		69,312,895	1,381,287
Effect of exchange rate fluctuations on cash and cash equivalents	28	290,739	449,560
Net (Decrease) Increase in Cash and Cash Equivalents		(18,514,252)	6,666,697
Cash and cash equivalents - beginning of the year	35	121,577,176	114,910,479
Cash and Cash Equivalents - End of the Year	35	103,062,924	121,577,176
Non-Cash transactions:			
Acquisition of seized assets against debts	13	3,092,103	11,481,421
Increase in paid up capital	21	-	7,125,000

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDET AUDITOR›S REPORT.

1. General

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

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

- At the beginning of the year 2004, the Bank was restructured after taking the necessary measures specified by the concerned governmental parties, and on June 28, 2004, procedures relating to changing the Bank's name from Gulf Bank to Jordan Commercial Bank were completed.

- The Bank's capital was increased gradually, and the last increase was during the year 2017. In its extraordinary meeting held on April 30, 2017, the Bank's General Assembly resolved to approve the increase in the Bank's capital by JD/Share 7,125,000, so that authorized and paid-up capital would become JD/Share 120,000,000 through capitalizing part of retained earnings and distributing the amount to shareholders as stock dividends. The procedures for capital increase were completed on June 7, 2017.

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

- The Bank is engaged in banking and related financial operations through its branches totaling (29) inside Jordan and (4) in Palestine.

- The financial statements have been approved by the Bank's Board of Directors, in its meeting held on March 19, 2019 and are subject to the approvals of the Shareholders General Assembly.

2. Significant Accounting Policies

Basis of Preparation of Financial Statements

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

- The financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial derivatives stated at fair value at the date of the financial statements. Moreover, hedged financial assets / liabilities are also stated at fair value.

- The reporting currency of the financial statements is the Jordanian Dinar, which is the functional currency of the Bank.

- The accounting policies adopted in preparing the financial statements are consistent with those applied in the year ended December 31, 2017, except for the effect of the application of the new and revised standards applied on or after January 1, 2018 as stated in Notes (3 – a & 3 – b).

Segment Information

Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors which are measured in accordance with the reports sent to the operations management and decision makers in the Bank.

The geographical sector relates to providing products or services in a specific economic environment subject to risk and returns different from those of sectors functioning in other economic environments.

Net Interest Income

Interest income and expense for all financial instruments, except for those classified as held for trading, or those measured or designated as at fair value through the statement of income, are recognized in 'Net Interest Income' as 'Interest Income' and 'Interest Expense' in the statement of income using the effective interest method. Interest on financial instruments measured at fair value through the statement of income is included within the fair value movement during the period.

The effective interest rate is the rate that discounts the estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated, taking into account all the contractual terms of the instrument.

Interest income/ Interest expense is calculated by applying the effective interest rate to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets originated or purchased credit-impaired, the effective interest rate reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Group's statement of income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk related to interest income and expense, the effective portion of the fair value changes of the designated derivatives, as well as the fair value changes of the designated risk of the hedged item, are also included in interest income and expense.

Net Fees and Commission Income

Fees and commission income and expense include fees other than those that are an integral part of the effective interest rate. The fees included in this part of the Group's statement of income include, among other things, fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement, and loan syndication fees.

Fee and commission expenses concerning services are accounted for as the services are received.

Net Trading Income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Bank has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense, and dividends.

Net Income from Other Financial Instruments at Fair Value through the Statement of Income

Net income from other financial instruments at fair value through the statement of income includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through the statement of income except those that are held for trading. The Bank has elected to present the full fair value movement of assets and liabilities at fair value through the statement of income in this line, including the related interest income, expense, and dividends.

The fair value movement on derivatives held for economic hedging where hedge accounting is not applied are presented in 'Net income from other financial instruments at fair value through the statement of income. However, for designated and effective fair value hedge accounting relationships, the gains and losses on the hedging instrument are presented in the same line in the statement of income as the hedged item. For designated and effective cash flow and net investment hedge accounting relationships, the gains and losses of the hedging instrument, including any hedging ineffectiveness included in the statement of income, are presented in the same line as the hedged item that affects the statement of income.

Dividend Income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the statement of the statement of income depends on the classification and measurement of the equity investment, i.e.:
• for equity instruments which are held for trading, dividend income is presented as trading income;
• for equity instruments classified at fair value through other comprehensive income, dividend income is presented in other income; and
• for equity instruments not classified at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through the statement of income.

Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument loans and advances to customers are recognized when they are recorded to the customer's account.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributed to the acquisition or the issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized immediately in the statement of income.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

• If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in the statement of income on initial recognition (i.e. day 1 the statement of income);

• In all other cases, the fair value will be adjusted to become it in line with the transaction price (i.e. day 1 the statement of income will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be recognized in the statement of income on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instruments.

Financial Assets

Initial Recognition

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets classified as fair value through the statement of income are recognized immediately in the statement of income.

Subsequent Measurement

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:
• Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
• Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income;
• All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the Bank may irrevocably make the following selection / designation at initial recognition of a financial asset on an asset-by-asset basis:

• The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

• The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through the statement of income, if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value through Other Comprehensive Income
The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at fair value through other comprehensive income, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of solely payments of principal and interest test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs, as well as a profit margin. The solely payments of principal and interest assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Assessment of Business Models
An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments, which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:
- The stated policies and objectives of the portfolio and application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining specific profit rate matching the profit of financial assets with the period of financial liabilities that finance those assets.
- 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 in which those risks are managed; and
- How the business managers are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain/loss previously recognized in other comprehensive income is reclassified from equity to the statement of income. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to the statement of income but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

Financial Assets at fair Value through the Statement of Income
Financial assets at fair value through the statement of income are:
- Assets with contractual cash flows that are not solely payments of principal and interest; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at fair value through the statement of income using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognized in the statement of income.

Reclassifications
If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model, which results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Bank holds financial assets; and therefore, no reclassifications were made. The changes in the contractual cash flows are considered under the accounting policy on the modification and de-recognition of financial assets described below.

Foreign Exchange Gains and Losses
The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the statement of income;
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through the statement of income that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of income either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through the statement of income, if otherwise held at fair value through the statement of income; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Fair Value Option
A financial instrument with a fair value that can be reliably measured at fair value through income statement (fair value option) can be classified at initial recognition even if the financial instruments are not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option may be used for financial assets if it significantly eliminates or significantly reduces the measurement or recognition inconsistency that would otherwise have resulted in the measurement of the asset or liability or recognized the related gain or loss on a different basis («accounting mismatch»). The fair value option for financial liabilities can be chosen in the following cases:

- If the selection leads to a significant cancellation or reduction of the accounting mismatch.
- If the financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or
- If a derivative is included in the underlying financial or non-financial contract, and the derivative is not closely related to the underlying contract.

These instruments can not be reclassified from the fair value category through the statement of income while retained or issued. Financial assets at fair value through the income statement are recognized at fair value with any unrealized gain or loss arising from changes in fair value recognized in investment income.

Impairment
The Bank recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through the statement of income:
- Balances and deposits at banks and financial institutions;
- Direct credit facilities (Loans and advances to customers);
- Financial assets at amortized cost (Debt investment securities);

• Financial assets at fair value through other comprehensive income;
• Off statement of financial position exposures subject to credit risk (Financial guarantee contracts issued).

No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), expected credit losses are required to be measured through a loss allowance at an amount equal to:

• 12-month expected credit loss, i.e. lifetime expected credit loss that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

• Full lifetime expected credit loss, i.e. lifetime expected credit loss that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime expected credit loss is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit loss.

Expected credit losses are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s effective interest rate.

For unutilized loan limits, the expected credit loss is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is utilized; and

For financial guarantee contracts, the expected credit loss is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the client, or any other party.

The Bank measures expected credit loss on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset’s expected cash flows using the asset’s original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired Financial Assets
A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:
• Significant financial difficulty of the borrower or issuer;
• A breach of contract such as a default or past due event;
• The lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
• The disappearance of an active market for a security because of financial difficulties; or
• The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or fair value through other comprehensive income are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower’s financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly, and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more. However, in cases where the assets impairment is not recognized after 90 days overdue are supported by reasonable information.

Purchased or Originated Credit-impaired (POCI) Financial Assets
Purchased or Originated Credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime expected credit loss since initial recognition as a loss allowance with any changes recognized in the statement of income. A favorable change for such assets creates an impairment gain.

Definition of Default
Critical to the determination of expected credit loss is the definition of default. The definition of default is used in measuring the amount of expected credit loss and in the determination of whether the loss allowance is based on 12-month or lifetime expected credit loss, as default is a component of the probability of default (PD) which affects both the measurement of expected credit losses and the identification of a significant increase in credit risk below.

The Bank considers the following as constituting an event of default:
• The borrower is past due more than 90 days on any material credit obligation to the Bank; or
• The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default that is either developed internally or obtained from external sources.

Significant Increase in Credit Risk
The Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than 12-month expected credit loss.

The Bank’s accounting policy is not to use the practical expedient that financial assets with ‘low’ credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date, based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank’s historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank’s counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The

quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime probability of default by comparing:
• The remaining lifetime probability of default at the reporting date; with
• The remaining lifetime probability of default for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The probability of default used are forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for expected credit loss.

The qualitative factors that indicate significant increase in credit risk are reflected in probability of default models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the probability of default will be more significant for a financial instrument with a lower initial probability of default than for a financial instrument with a higher probability of default.

As a backstop when an asset becomes more than 60 days past due, the Bank considers that a significant increase in credit risk has occurred, and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime expected credit loss.

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default, or default has already happened, and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:
• Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
• A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized, the loss allowance for expected credit loss is re-measured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month expected credit loss except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified, and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
• The remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms; with
• The remaining lifetime probability of default at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of probability of default reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime expected credit loss. The loss allowance on forborne loans will generally only be measured based on 12-month expected credit loss when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the provision for expected credit loss). Then the Bank measures expected credit loss for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statement of income, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to the statement of income.

Write-off

Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset. This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Presentation of Allowance for Expected Credit Loss in the Consolidation Statement of Financial Position

Loss allowances for expected credit loss are presented in the statement of financial position as follows:
• For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
• For debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.
• For loan commitments and financial guarantee contracts: as a provision; and
• Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the expected credit loss on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Liabilities and Equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions potentially unfavorable to the Bank, or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity Instruments

Paid up Capital
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Treasury Shares
Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Bank own equity instruments.

Compound Instruments
The component parts of compound instruments (e.g. convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. In the case there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an mortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Financial Liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through the statement of income or 'other financial liabilities'.

Financial liabilities at Fair Value through the Statement of Income
Financial liabilities are classified as at fair value through the statement of income when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through the statement of income. A financial liability is classified as held for trading if:
- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading, or contingent consideration that may be paid by an acquirer as part of a business combination, may be designated as at fair value through the statement of income upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through the statement of income.

Financial liabilities at fair value through the statement of income are stated at fair value, with any gains/losses arising on re-measurement recognized in the statement of income to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in the statement of income incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at fair value through the statement of income line item in the statement of income.

However, for non-derivative financial liabilities designated as at fair value through the statement of income, the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in othercomprehensive income would create or enlarge an accounting mismatch in the statement of income. The remaining amount of change in the fair value of liability is recognized in the statement of income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to the statement of income; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts designated as at fair value through the statement of income, all gains and losses are recognized in the statement of income.

In making the determination of whether recognizing changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in the statement of income, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in the statement of income by a change in the fair value of another financial instrument measured at fair value through the statement of income.

Other Financial Liabilities
Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on effective interest rate, see the "net interest income section" above.

Derecognition of Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of income.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative Financial Instruments
The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Held derivatives include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in the statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of income depends on the nature of the hedge relationship. The Bank designates certain derivatives as either hedges of the fair value of recognized assets, liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through the statement of income.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through the statement of income and not arising from a transfer of a financial asset, are subsequently measured at the higher of:
• The amount of the loss allowance determined in accordance with IFRS 9; and
• The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at fair value through the statement of income are presented as provisions in the consolidated statement of financial position, and the re-measurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at fair value through the statement of income.

Commitments to Provide a Loan at a Below-Market Interest Rate
Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at fair value through the statement of income, are subsequently measured at the higher of:
• The amount of the loss allowance determined in accordance with IFRS 9; and
• The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Commitments to provide a loan below market rate not designated at fair value through the statement of income are presented as provisions in the statement of financial position and the re-measurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at fair value through the statement of income.

Hedge Accounting
The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank uses the exemption to continue using IAS 39 hedge accounting rules instead of applying the accounting principles of IFRS 9.
For hedge accounting purposes, the financial derivatives are stated at fair value, and hedges are classified as follows:

- Fair value hedge
Hedge for the change in the fair value exposures of the Bank's assets and liabilities.

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the statement of income.

When the conditions of effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the income statement for the same period.

- Cash flows hedge
Hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in the statement of comprehensive income / owners' equity. Such gain or loss is transferred to the statement of income in the period in which the hedge transaction impacts the 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 statement of comprehensive income / statement of owners' equity while the ineffective portion is recognized in the statement of income. Moreover, the effective portion is recorded in the statement of income when the investment in foreign entities is sold.

- 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 statement of income in the same period.

Property and Equipment
Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight line method over their expected useful life.

The depreciation rates used are as follows:

	%
Buildings	2
Machines and office equipments	10-15
Decorations	15
Vehicles	15
Computers	20

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

The useful life of property and equipment is reviewed at each year end, and changes in the expected useful life are treated as changes in accounting estimates.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Fair value
Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration when determining the price of any asset or liability whether market participants are required to consider these factors at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1), (2) or (3) based on the extent to which the inputs are clear concerning the fair value measurements and the importance of inputs to the full fair value measurements. These are as follows:
Level inputs (1) inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;
Input level (2) inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;
Level inputs (3) are inputs to assets or liabilities that are not based on observable market prices.

Provisions
Provisions are recognized when the Bank has an obligation at the date of the statement of financial position arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Income Tax
Tax expense comprises of current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non- deductible expenses which may be exempted in the current or subsequent financial years, or accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the statement of financial position.

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

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

Recognition of Income and Realization of Expenses
- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are rendered, and dividend revenue from companies is recognized when earned (when approved by the Shareholders' General Assembly).

Financial Derivatives for Trading
The fair value of financial derivatives for trading such as forward foreign currency contracts, future interest rate contracts, swap agreements, and foreign currency options is recorded in the statement of financial position under other assets or other liabilities as the case may be. Fair value is measured according to the prevailing market prices, and if they are not available, the measurement method should be disclosed. The change in their fair value is recognized in the statement of income.

Recognition of Financial Assets Date
Purchase and sale of financial assets are recognized on the trade date (the date the Bank is liable to sell or purchase the financial asset).

Repurchase and Resale Agreements
Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's financial statements. This is due to the Bank's continuing control of these assets and the fact that exposure to the risks and rewards of these assets remains with the Bank. These assets continue to be evaluated in accordance with the applied accounting policies (where the buyer has the right to use these assets (sell or re-lien), they are reclassified as liened financial assets). The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's financial statements since the Bank is not able to control these assets or the associated risks and benefits. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between the purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

Assets Seized by the Bank
Assets seized by the Bank through calling upon collateral are shown in the statement of financial position under "other assets" at the lower of their carrying value or fair value. These assets are revalued at the date of the financial statements on an individual basis, and losses from impairment are transferred directly to the income statement, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment been charged to the income statement and loss been recognized for the asset in prior years.

Other Intangible Assets
- Other intangible assets are measured on initial recognition at cost.
- Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over their useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date, and impairment loss is charged to the income statement.
- Internally generated intangible assets are not capitalized and are expensed in the income statement.
- Other intangible assets consist of computer software and are amortized using the straight -line method over 5 years.

Leases
Leases are classified as finance leases when the terms of the lease provide for substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

As a lessor
Operating lease income is recognized using the straight-line method over the life of the lease. The initial direct costs incurred in the discussion and arrangement of the operating contract are added to the carrying amount of the leased assets and recognized in accordance with the straight-line method over the lease term.

As a Lessee
Assets acquired through leases are recognized on initial recognition at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Financial leasing liabilities are recorded at the same value. The lease payments are distributed between the financing expenses and the amortization of the financial lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Direct financing expenses are recognized in the statement of income.

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

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

3. Application of New and Amended International Financial Reporting Standards

A) Amendments that did not have a material impact on the Bank's financial statements:
The following new and revised IFRSs, which are effective for annual periods beginning on or after January 1, 2018 or later, have been adopted in the preparation of the Bank's financial statements. These new and revised IFRSs have not materially affected the amounts and disclosures in the financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs issued between 2014 and 2016.	The improvements include amendments to IFRS 1, «Application of International Standards for the First Time» and IAS 28 «Investments in Associates and Joint Ventures (2011)». The amendments clarify that the option of investment and other similar enterprises to measure investments in associates and joint ventures at fair value through the income statement is available separately for each associate or joint venture and that the selection should be made at initial recognition. As for the option of an entity, which is not an investment property, the fair value measurement applied by the associate, and the joint venture that is an investment property shall be maintained when applying the equity method. The amendments provide a similar clarification that this option is available to each associate of an investment nature or a joint venture with an investment nature.
IFRIC 22: «Foreign currency transactions and advances».	This interpretation deals with how to determine the «date of the transaction» for determining the exchange rate to be used when initial recognition, expense or income is recognized when the item is paid or received in advance by a foreign operation that results in recognition of non-monetary assets or non-monetary liabilities. The interpretation determines that the transaction date is the date on which the non-monetary assets or non-monetary liabilities arising from the payment or receipt of payments are recognized in advance. If there are multiple payments or receipts received in advance, the interpretation requires the bank to specify the transaction date for each payment or receive the cash receipt in advance. This interpretation relates to transactions made in foreign currency or parts of such transactions in the event that: • Existence in foreign currency or in foreign currency; • An entity recognizes an asset that has been paid in advance or deferred income liabilities related to that consideration on a date prior to recognition of the relevant assets, income or expenses; • Prepaid assets or deferred income liabilities are not cash.

New and revised standards	Amendments to new and revised IFRSs
Amendments to IAS 40: «Investment properties».	The amendments indicate that transfers to or from real estate investments require an assessment of whether the properties meet or no longer meet the definition of real estate investments and are backed up by observable evidence of a change in use. The amendments also indicate that the cases included in the standard are not comprehensive and that a change in use can be made with respect to the properties under construction (i.e. the change in use is not limited to completed properties).
Amendments to IFRS 2 «Share-based Payment».	These amendments relate to the classification and measurement of payment transactions on an equity basis. These amendments clarify the following: 1. When estimating the fair value of a payment based on shares paid in cash, accounting for the effects of the accrual and non-accrual provisions should be accounted for by the same approach to payments based on shares paid from owners' equity. 2. If the tax code / laws require the company to keep a certain number of equity instruments equal to the monetary value of the employee's tax liability to meet his tax obligations and then to the tax authority (usually cash), that is, the share-based payment arrangement has the "feature of net settlement", then the entire arrangement should be classified as a payment of equity, provided that the share-based payment could have been classified as a payment from equity even if it did not include the net settlement feature. 3. The accounting treatment of the payment adjustment on the equity basis that modifies the transaction from cash payment to payment of equity shall be made as follows: A. Derecognizing the original obligation; B. Recognizing the share-based payment at the date of adjusting the fair value of the granted equity instrument to the extent that the services have been performed up to the date of the adjustment; C. Recognizing any difference between the present value of the liability at the date of the adjustment and the amount recognized in equity in the statement of income.
Amendments to IFRS 4: «Insurance contracts».	These amendments relate to the difference between the effective date of IFRS (9) and the new standard for insurance contracts.
IFRS 15 Revenue from Contracts with Customers.	IFRS 15 was issued in May 2014, which established a comprehensive model for enterprises to be used in accounting for revenue generated from contracts with customers. This standard will replace current income recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The basic principle of this standard is that an entity must recognize revenue to indicate the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive for such goods or services. In particular, the standard provides a five-step approach to revenue recognition: Step 1: Determining the contract (s) concluded with the client. Step 2: Defining performance obligations in the contract. Step 3: Determining the selling price. Step 4: Assigning a sale price to the performance obligations in the contract. Step 5: Recognizing revenue when the entity meets (or fulfills) an obligation to perform. Under this Standard, an entity recognizes revenue when (or at the time) it fulfills its performance obligation, that is, when control over the goods or services underlying the performance obligation is transferred to the customer. More mandatory guidelines have been added to the Standard to deal with specific scenarios. In addition, the standard requires comprehensive disclosures.
Amendments to IFRS 15 Revenue from Contracts with Customers.	These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

B) Amendments Affecting the Bank's Financial Statements:

IFRS (9) "Financial Instruments"
IFRS (9) was issued in November 2009, and new requirements for the classification and measurement of financial assets were introduced. Subsequently, the Standard was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition of financial liabilities. The Standard was amended in November 2013 to include new requirements for general hedge accounting. An amended version of the Standard was issued in July 2014 to include: (a) the requirements for impairment of financial assets; and (b) limited adjustments to the classification and measurement requirements by introducing the «fair value through other comprehensive income» category of some simple debt instruments.

IFRS (9) "Financial Instruments" issued by the International Accounting Standards Board (IASB) was adopted in July 2014. The initial date of implementation of this standard was December 1, 2018. The application of IFRS (9) has led to changes in the accounting policies and amendments to the amounts previously recognized in the financial statements. Moreover, the Bank has early adopted IFRS 9 (first phase) of 2009, regarding the classification and measurement of financial assets since the beginning of 2010.

As required by the transitional provisions of IFRS (9), the Bank has not restated the comparative figures. Any changes in the carrying amounts of financial assets and liabilities have been recognized on the date of transition in the opening balances of retained earnings and non-controlling interests for the current period. The Bank has also chosen to continue to apply the accounting requirements of IAS (39) "Financial Instruments: Recognition and Measurement", on the application of IFRS (9).

IFRS (9) has resulted in changes in the accounting policies for the identification, classification, and measurement of financial assets and liabilities and the impairment in value of financial assets. IFRS (9) also modifies other standards that address financial instruments such as IFRS (7) "Financial Instruments: Disclosures".

The final version of IFRS (9) contains the accounting requirements for financial instruments and supersedes IAS (39) "Recognition and Measurement". The new version of the standard includes the following requirements:

Classification and Measurement:
Financial assets are classified based on the business model and contractual cash flow characteristics. The 2014 version provided a new classification of certain debt instruments that could be classified as «financial assets at fair value through other comprehensive income». The financial liabilities are classified similarly to IAS 39, but there are differences in the requirements applied to the measurement of credit risk relating to the entity.

Impairment:
The 2014 version provided the «expected credit loss» model to measure the impairment loss of financial assets, and therefore, it is not necessary to increase the credit risk before recognizing the credit loss.

Hedge accounting:
The 2014 version provided a new model for hedge accounting designed to be more appropriate with how an entity manages risk when exposed to financial and non-financial hedging risks. The Bank has decided to waive the classification of the use of hedge accounting rules in accordance with IFRS 9.

Effect of adoption of International Financial Reporting Standard (9) for the year 2014
The effect of the adoption of changes in accounting polices on the Bank's financial statements as of January 1, 2018 was as follow:

1. There is no impact of the adoption of IFRS 9 on transfers at the statement of financial position items as of January 1, 2018.

2. The beginning balance for the provisions amount after application of IFRS 9 as follows:

	The Amount of Provision as of January 1. 2018	Difference Due to Recalculation	Balance as of January 1, 2018 after Implementation IFRS 9
	JD	JD	JD
Cash and Balances at Central Banks	-	-	-
Balances and deposits at banks and financial institutions	-	245,188	245,188
Direct credit facilities	30,663,170	19,382,825	50,045,995
Financial assets at amortized cost	-	88,756	88,756
Letter of guarantees	-	8,936,655	8,936,655
Un-utilized ceilings	-	973,042	973,042
Letter of credits	-	428,871	428,871
Deferred tax assets	4,032,827	10,093,909	14,126,736
Others	**-**	**10,660**	**10,660**

During the fourth quarter of 2018, the Bank implemented a new system and methodology to calculate the expected credit losses to be in line with IFRS 9, accordingly the impact of the IFRS 9 reflected on the beginning balance of retained earnings to be JD 30,056,991 as of January 1, 2018 instead of JD 26,733,521 which was disclosed in the first quarter of the year 2018 till September 30, 2018

Expected credit loss as of December 31, 2018:

	Stage 2		Stage 1		Stage 3	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balances at banks and financial institutions	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	170,105
Direct credit facilities	7,193,440	-	1,612,270	-	50,337,727	59,143,437
Debt instruments within financial assets at fair value at		-				
amortized cost	83,456	-	-	-	-	83,456
Financial guarantee	1,071,958	-	384,310	-	3,629,054	5,085,322
Un-utilized ceilings	1,028,879	-	130,363	-	-	1,159,242
Letter of credits	326,200	-	-	-	-	326,200
Other	13,495	-	-	-	-	13,495

C) New and Revised IFRSs Issued and Not Yet Effective:

The Bank has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the financial statements. The details are as follows:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs issued between 2015 and 2017 (Effective January 1, 2019)	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 (Effective January 1, 2019).	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. (Effective January 1, 2019).	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». (Effective January 1, 2019).	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. (Effective January 1, 2019).	These amendments relate to adjustments to plans, reductions, or settlements.
Amendments to IAS 1 Presentation of Financial Statements. (Effective January 2020).	These amendments relate to the definition of materiality.

New and revised standards	Amendments to new and revised IFRSs
Amendments to IFRS 3 Business Combinations (Effective January 2020.)	These amendments clarify the definition of business as the International Accounting Standards Board published the Revised Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation, and disclosure. In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS (2), (3), (6) and (14) and IAS (1), (34), (37) and (38)) and IFRIC (12), Interpretation (19), Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards Number (32) in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework.
IFRS 17 «Insurance Contracts» (Effective January 1, 2022.)	Provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS (17) replaces IFRS (4) Insurance Contracts. IFRS (17) requires measurement of insurance liabilities at present value to meet.
Amendments to IFRS 10 «Consolidated Financial Statements» and IAS 28 «Investments in Associates and Joint Ventures (2011)» (The start date has been postponed indefinitely, and the application is still permitted)	These amendments relate to the treatment of the sale or contribution of the assets of the investor in the associate or joint venture.

Management expects to apply these new standards, interpretations, and amendments to the financial statements of the Bank when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Bank's financial statements in the initial application period except for the effect of the adoption of IFRS (16), as shown below:

Effect of Application of IFRS 16 «Leases»

The Standard provides a comprehensive model for determining and treating lease arrangements in the financial statements of both lessors and lessees. It will also replace IAS (17) «Leases» and related interpretations when they become effective for financial periods beginning on or after January 1, 2019.

As permitted by the transitional provisions of IFRS (16), the Bank has not restated the comparative figures. Any changes in the carrying amounts of assets and liabilities have been recognized on the transition date in the opening balances of the related balances.

There is no material difference between the accounting treatment in the lessor's books and IFRS (16) and IAS (17).

The change in the definition of the lease relates mainly to the concept of control. IFRS (16) distinguishes between leases and service contracts based on whether the customer controls the use of a specific asset, and the control is present if the customer has:

- The right to a substantial degree of all economic benefits arising from the use of specific assets; and
- The right to direct the use of this asset.

Effect on accounting treatment in the lessee's records

Operating leases

Under IAS 16, the accounting treatment of leases previously classified as operating leases in accordance with IAS 17 has been changed. They used to be classified as off-balance sheet items in the statement of financial position.
In the initial application of IFRS 16 (except as referred to below), the Bank will undertake the following for all leases:

A- Recognition of «right of use» assets and lease commitments in the statement of financial position, initially measured on the basis of the present value of future cash flows paid.
B- Recognition of the depreciation of «right of use» assets and interest on lease commitments in the statement of income.
C- Separation of the total amount of cash paid into a principal portion (shown under financing activities) and interest (presented under operating activities) in the statement of cash flows.

For short-term leases (12 months or less) and low-value asset leases (such as personal computers and office furniture), the Bank will choose to recognize rental expenses on a straight-line basis as permitted by IFRS (16).
On December 31, 2018, the Bank had non-cancellable operating lease commitments of JD 1.3 M.

Based on the preliminary estimates of the Bank's management, there are operating leases of JD 1.3M except for short-term operating leases. Accordingly, the Bank will record an asset usage value of JD 4.2M and corresponding operating lease commitments of JD 4.2M. The impact on the income statement represents a decrease in rent expense of JD 1.3M, an increase in depreciation expense of JD 0.95M, and an increase in interest expense of JD 0.35M.

The leases provision prescribed by IAS (17) will be derecognized.

Recognition of lease obligation incentives previously recognized in respect of operating leases will be derecognized, and the amount will be factored into the measurement of the leasehold assets and liabilities.

Under IAS (17), all lease payments relating to operating leases are recognized as part of the cash flows from operating activities. The effect of the changes under IFRS (16) will be to reduce cash generated from operating activities and increase the net cash used in financing activities with the same amount.

Finance Leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognize as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application, the Company will present the related asset previously included in the financial statements within the line item for right-of-use assets, and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on analysis of the Bank's finance leases as at December 31, 2018 in light of the facts and circumstances existing at that date, the Bank's Board of Directors and Management deem that this change will not affect the amounts recognized in the Bank's financial statements.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular, regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Bank will reclassify certain sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in finance income).

The Bank's management expects that IFRS 16 will be adopted in the Bank's financial statements in the period starting on January 1, 2019.

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

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

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

Management believes that its estimates in the financial statements are reasonable. The details are as follows:

Impairment of property acquired
Impairment in value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically.

Productive lifespan of tangible assets and intangible assets
The Bank's management periodically recalculates the useful lives of tangible assets and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the statement of income for the year.

Income tax
The fiscal year is charged with the income tax expense in accordance with the accounting regulations, laws and standards. Moreover, deferred tax assets and liabilities and the required tax provision are recognized.

Legal Provision
A provision is made to meet any potential legal liabilities based on a legal study prepared by the Bank's legal counsel. This study identifies potential future risks and is reviewed periodically.

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

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

Provision for credit losses
Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Bank›s management are detailed in note (38).

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

Significant increase in credit risk
The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates used by the Bank's management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in details in note (38).

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

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

Models and assumptions used
The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note (45). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

a. Classification and measurement of financial assets and liabilities
The Bank classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form.

The Bank shall determine the classification at initial recognition and reassess such determination, if possible and appropriate, at each date of the statement of financial position.

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

b. Fair value measurement
If the fair values of financial assets and financial liabilities included in the statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the entered data for those models will be extracted from the market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities. Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

c. Derivative financial instruments
The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and, where appropriate, recognized pricing models. In the absence of prices, fair values are determined using valuation techniques that reflect observable market data. These techniques include comparison with similar instruments at observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that Management takes into consideration when applying the model are:

- The expected timing and probability of future cash flows on the instrument where such cash flows are generally subject to the terms of the instrument, although Management's judgment may be required where the counterparty's ability to repay the instrument in accordance with contractual terms is in doubt; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rate at a rate higher than the non-risk rate. In assessing the instrument by reference to comparative instruments, Management considers the maturity, structure, and degree of classification of the instrument based on the system in which the existing position is compared. When evaluating tools on a model basis using the fair value of the main components, Management also considers the need to make adjustments for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

Key Sources of Uncertainty Estimates
The principal estimates used by Management in applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario.
When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

Probability of default
The potential for default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions, and expectations relating to future circumstances.

Loss given default
Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financer expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

Fair value measurement and valuation procedures
When estimating the fair value of financial assets and financial liabilities, the Bank uses available observable market data. In the absence of level (1) inputs, the Bank conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

5. Cash and Balances at Central Banks

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Cash in vaults	20,803,988	26,501,152
Balances at Central Banks:		
Current and call accounts	15,973,418	19,471,163
Time and notice deposits	10,635,000	32,858,800
Mandatory cash reserve	44,459,712	49,257,821
Total Balances at Central Banks	71,068,130	101,587,784
Total	**91,872,118**	**128,088,936**

- Except for the cash reserve and the capital deposits at the Palestinian Monetary Authority which amounted to JD 10,635,000 there are no restricted balances as of December 2018 ,31 and 2017.

-There are no balances maturing within a period of more than three months as of December 2018 ,31 and 2017.

- No certificates of deposit as of December 2018 ,31 (JD 18,000,000 as of December 2017 ,31).

- The movement on cash and balances at central banks during the year was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	101,587,784	-	-	101,587,784
New balances during the year	1,107,334	-	-	1,107,334
Paid balances	31,626,988	-	-	31,626,988
Balance - End of the Year	**71,068,130**	**-**	**-**	**71,068,130**

- There are no transfers between stages (2 ,1 and 3) or written-off balances during the year ended December 2018 ,31.

