Arab Bank Group

Annual Report 2019

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CHAIRMAN'S MESSAGE

Distinguished Shareholders,

There was a notable slowdown in the global economic activity in 2019. Global economic growth reached its lowest rate since the global financial crisis, with a simultaneous slowdown in the output of all major advanced and several emerging economies. The year was also marked by rising trade tensions between large economies, high uncertainty regarding Brexit, and increased geopolitical risks in various parts of the world. These factors contributed to a slowdown in global trade, manufacturing activity, and private sector investment, including foreign direct investment. Despite the slowdown, there was buoyant activity in consumption and services that helped to encourage global economic activity. Growth was also supported by monetary easing by many central banks in the second half of 2019, helping to stabilize economic growth in the latter part of the year.

The Arab economies also slowed down in 2019. Oil-exporting Arab countries were affected by the lower production of oil and its volatile prices during 2019. Investment was broadly subdued in most oil-importing Arab economies, with capital expenditure restrained by tight fiscal policies aimed at containing high fiscal deficits and public debt. Domestic and foreign direct investment were also adversely affected by regional uncertainty and the slowdown in the real estate market in several countries of the region.

These global and regional developments have had an impact on the performance of the Arab banking sector. Interest rates in most Arab countries were reduced in the second half of the year. Liquidity and credit growth in some countries slowed down as a result of lower economic growth, the slowdown in real estate activity, and higher levels of uncertainty. At the same time, liquidity in some economies grew strongly as a result of increased financial inflows. Amid these developments, the Arab financial sector remained resilient and maintained high levels of capital adequacy and comfortable levels of liquidity.

In the face of these challenges, Arab Bank Group performed strongly and reported $1.15 billion net income before tax. It was able to continue to grow through its wide geographical network and diversified income resources, reflecting the bank's prudent strategies and operating policies.

Throughout the past year, Arab Bank Group continued to play a leading role in supporting sustainable social and economic development efforts. It financed developmental, strategic, and infrastructure projects, providing loan facilities and banking services to vital sectors, and offering trade financing in the different countries in which it operates. It also continued to offer comprehensive financial and banking solutions to SMEs and individuals.

The bank is committed to corporate social responsibility and to serving its communities. To that end, it worked closely with different stakeholders to address pressing issues in the areas of education, environmental protection, health, poverty alleviation, and orphan support. The bank's community impact was achieved through financial donations, sponsorships of initiatives and activities, and employee volunteering. These efforts were in addition to the extensive programs and initiatives of the Abdul Hameed Shoman Foundation, Arab Bank's social responsibility and cultural arm, which focuses on supporting scientific research, spreading knowledge, enhancing cultural development, and stimulating innovation.

Arab Bank's solid performance in 2019 is yet another step in its dedicated journey to protect its depositors' interests and optimize its shareholders' returns. During the coming period, we look forward to building on our achievements. We remain confident in Arab Bank's ability to preserve its position as a leading financial institution, both locally and regionally.

In closing, I would like to take the opportunity to thank the Central Bank of Jordan for its pivotal role in sustaining the resilience and stability of the Jordanian banking system.

I would also like to extend our sincere appreciation and gratitude to our shareholders and valued customers for their loyalty and trust. We extend a special thank you to all our employees for their relentless efforts and dedication. As ever, we are determined to achieve the best results for all those who place their confidence in Arab Bank.

Sabih Taher Masri

Chairman of the Board of Directors

Distinguished shareholders,

Arab Bank Group closed 2019 with solid results, reporting net income after tax of $846.5 million, compared to $820.5 million in 2018, for a growth of 3.2%. Net income before tax grew to $1.15 billion, compared to $1.12 billion in 2018. Group equity grew to $9.102 billion, with a return on equity of 9.3%.

The Group's revenues grew by 4.6% to reach $2.2 billion. These revenues were generated by both the local and international networks, with the latter comprising close to 70% of total revenues. Net operating income grew to $1.3 billion, driven by growth in interest and fee income from the bank's core operations, while total expenses decreased by 3% over 2018.