6. Balances at Banks and Financial Institution's

a. The details of this item are as follows:

	«Local Banks and Financial Institutions»		«Foreign Banks and Financial Institutions»		Total	
	December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Current and call accounts	29,671	2,668,966	9,848,986	11,353,034	9,878,657	14,022,000
Deposits due within 3 months	23,051,000	37,070,853	29,236,061	773,462	52,287,061	37,844,315
Total	23,080,671	39,739,819	39,085,047	12,126,496	62,165,718	51,866,315
Provision for expected credit loss	(67,881)	-	(102,224)	-	(170,105)	-
Total	**23,012,790**	**39,739,819**	**38,982,823**	**12,126,496**	**61,995,613**	**51,866,315**

The distribution of total balances at Bank and financial institutions by external credit rating the for Bank is as follows:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
1.5	-	-	-	-	28,922,250
2	-	-	-	-	-
2.5	-	-	-	-	-
3	-	-	-	-	-
3.5	3,442,500	-	-	3,442,500	-
4	13,267,000	-	-	13,267,000	-
4.5	-	-	-	-	-
5	-	-	-	-	-
5.5	16,161,961	-	-	16,161,961	-
7	-	-	-	-	-
8	-	-	-	-	8,898,603
Not rated	29,294,257	-	-	29,294,257	14,045,462
Total	**62,165,718**	**-**	**-**	**62,165,718**	**51,866,315**

- The movement on balances at banks and financial institutions for the year ended December 31, 2018 was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	51,866,315	-	-	51,866,315
New balances during the year	54,490,847	-	-	54,490,847
Paid balances during the year	44,191,444	-	-	44,191,444
Balance - End of the Year	62,165,718	-	-	62,165,718

- There are no transfers between stages (1, 2 and 3) or written-off balances during the year ended December 31, 2018.

- The following represents the movement on the provision for expected credit losses for deposits balances at banks and financial institutions during the year ended December 31, 2018:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance – beginning of the year	-	-	-	-
Effect of implementing IFRS (9) – net after tax (Note 3)	245,188	-	-	245,188
Adjusted balance after implementing IFRS (9)	245,188	-	-	245,188
Impairment on new balances and deposits during the year	130,230	-	-	130,230
Reversed from impairment on new balances	(205,313)	-	-	(205,313)
and recovered deposits during the year	-	-	-	-
Transferred from general provision	-	-	-	-
Balance – End of the Year	170,105	-	-	170,105

- On-interest bearing balances at banks and financial institutions amounted to JD 13,645,043 as of December 31, 2018 (JD 14,045,462 as of December 31, 2017).

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

7. Direct Credit Facilities - net

The details of this item are as follows:

	December 31,	
	2018	2017
Individuals (retail):	JD	JD
Overdraft accounts	388,050	421,730
Loans and promissory notes *	185,521,559	173,627,163
Credit cards	4,008,733	3,686,365
Real estate loans	**122,849,817**	**107,673,346**
Companies:		
Large:		
Overdraft accounts	91,666,050	78,290,206
Loans and promissory notes *	294,635,547	278,182,596
SMEs		
Overdraft accounts	23,908,023	26,341,524
Loans and promissory notes *	47,577,557	53,430,269
Government and public sector	**34,146,714**	**40,358,851**
Total	804,702,050	762,012,050
Less: Provision for impairment in direct credit facilities	(59,143,437)	(30,663,171)
Interest in suspense	(17,684,794)	(13,331,963)
Net Direct Credit Facilities	727,873,818	718,016,916

* Net after deducting interest and commissions received in advance of JD 3,613,185 as of December 2018 ,31 (JD 4,033,050 as of December 2017 ,31).

- Non-performing credit facilities amounted to JD 95,751,625 equivalent to %9/11 of total direct credit facilities as of December 2018 ,31 (JD 61,827,739 equivalent to %1/8 of total direct credit facilities as of December 2017 ,31).

- Non- performing credit facilities net of interest and commissions in suspense amounted to JD78,387,696 equivalent to %9/9 of total direct credit facilities balance as of December 2018 ,31 (JD 48,903,773 equivalent to %5/6 of total credit facilities balance after deducting suspended interest as of December 2017 ,31).

- Direct credit facilities include facilities granted to Palestinian National Authority of JD 13,111,673 as of December ,31 2018 (JD 13,816,290 as of December 2017 ,31). Furthermore, there are no granted direct credit facilities guaranteed by the Government of Jordan as of December 2018 ,31 (JD 12,500,000 as of December 2017 ,31)

The movement on direct credit facilities during the year was as follow:

	Stage (1)		Stage (2)		Stage (3)	Total
	Individual	collective	Individual	collective		
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	458,435,381	211,752,926	22,856,923	7,138,421	61,828,399	762,012,050
New credit facilities during the year	31,601,423	52,841,714	3,380,467	961,753	2,334,204	91,119,561
Paid credit facilities during the year	(26,164,004)	(16,990,874)	(171,292)	(428,406)	(1,728,622)	(45,483,198)
Transferred to stage (1)	10,801,863	3,517,168	(9,375,934)	(2,605,570)	(2,337,527)	-
Transferred to stage (2)	(36,465,105)	(8,507,953)	39,335,990	8,711,022	(3,073,954)	-
Transferred to stage (3)	(17,708,021)	(5,714,535)	(8,637,305)	(2,139,243)	34,199,104	-
Effect on total exposure due to re-staging	6,809,539	(10,452,666)	(3,078,911)	(754,346)	5,462,081	(2,014,303)
Written-off credit facilities	-	-	-	-	(683,805)	(683,805)
Listed in the regularly accounts	-	-	-	-	(248,255)	(248,255)
Adjustments due to change in exchange rates	--	--	--	--	--	--
Balance - End of the Year	**427,311,076**	**226,445,780**	**44,309,938**	**10,883,631**	**95,751,625**	**804,702,050**

The movement on the provision for expected credit loss during the year ended December 31, 2018 and 2017 were as follows:

	Retails	Real Estate	Corporate	SME's	Governmental and Public	Total
For the Year ended December 31, 2018	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	8,349,001	687,546	18,591,384	3,035,239	-	30,663,170
Impact of implementing IFRS (9) - Note (3)	1,548,468	1,168,465	16,072,124	276,709	317,059	19,382,825
Adjusted beginning balance of the year	**9,897,469**	**1,856,011**	**34,663,508**	**3,311,948**	**317,059**	**50,045,995**
Impairment on new credit facilities during the year	1,016,918	266,540	150,755	64,882	-	1,499,095
Recovered from impairment on paid credit facilities	(145,223)	(87,658)	(96,218)	(53,747)	(23,058)	(405,904)
Transferred to stage (1)	(124,278)	(80,644)	(720,326)	(67,967)	-	(993,215)
Transferred to stage (2)	(60,208)	44,361	173,819	29,234	-	187,206
Transferred to stage (3)	184,486	36,283	546,507	38,733	-	806,009
Effect on provision at the end of the year due to reclassification between stages	3,011,593	695,996	7,866,523	1,106,215	-	12,680,327
Effect due to adjustments	466,240	(976,009)	(3,133,552)	(792,047)	(86,435)	(4,521,803)
Written-off credit facilities	(15,112)	-	-	-	-	(15,112)
Balances Transferred to off balance sheet	(53,976)	-	-	(85,185)	-	(139,161)
Balance at the End of the Year	**14,177,909**	**1,754,880**	**39,451,016**	**3,552,066**	**207,566**	**59,143,437**
Redistribution:						
Provision on an individual basis	-	650,047	39,451,016	3,552,066	207,566	43,860,695
Provision on a collective basis	14,177,909	1,104,833	-	-	-	15,282,742
Total	**14,177,909**	**1,754,880**	**39,451,016**	**3,552,066**	**207,566**	**59,143,437**

	Retails	Real Estate	Corporate	SME's	Governmental and Public	Total
For the Year ended December 31, 2017	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	4,506,428	674,206	14,049,485	2,884,826	-	22,114,945
Deducted (reversal) during the year from revenues	3,917,412	13,338	4,541,900	168,581	-	8,641,231
Used from provision during the year (written-off provision)	(4,077)	-	-	(18,168)	-	(22,245)
Foreign currencies translation	(70,760)	-	-	-	-	(70,760)
Balance at the End of the Year	**8,349,003**	**687,544**	**18,591,385**	**3,035,239**	**-**	**30,663,171**
Redistribution:						
Provision on non-performing credit facilities	7,772,819	653,634	18,351,539	2,970,965	-	29,748,957
Provision on performing credit facilities	576,184	33,910	239,846	64,274	-	914,214
	8,349,003	**687,544**	**18,591,385**	**3,035,239**	**-**	**30,663,171**

* During the year 2018, an amount of JD15,112 was written-off from non-performing direct credit facilities according to the Board of Directors' decision (JD 22,245 for the year 2017).

** During the year 2018, non-performing credit facilities of JD139,160 , were transferred to off the statement of financial position items according to the Board of Directors' decisions, (JD 70,760 for 2017).

*** Noting that direct credit facilities of JD 100,215,460 interest in suspense of JD 58,228,647 and related provision of JD 41,986,813 as of December 31, 2018 were transferred to off the statement of financial position items according to the Board of Directors' decision, as these accounts are fully covered as of the date of the financial statements.

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

- Provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD11,951,923 as of December 31, 2017 (JD6,992,894 as of December 31, 2017).

Interests in Suspense

The movement on interest in suspense during the year was as follows:

For the Year Ended December 31, 2018

	Individuals	Companies: Real Estate Loans	Companies: Large	Companies: Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	1,066,058	837,497	9,712,031	1,716,377	-	13,331,963
Add: Interest suspended during the year	1,060,820	436,698	3,673,486	699,728	-	5,870,732
Less: Interest reversed to income during the year	(9,520)	(32,401)	(625,826)	(946)	-	(668,693)
Interest in suspense written off	(195,674)	(105,473)	(296,729)	(142,238)	-	(740,114)
of financial position	(28,178)	-	-	(80,916)	-	(109,094)
Balance - End of the Year	1,893,506	1,136,321	12,462,962	2,192,005	-	17,684,794

For the Year Ended December 31, 2017

	Individuals	Companies: Real Estate Loans	Companies: Large	Companies: Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	454,805	615,161	9,434,257	1,595,369	-	12,099,592
Add: Interest suspended during the year	742,940	304,672	2,633,603	596,684	-	4,277,899
Less: Interest reversed to income during the year	(82,046)	(77,718)	(2,348,809)	(146,539)	-	(2,655,112)
Interest in suspense written off	(1,898)	(4,618)	(7,020)	(329,137)	-	(342,673)
Interest in suspense transferred to accounts off the statement of financial position	(47,743)	-	-	-	-	(47,743)
Balance - End of the Year	1,066,058	837,497	9,712,031	1,716,377	-	13,331,963

The following are the expousures according to IFRS (9):

As of December 2018 ,31

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Retail	168,809,344	2,827,238	51,081	6,328,678	331,834	73,900	14,780,320	11,018,837	1,768,525	189,918,342	14,177,909	1,893,506
Real Estate Loans	105,090,737	530,367	33,112	10,050,646	262,701	56,349	7,708,434	961,811	1,046,860	122,849,817	1,754,879	1,136,321
Corporate entities	294,418,501	3,453,583	-	28,678,837	865,838	73,667	63,204,259	35,131,595	12,389,295	386,301,597	39,451,016	12,462,962
SME's	51,291,560	174,686	1,925	10,135,407	151,897	30,831	10,058,613	3,225,484	2,159,249	71,485,580	3,552,067	2,192,005
Governmental and Public	34,146,714	207,566	-	-	-	-	-	-	-	34,146,714	207,566	-
Total	653,756,856	7,193,440	86,118	55,193,568	1,612,270	234,747	95,751,626	50,337,727	17,363,929	804,702,050	59,143,437	17,684,794

As of January 2018 ,1

	Stage (1)			Stage (2)			Stage (3)			Total		
	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense	Direct Credit Facilities	Provision for Expected Credit Loss	Interest in Suspense
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Retail	163,853,636	2,123,340	33,634	4,852,591	377,693	41,036	9,029,031	7,396,436	883,934	177,735,258	9,897,469	958,604
Real Estate Loans	99,303,003	1,406,506	51,843	4,818,168	112,015	57,115	3,552,175	337,490	837,792	107,673,346	1,856,011	946,750
Corporate entities	296,388,291	4,494,447	14,333	18,475,643	1,334,058	180,569	41,608,869	28,835,003	9,528,012	356,472,803	34,663,508	9,722,914
SME's	70,284,526	396,542	17,545	1,848,943	30,761	11,922	7,638,324	2,884,645	1,674,228	79,771,793	3,311,948	1,703,695
Governmental and Public	40,358,851	317,059	-	-	-	-	-	-	-	40,358,851	317,059	-
Total	670,188,307	8,737,894	117,355	29,995,345	1,854,527	290,642	61,828,399	39,453,574	12,923,966	762,012,051	50,045,995	13,331,963

- The distribution of total credit facilities by internal credit rating for corporates was as follows:

	December 31, 2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
3	1,244,785	125,000	-	1,369,785	48,293
3.5	4,836,727	-	-	4,836,727	5,373,380
4	263,701	-	-	263,701	501,501
4.5	201,373	6,498,260	-	6,699,633	9,116,558
5	13,086,277	1,326,315	-	14,412,592	11,875,637
5.5	46,367,914	2,407,814	-	48,775,728	12,801,443
6	40,193,096	1,947,884	-	42,140,980	116,397,492
6.5	19,382,587	266,708	-	19,649,295	19,645,412
7	25,558,460	-	-	25,558,460	27,138,218
7.5	54,015,173	2,586,135	-	56,601,308	51,712,722
8	60,921,505	4,845,266	-	65,766,771	54,043,380
8.5	18,512,714	8,675,455	-	27,188,169	33,387,868
9	7,656,049	-	-	7,656,049	7,474,181
9.5	336,081	-	-	336,081	2,961,704
10	1,842,059	-	-	1,842,059	3,995,013
Not rated	-	-	63,204,259	63,204,259	-
	294,418,501	28,678,837	63,204,259	386,301,597	356,472,802

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

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	296,388,291	18,475,643	41,608,869	356,472,803
New credit facilities during the year	23,124,516	41	237,772	23,362,329
Paid credit facilities	(9,937,123)	(3,283)	(19,476)	(9,959,882)
Transferred to stage (1)	10,372,056	(9,151,279)	(1,220,777)	-
Transferred to stage (2)	(26,007,616)	28,678,796	(2,671,180)	-
Transferred to stage (3)	(13,506,579)	(6,769,873)	20,276,452	-
Effect of adjustment	13,984,956	(2,551,208)	5,618,425	17,052,173
Written off credit facilities	-	-	(625,826)	(625,826)
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	294,418,501	28,678,837	63,204,259	386,301,597

- The movement on the provision for credit loss for corporates credit facilities during the year ended December 31, 2018 was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	239,846	18,351,538	18,591,384
Impact of implementing IFRS (9)	4,494,447	1,094,212	10,483,465	16,072,124
Transferred to other provisions	4,494,447	1,334,058	28,835,003	34,663,508
Impairment losses on new investment during the year	118,706	-	32,049	150,755
Reversed from impairment losses on matured investments	(96,193)	(25)	-	(96,218)
Transferred to stage (1)	358,409	(358,409)	-	-
Transferred to stage (2)	(539,808)	578,448	(38,640)	-
Transferred to stage (3)	(538,927)	(46,220)	585,147	-
Effect on the size of exposures due to reclassificatio between stages	-	(642,014)	8,508,537	7,866,523
Effect of adjustment	(343,051)	-	(2,790,501)	(3,133,552)
Written off credit facilities	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	3,453,583	865,838	35,131,595	39,451,016

The distribution of total credit facilities by internal credit rating for SME›s was as follows:

	December 31, 2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
3,5	85,688	-	-	85,688	85,356
4	98,169	301,700	-	399,869	204,073
4,5	-	-	-	-	97,512
5	7,415,778	859,461	-	8,275,239	8,255,040
5,5	2,931,184	5,342,472	-	8,273,656	4,283,108
6	15,492,363	1,271,100	-	16,763,463	22,636,010
6,5	5,764,479	134,232	-	5,898,711	7,216,347
7	4,813,312	855,763	-	5,669,075	8,121,672
7,5	10,403,033	1,157,036	-	11,560,069	24,125,345
8	3,190,496	-	-	3,190,496	3,042,337
8,5	954,333	166,844	-	1,121,177	1,548,800
9	36,174	-	-	36,174	23,087
9,5	69,884	46,799	-	116,683	61,646
10	36,664	-	-	36,664	71,461
Not rated	3	-	10,058,613	10,058,616	-
Not rated	51,291,560	10,135,407	10,058,613	71,485,580	79,771,793

The movement on credit facilities for SME's during the year ended December 31, 2018 was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	70,284,526	1,848,943	7,638,324	79,771,793
New credit facilities during the year	4,977,255	1,542,493	59,971	6,579,719
Paid credit facilities	(9,809,775)	(98,747)	(1,147,067)	(11,055,589)
Transferred to stage (1)	339,611	(224,655)	(114,956)	-
Transferred to stage (2)	(7,887,277)	8,086,982)	(199,705)	-
Transferred to stage (3)	(3,207,093)	(609,676)	3,816,769	-
Effect on the size of exposures due to reclassification between stages	(3,405,687)	(409,933)	172,324	(3,643,296)
Effect of adjustment	-	-	(946)	(946)
Written-off credit facilities	-	-	(166,101)	(166,101)
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	51,291,560	10,135,407	10,058,613	71,485,580

The movement on provision for credit loss for SME's credit facilities during the year was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	64,274	2,970,965	3,035,239
Impact of implementing IFRS (9)	396,542	(33,513)	(86,320)	276,709
adjusted beginning balance of the year	396,542	30,761	2,884,645	3,311,948
Impairment losses on new investment during the year	14,067	23,025	27,791	64,882
Reversed from impairment losses on matured investments	(54,234)	487	-	(53,747)
Transferred to stage (1)	8,446	(8,312)	(134)	-
Transferred to stage (2)	(41,238)	42,422	(1,184)	-
Transferred to stage (3)	(35,175)	(4,876)	40,051	-
Effect on the size of exposures due to reclassification between stages	-	68,623	1,037,592	1,106,215
Effect of adjustment	(113,722)	(233)	(678,092)	(792,047)
Written-off credit facilities	-	-	-	-
Balance transferred to off balance sheet	-	-	(85,185)	(85,185)
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	174,686	151,897	3,225,484	3,552,066

The distribution of total credit facilities by internal credit rating for retails was as follows:

	2018				2017
	Stage (1) Collective	Stage (2) Collective	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Credit cards	3,224,856	357,103	426,774	4,008,733	3,686,365
Overdraft account	211,015	13,640	163,395	388,050	421,730
Car loans	15,264,323	1,375,703	1,962,078	18,602,104	20,421,180
Personal loans	150,109,153	4,582,231	12,228,071	166,919,455	153,205,983
	168,809,347	6,328,677	14,780,318	189,918,342	177,735,258

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

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	163,853,636	4,852,591	9,029,031	177,735,258
New credit facilities during the year	34,410,489	737,168	540,845	35,688,502
Paid credit facilities	(14,212,330)	(303,566)	(218,399)	(14,734,295)
Transferred to stage (1)	2,314,489	(1,672,810)	(641,679)	-
Transferred to stage (2)	(4,542,117)	4,739,250	(197,133)	-
Transferred to stage (3)	(4,904,649)	(1,399,920)	6,304,569	-
Effect of adjustment	(8,110,171)	(624,035)	69,869	(8,664,337)
Written off credit facilities	-	-	(24,632)	(24,632)
Balance transferred to off balance sheet	-	-	(82,154)	(82,154)
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	168,809,347	6,328,678	14,780,317	189,918,342

The movement on the provision for credit loss for Individuals credit facilities was as follows:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	576,184	7,772,817	8,349,001
Impact of implementing IFRS (9)	2,123,340	(198,491)	(376,381)	1,548,468
Adjusted beginning balance of the year	2,123,340	377,693	7,396,436	9,897,469
Impairment losses on new facilities during the year	591,333	38,605	386,980	1,016,918
Reversed from impairment losses on matured facilities	(130,180)	(15,043)	-	(145,223)
Transferred to stage (1)	38,196	(27,896)	(10,300)	-
Transferred to stage (2)	(86,313)	96,724	(10,411)	-
Transferred to stage (3)	(76,161)	(129,036)	205,197	-
Effect on the size of exposures due to reclassification between stages	-	26,347	2,985,246	3,011,593
Effect of adjustment	367,021	(35,560)	134,779	466,240
Written-off credit facilities	-	-	(15,112)	(15,112)
Balance transferred to off balance sheet	-	-	(53,976)	(53,976)
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	2,827,236	331,834	11,018,839	14,177,909

The distribution of total credit facilities by internal credit rating for Real Estate was as follows:

	2018						2017
	Stage (1)		Stage (2)		Stage (3)	Total	
	Individual	Collective	Individual	Collective			Total
	JD	JD	JD	JD	JD	JD	JD
4	354,917	-	-	-	-	354,917	525,990
4.5	145,124	-	-	-	-	145,124	-
5	4,013,163	1,335,445	-	-	-	5,348,608	3,784,233
5.5	27,530,826	-	1,371,046	3,780,703	-	32,682,575	43,282,755
6	5,370,140	990,053	505,046	-	-	6,865,239	35,475,055
6.5	619,108	49,653	103,033	-	-	771,794	1,055,388
7	205,454	-	489,607	-	-	695,061	858,949
7.5	200,000	6,843,247	721,985	774,250	-	8,539,482	13,095,251
8	268,473	-	352,887	-	-	621,360	863,884
8.5	4,069,966	-	-	-	-	4,069,966	4,276,556
9	4,677,131	-	-	-	-	4,677,131	4,455,285
Not rated	-	48,418,035	1,952,089	-	7,708,436	58,078,560	-
	47,454,301	57,636,433	5,495,693	4,554,953	7,708,436	122,849,817	107,673,346

The movement on credit facilities for Real Estate during the year ended December 31, 2018 as follows:

	Stage (1)		Stage (2)		Total	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	51,403,713	47,899,290	2,532,338	2,285,830	3,552,175	107,673,346
New credit facilities during the year	3,187,154	18,431,225	1,837,931	224,585	1,495,616	25,176,511
Paid credit facilities	(5,076,449)	(2,778,544)	(69,262)	(124,840)	(343,680)	(8,392,775)
Transferred to stage (1)	90,196	1,202,679	-	(932,760)	(360,115)	-
Transferred to stage (2)	(2,570,212)	(3,965,836)	2,570,212	3,971,772	(5,936)	-
Transferred to stage (3)	(994,349)	(809,886)	(1,257,756)	(739,323)	3,801,314	-
Effect of adjustment	1,414,249	(2,342,495)	(117,770)	(130,311)	(398,537)	(1,574,864)
Written-off credit facilities	-	-	-	-	(32,401)	(32,401)
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	47,454,302	57,636,433	5,495,693	4,554,953	7,708,436	122,849,817

The movement on the provision for credit loss for Real Estate credit facilities during the year ended December 2018 ,31 was as follows:

	Stage (1)		Stage (2)		Total	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	-	-	27,091	6,819	653,636	687,546
Impact of implementing IFRS (9)	384,635	1,021,871	2,386	75,719	(314,146)	1,168,465
adjusted beginning balance of the year	384,635	1,021,871	29,477	82,538	337,490	1,856,011
Impairment losses on new facilities during the year	2,323	110,414	53,227	7,348	93,228	266,540
Reversed from impairment losses on matured facilities	(16,707)	(62,377)	478	(9,052)	-	(87,658)
Transferred to stage (1)	-	3,344	-	(2,680)	(664)	-
Transferred to stage (2)	(22,767)	(52,015)	22,767	52,015	-	-
Transferred to stage (3)	(1,393)	(7,813)	(12,886)	(14,855)	36,947	-
Effect on the size of exposures due to reclassification between stages	-	-	12,221	69,255	614,520	695,996
Effect of adjustment	(147,993)	(681,153)	(15,100)	(12,052)	(119,711)	(976,009)
Written-off credit facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Balance - End of the Year	198,098	332,271	90,184	172,517	961,810	1,754,880

The distribution of total credit facilities by internal credit rating for the Government and Public Sector was as follows:

	December 31, 2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
5.5	20,722,608	-	-	20,722,608	15,156,819
7	312,433	-	-	312,433	25,202,032
7.5	13,111,673	-	-	13,111,673	-
	34,146,714	-	-	34,146,714	40,358,851

The movement on credit facilities for the Government and Public Sector during the year ended December 31, 2018 was as follows:

	«Stage (1) Individual»	«Stage (2) Individual»	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	40,358,851	-	-	40,358,851
New credit facilities during the year	312,499	-	-	312,499
Paid credit facilities	(1,340,657)	-	-	(1,340,657)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect of adjustment	(5,183,979)	-	-	(5,183,979)
Written off credit facilities	-	-	-	-
Balance - End of the Year	34,146,714	-	-	34,146,714

The movement on the provision for expected credit loss for the Government and Public Sector credit facilities during the year ended December 31, 2018 was as follows:

	«Stage (1) Individual»	«Stage (2) Individual»	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-
Impact of implementing IFRS (9)	317,059	-	-	317,059
Adjusted beginning balance of the year	317,059	-	-	317,059
Impairment losses on new Facilities during the year	-	-	-	-
Reversed from impairment losses on matured facilities	(23,058)	-	-	(23,058)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	-	-	-	-
Transferred to stage (3)	-	-	-	-
Effect on the size of exposures due to reclassification between stages	-	-	-	-
Effect of adjustment	(86,435)	-	-	(86,435)
Balance - End of the Year	207,566	-	-	207,566

8. Financial Assets at Fair Value through Statement of Income

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted shares in active markets	1,792,801	1,394,915
Total	**1,792,801**	**1,394,915**

9. Financial Assets at Fair Value through Statement of Comprehensive Income

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Quoted shares in active markets	8,215,901	9,080,838
Unquoted shares in active markets *	3,699,401	2,753,001
Total	**11,915,302**	**11,833,839**

- Realized loss from the sale of shares at fair value through the statement of comprehensive income amounted to JD 4,820 for the year ended December 31, 2018. The loss was directly recorded in retained earnings within owners' equity (realized loss of JD 411,659 for the year ended December 31, 2017).

- Cash dividends for the above investments amounted to JD 352,818 for the year ended December 31, 2018 (JD 260,582 for the year ended December 31, 2017).

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

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Treasury bonds and bills - Central Bank of Jordan	295,367,167	317,626,207
Governments guaranteed bonds and debentures	2,000,000	8,000,035
Companies bonds and debentures	5,747,900	5,697,900
Total	**303,115,067**	**331,324,142**
less: Provision for impairment in financial assets at amortized cost *	(83,456)	-
Financial assets at amortized cost - Net	303,031,611	331,324,142
Bonds and Bills Analysis:		
Fixed rate	303,031,611	331,324,142
Total	303,031,611	331,324,142

- The following is the movement on the financial assets at amortized cost:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
5.5	303,115,067	-	-	303,115,067	331,324,142
Total	303,115,067	-	-	303,115,067	331,324,142

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	331,324,142	-	-	331,324,142
New investments during the year	19,321,040	-	-	19,321,040
Accrued investments	47,530,115	-	-	47,530,115
Balance - End of the Year	303,115,067	-	-	303,115,067

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

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance - beginning of the year	-	-	-	-
Impact of implementing IFRS (9)	88,756			88,756
Adjusted balance beginning of the year	88,756	-	-	88,756
Expected credit losses on new investments during the year (New)	7,011	-	-	7,011
Recovered from impairment loss on the matured investments (derecognized / matured)	-	-	-	-
Effect on the provision-as of period/year ended - due to the classification change between the three stages during the year	-	-	-	-
Effect of adjustments	(12,311)	-	-	(12,311)
Written-off investments				
Adjustments due to change in exchange rates	-	-	-	-
Balance - End of the Year	83,456	-	-	83,456

- There are no transfers between stages (1, 2 and 3) or written-off balances during the year ended December 31, 2018.

11. Property and Equipment - Net

a. The details of this item are as follows:

Year 2018	Lands	Buildings	Machines and Office Equipment	Decorations	Vehicles	Computers	Payments for Property and Equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cost:								
Balance - Beginning of the year	2,828,298	19,018,667	9,608,346	5,975,046	563,705	4,620,633	762,810	43,377,505
Additions	199,039	-	523,004	71,611	51,000	362,129	2,157,095	3,363,878
Disposals	(134,227)	-	(264,372)	(38,122)	(252,011)	(159,743)	-	(848,475)
Payments for acquisition of property and equipment	-	-	393,405	411,313	-	50,107	(854,825)	-
Balance - End of the Year	2,893,110	19,018,667	10,260,383	6,419,848	362,694	4,873,126	2,065,080	45,892,908
Accumulated Depreciation:								
Balance - beginning of the year	-	2,209,937	5,620,250	4,748,762	305,950	3,330,927	-	16,215,826
Depreciation for the year	-	370,169	1,055,867	478,908	55,355	533,580	-	2,493,879
Disposals	-	-	(258,043)	(34,843)	(171,429)	(170,321)	-	(634,636)
Balance - End of the Year	-	2,580,106	6,418,074	5,192,827	189,876	3,694,186	0	18,075,069
Net Book Value of Property and Equipment - End of the Year	2,893,110	16,438,561	3,842,309	1,227,021	172,818	1,178,940	2,065,080	27,817,839

Year 2017	Lands	Buildings	Machines and Office Equipment	Decorations	Vehicles	Computers	Payments for Property and Equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cost:								
Balance - beginning of the year	2,828,298	18,635,907	9,068,227	5,700,070	556,857	4,784,889	769,884	42,344,132
Additions	-	38,000	283,322	95,835	85,000	207,615	1,040,538	1,750,310
Disposals	-	-	(177,476)	(67,588)	(78,152)	(393,721)	-	(716,937)
(Transfer) from Payments for acquisition of property and equipment	-	344,760	434,273	246,729	-	21,850	(1,047,612)	-
Balance - End of the Year	2,828,298	19,018,667	9,608,346	5,975,046	563,705	4,620,633	762,810	43,377,505
Accumulated Depreciation:								
Balance - beginning of the year	-	1,841,489	4,789,517	4,239,075	271,959	3,114,830	-	14,256,870
Depreciation for the year	-	368,448	1,001,308	531,290	64,337	607,981	-	2,573,364
Disposals	-	-	(170,575)	(21,603)	(30,346)	(391,884)	-	(614,408)
Balance - End of the Year	-	2,209,937	5,620,250	4,748,762	305,950	3,330,927	-	16,215,826
Net Book Value of Property and Equipment - End of the Year	2,828,298	16,808,730	3,988,096	1,226,284	257,755	1,289,706	762,810	27,161,679
Annual depreciation percentage %	-	2	10 - 15	15	15	20	-	

b- Property and equipment balance includes JD 8,205,282 as of December 31, 2018 (JD 6,908,267 as of December 31, 2017), representing fully depreciated property and equipment.

12. Intangible Assets - Net

The details of this item during the year are as follows:

	Computers and software systems	
	2018	2017
	JD	JD
Balance-beginning of the year	2,064,338	1,474,632
Additions during the year	402,382	682,718
Payments for acquisition of intangible assets	389,549	484,780
Amortization for the year	(542,350)	(577,792)
Balance-End of the Year	2,313,919	2,064,338
Annual amortization percentage %	20	20

13. Other Assets

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Accrued interest and revenue	9,879,893	8,101,272
Prepaid expenses	1,958,727	1,202,663
Assets seized by the Bank against due debts - Net *	84,736,553	84,318,625
Assets seized by the Bank sold on installments - Net **	1,625,766	1,832,713
Refundable deposits	462,906	950,972
Clearing Cheques	1,396,495	981,208
Purchase of Time withdrawals and Letter of credit - Net	9,289,702	7,322,174
Other	1,738,549	1,767,660
Total	111,088,591	106,477,287

- Distribution disclosure for the total time withdrawals, and purchased letter of credit based on the internal credit classification categories of the Bank:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
5.5	1,769,664	-	-	1,769,664	-
6	677,936			677,936	25,202,032
8	3,315,984	-	-	3,315,984	-
Not rated	3,539,613	-	-	3,539,613	-
	9,303,197	-	-	9,303,197	25,202,032

- Movement on the balances of time withdrawals, and letter of credit:

	Stage (1) Individual	Stage (2) Individual	Stage (3) Individual	Total
	JD	JD	JD	JD
Balance - beginning of the year	7,322,174	-	-	7,322,174
New balances during the year	7,533,533	-	-	7,533,533
Paid balances	5,552,510	-	-	5,552,510
Total for the Current Year	9,303,197	-	-	9,303,197

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

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

- There are no transfers between stages (1, 2 and 3) or written-off balances during the year ended December 31, 2018.

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

	2018			2017
	Seized Properties	Seized Assets Shares	Total	Total
	JD	JD	JD	JD
Balance - beginning of the year (Net after the impairment loss)	83,305,159	1,013,466	84,318,625	78,873,375
Additions during the year	2,952,103	140,000	3,092,103	11,481,421
Disposals during the year	(2,259,674)	(140,000)	(2,399,674)	(3,552,373)
Transfers	267,951	-	267,951	-
Impairment effect for the year	(113,334)	(429,118)	(542,452)	(2,483,798)
Balance - End of the Year	84,152,205	584,348	84,736,553	84,318,625

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

	2018			2017
	Seized Properties	Seized Assets Shares	Total	Total
	JD	JD	JD	JD
Balance - beginning of the year	4,571,714	268,790	4,840,504	2,084,017
Booked provision during the year	10,140	(20,964)	(10,824)	2,901,810
Properties sold on installments during the year	(14,842)	-	(14,842)	(133,445)
Transfers	118,039	-	118,039	-
Utilized from provision during the year	-	-	-	(11,878)
Unrealized loss from seized assets shares	-	450,082	450,082	(272,689)
Balance - End of the Year	4,685,051	697,908	5,382,959	4,567,815

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

** Seized properties value have an impairment loss by around JD 7.9 million as of December 31, 2018, accordingly, pursuant to the letter no. 10/1/43 dated December 31, 2018, Central Bank of Jordan approved for the Bank to allocate the impairment amount over five years in equal amounts starting from year 2019.

14. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2018			December 31, 2017		
	Inside Kingdom	Outside Kingdom	Total	Inside Kingdom	Outside Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	5,084,678	5,084,678	-	2,947,780	2,947,780
Term deposits	87,616,576	24,603,500	112,220,076	73,379,367	45,050,928	118,430,295
Total	87,616,576	29,688,178	117,304,754	73,379,367	47,998,708	121,378,075

- Banks deposits maturing within a period of more than three months amounted to JD 66,499,947 as of December ,31 2018 (JD 63,000,000 as of December 2017 ,31).

15. Customers Deposits

The details of this item are as follows:

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

	December 31, 2017				
	Companies				
	Retail	Corporate	Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current and call accounts	72,028,964	29,895,548	16,368,300	18,671,799	136,964,611
Saving deposits	136,399,227	4,083,257	1,079,209	296,868	141,858,561
Time certificates of deposit	38,955,752	-	110,000	-	39,065,752
Term deposits subject to notice	334,816,870	109,785,978	89,956,260	118,859,743	653,418,851
Total	582,200,813	143,764,783	107,513,769	137,828,410	971,307,775

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 78,922,919 equivalent to 8/8 % of total deposits as of December 2018 ,31 (JD 115,516,895, equivalent to %9/11 of total deposits of December 2017 ,31).
- Non-interest bearing deposits amounted to JD 120,620,900 equivalent to 5/13 % of total deposits as of December ,31 2018 (JD 130,676,416 equivalent to 5/13 % of total deposits as of December 2017 ,31).
- Reserved deposits (restricted withdrawal) amounted to JD 11,103,462 equivalent to2/1 % of total deposits as of December 2018 ,31 (JD 12,098,322 equivalent to 2/1 % of total deposits as of December 2017 ,31).
- Dormant deposits amounted to JD 10,361,366 as of December 2018 ,31 (JD 9,852,014 as of December 2017 ,31) .

16. Cash Margins

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Cash margins on direct credit facilities	66,781,807	74,619,002
Cash margins on indirect credit facilities	16,671,068	15,581,592
Marginal cash deals	964,452	1,570,036
Total	84,417,327	91,770,630

17. Borrowed Funds

The details of this item are as follows:

	Amount	Utilized	Number of Installment	Guarantees	Interest Rate
December 31, 2018	JD	JD			
Loan from World Bank through Central Bank of Jordan	2,000,000	1,800,000	20 years including 5 years grace period settled in semi-annual installments	-	5/2 %
Loan from Arab Monetary Fund through Central Bank of Jordan	2,100,000	1,659,000	10 years including 3 years grace period settled in semi-annual installments	-	5/2 %
Advances from Central Bank of Jordan	9,565,824	9,565,824	2 years settled in semi-annual installments	-	25/2 %
Jordan Mortgage refinance company	10,000,000	10,000,000	One payment dated 21/9/2021	Transfer of property mortgage	6/6 %
Jordan Mortgage refinance company	10,000,000	10,000,000	One payment dated 16/6/2021	Transfer of property mortgage	35/6 %
International Fund for Agricultural Development through Central Bank of Jordan	750,000	457,049	18 years including 3 years grace period settled in semi-annual installments	-	35/2 %
Central Bank of Jordan against mortgaged bonds / repurchase agreement		50,000,000	One payment dated 6/2/2019	Bonds mortgage	5/4%
Total		83,481,873			

	Amount	Utilized	Number of Installment	Guarantees	Interest Rate
December 31, 2017	JD	JD			
Loan from World Bank through Central Bank of Jordan	2,000,000	2,000,000	20 years including 5 years grace period settled in semi-annual installments	-	5/2 %
Loan from Arab Monetary Fund through Central Bank of Jordan	2,100,000	1,953,000	10 years including 3 years grace period settled in semi-annual installments	-	5/2 %
Advances from Central Bank of Jordan	10,215,978	10,215,978	2 years settled in semi-annual installments	-	25/2 %
Total		14,168,978			

- The refinanced loans were JD12,039,664 as of December 31, 2017 (JD 10,234,421 as of December 31, 2017) with a percentage ranging from 3% upto 10%.

18. Income Tax

a. Income tax provision

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

	2018	2017
	JD	JD
Balance - beginning of the year	3,145,154	3,792,448
Income tax incurred	670,919	3,599,139
Income tax paid - Palestine branches	(187,755)	(2,038,097)
Income tax paid - Jordan Branches	(2,882,770)	(2,208,336)
Balance - End of the Year	745,548	3,145,154

b. Income tax expense

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

	2018	2017
	JD	JD
Income tax incurred on current year profit - Jordan branches	17,112	2,558,250
Income tax incurred on current year profit - Palestine branches	200,000	571,121
Income tax incurred on prior years profit - Jordan branches	453,807	469,768
Effect of deferred tax assets	609,652	(1,050,024)
Effect of deferred tax liabilities	14,107	-
Total	1,294,678	2,549,115

c. Tax status

a. Hashemite Kingdom of Jordan Branches

The Bank has reached a final settlement with the Income and Sales Tax Department for Jordan branches until the end of the year 2016. The Bank submitted the income tax return within the legal period regarding the year 2017, however, it has not been reviewed yet.

b. Palestine branches

The Bank has settled the income tax for Palestine branches up to the year 2016. The Bank submitted the income tax return within the legal period regarding the year 2017, however, it has not been reviewed yet.

In the opinion of the Management and the Bank's Legal and Tax advisors in Jordan and Palestine, no liabilities in excess of the booked provision by the Bank and its branches will arise as of the date of the financial statements. Moreover, the booked tax provision included in the financial statements is sufficient to settle the potential tax obligations as of the date of the financial statements.

d. Deferred Tax Assets

The details of this item are as follows:

	2018						December 31, 2017	December 31, 2018
	Balance -Beginning of the year	IFRS (9) Implementation Impact /JD	Adjusted Balance	Amounts: Additions	Amounts: Released	Balance - End of the Year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD	JD	JD
a. Deferred Tax Assets								
Provision for doubtful debts before the year 2000	249,829	-	249,829	-	-	249,829	94,935	87,440
Provision for impairment in seized properties	432,379	-	432,379	1,576,837	10,669	1,998,547	759,448	151,333
Provision of seized properties for more than four years	4,580,067	-	4,580,067	43,090	1,591,253	3,031,904	1,152,124	1,603,023
Provision of contrary seized shares	268,790	-	268,790	83,218	104,181	247,827	94,174	94,077
Impairment loss on shares seized against debts	740,411	-	740,411	450,080	-	1,190,491	452,387	259,144
Provision for lawsuits against the Bank	105,543	-	105,543	45,365	9,730	141,178	53,648	36,940
Provision for end-of-service indemnity	10,705	-	10,705	8,046	3,123	15,628	5,939	3,747
Provision for suspended legal fees and expense	1,628,121	-	1,628,121	369,611	18,310	1,979,422	752,180	569,842
Valuation losses on financial assets at fair value through income statement	360,763	-	360,763	-	360,763	-	-	126,267
Fair value reserve *	1,870,689	-	1,870,689	780,377	4,794	2,646,272	1,005,583	654,741
Provision for employees bonuses	900,000	-	900,000	550,000	849,650	600,350	228,133	315,000
Other provisions	375,065	-	375,065	1,000,000	-	1,375,065	522,525	131,273
Expected credit loss on balances and deposits in local banks	-	222,945	222,945	-	156,939	66,006	25,082	-
Expected credit loss on balances and deposits in foreign banks	-	-	-	49,647	-	49,647	18,866	-
Expected credit loss on financial assets at amortized cost	-	66,011	66,011	-	5,300	60,711	23,070	-
Expected credit loss on direct credit facilities	-	18,335,664	18,335,664	-	1,981,011	16,354,653	6,214,768	-
Expected credit loss on indirect credit facilities	-	9,267,187	9,267,187	-	3,918,590	5,348,597	2,032,467	-
Expected credit loss on un-utilized limits of credit facilities / direct	-	444,509	444,509	231,114	-	675,623	256,737	-
Expected credit loss on un-utilized limits of credit facilities / indirect	-	492,764	492,764	-	43,471	449,293	170,731	-
Expected credit loss on purchase of time withdrawals, and letter of credit	-	10,660	10,660	2,835	-	13,495	5,128	-
Total	11,522,362	28,839,740	40,362,102	5,190,220	9,057,784	36,494,538	13,867,924	4,032,827
b. Deferred Tax Liabilities								
Unrealized gain of shares portfolio at fair value through income statement	-	-	-	37,123	-	37,123	14,107	-
	-	-	-	37,123	-	37,123	14,107	-

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

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

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

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Assets	Assets	Liabilities	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	4,032,827	3325672	-	-
Deferred tax assets impact due to IFRS (9) implementation	10,093,909	-	-	-
Adjusted Balance - Beginning of the Year	14,126,736	3,325,672	-	-
Additions during the year	1,972,283	1,329,447	14,107	-
Disposal during the year	(3,441,958)	(622,292)	-	-
Addition due to tax rate adjustment	1,210,863	-	-	-
Balance - End of the Year	13,867,924	4,032,827	14,107	-

- Deferred tax assets for Jordan branches have been calculated using %35 as of December 2018 ,31 according to the income tax rate for banks as per the Income Tax Law No (34) for the Year 2018, effective on January 1st, 2019.

IFRS (9) implementation impact on deferred tax assets / Liabilities

	Deferred Tax Assets	Deferred Tax Liabilities
	JD	JD
Increase (decrease) expected credit loss for assets (ECL)	10,093,909	-
Financial assets reclassification	-	-

e. Summary of Reconciliation Between Declared Income and Taxable Income:

	2018	2017
	JD	JD
Declared income	6,324,044	6,337,928
Add: Non-deductible tax expenses	16,232,474	4,654,866
Less: Exempted tax income	(21,721,473)	(2,398,668)
Adjusted Taxable income	835,045	8,594,126
Income Tax Rates:		
Jordan branches	35%	35%
Palestine branches	15%	15%

19. Other Provisions

The details of this item are as follows:

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

Year 2017	«Balance -Beginning of the Year»	«Expense for the Year»	«Paid during the Year»	Balance - End of the Year
	JD	JD	JD	JD
Provision for lawsuits against the Bank	48,788	62,950	(900)	110,838
Provision for end-of-service indemnity	728,519	171,772	(120,242)	780,049
Total	777,307	234,722	(121,142)	890,887

20. Other Liabilities

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Acceptable checks	6,163,241	6,805,309
Accrued interests	8,739,300	7,817,424
Refundable and various deposits	2,998,540	2,895,072
Safe deposits boxes	101,485	97,703
Shareholders' deposits	15,759	14,773
Income tax and social security deposits	363,643	394,990
Accrued expenses	2,055,592	2,047,129
Transactions in transit among branches	491,172	506,299
Board of Directors' remunerations	55,000	55,000
Received amounts on the sale of land and real estate *	10,563,174	8,530,135
Inward remittance	(125)	428,228
Expected credit loss on indirect facilities and un-utilized limits	6,570,763	-
Other	294,898	467,034
Total	38,412,442	30,059,096

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

	2018	2017
	JD	JD
Balance-beginning of the year	8,530,135	5,124,526
Received amounts	2,386,718	4,101,549
Disposals	(353,679)	(695,940)
Balance-End of the Year	10,563,174	8,530,135

Below is the movement on indirect facilities (collective) during the year:

	Stage (1)		Stage (2)		Stage (3)	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	345,544,980	-	4,647,007	-	8,100,099	358,292,086
New exposure during the period	39,062,351	-	8,545,815	-	-	47,608,166
Matured exposure	(33,994,300)	-	(250)	-	(30,286)	(34,024,836)
Transferred to stage (1)	643,600	-	(51,600)	-	(592,000)	-
Transferred to stage (2)	(11,349,663)	-	12,220,281	-	(870,618)	-
Transferred to stage (3)	(1,054,629)	-	(2,436,750)	-	3,491,379	-
Effect of the reclassification	(35,317,220)	-	(370,535)	-	(3,112,652)	(38,800,407)
Written-off facilities	-	-	-	-	-	-
Adjustments due to foreign currency changes	-	-	-	-	-	-
Balance at the End of the Year	303,535,119	-	22,553,968	-	6,985,922	333,075,009

- Below is the movement on the expected credit loss for indirect facilities (collective) during the year:

	Stage (1)		Stage (2)		Stage (3)	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Impact of implementing IFRS (9)	2,848,578	-	335,902	-	7,154,088	10,338,568
Adjusted beginning balance for the year	2,848,578	-	335,902	-	7,154,088	10,338,568
Impairment loss on new exposure during the year	399,127	-	63,933	-	-	463,060
Reversed impairment loss on matured exposure	(226,847)	-	-	-	-	(226,847)
Transferred to stage (1)	1,116	-	-	-	(1,116)	-
Transferred to stage (2)	(84,309)	-	91,962	-	(7,653)	-
Transferred to stage (3)	(16,623)	-	(67,276)	-	83,899	-
«Effect on provision as of end of the year due to reclassification between the stages during the year»	-	-	215,735	-	754,692	970,427
Adjustments due to changes	(494,005)	-	(125,583)	-	(4,354,856)	(4,974,444)
Written-off facilities	-	-	-	-	-	-
Adjustments due to foreign currency changes	-	-	-	-	-	-
Balance at the End of the Year	2,427,037	-	514,673	-	3,629,054	6,570,764

- Disclosure the total distribution of unused facilities limits according to the banks internal credit rating categories:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
3	85,992	-	-	85,992	1,274,504
3.5	1,601,169	-	-	1,601,169	4,358,093
4	2,271,689	-	-	2,271,689	121,844
4.5	71,870	-	-	71,870	13,408,256
5	7,381,570	82,204	-	7,463,774	17,783,854
5.5	27,869,289	9,800,171	-	37,669,460	11,209,478
6	33,286,014	1,817,240	-	35,103,254	9,146,572
6.5	4,882,904	6,368	-	4,889,272	8,347,977
7	6,415,288	8,193	-	6,423,481	49,970,618
7.5	12,470,024	873,939	-	13,343,963	7,437,555
8	5,978,662	542,425	-	6,521,087	19,388,491
8.5	19,361,264	73,400	-	19,434,664	293,117
9	209,561	-	-	209,561	69,593
9.5	116	-	-	116	1,852
10	-	-	-	-	540,540
	121,885,412	13,203,940	-	135,089,352	143,352,344

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

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance at the beginning of the year	143,352,343	-	-	143,352,343
New exposure during the year	17,453,949	7,890,395	-	25,344,344
Matured exposure	(8,729,669)	-	-	(8,729,669)
Transferred stage 1	-	-	-	-
Transferred stage 2	(5,313,545)	5,313,545	-	-
Transferred stage 3	-	-	-	-
Effect of the adjustment	(24,877,666)	-	-	(24,877,666)
Written-off facilities	-	-	-	-
Adjustments due to foreign currency change	-	-	-	-
Balance at the End of the Year	121,885,412	13,203,940	-	135,089,352

- Below is movement of disclosure on impairment credit for unutilized facilities during the year:

	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total
	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-
Impact of implementing IFRS (9)	973,042	-	-	973,042
Adjusted beginning balance for the year	973,042	-	-	973,042
Impairment loss on new exposure during the year	256,807	63,382	-	320,189
Reversed impairment loss on matured exposure	(39,640)	-	-	(39,640)
Transferred to stage (1)	-	-	-	-
Transferred to stage (2)	(18,670)	18,670	-	-
Transferred to stage (3)	-	-	-	-
«Effect on provision as of end of the year due to reclassification« between the stages during the year	-	48,311	-	48,311
Adjustments due to changes	(142,660)	-	-	(142,660)
Written-off facilities	-	-	-	-
Adjustments due to foreign currency changes	-	-	-	-
Balance at the End of the Year	1,028,879	130,363	-	1,159,242

- Below is the disclosure for the total distribution of letter of credits and acceptances according to the banks internal credit rating categories:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
4	69,442	-	-	69,442	244,100
5	139,104	-	-	139,104	6,818,099
5.5	20,723,785	-	-	20,723,785	1,042,612
6	11,029,771	-	-	11,029,771	3,405,737
6.5	1,475,861	-	-	1,475,861	191,914
7	4,665,483	-	-	4,665,483	5,060,035
7.5	2,384,727	-	-	2,384,727	39,939,998
8	7,336,032	-	-	7,336,032	-
8.5	-	-	-	-	1,451,959
9	196,597	-	-	196,597	206,426
	48,020,802	-	-	48,020,802	58,360,880

- Below is the disclosure of the total guarantees according to the banks credit rating categories:

	2018				2017
	Stage (1) Individual	Stage (2) Individual	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
3.5	100,000	-	-	100,000	50,000
4	1,128,231	205,000	-	1,333,231	796,397
4.5	345,630	20,000	-	365,630	10,107,473
5	6,336,230	468,720	-	6,804,950	12,141,172
5.5	46,994,814	4,654,405	-	51,649,219	16,507,458
6	22,996,391	51,500	-	23,047,891	4,789,469
6.5	5,405,287	-	-	5,405,287	21,299,970
7	18,901,867	-	-	18,901,867	78,913,221
7.5	13,033,084	451,372	-	13,484,456	6,753,099
8	6,482,023	2,183,575	-	8,665,598	3,359,657
8.5	10,375,700	1,280,000	-	11,655,700	336,916
9	543,948	-	-	543,948	107,256
9.5	71,800	35,456	-	107,256	7,560
10	-	-	-	-	1,409,216
Not rated	913,899	-	6,985,922	7,899,821	-
	133,628,904	9,350,028	6,985,922	149,964,855	156,578,863

- Below is the movement of Guarantees as of the end of the year:

	Stage (1)		Stage (2)		Stage (3)	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	143,831,757	-	4,647,007	-	8,100,099	156,578,863
New exposure during the year	6,899,369	-	655,421	-	-	7,554,789
Matured exposure	(4,160,093)	-	(250)	-	(30,286)	(4,190,629)
Transferred to stage 1	643,600	-	(51,600)	-	(592,000)	-
Transferred to stage 2	(6,036,118)	-	6,906,736	-	(870,618)	-
Transferred to stage 3	(1,054,629)	-	(2,436,750)	-	3,491,379	-
Effect of the adjustment	(6,494,982)	-	(370,535)	-	(3,112,652)	(9,978,169)
Written-off-facilities	-	-	-	-	-	-
Adjustments due to foreign currency changes	-	-	-	-	-	-
Balance at the End of the Year	133,628,904	-	9,350,029	-	6,985,922	149,964,855

- Below is the movement disclosure on guarantees impairment provision loss as it is at the end of the year:

	Stage (1)		Stage (2)		Stage (3)	Total
	Collective	Individual	Collective	Individual		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
IFRS 9 impact of implementing	1,446,665	-	335,902	-	7,154,088	8,936,655
Adjusted beginning balance for the year	1,446,665	-	335,902	-	7,154,088	8,936,655
Impairment loss on new exposure during the year	37,238	-	551	-	-	37,789
Reversed impairment loss on matured exposure	(86,655)	-	-	-	-	(86,655)
Transferred to stage (1)	1,116	-	-	-	(1,116)	-
Transferred to stage (2)	(65,639)	-	73,292	-	(7,653)	-
Transferred to stage (3)	(16,623)	-	(67,276)	-	83,899	-
Effect on provision as of end of the year due to reclassification between the stages during the year	-	-	167,424	-	754,692	922,116
Adjustments due to changes	(244,144)	-	(125,583)	-	(4,354,856)	(4,724,583)
Written-off facilities	-	-	-	-	-	-
Adjustments due to foreign currency changes	-	-	-	-	-	-
Balance at the End of the Year	1,071,958	-	384,310	-	3,629,054	5,085,322

21. Authorized and Paid-up Capital

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

22. Reserves

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

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

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

	December 31,	
	2018	2017
	JD	JD
Jordan branches	-	5,813,954
Palestine branches	-	1,188,894
Total	-	7,002,848

c. Cyclicality Reserve
This item represents the risk reserve taken in accordance with the Palestinian Monetary Authority at 15% of net income after tax for Palestine branches to support the Bank's capital in Palestine and to face risks relating to the Banking sector. This reserve will accumulate until reaching 20% of paid - up capital. The cyclicality fluctuation reserve may not be used, or reduced without obtaining the pre-approval from the Palestinian Monetary Authority.

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

Reserve Name	December 31		
	2018	2017	
	JD	JD	Restriction Nature
Statutory Reserve	14,714,563	14,082,158	Restricted according to the Banks Law and Companies Law.
General Banking Risks Reserve	-	7,002,848	Restricted according the Central Bank of Jordan and the Palestinian Monetary Authority
Cyclicality Reserve	2,597,047	1,833,820	Palestinian Monetary Authority's requirements.

23. Fair Value Reserve - Net

The movement on this item during the year is as follows :

	2018	2017
	JD	JD
Balance - beginning of the year		(1,852,705)
Unrealized (losses)		21,561
Released from selling financial assets at fair value through statement of comprehensive income	2,972	327,093
Balance - End of the Year	(2,053,183)	(1,504,051)

- Fair value reserve balance includes JD 311,112 as of December 31, 2018 (JD 311,112 as of December 31, 2017) against implementation of International Financial Reporting Standard No. (9).

24. Retained Earnings

The movement on this item during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	8,125,824	13,408,899
Impact of implementing IFRS 9 (impairment)	(30,065,991)	-
Deferred taxes calculated due to the implementation IFRS 9 (impairment)	10,093,909	-
Transfer from banks general risk reserve due to IFRS 9 implementation	7,002,848	-
Adjusted balance at beginning of the year	(4,843,410)	13,408,899
Income for the year	5,029,366	3,788,813
(Transferred) to reserves	(1,395,632)	(1,535,229)
(Transferred) to increase the paid-up capital	-	(7,125,000)
Realized (losses) from selling financial assets at fair value through statement of comprehensive income	(4,820)	(411,659)
Balance - End of the Year	(1,214,496)	8,125,824

- Retained earnings balance includes JD 13,867,924 as of December 31, 2018, restricted against deferred tax assets according to Central Bank of Jordan instructions.

- Use of the Cyclical reserve is restricted and may not be released without the approval of Palestinian Monetary Authority.

- Use of retained earnings for an amount equal to the negative cumulative change in fair value of financial assets of JD 2,053,183 as of December 31, 2018 is restricted (including JD 311,112 against implementation of International Financial Reporting Standard N0. (9)) according to Jordan Securities Commission and Central Bank of Jordan instructions.

- Use of retained earnings for an amount equal to the amount of the profit from revaluation differences for financial assets at fair value through income statement which amounted to JD 37,123 as of December 31, 2018 is restricted based on the instructions from Jordan Securities Commission.

25. Interest Income

The details of this item are as follows:

	2018	2017
	JD	JD
Direct credit facilities:		
Individuals (retail)		
Overdraft accounts	213,085	30,709
Loans and promissory notes	15,232,157	15,364,095
Credit cards	679,744	608,083
Real - estate loans	7,374,612	6,294,348
Companies		
Large		
Overdraft accounts	6,180,049	5,088,881
Loans and promissory notes	22,546,306	18,479,822
Small and medium		
Overdraft accounts	2,126,665	1,874,859
Loans and promissory notes	3,818,169	5,127,313
Government and public sector	2,195,307	2,990,502
Balances at central banks	865,570	777,073
Balances and deposits at banks and financial institutions	625,167	426,007
Financial assets at amortized cost	17,169,630	18,507,376
Others	4,457	-
Total	79,030,918	75,569,068

26. Interest Expense

The details of this item are as follows:

	2018	2017
	JD	JD
Deposits at banks and financial institutions	5,563,892	4,137,399
Customers deposits		
Current and call accounts	464,942	1,112,518
Saving accounts	1,893,439	1,991,246
Deposits Certificates	1,851,043	1,638,389
Time and notice deposits	30,572,536	25,627,586
Cash margins	2,892,437	1,860,630
Borrowed funds	1,446,997	880,386
Deposit Insurance Corporation fees	2,051,078	1,962,680
Total	46,736,364	39,210,834

27. Net Commission Income

The details of this item are as follows:

	2018	2017
	JD	JD
Direct credit facilities commissions	2,267,239	2,229,967
Indirect credit facilities commissions	3,214,277	2,844,663
Total	5,481,516	5,074,630

28. Foreign Exchange Income

The details of this item are as follows:

	2018	2017
	JD	JD
Resulted from trading/transactions	679,939	683,312
Resulted from valuation	290,739	449,560
Margin trading accounts	103,612	79,052
Total	1,074,290	1,211,924

29. Gain (Loss) from Financial Assets at Fair Value through Income Statement

The details of this item are as follows:

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

	Realized Gain	Unrealized Gains	Dividends	Total
	JD	JD	JD	JD
Year 2017				
Companies' quoted shares in active markets	96,295	(104,177)	3,852	(4,030)

30. Other Income - Net

The details of this item are as follows:

	2018	2017
	JD	JD
(Expenses) income from credit cards - net	109,326	(166,919)
Safe box rent	72,292	41,972
Transfers income	392,929	374,691
Cheques income	738,266	655,395
Telecommunication income	78,715	72,516
Recovery of debts previously written-off *	1,754,037	1,881,907
Income from selling seized properties	-	908,909
Income from selling property and equipment	86,109	44,104
Gain from seized properties	17,304	27,608
Income from account services	880,070	602,881
Income from reversal of miscellaneous provisions	-	293,909
Insurance income	126,849	26,329
Others	689,294	489,551
Total	4,945,191	5,252,853

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

31. Employees Expenses

The details of this item are as follows:

	2018	2017
	JD	JD
Salaries, allowances and employees' benefits	13,333,702	13,074,898
Bank's contribution in social security	1,357,548	1,281,472
Bank's contribution in provident fund	17,744	18,411
Medical expenses	505,679	585,364
Staff training expenses	251,416	178,008
Per diems	211,207	188,837
Employees life insurance expense	27,550	25,115
Uniforms	30,782	22,264
Total	15,735,628	15,374,369

32. Provision for Expected Credit Loss

The details of this item are as follows:

	For the Year Ended December 31, 2018				
	2018				2017
	Stage (1)	Stage (1)	Stage (3)	Total	Total
	JD	JD	JD	JD	JD
Balances in Central Bank	-	-	-	-	-
Balances and depsosits in Bank and financial institions	(75.083)	-	-	(75.083)	-
Direct credit facilities	(1.544.454)	(242.258)	11.038.426	9.251.714	8.641.231
Debt instruments with in a portfolio of financial assets at amortized cost	(5.300)	-	-	(5.300)	-
Debt instruments within a portfolio of financail assets in fair value through comprehensive income financial guarantees	(293.560)	42.392	(3.600.164)	(3.851.332)	-
Untapped ceillings	55.837	130.363	-	186.200	-
Letters of credit	(102.671)	-	-	(102.671)	-
Purchased credits and withdrawals	2.835	-	-	2.835	-
Total	(1.962.396)	(69.503)	7.438.262	5.406.363	8.641.231

33. Other Expenses

The details of this item are as follows:

	2018	2017
	JD	JD
Rent	1,221,782	1,029,892
Stationery and publications	566,329	625,344
Water, electricity and telecommunication expenses	1,426,403	1,423,876
Legal and lawyer fees	453,174	200,504
Maintenance, repair and car expenses	931,745	1,109,145
Insurance expenses	503,457	350,579
Programs and computers maintenance	1,158,275	1,041,668
Board of Directors' transportation and attendance of meeting fees	866,737	558,030
Fees, licenses and taxes	974,505	963,555
Advertisements	1,330,524	1,643,642
Subscriptions	725,300	625,730
Professional and consultancy fees	498,521	502,159
Collection incentives	16,305	42,462
Donations and social responsibility	321,182	421,428
Cleaning and security services	536,261	394,020
Hospitality	118,422	121,170
Board of Directors' remunerations	55,000	55,000
Capital increase expenses	-	57,238
Impairment loss on seized properties	(1,612,216)	2,786,153
(Recovered) contrary seized properties and shares provision (Note 13) *	1,486,202	-
(Recovered)/ Impairment loss on shares seized against debts	450,082	(272,690)
Money shipping expenses	125,377	142,013
Others	619,764	593,869
Total	12,773,131	14,414,787

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

34. Earnings Per Share for the Bank's Shareholders

The details of this item are as follows:

	2018	2017
	JD	JD
Income for the year attributable to the Banks' shareholders	5,029,366	3,788,813
	Share	Share
Weighted average number of shares *	120,000,000	120,000,000
	JD / Share	JD / Share
Earnings per share for the Banks' shareholders	042/-	032/-

* The weighted-average number of shares for basic and diluted earnings per share for the year ended December 31, 2016 is adjusted to become 120 Million shares instead of 112/875 Million shares after the increase which was through stock dividends /capitalization.

35. Cash and Cash Equivalents

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Balances at central banks due within three months	91,872,118	128,088,936
Add: Balances at banks and financial institutions due within three months	61,995,613	51,866,315
Less: Banks and financial institutions deposits due within three months	(50,804,807)	(58,378,075)
Total	103,062,924	121,577,176

36. Transactions with Related Parties

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

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

	BOD Members	Companies Represented by the BOD	Executive Managers	Others	Total	
					December 31,	
					2018	2017
On- Statement of Financial Position Items:	JD	JD	JD	JD	JD	JD
Deposits	11,346,062	1,369,632	570,690	559,388	13,845,772	39,293,290
Direct credit facilities	644,259	16,769,834	783,350	1,304,720	19,502,163	19,804,921
Cash margins	1,000	7,317,123	-	10,555	7,328,678	7,199,290
Off- Statement of Financial Position Items:						
Letters of guarantee	10,000	449,398	-	70,550	529,948	662,452
Bills of collection	-	-	-	-	-	16,562

					Total	
					2018	2017
Income statement items:	JD	JD	JD	JD	JD	JD
Interest and commission income *	120,200	899,715	66,798	45,998	1,132,711	1,050,386
Interest and commission expense **	1,745,319	204,491	17,848	85,637	2,053,295	2,181,318

* Credit interest rate ranges from 4% to 12% .

** Debit interest rate ranges from 1% to 6/25% .

Executive Management Remunerations
Executive management salaries and remunerations for the Bank amounted to JD 3,171,739 for the year 2018 (JD 2,870,120 for the year 2017).

37. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Financial Statements

There are no significant differences between the book value and the fair value of the financial assets and liabilities as of year – end 2018 and 2017.

38. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risk Committee and audit committee. Moreover, the Bank sets the risks acceptable limits (risk appetite).

The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (Risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types.

Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

Credit risk refers to the risk that a counterparty will default on its credit terms and/or its creditworthiness deteriorates resulting in financial loss to the Bank.

The Board of Directors periodically reviews the credit risk management policies compatible with the laws and the Central Bank of Jordan instructions after being prepared by the concerned departments. Moreover, the Board of Directors ensures that management of the Bank works according to their policies and executes the related requirements. These policies include the Bank's credit policy through which many factors are determined such as:
- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification, as well as evaluating the adequacy of the provisions on a monthly basis monthly based on the instructions of the Central Bank of Jordan and other regulatory authorities under which the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.
- Having an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
- Determining the type and size of the required guarantee based on the customer's credit risk evaluation according to clear acceptance procedures and customers' evaluation standards.
- Periodically monitoring the fair value of the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.
- Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.
- Having an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, faciliting the decision-making process and the pricing of credit facilities.
- Having clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.