Credit facilities grew by 1.2% during the year to reach $26.1 billion, compared to $25.8 billion in December 2018. Customer deposits increased by 6% to reach $36.2 billion. Arab Bank Group also grew its equity by 5% during the year to reach over $9 billion, with a return on equity of 9.3%.

Arab Bank's 2019 results were driven by sustainable growth in the underlying business and carefully-controlled expenses. It maintains a well-funded balance sheet, strong liquidity, and a robust capital position. Its loan-to-deposit ratio stands at 72.1%, while the capital adequacy ratio calculated in accordance with Basel III regulations stands at 16.2%. Asset quality of the Group remains high and credit provisions held against non-performing loans continue to be above 100%.

The bank's strong performance reflects its ability to deliver consistent and sustained growth, and to invest for the future by the prudent and efficient deployment of capital. It also continues to build its balance sheet through a disciplined and proactive approach to risk management. While the operating environment for most regional economies remains challenging, Arab Bank's strength, loyal customer base, diversified business model, geographical spread, and ability to leverage its unique brand and global network have helped to ensure that its performance remains strong. The bank continues to support many projects that are contributing to economic and social development.

This year witnessed the opening of Arab Bank's new branch in Shanghai, a move that will strengthen the bank's footprint in the Chinese market and help to reinforce its global network of more than 600 branches across five continents.

During 2019, Arab Bank received several international awards and recognitions from prestigious organizations, most notably "The Middle East's Best Bank 2019" award by Euromoney, London, and the "Best Bank in the Middle East" award for 2019 for the fourth consecutive year by Global Finance, New York.

In the period ahead, Arab Bank will continue to support vital industrial and economic sectors and serve clients through its local, regional, and global network. The bank will also maintain its high liquidity ratio to support its operations and protect shareholders and customers. A high capital adequacy ratio and sustainable levels of growth will be maintained. We continue to reinforce our operational efficiency, to adopt prudent credit policies, and to uphold the best practices in risk management.

Arab Bank attaches strategic importance to its digital infrastructure and believes in adopting the latest and most relevant technological innovations to meet the needs and aspirations of our customers.

In conclusion, I would like to thank our valued customers for their continued support and trust and our loyal employees across the network for their ongoing loyalty and dedication.

Nemeh Elias Sabbagh
Chief Executive Officer

Corporate and Institutional Banking

Arab Bank's Corporate and Institutional Banking (CIB) division manages the group's corporate and institutional client base, providing access to a full range of lending and financial solutions through an extensive branch network and electronic channels. The broad range and efficient delivery of its solutions enables Arab Bank to remain the bank of choice for local, regional, and international companies and institutions.

CIB is uniquely positioned to provide high quality products and services to meet clients' business requirements. The banking solutions offered are enriched by Arab Bank's global network, understanding of local markets, and in-depth expertise. With a client-centric approach, CIB's strategy is to strengthen its franchise in key markets by building on and solidifying existing client relationships and adding new clients through targeted acquisition efforts.

The CIB division caters to clients' needs throughout the different stages of their business cycle and across different markets, providing consistent service levels across the network. CIB's objective is to provide its clients with an exceptional banking experience and a well-rounded range of tailored financial solutions, which includes products and services from across the bank's different business lines.

The quality of its staff underpins CIB's success. CIB closely monitors the changing dynamics of the business environment and constantly invests in strengthening and expanding the capabilities and capacities of its teams and specialists to meet clients' needs and banking requirements.

Consumer Banking

The Consumer Banking division offers customers an extensive range of features and benefits through its vast branch network and integrated direct banking channels, both locally and regionally.

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

A focus on customers throughout their lifecycle remains the pillar of Arab Bank's business programs, starting with our Jeel Arabi program, which is specially designed for children under the age of 18, through to our exclusive "Elite" program, which is offered to our high net worth customers.

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

We closely monitor and measure the level of service we offer our customers. Service is important to us as a way of maintaining the bank's leading position, strengthening its competitive edge, and continuously improving our customers' satisfaction.

Treasury

Arab Bank's Treasury manages the bank's liquidity and market risks and provides expert advice and dealing services to Arab Bank's customers around the globe. Through its state-of-the art systems, Arab Bank's Treasury remains fully up to date with the latest market developments and regulatory standards and it is well positioned to meet a wide range of both bank and customer needs.