Risk Management Department Disclosure

1- Credit Exposures Distributions

«Internal Rating for the Bank»	Category Classification According to (2009/47)	«Total Exposure Value»	«Expected Credit Loss»	Probability of Default	Exposure when Default (Million)	«Average Loss on Default»
		JD	JD	%	JD	%
3	Operating	1,455,777	11	0,36%	738,464	1,72%
3.5	Operating	10,066,084	4,358	0,14%	9,665,792	31,08%
4	Operating	17,959,850	37,091	0,29%	17,133,845	33,93%
4.5	Operating	7,284,983	16,633	0,31%	12,144,393	26,92%
5	Operating	42,508,587	32,963	0,38%	41,982,363	24,41%
5.5	Operating	534,036,114	1,056,356	6,04%	563,457,849	39,87%
6	Operating	135,791,677	246,136	0,76%	127,772,285	23,25%
6.5	Operating	38,140,261	111,057	1,19%	37,367,237	24,36%
7	Operating	62,289,621	341,745	1,89%	61,983,279	32,03%
7.5	Operating	112,776,013	1,179,046	3,62%	107,447,580	31,26%
8	Operating	95,444,015	2,123,209	6,28%	105,676,788	34,75%
8.5	Operating	63,483,630	2,409,124	11,04%	63,259,359	31,71%
9	Operating	13,319,460	422,592	18,19%	13,250,107	21,02%
9.5	Operating	560,136	36,726	33,01%	596,208	22,42%
10	Operating	1,878,727	323,555	55,63%	1,878,727	41,08%
Unclassified	Operating	272,628,563	3,673,870	4,53%	255,569,070	56,387%
Total		1,409,623,498	12,014,472		1,419,923,346	
Non Performing exposures						
Unclassified	Non-operating	102,737,542	53,966,784	100%	111,473,361	65,16%
Net total		102,737,542	53,966,784		111,473,361	

2. Credit risk according to economic sectors:

a. Total distribution of exposures according to the financial instruments:

	Financial	Industrial	Trading	Real Estate	Construction	Agriculture	Equities	Individuals	«Government and Public Sector»	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash at central banks	71,068,130	-	-	-	-	-	-	-	-	-	71,068,130
Balances at banks and financial institutions	61,995,613	-	-	-	-	-	-	-	-	-	61,995,613
Direct credit facilities and financing	41,362,219	65,376,870	146,974,009	119,961,956	33,964,153	6,453,772	11,158,498	174,734,223	33,939,149	93,948,969	727,873,818
Treasury, bills and Bonds and as follows:											
Within: Financial assets at amortized cost	4,629,166	-	1,035,278	-	-	-	-	-	297,367,167	-	303,031,611
Other Assets	1,767,088	-	7,522,614	-	-	-	-	-	-	-	9,289,702
Total	180,822,216	65,376,870	155,531,901	119,961,956	33,964,153	6,453,772	11,158,498	174,734,223	331,306,316	93,948,969	1,173,258,874
Financial guarantees	31,853,205	4,031,690	19,552,127	1,011,410	64,254,127	84,359	451,760	-	-	23,640,855	144,879,533
Letter of credit and acceptances	12,804,136	8,359,198	22,330,357	-	4,160,428	-	-	-	-	40,485	47,694,604
Other Liabilities	13,315,524	12,929,920	35,408,441	3,600,702	45,922,670	211,571	865,992	-	-	21,675,289	133,930,109
Grand Total	238,795,081	90,697,678	232,822,826	124,574,068	148,301,378	6,749,702	12,476,250	174,734,223	331,306,316	139,305,597	1,499,763,119

b. Distribution of exposures by classification stages according to IFRS 9

	Stage (1)		Stage (2)		Stage (3)	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Financial	229,602,666	-	7,862,221	-	1,330,194	238,795,081
Industrial	77,154,045	-	8,651,270	-	4,892,363	90,697,678
Trading	209,459,325	-	15,358,950	-	8,004,551	232,822,826
Real Estates	49,467,616	57,304,163	7,720,085	4,382,436	5,699,768	124,574,068
Construction	133,031,054	-	10,357,842	-	4,912,482	148,301,378
Agriculture	5,869,749	-	510,250	-	369,703	6,749,702
Equity	12,119,613	-	380,659	-	(24,022)	12,478,250
Individual	-	165,927,694	-	5,922,945	2,883,584	174,734,223
Government and public sector	331,306,316	-	-	-	-	331,306,316
Other	121,728,207	-	14,239,188	-	3,338,202	139,305,597
Total	1,169,738,591	223,231,857	65,080,465	10,305,381	31,406,825	1,499,763,119

3. Exposure distribution according to geographical distribution

a. Distribution of exposures according to geographical distribution - Net:

	Inside Jordan	Other Middle East Countries	Europe	Asia	Africa	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	51,198,822	19,869,308	-	-	-	-	-	71,068,130
Balances at banks and financial institutions	21,716,710	34,098,566	7,126,941	19,272	59,427	(1,289,284)	263,981	61,995,613
Direct credit facilities and financing	664,862,351	58,163,042	-	4,848,425	-	-	-	727,873,818
Treasury Bills and Bonds are as follows:								
Within: Financial assets at amortized cost	301,636,356	1,395,255	-	-	-	-	-	303,031,611
Other Assets	7,522,614	-	-	1,767,088	-	-	-	9,289,702
Total	1,046,936,853	113,526,171	7,126,941	6,634,785	59,427	(1,289,284)	263,981	1,173,258,874
Financial guarantees	140,461,970	4,417,563	-	-	-	-	-	144,879,533
Letter of credit and acceptances	-	932,272	17,010,831	29,740,018	-	11,483	-	47,694,604
Other Liabilities	129,054,775	4,875,334	-	-	-	-	-	133,930,109
Grand Total	1,316,453,598	123,751,339	24,137,772	36,374,803	59,427	(1,277,801)	263,981	1,499,763,119

b. Distribution of exposures by classification according to IFRS 9:

	Stage (1)		Stage (2)		Stage (3)	Total
	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Inside Jordan	1,011,335,785	205,046,326	61,830,323	8,850,277	29,390,887	1,316,453,598
Other Middle East countries	98,844,624	18,185,531	3,250,142	1,455,104	2,015,938	123,751,339
Europe	24,137,772	-	-	-	-	24,137,772
Asia	36,374,803	-	-	-	-	36,374,803
Africa	59,427	-	-	-	-	59,427
America	(1,277,801)	-	-	-	-	(1,277,801)
Other Countries	263,981	-	-	-	-	263,981
Total	1,169,738,591	223,231,857	65,080,465	10,305,381	31,406,825	1,499,763,119

4. Distribution of the fair value of guarantees against credit exposures

a. Distribution of fair value of guarantees provided against total credit exposures

	Total Exposure	Cash Insurance	Quoted Shares	Expected Bank Warranties	Properties	Machines & Vehicles	Other	Total Guarantee	Net Exposure after guarantee	Expected Credit Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	62,165,718	-	-	-	-	-	-	-	62,165,718	170,105
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Credit facilities	-	-	-	-	-	-	-	-	-	-
Individuals	189,918,337	11,243,450	99,359	-	22,354,185	15,478,495	-	63,402,236	126,516,101	13,487,713
Property loans	122,849,817	924,230	-	-	57,881,638	56,583	-	66,703,149	56,146,668	1,751,540
Companies	-	-	-	-	-	-	-	-	-	-
Large company	386,301,602	1,047,399	10,261,442	-	49,084,265	2,769,686	-	80,376,570	305,925,032	39,494,541
Small & Medium Company	71,485,579	3,765,965	792	-	23,966,914	5,148,177	-	43,389,335	28,096,243	4,202,078
Public sector & government	34,146,715	-	-	-	-	-	34,146,715	34,146,715	-	207,566
Bonds, bills and debentures	-	-	-	-	-	-	-	-	-	-
Within financial assets in fair value through income statement	-	-	-	-	-	-	-	-	-	-
Within financial assets in fair value through other comprehensive income statement	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	303,115,067	-	-	-	-	-	-	-	303,115,067	83,456
Financial derivatives	-	-	-	-	-	-	-	-	-	-
Financial assets (debt instrument)	-	-	-	-	-	-	-	-	-	-
Other assets	9,303,197	-	-	-	-	-	-	-	9,303,197	13,495
Total for the Year	1,179,286,031	16,981,044	10,361,593	-	153,287,002	23,452,940	34,146,715	288,018,005	891,268,026	59,410,494
Financial credit	149,964,854	857,168	458,081	-	16,663,707	90,475	-	18,069,431	131,895,423	5,028,384
Letter of credit	48,020,803	-	-	-	-	-	-	-	48,020,803	383,137
Other obligations	135,089,351	33,966,335	9,635,071	-	75,400,236	1,597,041	-	120,598,683	14,490,668	1,159,242
Total	1,512,361,040	51,804,547	20,454,745	-	245,350,945	25,140,456	34,146,715	426,686,119	1,085,674,920	65,981,257

	Total Exposure	Cash Insurance	Quoted Shares	Expected Bank Warranties	Properties	Machines & Vehicles	Other	Total Guarantee	Net Exposure after guarantee	Expected Credit Loss
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Credit facilities	-	-	-	-	-	-	-	-	-	-
Individuals	14,780,312	9,637	64,739	-	3,022,054	1,435,419	-	6,225,884	8,554,428	10,325,304
Property loans	7,708,434	183	64,739	-	7,858,180	282,818	-	8,641,936	(933,501)	961,810
Companies	-	-	-	-	-	-	-	-	-	-
Large company	63,204,260	75	17,680	-	11,964,550	1,616,391	-	14,045,600	49,158,660	35,175,120
Small & Medium Company	10,058,612	11,773	-	-	3,638,412	457,129	-	7,541,851	2,516,761	3,875,494
Public sector & government	-	-	-	-	-	-	-	-	-	-
Bonds, bills and debentures	-	-	-	-	-	-	-	-	-	-
Within financial assets in fair value through income statement	-	-	-	-	-	-	-	-	-	-
Within financial assets in fair value through other comprehensive income statement	-	-	-	-	-	-	-	-	-	-
Within financial assets at amortized cost	-	-	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-
Financial assets (debt instrument)	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total for the Year	95,751,619	21,668	147,158	-	26,483,195	3,791,758	-	36,455,271	59,296,348	50,337,728
Financial credit	6,985,923	500	458,081	-	6,827,281	-	-	7,285,862	(299,939)	3,629,054
Letter of credit	-	-	-	-	-	-	-	-	-	-
Other obligations	-	-	-	-	-	-	-	-	-	-
Total	102,737,542	22,168	605,239	-	33,310,476	3,791,758	-	43,741,133	58,996,409	53,966,782

5. Credit exposures that have been reclassified

a. Total credit exposures that have been reclassified

	Stage (2)		Stage (3)		Total Exposure that have been Reclassified	Percentage of Exposure that have been Reclassified
	Total Exposure Amount	Exposure that have been Reclassified	Total Exposure Amount	Exposure that have been Reclassified		
	JD	JD	JD	JD	JD	%
Cash and balances at central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Direct credit facilities and financing	55,193,568	48,047,012	95,751,625	34,199,104	82,246,116	10,22%
Treasury Bills and Bonds are as follows:						
Within: Financial assets at fair value through profit and loss	-	-	-	-	-	-
Within: Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Within: Financial assets at amortized cost	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Mortgaged financial assets (debt instruments)	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total	55,193,568	48,047,012	95,751,625	34,199,104	82,246,116	10,22%
Financial guarantees	9,350,029	6,906,736	6,985,922	3,491,379	10,398,115	6,9%
Letter of credit and acceptances	-	-	-	-	-	-
Other Liabilities	1,538,794	1,463,898	-	-	1,463,898	1,12%
Grand Total	63,240,733	54,231,409	102,737,547	37,690,483	91,921,892	8,44%

b. Expected credit loss for exposures that have been reclassified

	Exposures that have been reclassified			Expected credit loss due to reclassified exposures				
	Exposure Reclassified from Stage (2)	Exposure Reclassified from Stage (3)	Total Exposures That Have Been Reclassified	Stage (2) - Individual	Stage (2) - Collective	Stage (3) - Individual	Stage (3) - Collective	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-
Direct credit facilities and financing	48,047,012	34,199,103	82,246,116	792,376	-	867,342	-	1,659,718
Treasury Bills and Bonds are as follows:					-		-	
Within: Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Within: Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Within: Financial assets at amortized cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Mortgaged financial assets (debt instruments)	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
Total	48,047,012	34,199,104	82,246,116	792,376	-	867,342	-	1,659,718
Financial guarantees	4,720,499	3,491,379	8,211,878	67,548	-	78,845	-	146,393
Letter of credit and acceptances	-	-	-	-	-	-	-	-
Other Liabilities	1,463,898	-	1,463,898	18,531	-	-	-	18,531
Grand Total	54,231,409	37,690,483	91,921,892	878,455	-	946,187	-	1,824,642

6. Credit risk exposure (after the provision for impairment and interest in suspense and before guarantees and other risks - mitigating factors)

On-Statement of Financial Position Items:	December 31,	
	2018	2017
	JD	JD
Balances at the central banks	71,068,130	101,587,784
Balances at banks and financial institutions	61,995,613	51,866,315
Direct Credit Facilities - Net:		
Individuals	173,120,183	168,320,197
Real estate loans	119,958,616	106,148,305
Companies		
Large companies	334,488,196	328,169,386
Small and medium institutions (SMEs)	66,367,676	75,020,177
Government and public sector	33,939,148	40,358,851
Financial assets at amortized cost - Net	303,031,611	331,324,142
Other assets	9,289,702	10,864,246
Total	1,173,258,875	1,213,659,403
Off-Statement of Financial Position Items:		
Letters of guarantee	144,879,533	156,578,863
Letters of credit	30,262,025	44,276,648
Letters of acceptance	17,432,579	14,084,232
Unutilized credit facilities ceilings	133,930,109	74,043,374
Total	326,504,245	288,983,117

The following are details of the distribution of the fair value of collaterals against direct credit facilities:

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

The following are details of the distribution of the fair value of collaterals against direct credit facilities:

	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
December 31, 2017	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Guarantees against:						
Low risk	7,161,570	1,063,284	8,643,435	4,130,311	30,655,897	51,654,497
Acceptable risk	34,657,274	52,323,770	134,019,404	40,863,924	9,702,954	271,567,326
Watch list	2,539,639	1,203,910	8,696,069	2,312,374	-	14,751,992
Non-performing:						
Substandard	995,196	67,514	1,122,325	566,546	-	2,751,581
Doubtful	549,090	14,945	2,542,811	672,742	-	3,779,588
Bad debt	1,446,159	1,490,105	9,831,461	2,313,351	-	15,081,076
Total	47,348,928	56,163,528	164,855,505	50,859,248	40,358,851	359,586,060
Of it:						
Cash margins	9,172,186	3,517,022	36,561,317	13,628,494	-	62,879,019
Real estate	22,899,073	52,533,321	106,875,151	34,222,794	-	216,530,339
Trade stocks	6,122	105,135	16,666,036	907,790	-	17,685,083
Vehicles and equipment	15,271,547	8,050	4,753,001	2,100,170	-	22,132,768
Other	-	-	-	-	40,358,851	40,358,851
Total	47,348,928	56,163,528	164,855,505	50,859,248	40,358,851	359,586,060

Scheduled Debts:
Scheduled debts are debts previously classified as non-performing credit facilities taken out from the framework of non-performing credit facilities according to proper scheduling treatment and classified under watch list debts. Furthermore, scheduled debts amounted to JD 17,544,775 as of December 31, 2018 (JD 6,698,103 as of December 31, 2017).

Restructured Debts
Restructuring debts means reorganizing credit facilities in terms of adjusting payments, extending their terms, postponing some installments, or extending the grace period. Restructured debts amounted to JD 8,886,338 as of December 31, 2018 (JD 940,001 as of December 31, 2017).

Bonds, Bills and Treasury Bills
The following table illustrates the classification of bonds, bills, and debentures according to the external rating institutions:

Rating grade	December 31	
	2018	2017
	JD	JD
Unclassified	5,747,900	5,697,900
Governmental and guaranteed by government	297,367,167	325,626,242
Total	303,115,067	331,324,142

* All bonds, bills and treasury bills are included in the portfolio of financial assets at amortized cost.

38/a- Market Risks

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

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically.
Market risks can be measured and controlled by using several methods such as: sensitivity analysis, VAR (Value at Risk), Stress Testing and Stop Loss Limits.

The acceptable risks policy is set within the Treasury operations and includes ceilings that govern market risks. These ceilings are adopted and their application is ensured periodically and constantly through monitoring their implementation by the risks management Department and submitting various periodic reports to the Assets and Liabilities Committee as well as to the Board of Directors.

The Bank has shares and bonds' investment portfolio for trading purposes (Financial assets designated at fair value through profit or loss) and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

Interest Rate Risk:
Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of repricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

- Sensitivity Analysis:

For the Year 2018

Currency	Change - increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	21,690	-
Euro	1	(1,067)	-
GBP	1	(621)	-
ILS	1	(340)	-
Other currencies	1	5,199	-

Currency	Change - (decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(21,690)	-
Euro	1	1,067	-
GBP	1	621	-
ILS	1	340	-
Other currencies	1	(5,199)	-

For the Year 2017

Currency	Change - increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(4,913)	-
Euro	1	2,207	-
GBP	1	(1,365)	-
ILS	1	708	-
Other currencies	1	3,147	-

Currency	Change - (decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	4,913	-
Euro	1	(2,207)	-
GBP	1	1,365	-
ILS	1	(708)	-
Other currencies	1	(3,147)	-

38/b-Foreign Currencies Risk:

The following table illustrates the currencies to which the Bank is exposed, the potential and reasonable change in their rates against the Jordanian Dinar, and related impact on the Statement of Income. The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

For the Year 2018	Change in Foreign Currency Rate	Effect on Profit or Loss	Effect on Owners' Equity
Currency	%	JD	JD
USD	5	108,451	-
Euro	5	(5,336)	-
GBP	5	(3,105)	-
ILS	5	(1,699)	-
Other currencies	5	25,993	-

For the Year 2017	Change in Foreign Currency Rate	Effect on Profit or Loss	Effect on Owners' Equity
Currency	%	JD	JD
USD	5	(24,563)	-
Euro	5	11,033	-
GBP	5	(8,177)	-
ILS	5	3,541	-
Other currencies	5	15,737	-

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

For the Year 2018	Change in Indicator	Effect on Profit or Loss	Effect on Owners' Equity
Indicator of	%	JD	JD
Amman and Palestine Stock Exchange	5	89,640	410,795
Amman and Palestine Stock Exchange	(5)	(89,640)	(410,795)

For the Year 2017	Change in Indicator	Effect on Profit or Loss	Effect on Owners' Equity
Indicator of	%	JD	JD
Amman and Palestine Stock Exchange	5	69,746	591,692
Amman and Palestine Stock Exchange	(5)	(69,746)	(591,692)

Interest Rate Repricing Gap:
The Bank adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever is nearer, to lower risks in interest rates, studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

Reclassification is made in accordance with pricing interest periods or maturity, whichever is nearer.Interest rate sensitivity is as follows:

	Less than One Month	Interest Rate Repricing Gap				More than 3 Years	Non-Interest Bearing	Total
		One Month Up to 3 Months	3 Months Up to 6 Months	6 Months Up to 1 Year	One Year Up to 3 Years			
December 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD
Assets:								
Cash and balances at central banks	-	-	-	-	10,635,000	-	81,237,118	91,872,118
Balances at banks and financial institutions	49,597,744	103,363	-	-	-	-	12,294,506	61,995,613
Direct credit facilities -net	65,516,186	76,031,122	71,405,196	92,194,647	286,064,521	136,662,146	-	727,873,818
«Financial assets at fair value through statement of income»	-	-	-	-	-	-	1,792,801	1,792,801
«Financial assets at fair value through statement of other comprehensive income»	-	-	-	-	-	-	11,915,302	11,915,302
Financial assets at amortized cost	59,999,999	8,493,235	43,002,501	54,454,247	114,742,795	22,338,834	-	303,031,611
Property and equipment - net	-	-	-	-	-	-	27,817,839	27,817,839
Intangible assets - net	-	-	-	-	-	-	2,313,919	2,313,919
Deferred Tax Assets	-	-	-	-	-	-	13,867,924	13,867,924
Other assets	-	-	-	-	-	-	111,088,591	111,088,591
Total Assets	175,113,929	84,627,720	114,407,697	146,648,894	411,442,316	159,000,980	262,328,000	1,353,569,536
Liabilities:								
Banks and financial institutions deposits	50,804,807	-	-	11,499,947	55,000,000	-	-	117,304,754
Customers' deposits	440,816,306	143,535,815	121,158,101	70,364,416	96,675,005	-	20,675,645	893,225,288
Cash margin	51,466,365	16,667,148	-	9,083,479	6,306,000	-	894,335	84,417,327
Borrowed funds	-	50,000,000	-	40,085	-	33,441,788	-	83,481,873
Income tax provision	-	-	-	-	-	-	745,548	745,548
	-	-	-	-	-	-	14,107	14,107
Other provisions	-	-	-	-	-	-	1,924,266	1,924,266
Other liabilities	-	-	-	-	-	-	38,412,442	38,412,442
Total Liabilities	543,087,478	210,202,963	121,158,101	90,987,927	157,981,005	33,441,788	62,666,343	1,219,525,605
Interest Rate Repricing Gap	(367,973,549)	(125,575,243)	(6,750,404)	55,660,967	253,461,311	125,559,192	199,661,657	134,043,931
December 31, 2017								
Total Assets	106,065,121	62,935,866	112,040,528	102,531,818	570,472,921	170,717,121	257,497,819	1,382,261,194
Total Liabilities	457,420,651	142,892,670	174,382,832	123,802,476	136,343,653	15,168,979	182,709,334	1,232,720,595
Interest Rate Repricing Gap	(351,355,530)	(79,956,804)	(62,342,304)	(21,270,658)	434,129,268	155,548,142	74,788,485	149,540,599

Concentration in Foreign Currencies Risk:

	US Dollar	Euro	Sterling Pound	Shekel	Others	Total
December 31, 2018	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Assets:						
Cash and balances at the central banks	16,808,271	658,883	174,642	8,376,856	118,022	26,136,675
Balances at banks and financial institutions	27,473,152	16,416,883	680,102	10,520,150	2,489,813	57,580,100
Direct credit facilities - net	62,010,056	5,479,833	5	21,581,147	21	89,071,062
Financial assets at fair value through statement of income	-	-	-	-	-	-
«Financial assets at fair value through statement of other comprehensive income»	757,905	45,376	-	-	-	803,281
Financial assets at amortized cost	28,139,618	-	-	-	-	28,139,618
Other assets	10,956,645	691,368	34,884	(3,268,150)	107,089	8,521,836
Total Assets	146,145,648	23,292,343	889,633	37,210,003	2,714,945	210,252,571
Liabilities:						
Banks and financial institutions deposits	10,646,709	1,560,599	23,955	-	117,741	12,349,004
Customers' deposits	119,630,501	22,804,703	1,069,274	40,325,010	2,058,260	185,887,749
Cash margins	8,735,635	(854,950)	(167,732)	590,555	21,088	8,324,596
Other liabilities	5,654,279	(111,291)	26,240	(3,671,580)	(2,011)	1,895,637
Shareholder equity	(690,495)	-	-	-	-	(690,495)
Total Liabilities	143,976,629	23,399,061	951,737	37,243,985	2,195,078	207,766,490
Net Concentration on - Statement of Financial Position for the Current Year	2,169,019	(106,718)	(62,104)	(33,982)	519,867	2,486,081
Off- Statement of Financial Position Contingent Liabilities for the Current Year	63,207,280	3,809,457	8,994	-	488,574	67,514,305

Concentration in Foreign Currencies Risk:

	US Dollar	Euro	Sterling Pound	Shekel	Others	Total
December 31, 2017	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Assets:						
Cash and balances at the central banks	18,055,907	1,618,366	203,530	12,160,760	81,955	32,120,518
Balances at banks and financial institutions	30,699,386	16,396,847	(1,508,521)	3,349,238	2,126,340	51,063,290
Direct credit facilities - net	51,298,554	4,023,153	41	29,742,767	5	85,064,520
Financial assets at fair value through statement of income	-	-	-	-	-	-
«Financial assets at fair value through statement of other comprehensive income»	1,296,678	-	-	-	-	1,296,678
Financial assets at amortized cost	21,343,352	-	-	-	-	21,343,352
Other assets	7,140,735	5,802	(116,372)	1,322,657	225	8,353,047
Total Assets	129,834,612	22,044,168	(1,421,322)	46,575,422	2,208,525	199,241,405
Liabilities:						
Banks and financial institutions deposits	9,360,294	2,828,926	2,883	9,871,338	123,022	22,186,463
Customers' deposits	103,913,781	24,170,219	916,672	33,637,652	1,564,016	164,202,340
Cash margins	16,795,084	(5,223,198)	(2,077,510)	1,392,847	202,634	11,089,857
Other liabilities	408,432	47,562	(99,830)	1,602,767	4,105	1,963,036
Shareholder equity	(151,721)	-	-	-	-	(151,721)
Total Liabilities	130,325,870	21,823,509	(1,257,785)	46,504,604	1,893,777	199,289,975
Net Concentration on - Statement of Financial Position for the Current Year	(491,258)	220,659	(163,537)	70,818	314,748	(48,570)
Off- Statement of Financial Position Contingent Liabilities for the Current Year	90,228,448	4,143,654	9,581	1,647,142	663,428	96,692,253

38/ c. Liquidity Risk

First: The following table illustrates the distribution of liabilities (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the financial statements:
Liquidity risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its increased operations or obligations upon their maturity
at the appropriate cost and time (considered as part of the Assets and Liabilities Management ALM).
- The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored on a daily basis by the Bank.
- Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

	Less than One Month	More than One Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to One Year	More than One Year Up to 3 Years	More than 3 Years	Not Tied to A Specific Maturity	Total
December 31, 2018	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Banks and financial institutions deposits	53,625,226	-	-	8,679,528	55,000,000	-	-	117,304,754
Customers' deposits	423,163,133	143,535,815	121,158,101	70,364,416	96,675,005	-	38,328,818	893,225,288
Cash margins	52,360,700	16,667,148	-	9,083,479	6,306,000	-	-	84,417,327
Borrowed funds	-	50,000,000	-	40,085	-	33,441,788	-	83,481,873
Income tax provision	-	-	-	-	-	-	745,548	745,548
Deferred tax liability	-	-	-	-	-	14,107	-	14,107
Other provisions	-	-	-	156,806	1,000,000	-	767,460	1,924,266
Other liabilities	-	-	-	-	-	-	38,412,442	38,412,442
Total	529,149,059	210,202,963	121,158,101	88,324,314	158,981,005	33,455,895	78,254,268	1,219,525,605
Total assets based on expected maturity	175,113,929	84,627,720	114,407,697	146,648,894	411,442,316	159,000,980	262,328,000	1,353,569,536
December 31, 2017								
Liabilities:								
Banks and financial institutions deposits	49,915,672	5,898,263	-	-	63,000,000	-	2,564,140	121,378,075
Customers' deposits	411,960,704	152,751,705	181,509,209	109,508,839	95,309,250	-	20,268,068	971,307,775
Cash margins	4,247,687	8,495,375	12,743,062	23,807,632	42,476,874	-	-	91,770,630
Borrowed funds	-	-	-	-	-	14,168,978	-	14,168,978
Income tax provision	467,996	-	1,943,855	-	-	-	733,303	3,145,154
Other provisions	-	-	-	-	116,248	-	774,639	890,887
Other liabilities	10,837,903	2,598,578	3,734,312	3,577,801	7,168,394	-	2,142,108	30,059,096
Total	477,429,962	169,743,921	199,930,438	136,894,272	208,070,766	14,168,978	26,482,258	1,232,720,595
Total assets based on expected maturity	128,434,603	64,370,369	117,485,383	85,844,714	547,633,751	194,902,743	243,589,631	1,382,261,194

Second: Off – balance sheet items:

	Up to One Year	From One Year to 5 Years	Total
December 31, 2018	JD	JD	JD
Guarantees	149,964,854	-	149,964,854
Letters of credit and acceptances	48,020,802	-	48,020,802
Operating lease contract liabilities	1,321,704	-	1,321,704
Unutilized credit facilities ceilings	75,767,165	-	75,767,165
Total	275,074,525	-	275,074,525

	Up to One Year	From One Year to 5 Years	Total
December 31, 2017	JD	JD	JD
Guarantees	156,578,863	-	156,578,863
Letters of credit and acceptances	58,360,880	-	58,360,880
Operating lease contract liabilities	1,299,935	-	1,299,935
Unutilized credit facilities ceilings	74,043,374	-	74,043,374
Total	290,283,052	-	290,283,052

39. Information on the Banks' Business Segments

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

- Individual accounts: includes following up on individual customers deposits, and granting them credit, credit cards and other services.

- Corporate accounts: includes following up on deposits, credit facilities, and banking services related to corporate customers.

- Treasury: This segment includes providing dealing services and managing the Banks' funds.

- Others: This segment includes the activities which doesn't meet the definition of the Banks' business segments mentioned above.

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

	Individuals	Corporations	Treasury	Others	Total For the Year Ended December 31, 2018	2017
	JD	JD	JD	JD	JD	JD
Gross income for the year	15,075,233	24,834,951	3,047,513	1,608,771	44,566,468	48,154,193
Less: Provision for impairment in direct credit facilities	(3,380,527)	(2,216,488)	190,652	-	(5,406,363)	(8,641,231)
Business Sector results	11,694,706	22,618,463	3,238,165	1,608,771	39,160,105	39,512,962
Less: Expenditures not distributed over sectors	(12,055,242)	(18,383,130)	(580,627)	(1,817,062)	(32,836,061)	(33,175,034)
Income for the year before income tax	(360,536)	4,235,333	2,657,538	(208,291)	6,324,044	6,337,928
Less: Income tax expense for the year	-	-	-	(1,294,678)	(1,294,678)	(2,549,115)
Income for the Year	(360,536)	4,235,333	2,657,538	(1,502,969)	5,029,366	3,788,813
Capital expenditures	-	-	-	4,155,809	4,155,809	2,917,808
Depreciation and amortization	-	-	-	3,036,229	3,036,229	3,151,156
Total Assets	252,653,915	482,083,594	481,965,556	136,866,471	1,353,569,536	1,382,261,194
Total Liabilities	539,942,468	357,404,233	275,606,841	46,572,063	1,219,525,605	1,232,720,595

b. Information related to Geographical Distribution:
This sector represents the geographical distribution of the Banks operations. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan representing local operations.

Moreover, the Bank conducts international operations through its branches in Palestine.

The following is the Bank's revenue, assets, and capital expenditures according to geographic allocation:

	Inside the Kingdom For the Year Ended December 31,		Outside the Kingdom For the Year Ended December 31,		Total For the Year Ended December 31,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Gross income	42,098,886	43,963,053	2,467,582	4,191,140	44,566,468	48,154,193
Capital expenditures	2,935,407	2,698,256	1,220,402	219,552	4,155,809	2,917,808
	December 31,		December 31,		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	1,167,255,511	1,219,975,032	186,314,025	162,286,162	1,353,569,536	1,382,261,194

40. Capital Management

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

Furthermore, regulatory capital consists of two parts: (1) Primary Capital (Tier 1) made up of paid-up capital, declared reserves (including statutory reserve, voluntary reserve, share premium, and treasury share premium), and retained earnings after excluding restricted amounts and non-controlling interests net of loss for the period (if any), costs of the acquisition of treasury shares, deferred provisions approved by the Central Bank, restructuring balance and goodwill Support capital; and

(2), additional paid-in capital(Tier 2) which consists of foreign currencies translation differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the financial assets valuation reserve, if positive, and is deducted in full, if negative.

A third part of capital (Tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.

Investments in the capitals of banks, insurance and other financial institutions are deducted.

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

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

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

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.

2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.

3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

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

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

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

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

Capital Adequacy

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

	December 31,	
	2018	2017
	JD	JD
Core capital items:		
Authorized and paid-up capital	120,000,000	120,000,000
Retained earnings	(1,214,496)	8,125,824
Other comprehensive income items		
Fair value reserve – net	(2,053,184)	(1,504,051)
Statutory reserve	14,714,563	14,082,158
Cyclicality reserve	2,597,047	1,833,820
Total Core Capital before Regulatory Amendments	**134,043,930**	**142,537,751**
Less:		
Intangible assets – net	(2,313,919)	(2,064,338)
Deferred tax assets	(13,867,924)	(4,032,827)
	(7,870,096)	-
Total Regulatory Amendments	**(24,051,939)**	**(6,097,165)**
Net Core Capital	**109,991,991**	**136,440,586**
Authorized and paid-up capital items:		
General banking risks reserve	-	7,002,848
	9,887,533	-
Total supplementary capital	**119,879,524**	**143,443,434**
Assets Weighted By Risks		
Credit risk	943,441,362	941,932,919
Market risk	6,410,146	3,413,704
Operation risk	88,975,817	101,129,080
Total Assets Weighted by Risks	**1,038,827,325**	**1,046,475,703**
Ratio of regulatory capital	11,54%	13,71%
Core capital ratio	10,59%	13,04%

41. Accounts Managed on Behalf of Customers

There are no investment portfolios managed by the Bank on behalf of customers.

42. Analysis of Maturities Assets and Liabilities

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

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

	Up to One Year	More than One Year	Total
December 31, 2018	**JD**	**JD**	**JD**
ASSETS			
Cash and balances at central banks	128,088,936	-	128,088,936
Balances at banks and financial institutions	51,866,315	-	51,866,315
Direct credit facilities -net	272,650,345	445,366,571	718,016,916
Financial assets at fair value through statement of income	1,394,915	-	1,394,915
Financial assets at fair value through statement of comprehensive income	5,762,079	6,071,760	11,833,839
Financial assets at amortized cost-net	47,050,635	284,273,507	331,324,142
Property and equipment - net	-	27,161,679	27,161,679
Intangible assets - net	-	2,064,338	2,064,338
Deferred tax assets	3,875,840	156,987	4,032,827
Other assets	106,477,287	-	106,477,287
TOTAL ASSETS	**617,166,352**	**765,094,842**	**1,382,261,194**
LIABILITIES			
Banks and financial institutions deposits	58,378,075	63,000,000	121,378,075
Customers deposits	855,730,457	115,577,318	971,307,775
Cash margins	49,293,756	42,476,874	91,770,630
Borrowed funds	-	14,168,978	14,168,978
Provision for income tax	3,145,154	-	3,145,154
Other provisions	890,887	-	890,887
Other liabilities	30,059,096	-	30,059,096
TOTAL LIABILITIES	**997,497,425**	**235,223,170**	**1,232,720,595**
NET ASSETS	**(380,331,073)**	**529,871,672**	**149,540,599**

43.Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Bank specified at fair value on an ongoing basis:

Some financial assets and Liabilities of the bank are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets/ Financial Liabilities	Fair Value December 31, 2018	Fair Value December 31, 2017	The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the fair value and the important intangible inputs
	JD	JD				
Financial Assets at Fair Value Through Statement of Income						
Companies' shares	1,792,801	1,394,915	Level One	Financial markets rates	Not applicable	Not applicable
Total	1,792,801	1,394,915				
Financial Assets at Fair Value through Statement of Comprehensive Income						
Shares that have market prices	8,215,901	9,080,838	Level One	Financial markets rates	Not applicable	Not applicable
Shares that don't have market prices	3,699,401	2,753,001	Level Two	Compared to the market value a similar instrument	Not applicable	Not applicable
Total	11,915,302	11,833,839				
Total Financial Assets at Fair Value	13,708,103	13,228,754				

There were no transfers between level 1 and level 2 during the year 2018.