Arab Bank's Treasury has a wide-ranging mandate, including the following responsibilities:

- To manage and optimise the liquidity of the bank within approved limits, so that the business is adequately funded at all times
- To manage the market risk of the bank within approved limits
- To earn revenues from the effective management of liquidity and market risk
- To execute bond, foreign exchange, and money market transactions with market professionals
- To promote and support the distribution of foreign exchange, derivatives, and other treasury products to customers
- To advise internal stakeholders on the consumption and management of liquidity and market risk

Treasury's main role is to manage the bank's liquidity and market risk and to ensure that the bank not only generates surplus liquidity, but also invests this liquidity prudently using the following instruments:

- Short-term placements with central banks
- Short-term deposits with high quality banks
- A multi-currency portfolio of highly liquid bonds, treasury bills, and certificates of deposit

It is important for Treasury to balance the need to maintain high liquidity with low credit and low market risk. This approach is consistent with the bank's objective of being fully liquid at all times and under all circumstances, wherever the bank operates.

A full range of treasury products and services is available to customers throughout the bank's network, whether they are exporters, importers, or savers. Arab Bank also believes in the importance of protecting the income and interests of the bank and its clients from market volatility. Arab Bank offers a wide range of risk management and hedging tools and services to customers who require protection from interest rate and foreign exchange risk.

GEOGRAPHICAL COVERAGE

The following list contains basic information of Arab Bank plc's branch network and geographical coverage as of the end of 2019.

Country	Number of Branches	Operating Since	No. of Employees
Jordan	81 (Including HO)	1934	3236
Algeria	9	2001	245
Bahrain	6	1960	189
China	1	1985	18
Egypt	42	1944	1120
Lebanon	10	1944	312
Morocco	5	1962	112
Palestine	32	1930	923
Qatar	3	1957	131
South Korea (Representative Office)	1	1989	3
Singapore	1	1984	44
UAE	8	1963	297
USA (New York Agency)	1	1982	5
Yemen	7	1972	205
Kazakhstan (Representative Office)	--	2004	--
Total	**207**	**--**	**6840**

Branches & Staff Distribution According to Governorates

Governorate	Number of Branches	No. of Employees
Amman	(Including Head Office) 55	3021
Irbid	4	47
Zarqa	7	58
Aqaba	1	20
Balqa'a	6	35
Karak	1	9
Mafraq	1	8
Ma'adaba	1	9
Jarash	1	7
Ma'an	2	10
Tafeila	1	7
Ajloun	1	5
Total	**81**	**3236**

ADDRESSES OF ARAB BANK BRANCHES AND OFFICES ABROAD

Country	Operating Since	No. of Branches
Algeria	2001	9
Bahrain	1960	6
China	1985	1
Shanghai		
Egypt	1944	42
Lebanon	1944	10
Morocco	1962	5
Palestine	1930	32

Address	No. of Employees
	245
15 Al-Sa'ada Street, Shabani Haidara Valley, Algeria Tel. 00213 (21) 608725 Fax. 00213 (21) 480001	
	189
P.O Box 813 Building No. 540 Road 1706 - Block 317 Diplomatic Area , Bahrain Tel. 00973 17549000 Fax. 00973 17541116	
	18
Unit 4505-4506, Level 45, Two IFC, 8 Century Avenue, Pudong New Area, Shanghai, China Zip Code: 200120 Tel. 0086 (21) 61607700 Fax. 0086 (21) 61607722	
	1120
46 Gameit El Dowal Street, Al-Mohandesseen Giza Tel. 0020 (2) 33328500 Fax. 0020 (2) 33328618	
	312
P.O Box 11-1015 Riad El Solh Sq. Banks Street Commercial Buildings Co. Bldg. Tel. 00961 (1) 980246/9 Fax. 00961 (1) 980803/299	
	112
P.O Box 13810 174 Mohamed V Street, Casablanca Tel. 00212 (5) 2222 3152 Fax. 00212 (5) 2220 0233	
	923
P.O Box 1476 - Grand Park Hotel Street Al Masyoon – Ramallah - Palestine Tel. 00970 (2) 2978100 Fax. 00970 (2) 2982444	