B -The fair value of financial assets and financial liabilities of the Bank (non-specific fair value on an ongoing basis):

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of the Bank approximates their fair value.

because the Bank's management believes that the carrying value of the items is equivalent to their fair value. This is due to either maturity or short-term interest rates that have been repriced during the year.

	December 31, 2018 Book value	2018 Fair Value	2017 Book value	2017 Fair Value	The Level of Fair Value
	JD	JD	JD	JD	
Financial Assets of non-specified Fair Value					
Cash at Central Banks	71,068,130	71,069,004	101,587,784	101,607,615	Level Two
Cash at banks and financial institutions	61,995,613	62,745,712	51,866,315	52,508,955	Level Two
Loans and bills and others	727,873,818	731,538,244	718,016,916	719,860,815	Level Two
Financial assets at amortized cost	303,031,611	308,492,216	331,324,142	336,840,777	Level One & Two
Total Financial Assets of non-specified Fair Value	1,092,901,042	1,102,776,172	1,202,795,157	1,210,818,162	
Financial Liabilities of non-specified Fair Value					
Deposits at banks and financial institutions	117,304,754	120,673,733	121,378,075	124,127,402	Level Two
Customer's deposits	893,225,288	897,633,230	971,307,775	975,714,055	Level Two
Cash margin	84,417,327	85,339,328	91,770,630	92,323,378	Level Two
Cash insurance	83,481,873	83,522,255	14,168,978	14,200,277	Level Two
Total Financial Liabilities of non-specified Fair Value	1,178,429,242	1,187,168,546	1,198,625,458	1,206,365,112	

The fair value of financial assets and liabilities for level 2 and level 3 were determined according to agreed pricing models, which reflect the credit risk of the parties dealt with.

44. Commitments and Contingent Liabilities (Off - Statement of Financial Position)

a. Credit commitments and contingencies:

	December 31,	
	2018	2017
	JD	JD
Letters of credit	30,416,261	44,276,648
Letters of acceptances	17,604,541	14,084,232
Letters of guarantee :		
Payments	22,488,576	28,972,949
Performance bonds	58,827,263	56,130,337
Others	68,649,015	71,475,577
Unutilized credit facilities ceilings	75,767,165	74,043,374
Total	373,752,821	288,983,117

b. Operating leases amounted to JD 1,321,704 as of December 2018 ,31 (JD 1,299,935 as of December 2017 ,31).

45. Lawsuits against the Bank

The Bank is a defendant in lawsuits amounting to JD 10,033,504 as of December 2018 ,31 (JD 8,096,422 as of December 2017 ,31). In the opinion of the Bank's management and the Bank's legal advisor, no liabilities shall arise against the Bank exceeding the existing booked provision of JD146,473 as of December 2018 ,31 (JD 110,838 as of December 2017 ,31).

46. Comparative Figures

Some of the comparative figures for the prior year have been reclassified to correspond with those of the current year as of December 2018 ,31 without any effect on the prior year's financial statements.

Fourth: Independent Auditor's Report

Independent and core review to get a broader view

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

AM / 010936

To the Shareholders of
Jordan Commercial Bank
(A Public Shareholding Company)
Amman – Hashemite Kingdom OF Jordan

Report on the audit of the financial statements

Qualified Opinion

We have audited the financial statements of Jordan Commercial Bank, which comprise the statement of financial position as of December 31, 2018, and the statement of income and other comprehensive income, statement of changes in owners' equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except the effect of the matter described in the "Basis of Qualified Opinion" paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Jordan Commercial Bank as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Qualified Opinion

1. Other assets in the statement of financial position as of December 31, 2018 include properties seized by the Bank against overdue credit facilities of around JD 84.7 million. These properties have not been reduced to their net realizable value as of that date, which constitutes a departure from IFRS. Had management written down these properties to their net realizable value as of December 31, 2018, then other assets would have been reduced by around JD 7.9 million. Accordingly, net income for the year would have become around JD 100 thousand, deferred tax assets would have increased by around JD 3 million, and shareholders' equity would have decreased by around JD 4.9 million, respectively.

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

Key Audit Matters

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

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Key Audit Matter	Scope of Audit to Address the Risks
1. Application of the International Financial Reporting Standard No. (9) The International Accounting Standards Board issued IFRS (9) *"Financial Instruments"*, which replaces IFRS (39). Effective from January 1, 2018, the Bank has retroactively adopted IFRS (9), without restating the comparative figures using the cumulative approach in accordance with the above standard. The differences between the previously recorded carrying amounts and new carrying amounts of the financial instruments of around JD 30 million as at January 1, 2018 have been booked in the opening balance of retained earnings. The principal changes resulting from the adoption of IFRS (9) are that the Bank's credit losses are currently based on the expected loss approach instead of the loss incurred method, and the change in the classification and measurement of the Bank's financial assets and liabilities.	We have understood the Bank's policy for the classification and measurement of financial assets and liabilities in accordance with IFRS (9) and have compared them with the requirements of IFRS (9) and pertinent regulations in this regard. We also understood the expected credit loss methodology adopted by the Bank through the use of experts, where appropriate, to satisfy ourselves about the data, which included several items, the most important of which are: • Reviewing the Bank's credit loss provision policy in accordance with IFRS (9). • Identifying a significant increase in credit risk. • Classifying credit exposures to various stages, through a study of a sample of credit facilities granted by the Bank. • Understanding the key data sources and assumptions for the data used in the expected credit loss models to determine the expected credit loss provisions and the future looking assumptions used in calculating their expected credit loss. • Reviewing the amount of exposure when a payment is impaired for a sample of exposures. • Reviewing the probability of default in the calculation of expected credit loss calculated based on several economic cycles with the information declared and appropriate; and turning it into the probability of default in accordance with a specific economic cycle.

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Key Audit Matter	Scope of Audit to Address the Risks
	• Reviewing the expected credit loss calculation used in case of default, including the adequacy of collaterals and consequential calculations. • Reviewing the completion of credit facilities, investment securities, and deposits used in the calculation of expected credit loss as of January 1, 2018. The significant accounting policies, accounting estimates, and credit risk management disclosures are set out in Notes (2), (3), (4) and (38) to the financial statements.
2. <u>Adequacy of the expected credit losses provision for credit facilities</u>	
Credit facilities are a major part of the Bank's assets. Due to the importance of the judgments used in the classification of credit facilities at the various stages set forth in IFRS (9) and the related provision requirements, they have been considered as key audit risks. The Bank's management exercises significant judgment and uses assumptions to determine both the timing and amount of the provision to be recorded as expected credit losses. The Bank's total direct credit facilities amounted to about JD 805 million, and the related provision for expected credit losses to JD 59 million as of December 31, 2018.	We have understood the Bank's key credit operations that include granting, certifying, controlling and allocating provisions and reviewing the internal control system on these operations. We have also read out the Bank's expected credit loss provisioning policy in relation to IFRS (9) and the pertinent regulations; as well as understood the methodology used by the Bank to determine the provisions against exposures classified as in (phases I, II and III), the reasonableness of the underlying assumptions, the adequacy of the data used by the Bank, and used experts were appropriate to satisfy ourselves about this data. We have selected a sample of credit facilities to review the following: • The completeness of credit facilities included in the calculation process of expected credit loss. • The appropriateness of the Bank's determination of the significant increase in credit risk and the basis for the classification of exposures into different stages.

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Key Audit Matter	Scope of the Audit to Address the Risk
	• The appropriateness of determining exposure when default occurs and the probability of default and loss in the event of default in the calculation of the expected credit loss of a sample of exposures. • Credit facilities whose impairment has been determined individually and classified as in phase 3. • Management's estimate of future cash flows, their reasonableness, and outcome of the calculation of provisions. The significant accounting policies, accounting estimates, and credit risk management disclosures are presented in Notes (2), (3), (4), (7) and (38) to the financial statements.
3. <u>Provision for Income Tax and Deferred Tax Assets</u>	
Calculation of the tax expense for the year, tax provision for the unassessed years, and deferred tax assets involve assumptions and estimates of significant amounts in the financial statements as a whole. In addition, the Bank undertakes complex and extensive operations within its normal activities, thus rendering tax judgments and estimates a key audit matter.	We have performed audit procedures to gain an understanding of the nature of risks related to income tax and to assess the professionalism of the Bank's legal and tax consultants relating to the evaluation and calculation of due taxes. We have also discussed with management the scope of work of the Bank's legal and tax consultant to verify his efficiency and capability in calculating the required provisions. Meanwhile, we have discussed management's point of view concerning the accuracy and adequacy of the provisions taken, reasonableness of the adopted accounting estimates, and the Bank's adoption of International Accounting Standard No. (12). In addition, we have discussed the impact of any tax differences with the competent tax authorities, and the impact of such differences on the financial statements.

<u>Other Matter</u>

The accompanying financial statements are a translation of the original financial statements which are in the Arabic language, to which reference should be made.

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Other Information

Management is responsible for the other information. The other information comprises the other information in the annual report excluding the financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision, and implementation of the Group's 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 including those regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records which are in agreement with the accompanying financial statements. We recommend that the General Assembly of Shareholders approve these financial statements taking into consideration the effect of what is stated in the "Basis of Qualified Opinion" paragraph as mentioned above.

Amman – Jordan
March 28, 2019

Deloitte & Touche (Middle East) – Jordan

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
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Fifth: Corporate Governance Manual & Information & Related Technologies Governance Guide

Controlling the internal process
to make a firm progress

Introduction

Based on its keenness to safeguard its position and as an expression of its profound respect for the integrity of the overall Jordanian banking system to which the Bank belongs, as well as its compliance with the international standards of sound banking practices, Jordan Commercial Bank (JCB) recognizes the necessity of compliance with the best standards of corporate governance, requiring the adoption of corporate governance, compliance with the laws and legislation issued by regulatory bodies, and implementation of the policies, instructions and procedures established by the Board of Directors and Executive Management.

Corporate Governance is based on a number of fundamental principles, the most important of which is the separation of the responsibilities assigned to the Board of Directors and those assumed by the General Manager (Chief Executive Officer). Another principle is that the Chairman of the Board must be a non-Executive Member thereof. This is in addition to the necessity of the existence of organizational and administrative structures, in which responsibilities and authorities are distributed with complete clarity and distinction, and the existence of clearly and distinctly defined effective control frameworks. This also entails treating all stakeholders with fairness, transparency and disclosure, enabling them to assess the Bank's position and financial performance. In this respect, members of the Bank's Board of Directors and Senior Executive Management should possess an appropriate level of educational and professional qualifications, honesty and good reputation.

Sound corporate governance contributes to strengthening the relationship between the shareholders, Board of Directors, Executive Management and related entities (other banks, depositors and regulatory authorities). It also holds the Executive Management accountable to the Board of Directors on the one hand, and holding the Board of Directors accountable to the Owners and related entities, on the other.

This Manual and its associated policies on corporate governance were compiled to highlight the JCB's unique identity and confirm the independence of the Board Members, the absence of any conflict of interests among them and their efficacy in selecting an executive management that is capable of administering the Bank's affairs, in line with the best local and international corporate governance standards and practices.

The provisions of this Manual, as well as the Corporate Governance Policy, shall apply to JCB branches in both Jordan and Palestine.

Part I: Definitions, Aspects and Importance of Corporate Governance

First: Definitions:

Non-Executive Board Member:	A member who is not a full-time managing officer or employee at the Bank, and does not receive a salary from it.
Authorized Person:	A person who is authorized to access internal information by virtue of his position or function at the Bank, including the Chairman and Members of the Board of Directors, Financial Director, Internal Auditor, External Auditor, representatives of legal entities, Board Secretary and relatives of the aforementioned parties.
Cumulative Voting:	A system of voting for electing members of the Bank's Board of Directors, which allows shareholders to vote proportionately to the number of shares they hold. Each shareholder is entitled to only one vote per share. This allows a shareholder to cast all of their votes for a single candidate or divide them among several candidates.
Governance Report:	A report outlining the Bank's corporate governance applications and practices, and it is incorporated into the Annual Report of the Bank and is signed by the Chairman of the Board.
Relatives:	Father, mother, brother, sister, spouse and offspring.

Second: Corporate Governance:

It is the set of relationships existing between the Bank's Board of Directors, Executive Management, shareholders and other stakeholders of the Bank. It indicates a mechanism that clarifies the institution's objectives and the means to achieve and monitor the fulfillment of these objectives. Therefore, sound corporate governance provides the Board and Executive Management with appropriate incentives for achieving the objectives that are in the best interest of the institution and facilitates an effective control process, and thus helps the institution to utilize its resources efficiently.

In addition, corporate governance is the system demonstrating the manner through which authorities are exercised, decisions are made, banking operations are run safely, and the interests of depositors are safeguarded. It also ensures accountability to shareholders and other stakeholders, as well as the Bank's compliance with applicable legislation and internal policies of the Bank.

Third: Aspects of Corporate Governance:

1. Internal Factors
These involve the efficient dealing and interaction between shareholders, the Board of Directors, the Executive Management and other stakeholders. In this regard, sound corporate governance enables the Bank to identify and achieve its objectives. To that end, the Board seeks to identify the Bank's goals and objectives and approves the strategies developed by the Bank's Executive Management to fulfill the desired objectives.

2. External Factors
External factors include the following:
- Compliance with laws, legislation and instructions safeguarding the rights of shareholders and other stakeholders, such as other depositors and creditors of the Bank;
- Existence of a suitable regulatory environment secured by the regulatory authorities;
- Availability of capital market infrastructure, which enhances shareholders' ability to hold the Bank's Management accountable;
- Adherence to accounting standards relating to the timely and accurate presentation of financial statements, while adopting the applicable disclosure measures;
- Presence of a third party regulating the Bank's performance, such as the financial market, Central Bank, international rating institutions, professional and commercial associations, etc.; and
- Existence of an appropriate legal, legislative and regulatory environment clarifying the rights of the Bank's stakeholders.

Corporate Governance requires the availability of both internal and external environments, bearing in mind that the presence of either one does not necessarily mean the presence of the other. In both cases, the following components are considered guidelines for achieving sound corporate governance:

• Equity
Small shareholders and stakeholders are treated with equity and their interests are taken into account.

• Transparency
The Bank discloses financial and regulatory information and Executive Management's remunerations to the stakeholders, in a manner that enables shareholders and depositors to assess the Bank's performance in compliance with the instructions of the Central Bank of Jordan (CBJ), as issued by virtue of the Banking Law. The Bank must remain up-to-date with any changes in international financial reporting practices and the scope of transparency required from financial institutions. The Bank is also committed to providing quality information about all its activities to the regulatory authorities, shareholders, depositors, other banks and the general public through various types of reporting and communication tools.

• Accountability
The Executive Management undertakes to respond to any inquiry made by the Board with regard to the implementation of plans and policies laid out by it, with a view to safeguarding the Bank's assets and the integrity of its financial position. The Board undertakes to show willingness to respond to any inquiries by the shareholders and other authorized parties.

• Responsibility
The Bank's organizational structure approved by the Board shall specify the communication channels and limits of responsibility. Moreover, the authority matrices approved by the Board shall also indicate the limits of responsibility. The Board shall monitor the Executive Management, while the latter shall be responsible for the Bank's day-to-day operations. The Board shall set clear limits of responsibility and accountability, ensuring that all administrative levels in the Bank adhere to the same. It shall also ensure that the organizational structure clearly reflects the lines of authority and responsibility, and includes multiple regulatory tiers. In addition, the Board shall ensure that the Senior Executive Management undertakes its responsibilities pertaining to the management of the Bank's day-to-day operations, contributes to implementing corporate governance and delegates authorities to personnel, creates an effective administrative environment promoting accountability, and performs tasks in various business areas and activities in line with the policies and procedures approved by the Board. The Board shall adopt appropriate regulatory guidelines that enable it to hold the Senior Executive Management accountable.

Fourth: Importance of Corporate Governance to the Bank

1) The Jordanian banking sector, of which JCB is a member, is one of the most important components of Jordan's economy. This sector is globally subject to regulation and auditing, and it uses the government's financial security networks and thus it is important to have a robust corporate governance system at the Bank.
2) The most important source of the Bank's incoming funds is the funds of other persons, particularly depositors. In light of the fierce competition in the Jordanian capital market, the existence of sound corporate governance at the Bank shall maximize its market share.

3) To maintain the integrity and resilience of the Bank's financial position, Members of the Board of Directors play an effective and important role in the Bank's corporate governance through their supervisory role. This is in addition to the adoption of a good risk management system allowing the alignment of revenues and risks, within the limits permitted by the Bank's position and strategy and through compliance with applicable laws and instructions on all administrative levels.
4) Corporate governance enhances the Bank's performance by providing a mechanism that links the interests of shareholders and other stakeholders and those of the Bank.

Part II: Standards Pertaining to the Board of Directors

First: Composition of the Board of Directors and Board Meetings:

- The Bank's Board members shall not be less than eleven (11) members and no more than thirteen (13) members with practical and professional expertise and specialized skills. No Board member may be an Executive Member, and there shall be no Executive Members* at the Bank.
- Independent members shall not be less than four (4) members.
- Members shall be elected, using cumulative voting, by the General Assembly of the Bank through secret ballot.
- JCB shall ensure diversity in the expertise of the Board members, requiring them to be residing on a permanent basis in the Hashemite Kingdom of Jordan.
- The Board shall form several committees to follow up on and monitor workflow at the Bank and prepare reports thereon to the Board. The Board shall identify the roles, responsibilities and authorities of these committees upon formation thereof and via a separate charter for each committee.
- The positions of the Chairman of the Board and General Manager shall not be combined. In addition, there shall be no relationship, up to the fourth degree, between the General Manager of the Bank and the Board Chairman, any of the Board members, or major shareholders. The General Manager shall assume the following duties:
• Develop the strategic direction of the Bank;
• Implement the strategies and policies of the Bank;
• Implement the decisions of the Board;
• Guide the implementation of short- and long-term action plans;
• Communicate the vision, mission and strategy of the Bank to employees;
• Inform the Board on all significant aspects of the Bank's operations; and
• Manage the day-to-day operations of the Bank.
- The Board shall convene at the written invitation of its Chairman, or Deputy Chairman in case of the Chairman's absence, or at the written request submitted to the Chairman by no less than one quarter of the members thereof, and with the presence of the absolute majority of members. The Members shall devote sufficient time to assume their designated tasks and responsibilities as Members of the Board, including prior preparation for Board meetings, which shall not be less than six (6) meetings per year. The Bank shall make sure that the Board convenes within a period not exceeding two months.
- Should it not be possible to attend in person, committee members may vote on resolutions by videoconference or telephone and sign the minutes of the meetings after obtaining the Board's approval in this regard. The Secretariat shall inform the respective committee's rapporteurs to approve attendance by video or telephone, ensuring the adoption of the following procedures:
• Duly documenting the process and keeping voice records until signatures are obtained;
• Ensuring that the number of members present in person is not less than two thirds of the members of the committee; and
• Ensuring that the respective member's personal attendance is not less than 50% of the committee's meetings during the year.
- The Chairman of the Board shall deliberate with the other members and the General Manager upon preparing a specific meeting agenda of the topics to be presented to the Board. The said agenda, accompanied by the relevant documents, shall be sent to the members well in advance of the meeting. Meetings of the Board and Board Committees shall be recorded in official minutes outlining the actions taken and decisions made by the Board and respective Board Committees. These minutes shall be construed as legal evidence of the procedures undertaken by the Board or the Committees thereof, and shall serve as a record of the events taking place during meetings to avoid any confusion. The minutes shall be accurately drafted, recording any voting process that may have taken place during the meetings; attaching any documents and referring to any documents quoted during the meetings; and recording any reservations that may have been expressed by any Board Member. The Bank shall properly keep all these minutes. The Palestine Monetary Authority shall be furnished with the results of meetings' minutes for topics pertaining to Palestine within one month from the date of the meeting.
- The members shall serve for a renewable term of four (4) years, with no maximum limit for the number of terms a member may serve in the Board, bearing in mind that re-appointment shall be subject to the fact that the member is still able to perform the necessary duties assigned to him and maintains a sufficient degree of objectiveness in performing them.

Second: The BoD's Roles and Responsibilities

Pursuant to the Bank's statute, relevant laws and legislation, and the CBJ's instructions, the Board of Directors shall assume its roles and responsibilities, including the following:

* Executive Member: A Board Member who participates in managing the Bank's daily activities for a consideration.

1-The Board shall set the Bank's strategic objectives and direct the Executive Management to lay out a strategy to achieve those objectives. It shall also approve the said strategy, which the Executive Management shall work accordingly, as well as its accompanying work plans.
2-The Board shall select an executive management that is capable of administering the Bank's affairs in a competent and efficient manner.
3-The Board shall supervise the Senior Executive Management and monitor its performance and ensure good financial position and solvency of the Bank. It shall adopt appropriate policies, plans and procedures to oversee and monitor the performance of the Bank.
4-The Board shall adopt a policy for monitoring and reviewing the Executive Management's performance through the development of key performance indicators (KPIs) to identify, measure and monitor performance and progress towards the achievement of corporate goals.
5-The Board shall ensure that the Bank's credit policy measures the quality of corporate governance for corporate customers, so that customer risks are evaluated for strengths and weaknesses based on their corporate governance practices. It shall also identify credit terms and conditions and investment principles.
6-The Board shall ensure the development, circulation at all management levels and regular revision of policies, plans and procedures covering all activities of the Bank and that they are in line with the relevant laws and regulations. Moreover, it shall monitor policy implementation and verify the validity of adopted procedures in this regard.
7-The Board shall identify the corporate values of the Bank and draw clear lines of responsibility and accountability for all the Bank's activities. In addition, it shall promote a culture of high ethical standards, integrity and professional conduct for the Bank's executives, and adopt an organizational structure that outlines the hierarchical organization including Board committees and the Executive Management.
8-The Board shall ensure that no member of the Board or Executive Management or any of the Bank's employee obtains a personal gain at the expense of the Bank's best interests.
9-The Board shall verify, through the Board Audit Committee, the accuracy of the information provided to the regulatory authorities.
10- The Board shall assume responsibility for the integrity of all Bank operations, including its financial position, and for the fulfillment of the requirements of the CBJ and other supervisory and regulatory bodies in relation to its business. It shall take care of the interests of stakeholders and ensure that the Bank is managed in accordance with its internal regulations and that the Bank's activities, including outsourced activities, are continuously monitored. Moreover, the Board shall ensure compliance with the legislative regulations issued by governmental and regulatory authorities and that all the Bank's personnel, at all administrative levels, comply with the same.
11- The Board shall approve the internal regulations and instructions of the Bank, and identify the authorities, duties and means of communication among all management levels, which guarantee administrative and financial control over the Bank's activities.
12- The Board shall approve and annually review the internal control systems of the Bank and ensure that the internal and external auditors review the structure of these systems at least once a year.
13- The Board shall ensure that a policy and code of ethics is available, circulating the same among all Bank employees.
14- The Board shall ensure the independence of the external auditor at all times.
15- The Board shall specify and approve the roles and responsibilities of the Compliance Department.
16- The Board shall approve and oversee the implementation of a risk management strategy that articulates the acceptable risk appetite levels and ensures that the Bank is not exposed to high risks. It shall be familiar with the Bank's operational work environment and its associated risks, ensuring that there are risk management tools and infrastructure in place at the Bank to identify, measure, control and monitor all types of risks faced by the Bank.
17-The Board shall approve the Bank's Risk Appetite document.
18-The Board shall ensure that there are adequate and reliable management information systems (MIS) in place covering all the Bank's activities.
19-The Board shall develop CSR policy and programs at the Bank for the benefit of local community and environment, ensuring that the Bank adopts appropriate social responsibility initiatives in the areas of environment conservation, health and education. It shall also ensure that the Bank provides financing to SMEs at appropriate interest rates and maturity dates and in line with a clear approach safeguarding transparency and fairness.
20-The Board shall take adequate measures to ensure a clear separation of powers between influential shareholders and the Executive Management to strengthen good corporate governance while developing adequate mechanisms to limit any influences by influential shareholders, ensuring that they do not assume any position in the Senior Executive Management. In this regard, the Senior Executive Management shall derive its authority solely from the Board of Directors and shall operate within the framework of the delegation granted to it by the Board.
21-The Board shall determine the banking operations that require its approval. However, in doing so, it shall seek to limit the scope of such operations so as to maintain its supervisory role. The Board shall not grant executive powers, including the power to extend credit, to a single member of the Board, including the Chairman.
22-The Board shall specify the roles of its Secretary, which include the following:
• Attending all Board meetings and recording all deliberations, suggestions, objections, reservations and voting on draft resolutions of the Board;
• Setting the dates of Board meetings in coordination with the Chairman;
• Ensuring that Board members sign meeting minutes and resolutions;

- Following up on the implementation of Board resolutions and the discussion of topics postponed at previous meetings;
- Keeping records and documents of Board meetings;
- Taking the necessary measures to ensure that all resolutions to be issued by the Board are in line with the laws and regulations;
- Preparing for the General Assembly meetings and working in cooperation with Board Committees; and
- Providing the CBJ with a copy of the declaration of suitability signed by each Board member.

23-Members of the Board and its committees shall communicate with the Executive Management and the Board's Secretary to facilitate the performance of the tasks assigned to them, including the outsourcing of certain tasks, as needed, at the expense of the Bank and in coordination with the Chairman. No Board member may influence the decisions of the Executive Management in any way except through deliberations that take place in the meetings of the Board or Board Committees.

24-The Board shall approve and review, at least once a year, the succession plans of the Executive Management, which set out the necessary qualifications and requirements of these positions.

25-The Board shall approve the organizational structure of the Bank, ensuring that it clearly reflects the lines of responsibility and authority, including at least the following supervisory levels:
- Board of Directors and Board Committees
- Executive Management Committees
- Separate departments for risk, compliance and audit that do not carry out day-to-day executive functions
- Units/employees not involved in the day-to-day operations of the Bank (such as credit review officers and the middle office)

26- The Board shall ensure that the Senior Executive Management undertakes its responsibilities in relation to the management of the Bank's day-to-day operations and that it contributes to the application of corporate governance within the Bank. It shall also ensure that the Senior Executive Management delegates powers to employees, creates an effective management environment that promotes accountability, and performs tasks in the various areas and activities in a manner consistent with the policies and procedures approved by the Board. Moreover, the Board shall adopt suitable regulatory controls that enable it to call the Executive Management to account.

27-The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.

28-The Board shall appoint, dismiss and accept the resignations of the General Manager, Audit Manager, Risk Management Manager and Compliance Manager upon obtaining a No Objection Certificate from the CBJ regarding their resignation or termination of service. The CBJ may summon any Bank executive to inquire about the reasons for resignation or termination of service, based on the recommendations of the competent regulatory committee for the aforementioned designations (e.g. the Audit Committee for the Audit Manager, the Risk Committee for the Risk Manager, and the Compliance Committee for the Compliance Manager).

29-The Board shall approve the appointment of the Executive Management members, accept their resignations or terminate their service, as well as ensure that they possess the required expertise and skills and issue recommendations in this regard to the Nominations and Remuneration Committee.

30-The Board shall also undertake the roles and responsibilities pertaining to the management of information and related technologies, as set forth in the attached IT Governance Manual.

31-The Board shall ensure that the Compliance Department is independent and that it is always provided with an adequate number of trained staff.

32-The Board shall approve a policy ensuring the Bank's compliance with all relevant legislation, revise said policy regularly and ensure the implementation thereof.

33-The Board shall lay out the necessary procedures ensuring that all shareholders, including non-Jordanians, exercise their rights and that they are treated in a fair and equal manner without discrimination.

34-The Board shall regulate the Bank's financial, accounting and administrative affairs in accordance with the relevant internal regulations.

35-The Board shall appoint a liaison officer to follow up on the implementation of corporate governance with the Jordan Securities Commission.

36-The Board shall approve the Bank's disclosure and transparency policy and follow up on the implementation thereof in accordance with the requirements of the regulatory authorities and applicable legislation.

37-The Board shall approve the succession policy as well as the HR and training policies at the Bank.

38-The Board shall establish a mechanism allowing shareholders holding no less than 5% of the Bank's subscribed shares to add items to the agenda of the ordinary General Assembly meeting, prior to sending it, in its final form, to the shareholders. It shall also furnish the JSC with said mechanism.

39-The Board shall approve the risk management policy to handle the risks to which the Bank may be exposed.

40-The Board may solicit the assistance of an external advisor, at the Bank's expense, provided that the majority of Board Members agree to the same and that no conflict of interest may arise.

41-The Board shall approve the governance report and incorporate it into the Bank's annual report.

42-The Board shall inform the CBJ of any significant information that may adversely affect the suitability of members of the Senior Executive Management.

43-Each Board Member shall, at minimum:
- Have knowledge of the legislation and principles pertaining to the banking activities and the Bank's operational environment, and keep pace with all developments therein as well as external developments related to its business, including requirements for appointment in Senior Executive Management positions;
- Attend the meetings of the Board and Board Committees, as required, as well as the General Assembly meetings;
- Not disclose the Bank's confidential information or use such information for their own benefit or for the benefit of others;
- Put the Bank's interest first in all dealings with any other company in which they have a personal interest; avoid exploiting the Bank's commercial business opportunities for their own benefit; avoid conflict of interest and disclose to the Board, in detail, any potential conflict of interest that may arise; and not attend, or participate in the decisions made at, a meeting discussing subjects that may involve a suspected conflict of interest. Such disclosure shall be recorded in the minutes of the Board meeting; and
- Devote sufficient time to perform their duties as a Board member.

Third: Role of the Chairman of the Board

The Chairman of the Board shall ensure the following, at minimum:

1. Build a constructive relationship between the Board and the Executive Management;
2. Create, during Board meetings, a culture that fosters constructive criticism, open discussions and voting on issues where there is a divergence of views among members;
3. Ensure that Board members and shareholders receive sufficient information in a timely manner;
4. Ensure that the Bank upholds high corporate governance standards;
5. Make sure that all Board members receive and sign minutes of previous meetings and receive detailed meeting agendas and sufficient information about the topics to be discussed during the Board meetings sufficiently in advance through the Board's secretary;
6. Ensure that there is a charter that describes and organizes the work of the Board;
7. Discuss key strategic issues in detail during Board meetings;
8. Ensure that each Board member is provided, upon election, with the relevant banking laws, the CBJ instructions related to the Board's functions, and the corporate governance instructions for banks in addition to a booklet describing the rights, responsibilities and duties of Board members as well as the tasks and duties of the Board's secretary;
9. Ensure that each Board member is provided with sufficient information about the Bank's business upon appointment or at request;
10. With the assistance of the Bank's Legal Counsel, inform new Board members of the duties and responsibilities of the Board, particularly the legal and regulatory requirements to clarify the tasks, authorities and other matters relating to the Board membership. These include the membership term, meeting schedules, responsibilities of the Board Committees, remuneration, and the possibility of obtaining independent and specialized technical advice when necessary;
11. Ensure that the CBJ is informed of any significant information that may adversely affect the suitability of Board members; and
12. Make sure that Board members receive ongoing training and development, and that new Board members are provided with an orientation program that takes into account their banking knowledge; enroll them in training sessions on the principles and applications of corporate governance; furnish them with the Bank's organizational structure, corporate governance policy, code of conduct, corporate objectives, the Bank's strategic plan and approved policies, including the Board member suitability policy, as well as the Bank's financial status, risk structure, risk management framework, and the charters of Board committees.

Fourth: Shareholders and Their Role in Corporate Governance

Legal sovereignty and supreme authority are vested in the shareholders who convene through the General Assembly to review and deliberate on the Bank's matters. It should be noted that the interest of shareholders is not limited to just monitoring the prices of shares and receiving dividends, but it goes beyond that to monitoring the Bank's performance through financial statements and continuously communicate with the Bank's Management to stay abreast of the latest developments. Shareholders also attend General Assembly meetings, participate in voting on decisions, and discuss all aspects of the Bank's business and outcomes with Board members. Moreover, shareholders play a key supervisory role in monitoring the performance of Board members and in obtaining the information that enables them to exercise their rights to the fullest.

Fifth: Stakeholder Rights

- The Board shall develop a specific mechanism to guarantee communication with stakeholders by disclosing and providing relevant information to stakeholders about the Bank's activities through:
  1. General Assembly meetings
  2. Annual Report
  3. Quarterly reports containing financial information in addition to the Board's report on the Bank's stock trading and financial position during the year
  4. The Bank's website
  5. Shareholder Relations Division
     - The Bank shall ensure that a part of the Bank's website is designated to clarify shareholders' rights and encourage shareholders to attend and vote at the General Assembly meetings. Also, information on General Assembly meetings, including the full text of the invitation and meeting minutes shall be published on the website in a manner that does not conflict with the law or regulations of banking confidentiality.