ADDRESSES OF ARAB BANK BRANCHES AND OFFICES ABROAD

Country	Operating Since	No. of Branches
Qatar	1957	3
South Korea (Representative Office)	1989	1
Singapore	1984	1
United Arab Emirates	1963	8
Abu Dhabi Branch		
Dubai Branch		
United States of America	1982	1
(New York Agency)		
Yemen	1972	7
Total		**126**

Address	No. of Employees
	131
P.O Box 172 Grand Hammed Area 119 Avenue Doha – Qatar Tel. 00974 44387777 Fax. 00974 44387524	
	3
Seoul Square Bldg., 5Fl. Hangangdaero 416 Jung-gu, Seoul 04637 South Korea Tel. 0082 (2) 775 4290 Fax.0082 (2) 775 4294	
	44
3 Fraser street, Duo Tower #10-21, Singapore 189352 Tel. 0065 65330055 Fax. 0065 65322150	
	297
Abu Dhabi: P.O Box 875 Al-Naser St. Sh. Tahnoun Bin Mohammad Building, Tel. 00971 (2) 6392225 Fax. 00971 (2) 6212370 Dubai: P.O Box 11364 – Emaar Square, Building #2 Tel. 00971 (4) 3737400 Fax. 00971 (4) 3385022	
	5
Federal Agency - New York 50 East 52nd Street New York, NY 1022 - 4213 Tel. 001 (212) 715 9700 Fax. 001 (212) 593 4632	
	205
P.O Box 475 & 1301 Zubairi Str. – Sana'a Tel. 00967 (1) 276585/93 Fax. 00967 (1) 276583	
	3604

TOTAL EMPLOYEES OF ARAB BANK GROUP

Entity	No. of Employees
Arab Bank plc	6840
Europe Arab Bank plc	132
Arab Bank (Switzerland) Limited	126
Arab Bank Australia Limited	96
Islamic International Arab Bank	980
Arab Sudanese Bank Limited	80
Arab Tunisian Bank	1438
Arab Bank – Syria	267
Al Arabi Investment Group (AB Invest)	41
Al Arabi Investment Group / Palestine	8
Al Nisr Al Arabi Insurance Company	265
Arab Company for Shared Services FZ	120
Arab Gulf Tech for IT Services FZ	41
Arab National Leasing Company	29
Total	**10463**

CAPITAL INVESTMENT OF ARAB BANK

The capital investment of Arab Bank plc amounted to JOD 229 million, representing net fixed assets of the Bank as of the end of year 2019 in comparison to JOD 224 million as of the end of year 2018.

The following is a brief description of Arab Bank subsidiaries and sister company and their results for 2019.

Arab Bank (Switzerland) Limited:

Founded in 1962 in accordance with Swiss law, Arab Bank (Switzerland) is an independent bank that is owned by the very same shareholders of Arab Bank plc. It has two main areas of activity through a network of two branches: private banking, which covers asset and investment management for both private and institutional clients in addition to trade financing.

The following table lists the main financial highlights of 2019 compared to 2018:

In CHF (thousands)	2019	2018
Capital	26 700	26 700
Total shareholders' equity	577 833	555 009
Total assets	3 563 741	3 853 307
Cash and quasi cash	2 011 686	2 321 686
Direct credit facilities	1 448 267	1 370 219
Total external sources of funds (customers' & banks' deposits)	2 901 225	3 211 883
Total revenues	90 600	80 897
Net profit / (loss) before tax	28 036	30 025
Net profit / (loss) after tax	20 238	17 118

Arab Bank Australia Limited:

Arab Bank Australia Limited founded in Australia in 1994. The current paid capital of the bank is AUD 119.3 million. The bank is a wholly owned subsidiary of Arab Bank plc. Through a network of 6 branches, the Bank provides all commercial and retail banking products and services to its customers.