Part III: Suitability, Qualifications and Evaluation of Board Members

First: Suitability

The Board and Nominations and Remuneration Committee shall be responsible for ensuring that the members of the Board and Senior Executive Management exhibit the highest level of credibility, integrity, competence and expertise and that they can devote sufficient time and commitment to serving the Bank effectively in line with the JCB's Suitability Policy. The Senior Executive Management includes the Bank's General Manager, Regional Manager, Deputy General Manager, Deputy Regional Manager, Assistant General Managers, Assistant Regional Managers, Chief Financial Officer/Finance Manager, Operations Manager, Risk Manager, Internal Audit Manager, Treasury Manager and Compliance Manager. It also includes any Bank employee possessing an executive authority corresponding to the authorities of any of the aforementioned persons and directly reporting to the General Manager. A No Objection Certificate shall be obtained from the CBJ before appointing any member in the Senior Executive Management. The members of Senior Executive Management are designated in the relevant suitability policy.

Second: Qualifications of Board Members

The Chairman and every member of the Board must meet the certain requirements in terms of professional experience, personal traits and solvency. In addition, the following expertise, qualifications and competencies be possessed by Board Members:

A. Experience and Qualifications:

- Independent judgment and ability to participate in taking sound decisions;
- Knowledge of financial statements and acceptable understanding of financial percentages used in measuring performance;
- Reasonable expertise or skills in the areas of accounting, finance, banking or any other banking expertise;
- Commitment to learning the Bank's operations, fulfilling contribution requirements and dedicating sufficient time and effort to serving the Bank;
- Readiness to resign from the Board of Directors in case of any change in professional responsibilities;
- Understanding and knowledge of the best international practices in the area of management and their applications to the rapidly evolving business environments;
- Short- and long-term crisis management abilities;
- Knowledge of global markets;
- Leader personality capable of delegating authorities and motivating employees; and
- Ability to provide strategic direction and demonstrate clear futuristic vision.

B. Board Membership Requirements

The Chairman and every member of the Board must meet the following requirements:

- Is not less than 25 years of age.
- Is not a Board Member, General Manager, Regional Manager or employee of another bank inside Jordan unless it is a subsidiary of the Bank.
- Is not a lawyer, legal counsel or auditor of the Bank.
- Has a minimum of a first university degree in economics, finance, accounting, business administration or other relevant fields. The Nominations and Remuneration Committee may consider adding other specializations if combined with relevant banking experience.
- Is not an employee of the government or any public institution unless he/she is a representative thereof.
- Is not a member of the board of directors of more than five public shareholding companies inside Jordan in his/her personal capacity in some and as a representative of a legal person in others; and is not a member or representing a member in the board of another similar or competitor company.
- Has at least five years of experience in banking, finance or similar fields.

C. Diligence and Loyalty

Members of the Bank's Board of Directors shall undertake their responsibilities in a diligent and loyal manner, as follows:

1. Honesty

The Board member's relationship with the Bank shall be one based on honesty, whereby that member, like any other Bank employee, shall communicate any relevant information prior to conducting any deal or commercial transaction with the Bank.

2. Loyalty

In the case of a conflict of interest between a Board member dealing with the Bank and the Bank itself, the Board member shall be required to fulfill the same requirements that he/she would have been required to fulfill if he/she had no relationship with the Bank. To that end, the Board member shall undertake his/her role honestly, be mindful of the Bank's interests, avoid conflict of interest, and refrain from abusing his/her position or using any information accessible to him/her as a Board member for personal gain. The Board member shall advise the Board of any potential conflict of interest and refrain from voting on any resolutions related to this subject.

3. Diligence

Board members shall perform all the duties stipulated in the applicable laws and regulations, and seek to obtain all necessary information to ensure that all decisions taken are in the interest of the Bank.

To fulfill the desired level of diligence, Board members must be knowledgeable of and familiar with the Bank's activities as well as the markets and sectors it serves. They shall attend Board meetings and properly prepare for them beforehand, especially in relation to the decisions to be taken, as well as honestly undertake assigned duties. Moreover, they shall look for any warning indicators, follow up on important matters with the Bank's Management, obtain objective advice when necessary, and comply with the provisions of various laws pertaining to the Bank.

D. Independence:

1. The Board shall practice effective leadership that is independent of the Bank's Management, owing to the absence of executives in the Board. The number of independent Board members shall not be less than four (4).

The most significant relationships that may affect a member's independence in the Bank is the existence of conflict between memberships in different boards of directors, an advisory relationship with entities related to the Bank, a direct or indirect business relationship between the member and the Bank, or the forging of any new relationship with the Bank that has been created and developed as a result of that person's membership in the Board.

2. To guarantee a Board member's independence, he/she shall regularly disclose in writing any personal interest that may exist in any transaction or contract with the Bank for himself/herself, his/her spouse or relative up to the third degree if any of the aforementioned persons has an influential stake in a company to which such transaction or contract is related. No Board member may participate in any meeting where said transaction or contract is discussed. The impact of other activities on that person's independence as a member of the Bank's Board shall be assessed.

An independent member is defined as a Board member who is not subject to any influences compromising his/her ability to take objective decisions in favor of the Bank, and who fulfills the following requirements:

1. The Board member has not been an executive Board member in the past three years preceding his/her election.
2. The Board member has not been an employee of the Bank or any subsidiary thereof in the past three years preceding his/her election.
3. The Board member is not related, up to the second degree, to any other Board member or a member of the board of directors of any subsidiary of the Bank, or to any major shareholder of the Bank.
4. The Board member is not related, up to the second degree, to any member of the Bank's Executive Management or the executive management of any of its subsidiaries.
5. The Board member is not and has not been a partner, employee or relative of the Bank's external auditor for the past three years preceding his/her election as a Board member, and is not related, up to the first degree, to the Bank's audit partner.
6. The Board member is not a major shareholder, or a representative or an affiliate of a major shareholder, of the Bank, or otherwise holding in concert with affiliates a major shareholding; is not a major shareholder of a subsidiary of the Bank; and is not a major shareholder in the Bank's group of owners.
7. The Board member has not occupied the position of Board member of the Bank or any of its subsidiaries or the position of management board member therein for more than eight consecutive years.
8. The Board member, or any company in which he/she is a board member, owner or major shareholder, has not been granted a credit by the Bank exceeding 5% of the Bank's subscribed capital nor has been a guarantor of a credit exceeding the same threshold.
9. The Board member, or any of his/her relatives, must not have a direct or indirect interest in the contracts, projects and engagements made with the Bank, or any sister or affiliate company thereof, and whose value equals or exceeds JD 50,000 (fifty thousand Jordanian Dinars).
10. The Board member must not own 5% or more of the Bank's subscribed shares, or of any sister or affiliate company thereof.
11. The Board member must not be a relative of any of the Bank's shareholders who own 5% or more of the Bank's subscribed shares.
12. The Board member possesses extensive experience and qualifications in finance or banking.

E.Knowledge

Board members shall be knowledgeable of banking operations, risks to which the Bank may be exposed, and financial statements reflecting the Bank's financial position. In addition, they shall be familiar with the laws, legislation and instructions with which the Bank must comply, stay abreast of new developments in the financial services sector, attend meetings of the Board and Board committees, and review the reports and recommendations presented by the Bank's Executive Management, internal auditor, external auditor and regulatory authorities.

F. Code of Business Conduct

The Board has approved and issued a Code of Business Conduct, which the Executive Management circulates at all administrative levels and ensures that the Bank's personnel adhere to the contents thereof. This includes, for example but not limited to, a prohibition of the use of inside information by executive officers for personal gains; rules and procedures regulating transactions with relevant related parties; and situations that may give rise to a conflict of interest.

Third: Evaluation of Executive Officers' Performance:

1. The Board has devised a system to evaluate its performance and the performance of its members. This system includes the following:
   - Setting specific objectives and defining the role of the Board in achieving these objectives in a measurable way;
   - Setting KPIs that may be derived from strategic plans and objectives and using them to measure the performance of the Board;
   - Ensuring regular communication between the Board and shareholders;
   - Holding regular meetings between the Board and the Senior Executive Management; and
   - Reviewing the role of a Board member in Board meetings and comparing his/her performance to other members. Feedback shall be obtained from the concerned Board member to improve the evaluation process.
2. The Board shall approve a system for measuring the performance of the Bank's Executive Management. This system shall include the following:
   - Giving appropriate weighted measures of performance in abiding by the risk management framework and implementation of internal controls and regulatory requirements;
   - Ensuring that total income or profit should not be the only basis for measuring the performance of executive officers; rather, other elements must be taken into account, such as the risks associated with the main operations, customer satisfaction, and others where applicable; and
   - Avoiding influence peddling and conflict of interest.

Fourth: Remuneration and Compensation for Board Members

The Bank's regulations shall determine the way by which Board members are remunerated. Such remuneration and compensation shall be in the form of meeting attendance allowance, transportation allowance, in-kind benefits, and specific percentage of profits, and as set forth in the Board Member Suitability Policy approved by the Bank.

Part IV: Control Systems

First: Selection of Management Members and Their Oversight Role:

1. Selection of Management

The Board of Directors shall approve the appointment of a General Manager for the Bank or any of the members of the Bank's Senior Executive Management, provided that the following requirements are fulfilled (bearing in mind that the CBJ shall be entitled to object to such appointment):

- Must be of good conduct and reputation.
- Must not be a member of the board of directors of any other bank unless it is a subsidiary of the Bank.
- Must be full-time dedicated to managing the Bank's activities.
- Must exhibit the banking expertise and competency required to carry out the Bank's activities.
- Has a minimum of a first university degree in economics, finance, accounting, business administration or relevant fields.
- Has at least five years of experience in banking or similar fields. The General Manager and Regional Manager must possess at least 10 years of banking experience.

Other requirements stipulated in the Executive Management Suitability Policy shall be observed.

2. Management's Oversight Role

The Bank's Executive Management, through different departments and divisions of the Bank, shall furnish the Board of Directors with periodical reports, information and data, as needed, to ensure that the Board performs its oversight role on the Bank's operations and evaluates current and potential risks so as to manage them in an efficient and effective manner.

3. External Communications

The Board shall provide related parties with accurate and timely information to enable them to monitor the Board and Executive Management and hold them accountable for the way of managing the Bank's assets. This shall be done through the reports requested by the CBJ and the periodic financial reports issued to shareholders and through the disclosure of the following in accordance with the applicable Disclosure Policy:

1-Names of the members of the Board of Directors and Executive Management
2- Organizational Structure and Corporate Governance Manual
3-Incentives and remuneration of members of the Board and Executive Management
4-Nature and size of operations with affiliate companies and related entities
5-Key risks facing the Bank and its Risk Management Policy

4. Planning

The Board of Directors is assigned important duties, particularly the mapping of the Bank's general strategies and approval of work policies. This is done through participation in and approval of long-term strategic plans, annual work plan, and estimated budgets. Accordingly, the Board shall undertake the following:

- Provide a planning mechanism and appropriate work plans and ensure that these are properly implemented and monitor their outcomes.
- Measure the achievement of the Bank's goals and objectives by developing its systems.
- Identify the Bank's strengths, weaknesses and opportunities as well as the threats facing it.
- Ensure the availability of a competent management team.
- Verify the Management's compliance with capital adequacy ratios, liquidity ratios and availability of sources of funds, including capital, in a manner that ensures the achievement of the Bank's planned goals and objectives.

5. Policies

Since the Board of Directors is the primary body responsible for managing the risks to which the Bank may be exposed, the Bank maintains the policies mentioned below, which cover all the Bank's activities. The Executive Management ensures that these policies are in place, reviews them periodically and works on issuing unavailable policies:

a) Credit Policy
b) Investment Policy
c) Fund Sources Management/Asset and Liabilities Management Policy
d) Code of Business Conduct adopted by the Jordan Commercial Bank
e) Personnel Affairs Policy
f) Other policies:
- Risk Management Policy
- Compliance Control Policy
- Anti-Money Laundering and Terrorism Financing Policy
- Policy on Compliance with the requirements of the Foreign Account Tax Compliance Act (FACTA)
- Policy on Fair and Transparent Dealing with Customers

And other approved policies.

Second: Internal Control Systems

The Board shall monitor the work of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, credibility of financial reports and compliance with applicable laws, legislation and instructions. The Senior Management shall implement the following fundamental principles of internal control systems:

- Providing a regulatory environment reflected by the existence of an organizational structure that clearly outlines communication and responsibility channels.
- Establishing an independent department for risk management, supported by a risk management policy for identifying and assessing the risks to which the Bank may be exposed and determining the economic capital required to address such risks.
- Providing controls and a mechanism for the separation of responsibilities, including the separation of the responsibilities of «risk-takers» and «risk controllers».
- Observing the principle of dual control when developing regulatory controls.
- Setting work procedures allowing decision makers to have timely access to information so as to expedite activation of the contingency plan, where necessary.
- Revisiting the internal control system approved by the Board of Directors periodically by both the internal auditor and external auditor to assess its efficiency and ensure that it is in accord with applicable laws, regulations and directives.
- Observing the independence of Risks, Internal Audit and Compliance departments and divisions.
- Providing financial and accounting systems that can demonstrate the actual financial position of the Bank and provide the information necessary for sound decision-making in a manner enabling the preparation of periodic and annual financial statements and in accord with International Financial Reporting Standards (IFRS).
- Ensuring the efficiency and integrity in relation to the IT management by devising effective internal controls.
- Providing the necessary security, safety and protection requirements for the Bank.

The following are the key themes of administrative control:

1.Internal Audit

Internal audit is an important source of information and assists the Bank's Management in identifying and efficiently managing risks.

A.The Audit Department undertakes, at minimum, the following responsibilities:

- Verifying the availability of, and compliance with, adequate internal control systems at the level of the Bank and its subsidiaries;
- Verifying compliance with the Bank's internal policies, international standards and relevant legislation;
- Auditing financial and administrative matters to ensure accurate, reliable and timely financial and administrative information;
- Reviewing compliance with the Corporate Governance Manual;
- Reviewing the soundness and comprehensiveness of the stress testing scenarios in line with the methodologies adopted by the Board; and
- Verifying the accuracy of the procedures adopted for the internal capital adequacy assessment process (ICAAP).

B.The Board shall ensure and promote the independence of internal auditors and that internal auditors are well-positioned in the Bank's organizational structure and that they are qualified to carry out their tasks. The Board shall also ensure that internal auditors have the right to access all records and information and contact any employee of the Bank in order to properly carry out their tasks and prepare their reports without external interference.

C. The Board shall take the necessary measures to enhance the effectiveness of the internal audit by recognizing the importance of the audit process and following up on the correction of audit notes.

D. The Internal Audit Department shall be subject to direct supervision by the Audit Committee where:
- It shall report directly to the Board's Audit Committee, which shall be responsible for assessing its performance.
- The internal auditor and Audit Committee shall review the reports prepared by the external auditor and the CBJ, and follow up on the measures taken in relation thereto.
- Both the internal auditor and external auditor shall cooperate and deliberate to enhance the efficiency of internal controls.

E. The Bank shall not assign any executive tasks or responsibilities to internal auditing personnel.

F. Internal audit duties are risk-focused duties.

G. It shall be responsible for reviewing the Bank's financial reporting, ensuring that significant financial, administrative and operating information is accurate, reliable and timely.

H. It shall ensure the commitment to the implementation of all the Bank's internal policies, directives and procedures issued by the regulatory authorities, as well as the relevant international standards, procedures and laws.

2.External Audit

- The General Assembly shall elect an external auditor that is licensed to perform external audits in accordance with approved international audit standards, professional standards and principles, and applicable legislation.
- The external auditor shall furnish the Internal Audit Committee with a copy of its report and shall meet with said Committee at least once a year, without the presence of the Executive Management.
- The external auditor shall attend the Bank's General Assembly meetings.
- The external auditor shall audit the Bank's accounts as per international standards and recognized professional rules, and examine the Bank's administrative, financial, and internal control systems to ensure efficiency of the same as well as the credibility and fairness of financial statements issued by the Bank's accounting and information systems. The external auditor shall also report any breaches of the law or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.
- The Bank shall regularly rotate the external auditor amongst audit firms and their subsidiaries, affiliates or associate firms in any way every seven years, at most, as of the date of election thereof (Head Office, Jordan). The seven-year period shall start on the date of implementation (as of 2010). In the first year after rotation, the successor auditor shall work jointly with the predecessor auditor. The predecessor auditor may not be re-elected before the lapse of two years from the date of its last election not including the joint audit assignment. A five-year period shall be considered for the Regional Office of Palestine.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Board shall take appropriate measures to address weaknesses in the internal control systems and any other issues reported by the external auditor.
- The external auditor shall furnish the Central Bank of Jordan, during the first quarter of every year, with an annual internal audit report and another external audit report, including the Executive Management's response and Board's recommendations thereon.
- The Board shall recommend to the General Assembly an external auditor (to be assigned with auditing the activities of Palestine branches) for approval, after obtaining the consent of the Palestine Monetary Authority.
- Upon the appointment of the external auditor, the Bank shall make sure that it is not a founder, shareholder, member of the Board of Directors, or a partner of, or an employee working for, any Board member.
- Upon the appointment of the external auditor, the Bank shall make sure that the former is registered with the Jordan Securities Commission.
- The Bank shall ensure that the external auditor does not conduct any additional tasks for the Bank, such as the provision of administrative and technical advice, except after obtaining the approval of the Board based on the recommendation of the Bank's Audit Committee.
- Upon the appointment of the external auditor, the Bank shall make sure that the former acts independently as per international audit standards.
- The Bank shall ensure that the assigned auditor performs its duties in an impartial manner without any intervention by the Board or the Senior Executive Management.
- The Bank shall not appoint any employee of the external auditor's firm at the Bank's Senior Executive Management, until after one year at least has elapsed from the date of ceasing to conduct any audit works for the Bank.
- The external auditor shall perform the tasks assigned thereto in an independent and impartial manner.
- The external auditor shall monitor the Bank's business activities.
- The external auditor shall examine the Bank's administrative and financial systems as well as internal control systems, expressing an opinion on their efficiency and verifying that they are suitable for safeguarding the Bank's funds and ensure seamless operations.
- The external auditor shall verify the Bank's ownership of assets and the legality of the Bank's obligations.
- The external auditor shall attend the Bank's General Assembly meetings.
- The external auditor shall respond to shareholders' questions and queries in respect of financial statements and final accounts during the General Assembly meetings.
- The external auditor shall express an opinion regarding the fairness of the Bank's financial statements and request amendment thereof should their fairness be compromised.
- The external auditor shall report any breaches of the applicable legislation or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.

3.Risk Management

The Risk Management Department shall undertake the following roles and responsibilities:

1. It shall submit its reports to the Risk and Compliance Committee, and a copy thereof to the General Manager. As for daily operations, the Department shall report directly to the General Manager.
2. It shall review and analyze all types of risks that the Bank may face including credit, market, liquidity and operational risks.
3. It shall develop measurement and control methodologies for each type of risks.
4. It shall set the risk appetite in coordination with the Bank's relevant entities as approved by the Board, submit reports and document exceptions to such risk appetite to the Board, and follow up on the rectification of negative deviations.
5. It shall provide the Board and Senior Executive Management with information about risk measurement and the Bank's risk profile, and follow up on the correction of deviations.
6. It shall provide the necessary information on the Bank's risks for use in the Bank's disclosures and publications.
7. Some committees of the Executive Management, such as Credit Committee, Assets and Liabilities Management Committee, Treasury Committee and Investment Committee, shall assist the Risk Management Department in performing its duties as per the authorities designated to said Committees.
8. The Department shall monitor the compliance by various Executive Departments with the approved levels of risk appetite.
9. The Board shall ensure that excesses over acceptable risk appetite levels are addressed, including, for example, questioning the Senior Executive Management about such excesses.
10. The Risk Management Department shall conduct periodic stress tests to gauge the Bank's ability to absorb shocks and deal with high risks. The Board shall have a fundamental role in approving the assumptions and scenarios used, discussing the stress tests' results and approving the measures to be taken based on these results through the Risk and Compliance Committee.
11. The Bank shall adopt a methodology for internal assessment of capital adequacy. The said methodology shall be comprehensive, efficient and able to identify all risks that the Bank may face. It shall take into consideration the Bank's strategic plan and capital plan. The Board shall revise the methodology regularly and ensure that it is duly implemented and that the Bank has adequate capital to face any risks.
12. Before approving any expansion of the Bank's activities, the Board shall consider the risks resulting from such expansion as well as the competencies and qualifications of Risk Management Department's employees.
13. The Board shall ensure the independence of the Risk Management Department by having it report to the Risk Management Committee and that it is granted the necessary powers to access information from the various departments at the Bank and cooperate with other committees to perform its tasks.
14. The Department shall review the risk management framework before being approved by the Board.
15. The Department shall implement the risk management strategy and develop policies and work procedures to manage all types of risks.
16. The Department shall verify the compatibility of the risk measurement mechanisms with the management information systems used.
17. Recommendations are presented to the Risk Management Committee on risk exposures and any exceptions to the risk management policy.
18. The Risk Management Department shall be directly responsible for ensuring the «prudent management of IT risks» and the «risk management» processes.

4. Compliance

The Compliance and AML Department has been established at the Bank. It reports directly to the Board and Board Committees, and maintains direct contact with the General Manager. The Department has been provided with trained personnel. It shall devise an effective methodology to ensure the Bank's compliance with all applicable laws and regulations and any relevant instructions and manuals, as well as the tasks, authorities and responsibilities of the Compliance Department. The said methodology shall be circulated within the Bank to all personnel and the Bank shall undertake the following:

- Approve the Anti-Money Laundering and Terrorism Financing Policy, in accordance with the governing laws and legislation, in addition to any other policies issued by the Compliance Department concerning internal control and governance of relevant decisions.
- The Compliance Department shall report to the Board through the Committees thereof, and send a copy of its reports to the General Manager.

Part V: Board Committees

First: Corporate Governance Committee

The Committee is comprised of three members, two of whom are independent, with one being Committee Chairman. The Committee shall include the Chairman of the Board of Directors. It shall convene regularly provided that it shall hold no less than two meetings per year, with the meeting minutes duly recorded. Duties of the Committee can be summarized as follows:

1. Ensuring the implementation of the Corporate Governance Manual;
2. Reviewing and updating the Corporate Governance Manual whenever required;
3. Inviting any person in the Bank, at all administrative levels, to seek their opinion or ask them about any matter;
4. Submitting a report to the Bank's Board of Directors at least once a year, including its opinion regarding the extent of compliance with the provisions of the Corporate Governance Manual;
5. Compiling the corporate governance report and submitting the same to the Board of Directors; and
6. Examining the observations put forth by the Jordan Securities Commission with regard to the implementation of governance principles and following up on the actions taken thereon.

The Compliance & AML Manager shall act as the Committee's rapporteur.

Second: Audit Committee

The majority of Audit Committee members shall be independent members of the Board, including the Committee Chairman who shall not be the Chairman of the Board or the Chairman of any other Board Committee. The Committee shall be re-formed to include four members, of whom three shall be independent, possessing practical and professional expertise, qualifications, adequate knowledge and understanding of the international accounting standards and principles required, as well as financial and other competencies relevant to the Bank's business. Members shall also be fully knowledgeable of the instructions of the Central Bank of Jordan and the regulatory authorities. The Committee shall continue to perform its duties throughout the tenure of the Board of Directors. The Bank shall ensure that no activities of any other committee are combined with those of the Audit Committee. The Bank's Audit Committee shall assume the following duties and authorities:

- The Committee shall recommend the nomination of auditors for appointment or termination of their service, and verify that they meet the requirements set forth in the instructions of the Securities Commission.
- The Committee shall reviewing the fees of auditors and recommend the fair value of the same in light of the required audit scope.
- The Committee shall recommend the appointment or termination of senior officers of the Internal Audit Department. It shall, in general, evaluate internal and external audits; review the scope, outcomes and adequacy of accounting matters impacting the Bank's financial statements; review and develop internal control systems; and provide the necessary support to the main internal audit staff to establish their independence and pay due attention to their employment conditions.
- The Committee shall approve the annual internal audit plan of the Bank after consulting with auditors on the nature and scope of audit required, so as to ensure necessary coordination between the work of internal audit and that of the external auditor for a wider audit coverage of the Bank's activities, departments and branches with minimal duplication.
- The Committee's approval shall be required in respect of any deviation from the annual internal audit plan or any amendment or postponement thereof.
- The Committee shall examine and follow up on the reports of the Internal Audit Department, the Bank's auditors and the CBJ's inspectors, and other audit reports to which the Bank is subject from time to time. It shall also study the outcomes, notes and recommendations of the same and review the Management's response to each report, taking the necessary actions in respect thereof.
- The Committee has the authority to obtain any information from the Executive Management and is entitled to invite any employee to attend any of its meetings in accordance with the provisions of the Committee's Charter.
- The Committee shall review and monitor the procedures enabling any employee to confidentially report any error in the financial reports or any other matters. It shall also ensure that there are arrangements for independent investigation in place, and follow up on the results of such investigation and objectively handle the same.
- The Committee shall follow up on the implementation of any important audit notes, whatever their source, in an efficient and prompt manner, ensuring that appropriate corrective measures are taken without delay.
- The Committee shall examine auditors' notes on internal control systems and others, and review the Bank's responses to the same. This includes reviewing the correspondence exchanged between the Bank and auditors to assess the contents thereof and make relevant notes and recommendations thereon.
- The Committee shall review the Bank's interim and annual financial statements before presenting the same to the Board of Directors, giving special care to any differences that may arise between the Management and auditors during the preparation of financial statements or their results. It shall also ensure the implementation of the Central Bank's instructions on the adequacy of bad debt reserves and security portfolio provisions, and express an opinion on the Bank's non-performing debts or those proposed to be considered bad debts.
- The Committee shall review any material amendments or other important issues relating to auditing processes or accounting principles applied by the Bank when preparing the annual financial statements. It shall also make sure that said financial statements conform to the instructions of the CBJ and the Securities Commission, and other legal requirements and applicable accounting standards.
- The Committee shall consult with auditors, where necessary, on the suitability and accuracy of the Bank's internal control systems, and the extent of complying therewith, especially the adequacy of such systems for disclosing the Bank's annual financial statements in a correct and honest manner that is in line with applicable accounting rules.
- The Committee shall regularly meet with the internal and external auditors and the Compliance and AML Manager, at least once per year without the attendance of any member of the Senior Executive Management.
- The Committee shall ensure full compliance with the laws, regulations and instructions governing the Bank's business.
- The Committee shall express an opinion on other matters presented thereto by the Board of Directors from time to time.
- The Committee shall receive detailed quarterly statements of defaulted debts of various classifications, as approved in the Credit Facilities Regulation. Such statements shall include the debts to be rescheduled or settled.
- The Committee shall receive detailed quarterly statements on in-kind and cash collections of defaulted debts and their impact on the profit and loss account.
- The Committee Chairman shall attend the annual meeting of the Bank's General Assembly.
- The Committee shall ensure the availability of adequate resources, including a sufficient number of trained and qualified employees, to carry out internal audit tasks.
- The Audit Committee shall ensure the rotation of the audit of the Bank's various activities among internal audit employees every three years at most.
- The Committee shall make sure that no executive tasks are assigned to internal auditing personnel.
- The Committee shall ensure that all of the Bank's activities, including outsourced activities, are audited.
- The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.
- The Audit Committee shall evaluate the performance of the Internal Audit Department's employees and determine their remuneration.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Committee shall review the external auditor's report and make sure that it covers all the Bank's activities. It shall also review the CBJ's reports and follow up on the actions taken in respect of them.
- The roles and responsibilities assigned to the Audit Committee in relation to the management of information and related technologies, as set forth in the attached IT Governance Manual, shall be detailed.
- The Committee shall work under the supervision of the Board. It shall submit its reports and recommendations on the results of its operations to the Board.
- The Committee shall examine all works carried out by the external auditor, including notes, suggestions and reservations, follow up on the Bank Management's response to the same, and submit recommendations in this regard to the Board.
- The Committee shall review the Bank's correspondence with the external auditor, assess the contents of the same and make notes and recommendations on them to the Board.
- The Committee shall review the external auditor's assessment of the internal audit and control procedures.
- The Committee shall review the internal audit and control reports, especially those pertaining to any violations revealed by the internal auditor.
- The Committee shall present recommendations to the Board regarding any matters related to internal audit and control procedures and the internal auditor's work.
- The Committee shall ensure that no conflict of interest may arise as a result of the Bank's execution of deals, contracts or projects with related parties.
- The Committee shall review the dealings of related parties with the Bank and present recommendations to the Board prior to concluding the same.
- The Audit Committee shall convene at the invitation of its Chairman, provided that the meetings held shall not be less than four (4) meetings per year, or whenever necessary, or based on a decision by the Bank's Board, or upon the request of two other members. The meeting of the Committee shall be deemed legally valid if attended by at least two (2) members. The meeting minutes shall be duly recorded and recommendations thereof shall be made by majority vote.
- The Internal Audit Manager/Auditor-General at the Bank shall be invited to attend the Committee's meetings. The Committee may invite any person to express an opinion regarding any given matter.

The Board's secretary shall act as the Committee's rapporteur.

Third: Nominations and Remuneration Committee

The Nominations and Remuneration Committee is comprised of a minimum of three (3) members, the majority of whom are independent including the Committee Chairman. It shall convene regularly provided that it shall hold no less than two (2) meetings per year, or whenever necessary, with the meeting minutes duly recorded. The Committee shall assume the following duties and authorities:

1. The Committee shall identify individuals who are qualified to become Board members, taking into consideration candidates' competences and qualifications, and in the case of re-election their effective performance and attendance of Board meetings.
2. The Committee shall work on a clear methodology to ensure that all Board members devote sufficient time to carrying out their Board duties, including, for example, the member's affiliation with other boards of directors, committees, forums, etc.

3. The Committee shall identify the strengths and weaknesses of the Board of Directors and propose the necessary steps to address them in alignment with the Bank's interests. To achieve that, it shall adopt specific, approved and objective criteria for evaluating the Board's performance, including comparisons to other banks and similar financial institutions. The Committee shall also adopt standards to ensure the integrity and correctness of the Bank's financial statements and determine the degree of adherence to regulatory requirements.
4. The Committee shall ensure that Board members attend workshops or seminars on banking-related topics, particularly risk management, corporate governance and the latest banking developments.
5. The Committee shall provide Board members with important background information and briefs on the Bank at their request and ensure they are always updated on the latest banking developments.
6. The Committee shall ensure that there is a succession plan in place for the Senior Executive Management.
7. The Committee shall annually review the required skills for Board membership and prepare a description of the required competencies, including the time that must be devoted by the member for Board duties.
8. The Committee shall annually verify the independence of independent Board members and that there is no conflict of interest in case the member serves on the board of directors of another company.
9. The Committee shall ensure that there are clear policies in place for remunerating Board members and senior executives, and use performance-related criteria to determine said remuneration. It shall also verify that salaries are sufficient for attracting and retaining qualified talents at the Bank. The policy shall aim to observe the following:
   - The policy should be structured to recruit and retain qualified and experienced executives and to motivate them and promote their performance. It may not be used in a way that affects the Bank's financial position and reputation.
   - The policy shall take into consideration the risks, liquidity and profits and their timing, and reflect the goals, values and strategy of the Bank.
   - Remunerations shall not be based on the performance of the current year only, but shall also take into consideration the medium- and long-term performance (three to five years).
   - The policy shall define the form of remunerations, such as fees, salaries, allowances, bonuses, share options or any other form of benefits.
   - It shall offer the possibility of postponing payment of a reasonable proportion of remunerations. The amount of such proportion and the postponement period shall depend on the activities and nature of the work performed by the concerned executive and the risks associated therewith.
   - Executives of supervisory departments (e.g. Risk Management, Audit, Compliance, etc.) shall not be given remunerations based on the performance of their respective departments but rather based on their own performance and accomplishments.
10. The Committee shall approve the remuneration scheme, specifying the remunerations of the Executive Management, including the General Manager's salary and benefits. It shall also approve the staff remuneration schedule and the annual salary increase policy based on the recommendations made by the General Manager.
11. The Committee shall present its reports/recommendations, and report the outcome of its activities, to the Bank's Board of Directors.
12. The Committee shall annually assess the overall performance of the Board and Board Committees, and members thereof, advising the CBJ of the results of said assessment.
13. The Committee shall annually evaluate the General Manager's performance using an evaluation system developed by it, which includes a number of KPIs. The General Manager's performance evaluation criteria shall include financial and managerial performance and achievement of the Bank's medium- and long-term plans and strategies. It shall inform the CBJ of the evaluation results.
14. The Committee shall lay out and annually review a policy for remuneration, benefits, incentives and salaries at the Bank. Upon approving the policy, the Board shall provide the CBJ with a copy of it within a maximum period of seven (7) business days from the date of approval thereof.
15. The Committee shall identify the Bank's needs of staff as well as qualified members to join the Senior Executive Management, and specify the criteria for the selection thereof.

The HR Planning and Development Manager shall act as the Committee's rapporteur.

Fourth: Risk and Compliance Committee

The Risk and Compliance Committee has been formed by a decision of the Bank's Board of Directors and is comprised of four (4) members, two of whom are independent, bearing in mind that members of the Senior Executive Management may join the Committee as members as per its charter. The Committee shall continue to operate throughout the tenure of Board membership and shall assume the following roles and authorities:

A. Aspects Relating to Risk Management:
- Approve the organizational structure of the Risk Management Department;
- Approve the risk management policies, instructions, procedures and reporting system, and review the same on a regular basis and determine their efficiency;
- Approve and supervise the acceptable risk appetite levels at the Bank and review the same on a regular basis;
- Identify the risks to which the Bank may be exposed and monitor the efficiency of controls thereof, as well as identify and develop the means and tools to assess, measure and mitigate such risks;
- Assess the efficiency of the Bank's control systems to ensure that they are fully implemented by all departments;

- Review all reports issued by the Risk Department, taking all actions to minimize the risks to which the Bank may be exposed and presenting recommendations in this regard to the Bank's Board;
- Strive to raise the awareness of employees of all types of risks to which the Bank may be exposed;
- Undertake any other duties pertaining to risk management and review the Bank's risk management framework;
- Review the Bank's risk management strategy before having it approved by the Board of Directors;
- Keep abreast of developments affecting the Bank's risk management and submit periodic reports regarding the same to the Board;
- Make sure there is no discrepancy between the actual risks that the Bank takes and the risk appetite approved by the Board;
- Create the suitable environment to ensure identification of risks that have a material impact on the Bank and any activities that may expose the Bank to risks greater than the approved risk appetite, reporting the same to the Board and following up the handling thereof; and
- Monitor and assess the various risks to which the Bank may be exposed.

B. Aspects Pertaining to Compliance:
- Review the notes contained in the reports of the Compliance Department, the CBJ and the external auditor on compliance at the Bank, and follow up on the actions taken thereon in a manner that does not conflict with the authorities of the Audit Committee;
- Recommend to the Board the approval of the compliance policy, AML policy, know your customer policy and any amendments made thereto; as well as any other policies regulating the Bank's compliance activities;
- Review the periodic (quarterly, bi-annual and annual) audit reports issued by the Compliance Department with respect to the compliance of all the Bank's policies, procedures and work plans with the relevant laws and official instructions;
- Review the Compliance Department's annual plan and work program and ensure adherence thereto;
- Receive reports on suspicious transactions of which the Anti-Money Laundering and Terrorism Financing Unit is notified;
- Review the corrective and/or disciplinary procedures and measures taken by Executive Management upon discovering any violations arising from non-compliance, especially for violations that may subject the Bank to legal penalization or financial loss or jeopardize its reputation;
- Undertake any other duties pertaining to compliance; and
- Operate under the supervision of the Board, reporting and presenting its recommendations to the same with respect to the outcomes of its activities. The Compliance Committee shall convene regularly at the invitation of its Chairman at least twice a year or whenever the need arises, or at the decision of the Board or at the request of one of its other members. The Committee's meeting minutes shall be duly recorded and its meetings shall be considered legally valid if attended by at least two (2) members. Committee recommendations shall be made by majority vote.

The Risk Management Manager shall act as the Committee's rapporteur.

Fifth: Credit Facilities Committee

The Committee has been formed by a decision of the Board of Directors. The number of its members may not be less than five (5) and any one of the may be an independent member, provided that he is not a member of the Audit Committee. Members of the Senior Executive Management may participate in the Committee's meetings to present their recommendations and examine credit facilities surpassing the authority of the highest Executive Management Committee. The legal quorum for Committee meetings shall be the attendance of at least four (4) members. Committee decisions are taken by a majority vote regardless of the number of members in attendance. Committee members shall personally attend and vote on their own decisions. In the event of inability to attend personally, members may express their opinion by video or phone. They may vote and sign the meeting minutes provided that this is duly documented. This procedure is considered an exception specifically for this Committee. The Committee shall be concerned with matters pertaining to granting credit facilities and strategic investments, and its authorities in respect of credit and investment shall be determined in accordance with the authority matrix approved by the Board. The Committee's roles and authorities can be summarized as follows:
- The Credit Facilities Committee shall take the right decision with regard to the facilities recommended for approval by the Executive Management Committee.
- The upper limits of the powers vested in this Committee regarding the granting, modification, renewal or restructuring of credit facilities shall be determined and the Board's powers in this regard shall be clarified.
- The Committee shall periodically submit to the Board details of the facilities approved by it.
- The Committee shall take decisions on exceptional cases within the limits of the authority matrix and in accordance with the applicable terms and principles, and the administrative hierarchy.
- The Board may delegate some or all of the powers of the Credit Facilities Committee regarding the amendment of conditions or the restructuring of facilities to the Senior Executive Management Committee. The Credit Facilities Committee should be informed of the decisions taken within these powers.
- The Committee shall approve credit transactions in accordance with the Bank's authority matrix and the Committee's charter approved by the Board of Directors.

The AGM Credit shall act as the Committee's rapporteur.

Sixth: Strategic Planning Committee

The Committee has been formed by a decision of the Board of Directors and shall be comprised of four (4) members of the Board, one of whom shall act as the Committee's Chairman. Committee members must be knowledgeable of administrative and financial matters and possess experience in banking and markets. A rapporteur shall be appointed to the Committee by the Board of Directors. The Committee shall convene regularly or whenever the need arises and shall take decisions and issue recommendations by majority of three of its members, of whom one shall be the Committee's Chairman. It shall submit its reports and recommendations, once they are issued, to the Board. The Committee shall hold no less than two (2) meetings per year. The duties undertaken by the Committee can be summarized as follows:

- The Committee shall recommend to the Board its suggestions regarding the Bank's appropriate strategic direction in light of the economic conditions, investment climate, and competition in the banking sector and developments therein.
- The General Manager shall be informed of the Board's strategic directions, plans and decisions, so that he can set the plans and executive procedures for the various business units at the Bank. Such strategic directions shall be adopted in the preparation of the annual work plans and budgets.
- The Committee shall review the General Manager's suggestions regarding work strategies to discuss them and prepare the necessary relevant recommendations for presentation to the Board.
- The Committee shall discuss the Bank's estimated annual budgets and decide thereon ahead of presentation to the Board.
- The Committee shall review the progress of annual work plans and estimated budgets, by comparing the actual accomplishments against the set targets and assess the causes of any deviation from set targets.
- The General Manager shall be invited to attend the meetings held by the Committee, in addition to any other person it deems appropriate. Dates of said meetings shall be set in coordination with The Committee's Chairman or whenever requested, provided that the General Manager is advised of the same by the Committee's rapporteur.
- The Committee's rapporteur shall be responsible for preparing the invitations for its meetings, agendas and minutes of meetings, and follow up on the implementation of its recommendations thereof as approved by the Board.
- The Committee shall undertake any other duties assigned thereto by the Board.

The Strategic Planning Manager shall act as the Committee's rapporteur.

Seventh: Debt and Property Settlement Committee

The Debt and Property Settlement Committee consists of four (4) Board members and the Board appoints the Committee Chairman from among these four members. The Committee shall convene on a regular basis, provided that the meetings held shall not be less than two (2) meetings per year. It shall take decisions and issue recommendations by majority of at least two of its members, one of whom shall be the Committee Chairman, and submit its reports and recommendations, once they are issued or whenever the need arises, to the Board. The roles undertaken by the Committee can be summarized as follows:

- The Committee shall lay out the policy and executive plans pertaining to the disposal of property expropriated by the Bank, with the aim of reducing the property portfolio to a minimum to achieve capital profits on the one hand, and increasing capital adequacy and preserving liquidity on the other.
- The Committee shall set, in coordination with the Executive Management, auction ceilings for property mortgaged to the Bank upon the Bank's participation in such auctions to assess any determinants imposed by certain considerations related to the size of the mortgage loan, its provisions and outstanding interest.
- The Committee shall monitor the estimated values of all Bank-owned properties, ensuring these are updated at least every two years and taking into account the requirements of the CBJ and auditors in this regard.
- The Committee shall study the recommendations of the Property Sub-Committee with respect to the selling or substitution of properties, and take appropriate decisions regarding purchase offers of any property, taking into account market estimates and the Bank's considerations.
- The Committee shall study the recommendations presented by Executive Management through its practical experience and take the necessary decisions thereon.
- The Committee shall review the monthly statement of new properties mortgaged to the Bank and their estimated values, as well as the auction participation statement.
- The Committee shall undertake any other relevant duties assigned to it by the Board of Directors.

The Follow-up and Collection Manager shall act as the Committee's rapporteur.

Eighth: IT Governance Committee

The IT Governance Committee shall be comprised of four (4) Board members. It shall convene at least on a quarterly basis, presenting its reports regularly to the Board. It shall undertake the duties assigned to it under the attached IT Corporate Governance Manual.

The Compliance & AML Manager shall act as the Committee's rapporteur.

Decisions by the Board of Directors and Board Committees shall be issued by majority vote. In case of equal votes, the Chairman shall have a casting vote. The Committees shall have the following authorities:

- Request any data or information from the Bank's personnel who shall, in turn, be cooperative and provide such information in a complete and accurate manner;
- Request legal, financial, administrative or technical advice from any external advisor; and
- Request the presence of any employee in the Bank to get the necessary clarifications.

Part VI: Conflict of Interest, Disclosure and Transparency

First: Conflict of Interest within the Board

The Bank shall ensure that no Board member has any direct or indirect interest in the business and contracts concluded by the Bank. However, if this is necessary, the matter shall be subject to the approval of the General Assembly, which is to be renewed annually. Any business carried out via public tenders shall be exempt from such requirement if that Board member has offered the best proposal and in a manner that does not conflict with the Companies Law. Moreover, the Board member shall notify the Board if he/she has a personal interest in the business and contracts made for the Bank, with such notification being documented in the meeting's minutes, provided that said member may not participate in voting on the decision to be issued in this regard. The General Manager shall inform the General Assembly, upon convening, of the business and contracts in which a Board member maintains a personal interest. Such notification shall be accompanied by a special report from the chartered accountant. The Board member may not participate in any activity which may be in competition with the Bank. In this regard, the Bank shall be keen to avoid conflict of interest through the following:

- The Bank shall adopt policies and procedures for rectifying any conflict of interest.
- The Bank shall adopt policies and procedures for governing transactions with related parties, ensuring that they include a definition of those parties, taking into consideration the applicable laws and regulations, transaction terms, approval procedures and mechanism for monitoring such transactions.
- The supervisory departments in the Bank shall ensure that any transaction involving related parties has been carried out in accordance with the approved policy and procedures. The Audit Committee shall review and monitor all related-party transactions and update the Board on the same.
- The Board shall ensure that the Senior Executive Management implements the adopted policies and procedures.
- The Board shall adopt controls to manage the transfer of information within various departments to prevent exploiting such information for personal gains.
- The Board shall ensure that the Executive Management exhibits the highest level of integrity in performing its duties and avoids conflict of interest.

Second: Disclosure and Transparency

- The Board shall ensure that financial and non-financial information that is of interest to stakeholders is published.
- The Bank's annual report shall also include a statement to the effect that the Board is liable for the accuracy and completeness of the Bank's financial statements and other information contained in the report, as well as for the adequacy of the internal control systems.
- The Board shall ensure that the Bank's financial disclosures are consistent with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), CBJ's instructions, and other relevant legislation. It shall also ensure that the Executive Management is always up-to-date with IFRS changes.
- The Bank shall provide the CBJ with the number of shares pledged by shareholders who hold 1% or more of the Bank's capital and the party for which the shares are pledged.
- The Board shall ensure that the Bank's annual and quarterly reports include disclosures that allow current and potential shareholders to know the financial position and operating outcomes of the Bank.
- Prior to the appointment of Senior Executive Management members, the Bank must obtain the candidate's CV accompanied by academic certificates, experience certificates, certificates of good conduct and other necessary supporting documents, and a signed copy of the declaration attached to the governance instructions. The Bank shall furnish the CBJ with a copy of the said declaration and the CV.
- The Board shall ensure that the annual report includes, at minimum, the following:
  - Summary of the Bank's organizational structure.
  - Summary of the roles and responsibilities of Board committees and the authorities delegated to each committee.
  - Useful information of interest to stakeholders as identified in the Corporate Governance Manual and the extent of the Bank's compliance with the Manual.
  - Information on each Board member, including qualifications and experience, amount of shareholding in the Bank, whether an independent or non-independent Board member, membership in Board Committees, date of appointment to the Board, other memberships in the boards of directors of other companies, remunerations of all forms for the previous year in addition to loans from the Bank and any other transactions between the Bank and the Board member or parties related thereto.
  - Information about the Risk Management Department, including its structure and nature of its operations, and changes therein.
  - Number of meetings of the Board and Board committees and the number of meetings attended by each member.
  - Names of independent Board members and senior executives during the year.
  - Summary of the remuneration policy and full disclosure of all forms of remuneration to each individual member of the Board and Senior Executive Management for the previous year.
  - List of shareholders that own 1% or more of the Bank's capital, identifying the ultimate beneficial owners of such shareholdings or any part thereof, in addition to a clarification as to whether the shareholdings are wholly or partially pledged.

- Declarations from all Board members confirming disclosure of all benefits, in cash and in kind, received by them, or any persons related to them, in association with their work at the Bank in the past year.
- The CBJ may object to the nomination of any person for Board membership, if it is found that he/she does not fulfill the requirements set forth in the CBJ's instructions. The Bank shall observe the following:
- The Chairman and each member of the Board must sign the relevant declaration, with a copy thereof kept with the Bank and another sent to the CBJ along with the member's CV.
- The CBJ shall be invited to attend the General Assembly meetings, at least fifteen (15) days prior to the set date, so that it may designate a representative thereof.
- The Bank shall inform the CBJ at least thirty (30) days prior to the General Assembly meeting of its intention to nominate the external auditor for election (or re-election) by the General Assembly.
- The Bank shall provide the CBJ with information about members of the Board and Board committees as well as the Senior Executive Management, as per the forms designed for this purpose, on a semi-annual basis and in the event of any change.
- The Bank shall provide the CBJ with information about members of the boards of directors, management boards and senior executive managements of the Bank's subsidiaries inside and outside Jordan, as per the forms attached to the Corporate Governance Guide, on a semi-annual basis and in the event of any change.
- The Bank shall provide the CBJ with the General Assembly meetings within a period not exceeding five (5) days from the date of endorsement thereof by the Companies General Controller or the representative thereof.
- The CBJ may summon any nominee for the Senior Executive Management for an interview prior to appointment. In addition, the CBJ may, in the cases it deems necessary, summon any nominee for the Board of Directors for an interview.
- The CBJ may appoint an external entity to assess the governance of any bank, at the expense of the latter.
- The CBJ may, at any time, invite members of the Audit Committee, Internal Audit Manager or Compliance Manager to examine any matter falling within the scope of their duties.
- The CBJ may set a larger number of independent members in the Board's structure, if deemed necessary.
- The CBJ may consider any member as being non-independent as per certain data, in spite of that member fulfilling all requirements stipulated in Article 6/d of the Corporate Governance Instructions No. 63/2016 dated 25/9/2016, as set forth in Part Three «Suitability, Qualifications and Evaluation of Board Members» of the Corporate Governance Manual.
- The instructions issued by the Palestine Monetary Authority and the regulatory authorities in Palestine concerning corporate governance shall be observed. Should there be any conflict therewith, the prior approval of the CBJ shall be obtained to address such conflict.
- The Companies Law and any other relevant laws, legislation and instructions issued by the regulatory authorities shall be observed in a manner that does not conflict with the provisions of the Corporate Governance instructions.
- The duties of Board Committees' rapporteurs shall be set to include: attending all committee meetings; recording all deliberations, suggestions, objections and reservations; coordinating meetings with the respective Committee's Chairman and members; ensuring that Committee members sign the meeting minutes and resolutions; keeping the Committee's meeting records and documents; and making preparations for meetings. Committee rapporteurs do not have the right to vote.
- No Board member may be appointed as chairman of more than one of the committees mentioned in the Corporate Governance Instructions (e.g. Corporate Governance Committee, Audit Committee, Nominations and Remuneration Committee, Risk and Compliance Committee). Moreover, the Board member may not serve as chairman of more than two Board committees.

Part VII: General Regulations

The Bank shall compile the Governance Report and incorporate it into the Annual Report. The Governance Report shall be signed by the Chairman of the Board and shall primarily include the following:

- Information and details pertaining to the implementation of these instructions and corporate governance regulations at the Bank.
- Names of current and resigning members of the Board of Directors for the year, indicating whether they are executive or non-executive, independent or non-independent members.
- Names of representatives of corporate members of the Board, indicating whether they are executive or non-executive, independent or non-independent representatives.
- Names and titles of the Executive Management's members.
- All board memberships held by any Board member in public shareholding companies, if any.
- Names of Board Committees.
- Names of the Chairman and members of the Audit Committee along with a profile of their qualifications and expertise in relation to financial or accounting matters.
- Names of the Chairman and members of the Nominations and Remuneration Committee, Governance Committee, and Risk and Compliance Committee.
- Number of meetings held by all Committees during the year along with the names of attending members.
- Number of the meetings held by the Audit Committee with the external auditor during the year.
- Number of the meetings held by the Board during the year along with the names of attending members.

Control Objectives for Information and Related Technologies (COBIT) Manual

Introduction

Jordan Commercial Bank (JCB) recognizes the importance of observing the best standards in the area of information and related technologies. This comes in line with the Bank's keenness to safeguard its position and adopt the best international practices in managing IT resources, projects and services in a manner enabling it to conduct its activities and fulfill its strategic objectives effectively and efficiently, which will, in turn, reflect positively on the quality of the Bank's products and services on the one hand, and on decision-making and risk management mechanisms on the other. This also stems from the Bank's profound respect for the integrity of the overall banking system and compliance with the sound international banking practices.

The Board of Directors and Executive Management have acknowledged the need for adopting successful products that trigger the implementation of information technology efficiently and effectively in parallel with the Bank's various business practices and procedures. This requires the application of a framework for the governance and management of IT and related technologies. It is also important to separate the Board's governance-related processes, roles and responsibilities from those lying within the scope of Executive Management regarding information and related technologies, while observing sound principles and standards in managing IT resources, in line with the best international practices, primarily the Control Objectives for Information and Related Technologies (COBIT) Framework. This contributes to controlling risks and fulfilling stakeholder expectations by implementing sound governance rules, while avoiding engagement in unproductive investments and unjustified expenditure, ultimately translating into significant losses that may, at times, undermine the Bank's reputation and performance.

In asserting the unique identity of JCB, this Manual was compiled and attached to the Corporate Governance Manual. This Manual expresses the Bank's stance on the governance and management of information and related technologies in terms of their concept, importance and basic principles and in a manner that conforms to the applicable legislation and best international practices and confirms the Bank's compliance with all laws and legislation issued in this regard.

The provisions of this Manual shall be applicable to the branches of JCB in both Jordan and Palestine. The Bank will publish the IT Governance Manual on its website and disclose said Manual in its annual report, indicating the extent to which the Manual's provisions have been implemented.

Part I: Information Technology Governance, Scope and Objectives

First: Governance

The management of information and related technologies is a set of continuous activities that fall within the scope of the Executive Management's responsibilities. These activities include planning with the intent of fulfilling strategic objectives involving alignment and organization; building and development involving procurement and implementation; operation, service delivery and support; and monitoring activities such as measurement and evaluation. This is to be done in a manner that secures continuous achievement of the Bank's strategic objectives and directions. In light of this, the governance of information and related technologies is defined as the process of distributing roles and responsibilities and characterizing relationships between parties, various entities and stakeholders with the aim of maximizing the Bank's added value. In so doing, an ideal approach is adopted for maintaining a balance between risks and anticipated revenues by implementing the regulations, principles and mechanisms required to ensure sound decision-making and determine the Bank's strategic direction and objectives as well as the mechanisms for controlling and monitoring compliance with the same to guarantee continuous progress and development. This is to be achieved through the governance of operations, a process related to an array of practices and activities established pursuant to the Bank's policies and which are necessary for achieving the objectives of information and related technologies. These objectives, arising from corporate objectives, can be divided into primary and secondary objectives and are required for meeting stakeholder needs.

In this respect, the term "stakeholders" refers to any person with an interest in the Bank, such as shareholders, employees, creditors, customers, external suppliers or regulatory authorities concerned with the activities of the Bank.

Second: Scope of IT Governance and Relevant Parties

The scope of implementing the IT governance requirements encompasses all the Bank's IT-based operations in various branches and departments. All stakeholders are deemed to be concerned with the implementation of such requirements. The Bank has already launched a project for creating and providing the required environment and fulfilling the requirements of IT governance in accordance with the COBIT framework, while designating roles to each of the following:

- Chairman, Board members and external experts for the purposes of providing direction, approving roles and responsibilities, providing support and approving the necessary funding for the project.

- Executive Management and managers of IT operations and procedures, and the Executive Management's IT Steering Committee, which provides overall direction, submits the required reports to the Board's IT Governance Committee, monitors the role of project managers, and ensures the provision of sufficient resources and sound acknowledgement of the corporate objectives pertaining to IT governance.
- Internal Audit shall be assigned with providing advice and practicing independent control, as an independent consultant and controller, to ensure successful performance of executive matters. This is aimed to facilitate the successful completion of the corporate governance framework, by examining the IT audit reports, taking the appropriate actions to rectify any irregularities, monitoring the quality of the technical and technological services and striving to enhance and improve them on a continuous basis, in light of the proposed recommendations and suggestions. Both the Audit Committee and the External Auditor shall furnish the Central Bank, during the first quarter of the year, with an annual internal audit report and an external audit report respectively, outlining the response of the Executive Management and the recommendations made by the Board of Directors thereon.
- The Risk, Information Security, Compliance and Legal Departments shall engage in the aforementioned project, implement its framework, monitor requirements, commit to its objectives and policies, and ensure the existence of an appropriate regulatory environment.
- The Bank shall rely on experts and holders of technical and professional certificates related to the COBIT Standard (e.g. COBIT Foundation, COBIT Assessor, COBIT Implementation and CGEIT), from within and outside the Bank, to assume the role of guide and assessor during the phases of implementation, as well as to communicate knowledge of the Standard and facilitate compliance therewith.
- Upon concluding outsourcing agreements with external parties to provide IT-related human resources, services, software and infrastructure with the aim of ensuring seamless operations, the Bank shall make sure that such external parties implement the IT governance instructions, whether in part or in whole, commensurate with the importance and nature of the Bank's operations, services, software and infrastructure provided before and after the contract duration. The Board of Directors and Senior Executive Management shall not be relieved from the ultimate responsibility for fulfilling the requirements of all instructions, including the audit requirements set forth in this Manual.

Third: IT Governance and Management Objectives

The main objective of IT governance is «to create added value» for the Bank by ensuring the optimal use of IT, preserving and increasing the value provided through investments in them, and disposing of IT initiatives and assets that fall short of creating sufficient added value for the Bank. This involves the optimization of resources and controlling of risks, and addressing of business risks associated with IT use, ownership, operation and adoption in the Bank, as well as ensuring the availability of the appropriate capabilities necessary for implementing the strategic plan, and the sufficient, suitable and effective resources. This is in addition to ensuring a sound decision-making process that accommodates the stakeholders' interest in added value on the one hand, and compares risks to revenues through the optimal utilization of resources on the other.

Accordingly, the objectives sought by the Bank through the adoption of an IT governance framework are as follows:

1. Meeting stakeholder needs by achieving the objectives of information and related technologies, in a manner ensuring:
   - Provision of high-quality information to be used as a foundation for supporting the Bank's decision-making mechanisms;
   - Prudent management of IT resources and projects, maximizing the benefits from these resources and reducing wastage thereof;
   - Provision of exceptional and supportive technology infrastructure enabling the Bank to fulfill its objectives;
   - Upgrading of the Bank's various operations via the deployment of an efficient and reliable technology system;
   - Prudent management of IT risks ensuring the necessary protection for the Bank's assets;
   - Realization of compliance with the requirements of various laws, legislation and instructions, as well as compliance with internal business strategies, policies and procedures by strengthening the Bank's internal control and monitoring systems;
   - Maximization of the level of user satisfaction with IT by fulfilling business needs in an efficient and effective manner; and
   - Management of the services of outsourced parties assigned with executing various processes, tasks, services and products.
2. Achieving comprehensive IT governance and management, by availing the required enablers;
3. Adopting regulation and organization practices and procedures that are in line with the best international standards as a foundation for launching the governance and management of IT processes, projects and resources;
4. Separating the Board's governance processes, roles and responsibilities from those falling within the jurisdiction of the Executive Management in respect of information and related technologies; and
5. Enhancing the mechanisms of self-monitoring and independent monitoring and examining compliance in the fields of IT governance and management, so as to contribute to continuous improvement and development.

Part II: The Bank›s COBIT Framework and Enablers

First: IT Governance Principles

The key principles of IT governance enable the Bank to forge an effective governance and management framework, which optimizes the utilization of information and investment in technology. Below are the key principles for the governance and management of information and related technologies in accordance with COBIT Framework:

1. Meeting Stakeholder Needs

The main objective of the Bank is to create value for stakeholders and thus realize benefits through resource optimization.

2. Covering the Enterprise End-to-End

The framework aims to integrate IT governance with corporate governance, in a manner covering all functions and operations within the Bank.

3. Applying Single Integrated Framework

The framework aligns with the latest relevant standards and frameworks, enabling it to become a comprehensive framework that safeguards corporate IT and all that is related to the management thereof.

4. Enabling a Holistic Approach

A holistic and comprehensive approach for corporate governance and IT governance shall be adopted.

5. Separating Governance from Management

The BoD shall be concerned with implementing sound corporate governance at the Bank and separating between the role of the Board and that of the Executive Management. The responsibilities assumed by the Executive Management involve the tasks and duties required from the General Manager and other Executive Management bodies, such as planning, building and operating, as well as following up on various activities to make sure that they are in alignment with the directions set by the Board in order to realize the Bank's strategic objectives.

Second: Enablers

This involves achieving comprehensive governance and management of information and related technologies, by availing not only the technology per se, but also the following 7 Enablers to accompany and complement the IT services:

1. Principles, Policies and Frameworks: These are means to translate the desired behaviors into practical instructions for day-to-day management.
2. Processes: These involve an organized set of practices and activities aimed at realizing specific objectives.
3. Organizational Structures.
4. Culture, Ethics and Behavior: These are molded via the Bank's value, ethics and behavior system.
5. Information: It includes all information produced and used by the Bank and which is necessary for properly operating and governing the Bank.
6. Services, Infrastructure and Applications: These are designed to provide the means for processing IT and facilitate the provision of services.
7. People, Skills and Competencies: These are necessary to successfully complete all activities and take sound decisions and actions.

In order for the Bank to ensure a successful IT governance framework, it undertakes to activate the aforementioned Seven Enablers.

Upon proceeding with the implementation of the Seven Enablers and secondary processes and objectives, the Bank shall tailor the same in line with the Bank's terms to serve the objectives and requirements of IT governance and COBIT. The Bank shall also work on making the change needed to provide and foster the necessary implementation environment, by adopting the 'Gap Analysis' method, comparing between the current situation and the requirements of the IT governance and COBIT Framework for the purpose of committing to implementation. The Bank shall submit to the Central Bank of Jordan a biannual progress report on the implementation of the COBIT requirements.

Third: IT Governance Processes

The process reference model divides the IT governance processes into two domains:

1. The Board's (Governance) Domain: This can be divided into five processes, with each process defining the Evaluate, Direct and Monitor practices (known as EDM5). They aim to set and maintain the IT governance framework, ensure value optimization, ensure risk optimization, ensure resource optimization and ensure stakeholder transparency.
2. Executive Management's (Management) Domain: This domain is further divided into four sub-domains of processes that are in line with the responsibility areas of Plan, Build, Run and Monitor (PBRM). These sub-domains provide end-to-end coverage of IT governance and their names have been selected in accord with their respective significance:
   - Align, Plan and Organize (APO): It relates to the formulation of the IT policy and IT strategy, establishment of the Bank's organizational structures, management of financial affairs and management of investment portfolios.
   - Build, Acquire and Implement (BAI): It relates to business analysis, project management, utilization scenario evaluation, requirements definition and management, programming, system engineering, system decommissioning and capacity management.
   - Deliver, Service and Support (DSS): It relates to the management of continuity, problems, service and incidents office, security services, IT processes, and database.

• Monitor, Evaluate and Assess (MEA): It relates to compliance review, efficiency monitoring and controls auditing.
The Bank shall optimally implement the aforesaid domains and processes to ensure the successful application of sound IT governance.

Fourth: Maturity Levels and Process Capability Levels
The maturity levels are used for the purpose of improving processes, assessing the maturity of processes, identifying targeted levels and detecting deviations. There are six levels for classifying processes as follows:
- Level 0: Incomplete process—The complete absence of any clear processes and thus the Bank has not detected any issue to be addressed.
- Level 1: Performed process—There are indications that the Bank has detected issues to be addressed, yet there are no standard procedures. Instead, there are only approaches related to a specific purpose, and they are implemented on an individual or case basis. Therefore, the Bank's management approach is unsystematic.
- Level 2: Managed process—Processes develop to a stage where similar procedures are followed by different individuals performing the same task. However, there are no official training or standard procedures to be adopted. Accordingly, each individual shall be solely responsible for the procedure to be taken and there is substantial reliance on individual knowledge, and thus there exists a potential for errors to occur.
- Level 3: Established process—Processes have been documented and identified to serve as standard processes to be deployed throughout the Bank via training. Documentation stipulates the necessity of following these processes; however, it is unlikely to detect deviations.
- Level 4: Predictable process—The Management shall monitor and measure the level of compliance with the set policies, take measures in cases where operations are not working efficiently. The said processes are subject to continuous improvement and present a mature experience for others. In this stage, automation and tools are used in a limited or fragmented manner.
- Level 5: Optimizing process—At this level, processes have been refined to reach the level of sound practice, based on the outcomes of continuous improvement and preparation of maturity models through participation with other institutions. Here, information technologies are utilized in an integrated manner for automating work flow, providing the tools for enhancing quality and efficiency and enabling the Bank to adapt swiftly.

The Bank seeks to realize the maturity level (2.3) before 25/4/2018, and maturity level (2.5) before 25/10/2019 fully for both periods, as per the maturity levels set forth in COBIT.

Part III: BoD's Role in Managing Information and Related Technologies

The roles, activities and relationships constitute the elements defining the entities concerned with governance and how they can be engaged in the implementation process. One of the most important principles upon which IT governance is based is the separation of the roles of the Board from those of the Executive Government. Such separation can be achieved by identifying the method of communication between stakeholders and the Executive Management. The roles and responsibilities of said entities are as follows:

1. The BoD's Roles and Responsibilities:
- The Board shall monitor the activities of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, the credibility of financial reports and compliance with applicable laws, legislation and instructions. The Senior Management shall implement the fundamental principles of internal control systems, while the Board of Directors shall be directly responsible for the evaluation, direction and control processes as well as for the processes of «ensuring prudent management of IT risks» and «risk management».
- The Board shall allocate adequate budgets and designate the necessary tools and resources, including qualified personnel, through dedicated IT audit divisions. It shall also ensure that the Bank's Internal Audit Department and the external auditor are capable of conducting specialized IT audit and review of the processes pertaining to the utilization and management of IT resources and projects and the Bank's IT-based operations. This shall be done at the hands of qualified and internationally certified professionals in the field, holding valid professional certifications, such as CISA, from internationally acclaimed institutions, as per the standards set by certification organizations (ISO/IEC 17024) or other equivalent standards.
- The Board shall, through the IT Governance Committee, approve the principles, policies and frameworks required for fulfilling the overarching framework pertaining to the management and control of IT resources and projects in a manner that ensures meeting the requirements of the IT governance objectives and processes. The Board shall also approve the same regarding the management of IT Risks, IT security and human resources in a manner that ensures meeting the requirements of the IT governance processes and policies needed for managing IT governance processes and resources. The said policies shall be applied in integration with the Bank's other policies regulating its work, ensuring alignment between objectives and mechanisms. Each policy shall determine the owners, scope of implementation, review and update frequency, access and distribution authorities, objectives, responsibilities, relevant work procedures, penalties in case of non-compliance, and compliance investigation mechanisms. In devising the said policies, all internal and external partners shall be invited to contribute to the same, while adopting the best international practices and any updates thereof.
- The Board shall approve the (hierarchical and committee) organizational structures relating to the management of IT resources, processes and projects, IT risks, information security and human resources, to fulfill the requirements of IT governance processes and achieve the Bank's objectives efficiently and effectively. In this context, it is important to ensure the separation of roles and meet bilateral control requirements, at minimum, as well as update and ensure the adequacy of job descriptions upon approving and modifying the Bank's organizational structures.
- The Board shall develop the necessary infrastructure and information systems to provide information and reports for the users thereof, as a foundation upon which the Bank's decision-making processes are based. Accordingly, information quality criteria must be met, including integrity, completeness, accuracy, validity and currency, together with confidentiality as per the data classification policy, availability requirements and compliance with such information and reports, in addition to other requirements stipulated by COBIT 5 Enabling Information.
- The Board shall, through the IT Governance Committee, approve the information and reporting system, considering it a minimum requirement, while identifying the owners of said information and reports. Authorities pertaining to the access and use shall be determined through said owners, in accordance with work needs and concerned partners, and shall be continuously reviewed and developed to keep up with the developments in the Bank's objectives and processes. This shall be done in line with the best acceptable international practices in this regard.
- The Board shall, through the IT Governance Committee, approve the system of IT services, programs and infrastructure that support the fulfillment of IT governance processes, and consequently the objectives of information and related technologies, and ultimately the overarching corporate objectives. This system shall be considered a minimum requirement and shall be continuously developed to remain up to speed with the Bank's objectives and processes and in line with the best acceptable international practices.
- The Board shall, through the IT Governance Committee and Nominations and Remuneration Committee – approve the HR Competencies Matrix and the HR management policies required for fulfilling the requirements of IT governance processes based on merit. The Board and the Senior Executive Management shall employ various mechanisms for driving desirable behaviors and dissuading undesirable ones by adopting, for example, a rewards and penalties system.
- The Board shall, through the IT Governance Committee and the Audit Committee, approve a corporate and professional ethics system that reflects internationally accepted professional conduct regulations pertaining to the handling of information and related technologies. The said system should clearly define both desirable and undesirable behaviors and the implications thereof.

2. IT Governance Committee
For the purpose of fulfilling the above-mentioned tasks required from the Board of Directors, the IT Governance Committee was formed by a decision from the Board. The Committee comprises four Board members, exhibiting strategic expertise and knowledge in the IT industry. A chairman for the said Committee was appointed from among the four Board members. The Committee shall convene at least quarterly and shall keep documented minutes of meetings. Regular reports shall be submitted to the Board of Directors. The roles undertaken by the Committee can be summarized as follows:
- The Committee shall approve the IT strategic objectives and appropriate organizational structures, including the Steering Committee at the level of Senior Executive Management. This is to be done in a manner that guarantees the realization and fulfillment of the Bank's strategic objectives and achievement of the best added value from the projects and investments in IT resources, ensuring the utilization of the necessary tools and standards to monitor and confirm the achievement of the same.
- The Committee shall approve the general framework for the management and control of IT resources and projects, which simulates the best international standards in this regard, specifically COBIT.
- The Committee shall approve the corporate objectives matrix and the objectives of information and related technologies, while detailing the secondary objectives required for the fulfillment thereof.
- The Committee shall approve the responsibilities matrix (RACI Chart) regarding the main processes of IT governance and sub-processes thereof.
- The Committee shall ensure the existence of a general framework for IT risk management, which integrates and is in line with the Bank's overarching risk management framework.
- The Committee shall approve the budget of IT resources and projects in accordance with the Bank's strategic objectives.
- The Committee shall oversee and observe IT work flow, resources and projects to ensure their adequacy and efficient contribution to fulfilling the Bank's needs and business activities.
- The Committee shall view IT audit reports and act as necessary to rectify any deviations.
- The Committee shall recommend to the Board the adoption of the necessary actions for rectifying any deviations.
- The Board delegates the IT Governance Committee to approve the Cyber Security Policy and the Cyber Security Program, which are approved by the Board.
- The Committee shall ensure the establishment of a system and mechanism to manage the services provided by third parties with the aim of supporting the Bank's provision of services.
- The Bank has established the Information Security Unit. The said Unit shall submit reports at least biannually, or whenever necessary, to the Board and the Senior Executive Management regarding cybersecurity in the Bank. The reports shall include the following as a minimum:

• Any deviations related to the application of cybersecurity policy and procedures thereof;
• The results of the cyber risk assessment;

- The assessment results of the adequacy and efficiency of the cybersecurity program and policy;
- The recommendations, procedures and requirements to be implemented; and
- Summary that reviews the most important events of cyber security threats and breaches during the reporting period.

The Committee shall have the right to invite the Bank's executive officers to attend its meetings for their opinion on various matters. The Compliance and AML Manager shall be the Committee's Rapporteur.

3. Audit Committee:

- The Audit Committee shall include the responsibilities, authorities and scope of work of IT auditing within the Audit Charter as well as within the procedures agreed on with the external auditor, in accordance with the requirements of the regulatory bodies.
- The Audit Committee shall confirm to the Board that both the Bank's internal and external auditors observe the following in the course of implementing the designated auditing of information and related technologies:
  1. IT audit standards as per the latest update of ISACA-ITAF, including the following:
     - Implementing audit tasks as part of an approved plan designated for the same, which takes into consideration the relative importance of operations, risk level and impact on the Bank's objectives and interests;
     - Delivering and adhering to continuous ad hoc training and education schemes provided by dedicated staff;
     - Observing professional and organizational independency standards and ensuring no conflict of interest in the present or future; and
     - Adhering to the standards of objectivity, exerting due professional care, maintaining proficiency in the knowledge and skills required, and maintaining thorough awareness of the Bank's IT-based mechanisms and processes, as well as other (financial, operational and legal) audit reports. This is in addition to exhibiting the ability to present relevant evidence and demonstrate common sense in detecting unacceptable practices that violate the provisions of applicable laws, regulations and instructions.
  2. Examination, assessment and review of operations pertaining to the utilization and management of IT resources and the Bank's operations based on the same, while providing reasonable overall audit assurance as to the composite risk level to which information and related technologies are exposed. This is to be done within an audit scheme including at least the required themes, taking into account that risk rating scores are divided into five levels (i.e. composite risk rating) in the following descending order: Strong Performance, Rate 1; Satisfactory Performance, Rate 2; Fair Performance, Rate 3; Marginal Performance, Rate 4; and Unsatisfactory Performance, Rate 5.

All themes or part thereof shall be audited at least once every year should the risks be rated as either 4 or 5 on the composite risk rating scale, once every two years should the risks be rated 3, and once every three years should the risks be rated 1 or 2. The constant change in the level of risks and the fundamental changes occurring to the information and related technologies during the mentioned audit periods should be taken into account. The Central Bank shall be furnished with the audit reports, including assessments of the mentioned themes, the Bank's strategic planning and policy mapping mechanisms, written and approved principles and business procedures, mechanisms adopted for the utilization of various resources including IT and human resources, and monitoring, control, improvement and development mechanisms and tools. The results and outcomes of audits shall be duly documented and evaluated, based on the significance of weaknesses and shortcomings (observations) and activated controls, in addition to assessing the level of remaining risks pertaining to each of them using a systematic standard for measuring and analyzing risks. This shall include the agreed corrective measures intended for implementation by the Bank's Management, indicating, in a specific table, the dates set for correction along with the title of the person responsible at the Bank to whom the respective observation belongs. Moreover, the Audit Committee shall furnish the Central Bank, during the first quarter of the year, with an annual internal audit report and another external audit report, respectively, including the Executive Management's response and the Board's recommendations thereon, in accordance with the audit report template (risks-controls) for information and related technologies.

3. Adoption of regular procedures for following up audit outcomes to ensure that the observations and shortcomings mentioned in the auditor's reports have been rectified on time. This should be accompanied with efforts to gradually upgrade the level of importance and risks in the case of no response, and the Board should be notified of the same whenever the need arises.
4. Inclusion of objective measuring standards in the annual performance evaluation mechanisms utilized by IT auditors, provided that the evaluation process is conducted by the Board through its Audit Committee and in accordance with the organizational hierarchy of audit divisions.
5. The internal and external auditors shall comply with the scheme of professional conduct and ethics set forth in the ISACA-ITAF and updates thereof.

The Bank may outsource the internal IT audit services to a dedicated external entity that is completely independent of the approved external auditor, provided that all the requirements of the IT governance instructions and any other relevant instructions are met. The Board and its Audit Committee shall maintain their roles in ensuring compliance and fulfillment of the said requirements, as a minimum.

Part IV: The Executive Management's Role in Managing Information and Related Technologies

1. Responsibilities and Roles of the Senior Executive Management

The Senior Executive Management shall:

- Employ qualified and trained professionals with expertise in the management of IT resources, risks, information security and IT audit, based on valid academic, professional and practical experience certifications obtained from internationally acclaimed institutions, as per the standards set by international certification organizations (ISO/IEC 17024) and/or other equivalent standards, each according to his/her competence and in accordance with the Bank's policies. It shall also make sure to enroll its personnel in continuous education and training programs for maintaining a high level of knowledge and skills in a manner that fulfills and realizes IT governance processes;
- Approve the system of IT services, programs and infrastructure that support the fulfillment of IT governance processes, and consequently the objectives of information and related technologies, and ultimately the overarching corporate objectives. This system shall be continuously developed to remain up to speed with the Bank's objectives and processes and in line with the best acceptable international practices;
- Include objective measuring standards in the annual performance evaluation mechanisms, which take into consideration contributions to achieving the Bank's objectives through employment positions;
- Develop the necessary infrastructure and information systems to provide information and reports for the users thereof, as a foundation upon which the Bank's decision-making processes are based. Accordingly, information quality criteria must be met, including integrity, completeness, accuracy, validity and currency, together with confidentiality as per the data classification policy, availability requirements and compliance with such information and reports, in addition to other requirements stipulated by COBIT 5 – Enabling Information; and
- Employ various mechanisms for driving desirable behaviors and dissuading undesirable ones by adopting, for example, a rewards and penalties system.

2. IT Steering Committee

An IT Steering Committee has been formed to ensure strategic alignment of IT to sustainably fulfill the Bank's strategic objectives. The Committee shall be chaired by the General Manager and include in its membership members of the Senior Executive Management, including the CTO, Risk Management Director and Information Security Director. One of the Board members has been elected to act as a controller in this Committee, in addition to the Internal Audit Manager in the capacity of a controller. The Committee may invite others to attend its meetings and shall duly and legally document the minutes of its meetings. The Committee shall convene at least once every three months. The roles undertaken by the Committee can be summarized as follows:

1. Drawing up annual plans aimed at realizing the strategic objectives set by the Board, supervising implementation of the same and continuously monitoring the internal and external factors impacting such plans.
2. Linking the corporate objectives matrix to the IT objectives matrix; approving and continuously reviewing the same in a manner that ensures the fulfillment of the Bank's strategic objectives and the objectives pertaining to the governance and management of information and related technologies; and defining, reviewing and continuously monitoring measurement standards by relevant officers from the Executive Management, keeping the Committee notified of the same.
3. Recommending the allocation of necessary financial and non-financial resources for achieving the objectives and processes of IT governance; utilizing qualified and suitable human resources through organizational structures that cover all the processes necessary for supporting objectives and pay regard to the separation between roles, preventing conflict of interest; adapting IT and other related infrastructure to serve the desired objectives; and supervising the implementation of IT governance projects and processes.
4. Prioritizing IT projects and programs.
5. Monitoring the quality of technical and technological services and striving to constantly enhance their efficiency.
6. Presenting the necessary recommendations to the IT Governance Committee in relation to the following:
   – Allocation of the necessary resources and mechanisms capable of achieving the objectives of the IT Governance Committee.
   – Any deviations that may negatively impact the fulfillment of strategic objectives.
   – Any unacceptable risks pertaining to IT security and protection.
   – Reports relating to performance and compliance with the requirements of the general framework for managing, controlling and monitoring IT resources and projects.
7. Providing the IT Governance Committee with the minutes of its meetings as soon as they are drafted and ensuring that they are duly reviewed.

The Operations Engineering Department Manager shall act as the Committee's Rapporteur.

References:

1. Corporate Governance Instructions No. 63/2016 dated 25/9/2016 issued by the Central Bank of Jordan.
2. The CBJ's Regulation No. 65/2016 dated 25/10/2016.
3. COBIT Framework issued by ISACA, the USA.

Governance Report:

The Bank is committed to implementing the provisions of the Companies Law and the Securities Commission Law as well as the provisions of the Corporate Governance Instructions issued by the relevant regulatory authorities. As such, the Bank is fully and optimally compliant with the implementation of corporate governance regulations.

The current members of the Board of Directors were elected on 10/04/2016 for four years. The Bank has a Corporate Governance Manual and COBIT Manual in place. They were prepared and approved in accordance with the provisions of the Corporate Governance Instructions issued by the Central Bank of Jordan and the Corporate Governance Regulations for Listed Shareholding Companies issued by Jordan Securities Commission. Moreover, they are updated according to the instructions issued by the relevant regulatory bodies. The Bank also has a Charter for the Board of Directors and rules of procedure that outline in detail the functions, powers and responsibilities of the Board of Directors, as well as charters for all Board committees, which are consistent with the relevant regulations. The meetings of the Board of Directors and Board committees are held in accordance with the regulations in force.

In compliance with the Corporate Governance Regulations of 2017 issued by the Securities Commission, the Corporate Governance Report highlighting the Bank's corporate governance practices and applications was approved. The said report covers the following data:

- **Names of present and resigned Board members during the year and names of the representatives of corporate members of the Board, with confirmation that all Board members of the Bank are nonexecutives:**

1. Mr. Micheal Faiq Ibrahim Sayegh, Chairman (Non-Independent)

2. HE Mr. Ayman Haza' Barakat Al-Majali, Vice Chairman (Non-Independent)

3. Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Board Member (Independent)

4. Ms. Iman Mahmoud Allan Al-Damen, Board Member (Independent)

5. Mr. Yazeed Shamseddin «Mohammad Yousef» Al-Khalidi, Board Member (Independent)

6. Mr. Nabil Zaki George Mshahwar, Board Member (Independent)

7. Al Saleh Holding Investment Co. Ltd., Board Member, represented by:
Ms. Reem Nasser Mohammad Al-Saleh as of 04/09/2018 (Non-Independent)

8. Social Security Corporation (1st Seat), Board Member, represented by:
Mr. Mazen Hamdi Mohammad Al-Sahsah (Non-Independent)

9. Social Security Corporation (2nd Seat), Board Member, represented by:
Ms. Shaden Ziad Nabih «Darwish Al-Haji» (Non-Independent)

10. First Jordan Investment Company, Board Member, represented by:
Mr. «Mohammad Khair» Abdul-Hameed Ababneh (till 14/05/2018) (Non-Independent)
Mr. Saleh Mohammed Saleh «Zaid Al Kilani» as of 29/07/2018 (Non-Independent)
Note: Mr. Saleh Mohammed Saleh «Zaid Al Kilani» was a Board member, as an individual person, from 28/06/2012 to 29/07/2018.

11. National Paints Factories Co. Ltd., Board Member, represented by:
Mr. Abdelnour Nayef Abdelnour Abdelnour (Non-Independent)

Names and Titles of the Senior Executive Management's Members:

Senior Executive Management	
Name	**Title**
Caesar Hani Aziz Qulajen	CEO
Alaa "Muhammad Salim" Abdulghani Qahef	Deputy CEO - Chief Operating Officer
Rami "Mohammad Jawad" Fuad Hadid	Deputy CEO - Chief Business Officer
Mohammad Ali Mohammad Al-Quraan	AGM Credit
Saleem Nayef Saleem Sawalha	AGM, Retail Banking and Branches
Abdallah Mahfouz Theodore Kishek	AGM Finance
Wael "Mohammad Yousef" Aref Rabieh	AGM, Corporate Banking
Anas Maher Radi Ayesh	Executive Manager, Treasury, Investment and Financial Institutions
Majdi Mahmoud Ibrahim Banat	AGM Operations (till 19/08/2018)
Zaher "Mohamed Farouk" Deeb Muala	Regional Manager of Palestine branches (Acting Regional Manager as of 28/05/2018 until 29/07/2018 and Regional Manager of Palestine Branches as of 30/07/2018)
Muntaser Marwan Shafeeq Alshashtari	Regional Manager of Palestine branches (resigned on 28/05/2018)
Mounir "Muhammad Gomaa" Ahmad Muhtasib*	Executive Manager, IT Department (as of 26/11/2018)
Ghada Mohammad Farhan Halloush*	Board Of Directors Secretary
Waheed Darwish Muhareb Haymour*	Manager, Remedial & Collection Department

*Non-Senior Executive Management members

Heads of Regulatory Departments	
Name	**Title**
Mahmoud Ibrahim Mahmoud Mahmoud	Compliance & AML Department Manager
Mazen Abdel-Salam Mahmoud Al-Khateeb	Manager, Risk Management
Ajoud Sharaf Al-Din Ali AlRousan	General Auditor

- Memberships held by any Board member in public shareholding companies:

Mr. Micheal Faiq Ibrahim Sayegh, Chairman
Date of Membership: 16/02/2004

• Board Member, First Jordan Investment Co.
• Chairman, Dimensions Jordan & Emirates Commercial Investments Corp.

HE Mr. Ayman Haza' Barakat Al-Majali, Vice Chairman
Date of Membership: 16/02/2004

• Chairman, First Jordan Investment Co.
• Chairman, Alrai Newspaper, Jordan
• Chairman, Al Quds Ready Mix Concrete Company
• Vice Chairman, Solidarity - First Insurance Company

Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Board Member
Date of Membership: 28/06/2012

• Chairman, Al Bilad Securities & Investment Co. since 2006 to date
• Chairman, National Chlorine Industries Company (from 04/2016 to date)
• Board Member, Arab Aluminum Industry Co. LTD (ARAL) (from 04/2017 to date)

Ms. Iman Mahmoud Allan Al-Damen, Board Member
Date of Membership: 25/10/2015

N/A.

Mr. Yazeed Shamseddin «Mohammad Yousef» Al-Khalidi, Board Member
Date of Membership: 25/10/2015

• Board Member, Solidarity - First Insurance Company

Mr. Nabil Zaki George Mshahwar, Board Member
Date of Membership: 10/04/2016

N/A.

Mr. Saleh Mohammed Saleh «Zaid Al Kilani», Board Member
Date of Membership: 28/06/2012 to 29/07/2018

N/A.

- The Bank's Governance Liaison Officer:
Mr. Mahmoud Ibrahim Mahmoud Mahmoud, Compliance & AML Manager. His duties involve following up on the implementation of corporate governance with the Jordan Securities Commission.

- Names of Board Committees, Number of Board Committee Meetings during the Year, and Each Member's Times of Attendance until 31/12/2018:

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
1	Credit Facilities Committee	6 meetings	Micheal Sayegh Committee Chairman	Attended all meetings	-
			Iman Al-Damen Member until 29/04/2018	Attended 2 meetings	-
			First Jordan Investment Co. Represented by: «Mohammed Khair» Ababneh Member until 29/04/2018	Attended 2 meetings	-
			Saleh Al Kilani Member as of 29/04/2018	Attended 4 meetings	-
			Nabil Mshahwar Member as of 29/04/2018	-	4 meetings
			Representative of National Paints Factories Co. Ltd Represented by: Abdelnour Abdelnour Member	Attended 5 meetings	1 meeting
			Social Security Corporation Represented by: Mr. Mazen Al-Sahsah Member	Attended all meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
2	Risk & Compliance Committee	3 meetings	Iman Al-Damen Committee Chairperson	Attended all meetings	-
			Nabil Mshahwar Member until 29/04/2018	-	1 meeting
			Saleh Al Kilani Member as of 29/04/2018	Attended 2 meetings	-
			Social Security Corporation (1st Seat) Member, represented by: Mazen Al-Sahsah	Attended all meetings	-
			Social Security Corporation (2nd Seat) Member, represented by: Shaden Al-Haji	Attended all meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
3	Debt and Property Settlement Committee	9 meetings	Ayman Al-Majali Committee Chairman	Attended all meetings	-
			First Jordan Investment Co. Represented by: «Mohammed Khair» Ababneh Member until 29/04/2018	Attended 3 meetings	-
			Sharif Al-Rawashdeh Member as of 29/04/2018	Attended 5 meetings	1 meeting
			National Paints Factories Co. Ltd., represented by Mr. Abdelnour Abdelnour Member	Attended 8 meetings	1 meeting
			Social Security Corporation (2nd Seat) - Member Represented by: Ms. Shaden Al-Haji Member	Attended all meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
4	Strategic Planning Committee	2 meetings	National Paints Factories Co. Ltd Represented by: Mr. Abdelnour Abdelnour Committee Chairman	Attended 2 meetings	-
			Saleh Al Kilani Member until 29/04/2018	-	-
			Nabil Mshahwar Member as of 29/04/2018	Attended 2 meetings	-
			Yazeed Al-Khalidi Member	Attended 2 meetings	-
			Social Security Corporation (1st Seat) Mazen Al-Sahsah Member	Attended 2 meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
5	Audit Committee	9 meetings	Sharif Al-Rawashdeh Committee Chairman	Attended all meetings	-
			Ayman Al-Majali Member	Attended all meetings	-
			Saleh Al Kilani Member until 29/04/2018 .... Iman Al-Damen Member as of 29/04/2018	Attended 3 meetings .... Attended 5 meetings	1 meeting .... -
			Yazeed Al-Khalidi Member	Attended all meetings	-
			Social Security Corporation (2nd Seat) - Member, represented by: Shaden Al-Haji	Attended all meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
6	Corporate Governance Committee	2 meetings	Nabil Mshahwar Committee Chairman as of 29/04/2018	Attended 1 meeting	-
			Yazeed Al-Khalidi Committee Chairman until 29/04/2018 .... Member as of 29/04/2018	Attended as Chairman of the Committee .... Attended as member of the Committee	- .... -
			Micheal Sayegh Member	Attended 2 meetings	-
			Iman Al-Damen Member	Attended 2 meetings	-

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
7	Nominations and Remuneration Committee	6 meetings	Yazeed Al-Khalidi Committee Chairman as of 29/04/2018	Attended 2 meetings	-
			Saleh Al Kilani Committee Chairman until 29/04/2018	Attended all meetings	-
			Sharif Al-Rawashdeh Member	Attended all meetings	-
			Micheal Sayegh Member	Attended all meetings	-
			First Jordan Investment Co. Represented by: «Mohammed Khair» Ababneh Member until 29/04/2018	Attended 2 meetings	2 meetings
			Nabil Mshahwar Member	Attended 3 meetings	3 meetings

	Name of Committee	Number of Meetings	Members	Attendance	Excused Absence
8	IT Governance Committee	4 meetings	Nabil Mshahwar Committee Chairman	Attended all meetings	-
			Sharif Al-Rawashdeh Member	Attended 3 meetings	1 meeting
			Iman Al-Damen Member	Attended all meetings	-
			National Paints Factories Co. Ltd Represented by: Abdelnour Abdelnour Member	Attended all meetings	-

Names of the Chairman and members of the Audit Committee along with a profile of their qualifications and expertise in relation to financial or accounting matters:

Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Chairman of the Audit Committee

Academic Qualifications:
- BA in Economics from Yarmouk University in 1986

Work Experience:
- Internal Auditor at Jordan Kuwait Bank (1981-1987)
- Loans Manager at Al Mashreq Bank, UAE (1987-1988)
- Head of Retail Banking Services and Private Services and Manager of the head office of the Saudi Investment Bank, Riyadh, Saudi Arabia (1988-2010)
- Former member of the 16th Jordanian Parliament and member of Health and Environment Committee and Energy Committee (2010-2011)
- Certified Board Member from IFC/JIOD

HE Mr. Ayman Haza' Barakat Al-Majali, Member of the Audit Committee

Academic Qualifications:
- BA in History (1972)

Work Experience:
- He started his career working in the Ministry of Foreign Affairs of Jordan.
- In 1993, he was appointed as Chief of Royal Protocol at the Royal Court.
- In 1999, he was appointed as Deputy Prime Minister as well as Minister Sport and Minister of Information.
- In 2002, he became a board member at the Jordan Gulf Bank and was re-elected in 2004 as Vice Chairman of the Board of the Jordan Commercial Bank.
- He was elected as a member of the Jordanian Parliament and was then elected as Head of Jordan's Lower House Finance Committee (2010-2012).

Ms. Iman Mahmoud Allan Al-Damen, Member of the Audit Committee

Academic Qualifications:
- MBA in Finance from the University of Jordan in 1992
- Diploma in Business Administration from University of Manchester, UK, in 1990
- BA in Business Administration from Kuwait University in 1979
- Certified Board Member from IFC/JIOD

Work Experience:
Ms. Al-Damen has a Banking experience spanning over 18 years focused on credit (Corporate, SME and Retail).

Ms. Al-Damen also held several positions in the banking sector:
- Head of Risk and Credit Department, Capital Bank (12/2007 to 12/2011)
- Assistant General Manager for Facilities, Cairo Amman Bank (2003 to 12/2007)
- Facilities Manager, Jordan Gulf Bank (1998-2003)
- Manager, Facilities Department, Bank of Jordan (1993-1998)

Mr. Yazeed Shamseddin «Mohammad Yousef» Al-Khalidi, Member of the Audit Committee

Academic Qualifications:
- MBA/Finance from New York Institute of Technology (2004)
- BA in Economics and Statistical Analysis/Business Administration from the University of Jordan (1988)
- Certified Board Member from IFC/JIOD

Work Experience:
Mr. Yazeed Al-Khalidi worked in several fields, including financial audit, business advisory, financial management and fund management in several regional and local companies.

- Chief Financial Officer at Pharmacy One Group
- Chief Operating Officer at EuroMena Management UK Ltd. based in Cairo and specialized in Fund Management
- Chief Financial Officer for the regional real estate developer, Empire Holding
- VP Finance at international reinsurer, IGI
- Accounting Manager, EDGO Group operating in the energy and contracting and oilfield services sectors
- Mr.Al-Khalidi started his professional career in the field of audit and business consultancy at Arthur Andersen offices in Amman in 1991.

Social Security Corporation (2nd Seat)
Represented by: Ms. Shaden Ziad Nabih «Darwish Al-Haji», Member of the Audit Committee

Academic Qualifications:
- Bachelor of Financial and Banking Sciences from the University of Jordan (2003)
- Chartered Financial Analyst (CFA) Certificate from CFA Institute, Virginia, USA (2010)
- Certified Board Member from IFC/JIOD

Work Experience:
- Held several positions in the Social Security Investment Fund since 2003 to date.
- Financial analyst at the Pubic Equity Department (2003-2007)
- Senior financial analyst (2007-2010)
- Currently the Head of Portfolio Management at the Pubic Equity Department (2010 to date)

Ms. Shaden also delivers lectures on the CFA certificate at one of the accredited training centers in Jordan.
• Member of the CFA Society, Jordan
• Member of a number of committees established at the Social Security Investment Fund

Mr. Saleh Mohammed Saleh «Zaid Al Kilani», Member of the Audit Committee, until 29/04/2018

Academic Qualifications:
- MBA from the United States (1989)
- BA in Political Science and International Management from the United States in 1988
- Certified Board Member from IFC/JIOD

Work Experience:
- Chief Commissioner of the Development Zones Commission (2008-2010)
- Commissioner for Investment and Economic Development Affairs at the Aqaba Special Economic Zone Authority (2005-2008)
- Former Chairman of the Dead Sea Development Company
- Held a number of positions in both the public and private sectors
- Member of the Board of Directors of Jordan Commercial Bank as a representative of the Social Security Corporation on 15/02/2010
- An independent member of the Board of Directors of Jordan Commercial Bank on 28/06/2012
- Program development and impact advisor to Abdul Hameed Shoman Foundation (04/2013 to date)

Names of Chairpersons and Members of Board Committees:

		Micheal Sayegh	Ayman Al-Majali	First Jordan Investment Co. represented by Mr. Saleh Al-Kilani	Sharif Al-Rawashdeh	Social Security Corporation (1st Seat) represented by Mr. Mazen Al-Sahsah	Iman Al-Damen	Yazeed Al-Khalidi	National Paints Factories Co. Ltd. represented by Mr. Abdelnour Abdelnour	Social Security Corporation (2nd Seat) represented by Ms. Shaden Al-Haji	Nabil Mshahwar
1	Credit Facilities Committee	Committee Chairman		Member		Member			Member		Member
2	Risk & Compliance Committee			Member		Member	Committee Chairman			Member	
3	Debt and Property Settlement Committee		Committee Chairman		Member				Member	Member	
4	Strategic Planning Committee					Member		Member	Committee Chairman		Member
5	Audit Committee		Member		Committee Chairman		Member	Member		Member	
6	Corporate Governance Committee	Member					Member	Member			Committee Chairman
7	Nominations and Remuneration Committee	Member		Member	Member			Committee Chairman			Member
8	IT Governance Committe				Member		Member		Member		Committee Chairman

•Ms. Reem Al-Saleh is a Board member appointed as a representative of Al Saleh Holding Investment Co. Ltd. as of 04/09/2018. She has not joined any Board committee yet.

- Number of the meetings held by the Audit Committee with the External Auditor during the year: 4 meetings

- Number of Board Meetings during the year, and each member's times of attendance:
The JCB Board of Directors held thirteen (13) meetings during 2018.

	Name	Attendance	Excused Absence
1	Mr. Micheal Sayegh Chairman of the Board	13 meetings	-
2	HE Ayman Al-Majali Vice Chairman	13 meetings	-
3	First Jordan Investment Co. Board Member, represented by: Mr. «Mohammed Khair» Ababneh Until 14/05/2018	4 meetings	1 meeting
	Mr. Saleh Al Kilani, representing First Jordan Investment Company as of 29/07/2018	6 meetings	-
	Mr. Saleh Mohammed Saleh «Zaid Al Kilani», Board Member, as a natural person, until 29/07/2018	6 meetings	1 meeting
4	Al Saleh Investment Holding Limited Company Board Member, represented by: Ms. Reem Nasser Mohammad Al-Saleh as of 04/09/2018	6 meetings	1 meeting
5	Social Security Corporation (1st Seat) Board Member, represented by: Mr. Mazen Al-Sahsah	13 meetings	-
6	Social Security Corporation (2nd Seat) Board Member, represented by: Ms. Shaden Al-Haji	13 meetings	-
٧	Mr. Sharif Al-Rawashdeh Board Member	12 meetings	1 meeting
٨	Ms. Iman Al-Damen Board Member	13 meetings	-
٩	Mr. Yazeed Al-Khalidi Board Member	13 meetings	-
١٠	Mr. Abdelnour Abdelnour Representative of National Paints Factories Co. Ltd. Board Member	12 meetings	1 meeting
١١	Mr. Nabil Mshahwar Board Member	10 meetings	3 meetings

Chairman of the Board

Micheal Sayegh

Sixth: Branches and Offices

Continuous successes and wide-spread services

Jordan Branches				
SN	Branch Name	Address	Telephone No.	Fax No.
1	Head Office	Al Bayader - King Abdullah II St., Al-Rawnaq District	06-5209000	06-5664110
2	Main Branch	Al Bayader - King Abdullah II St., Al-Rawnaq District	06-5209000	06-5203086
3	Shmeisani	Thaqafa St. – CSC Complex – Building No. (24)	06-5209000	06-5621878
4	Jabal Amman	Jabal Amman – Prince Muhammad St.	06-5209000	06-5621968
5	Commercial Complex	Queen Nour St.	06-5209000	06-5683657
6	Jabal Al Hussein	Jabal Al Hussein – Khaled Bin Al Waleed St.	06-5209000	06-5203193
7	Abdali	Abdali – King Hussein St.	06-5209000	06-5661484
8	Mecca St.	Um Al Sumaq – Mecca St.	06-5209000	06-5821811
9	Amman	Downtown – King Hussein St.	06-5209000	06-5203197
10	Al Yarmouk	Wehdat - Al Yarmouk St.	06-5209000	06-4778685
11	Al Quwaysimah	Amman – Madaba St.	06-5209000	06-4784692
12	Marka	Marka – King Abdullah I St.	06-5209000	06-4883665
13	Abu Nseir	Abu Nseir – Arab St.	06-5209000	06-5233379
14	Sweileh	Sweileh – Yajouz St.	06-5209000	06-5356890
15	Fuhais	Fuhais - Shaker Ta'meiah Circle	06-5209000	06-4720520
16	Wasfi Al Tal	Wasfi Al Tal St.	06-5209000	06-5525676
17	Suwaifeya	Galleria Mall – Abdulraheem Al-Hajj Muhammad St.	06-5209000	06-4017608
18	Al-Hashmi Al-Shamali	Al Bathaa St.	06-5209000	06-5203177
19	Zarqa	Zarqa – Al Saadeh St.	06-5209000	05-3993290
20	Madaba	Madaba – King Abdullah II St.	06-5209000	05-3246931
21	Karak	Karak – Amman Main St., Al Thinyah	06-5209000	03-2386967
22	Aqaba	Eastern Wehdat – Bin Rushd St.	06-5209000	03-2014166
23	Al Salt	Al Salt – Maidan St.	06-5209000	05-3551561
24	Muadi	Der Ala – Main St.	06-5209000	05-3571761
25	Irbid	Ibrid – Baghdad St. Al Qairawan Circle	06-5209000	02-7243036
26	Al Husn St.	Irbid – Al Husn St.	06-5209000	02-7251785
27	Irbid Office	Irbid – Al Balad, Cinema St.	06-5209000	02-7247087
28	Ramtha	Ramtha – Municipality Building, Al-Wihda Al-Arabiyya St.	06-5209000	02-7381857
29	Mafraq	Mafraq – East Mafraq, Dr. Khaled Abu Smaqah St.	06-5209000	02-6236652
30	Yajouz	Northern Mountain - King Abdullah II St.	06-5209000	05-3751677
31	Um Uthaina	Mecca St. – Al Thawabet Building No. (61)	06-5209000	06-5527439

Palestine Branches				
SN	Branch Name	Address	Telephone No.	Fax No.
1	Regional Management	Ramallah - Berlin St.	1800882882	97022987682
2	Ramallah	Ramallah - Berlin St.	1800882882	97022987682
3	Ramallah Office	Ramallah - Al Manara Square, City Center Building	1800882882	97022963723
4	Bethlehem	Bethlehem - Al Mahd St.	1800882882	97022767237
5	Nablus	Nablus - The Circle, Nablus Municipality Complex	1800882882	97092381953
6	Tulkarm	Tulkarm - Samara and Ala'araj Building	1800882882	97092676591