The following table lists the main financial highlights of 2019 compared to 2018:

In AUD (thousands)	2019	2018
Capital	119 314	94 314
Total shareholders' equity	170 675	147 630
Percentage ownership	100%	100%
Bank share of net income / (loss)	(1 720)	(3 754)
Total assets	1 009 228	934 544
Cash and quasi cash	327 921	263 801
Direct credit facilities	664 709	657 302
Total external sources of funds (customers' & banks' deposits)	827 005	781 464
Total revenues	21 683	23 531
Net profit / (loss) before tax	(1 720)	238
Net profit / (loss) after tax	(1 720)	(3 754)

Europe Arab Bank plc:

Europe Arab Bank plc is a limited liability company established in 2006. The current paid capital of the bank is EUR 570 Million. The Bank is a wholly owned subsidiary of Arab Bank plc, with its headquarters in London. EAB has a European passport that enables it to open branches anywhere in the European Union. The Bank operates in UK, Germany, Italy, and France. EAB provides all types of banking products and services, including retail banking and treasury services, to its customers.

The following table lists the main financial highlights of 2019 compared to 2018:

In EUR (thousands)	2019	2018
Capital	569 985	569 982
Total shareholders' equity	280 099	278 601
Percentage ownership	100%	100%
Bank share of net income / (loss)	2 237	3 398
Total assets	3 049 538	3 247 899
Cash and quasi cash	1 816 015	2 106 041
Direct credit facilities	1 167 220	1 074 649
Total external sources of funds (customers' & banks' deposits)	2 700 566	2 918 858
Total revenues	47 132	47 606
Net profit / (loss) before tax	4 032	1 040
Net profit / (loss) after tax	2 237	3 398

Islamic International Arab Bank plc:

A wholly owned subsidiary of Arab Bank plc was established in Jordan in 1997 and started its operations in the year 1998. The current paid capital of the bank is JOD 100 Million. The bank offers a full range of banking products and services, which are in accordance with Islamic Sharia rules through a network of 45 branches spread in Jordan.

The following table lists the main financial highlights of 2019 compared to 2018:

In JOD (thousands)	2019	2018
Capital	100 000	100 000
Total shareholders' equity	214 489	194 072
Percentage ownership	100%	100%
Bank share of net income / (loss)	34 384	31 891
Total assets	2 287 463	2 135 053
Cash and quasi cash	760 467	631 094
Direct credit facilities *	1 469 529	1 452 798
Total external sources of funds (customers' & banks' deposits)	2 012 351	1 891 543
Total revenues	85 172	79 971
Net profit / (loss) before tax	48 488	46 763
Net profit / (loss) after tax	34 384	31 891

* This includes futures sales receivables, other accounts receivables, financings, assets leasing finished with ownership, and interest free loans. The net figure was taken for each item.

Arab Sudanese Bank Ltd.:

In 2008, Arab Bank plc obtained the license to establish and operate a fully owned subsidiary in Khartoum – Sudan, under the name "Arab Sudanese Bank", which offers a full range of banking products and services that are Islamic Sharia – compliant through a network of three branches.

The Bank started its operational activities in 2009 with a paid up capital of USD 50 Million.

The following table lists the main financial highlights of 2019 compared to 2018:

In SDG (thousands)	2019	2018
Capital	117 515	117 515
Total shareholders' equity	617 631	600 379
Percentage ownership	100%	100%
Bank share of net income / (loss)	17 267	370 455
Total assets	7 194 995	7 495 184
Cash and quasi cash	6 041 398	6 586 085
Direct credit facilities	1 082 724	842 094
Total external sources of funds (customers' & banks' deposits)	6 425 588	6 719 911
Total revenues	171 533	525 378
Net profit / (loss) before tax	46 964	393 962
Net profit / (loss) after tax	17 267	370 455

Arab Tunisian Bank:

Arab Tunisian Bank (ATB) was incorporated in Tunisia in 1982. The bank current paid capital is TND 100 Million. The bank is a majority-owned subsidiary of Arab Bank plc with a 64.24% share of its capital. Arab Tunisian Bank provides all banking products and services to its customers through a network of 133 branches, spread in Tunisia.

The following table lists the main financial highlights of 2019 compared to 2018:

In TND (thousands)	2019	2018
Capital	100 000	100 000
Total shareholders' equity	502 040	516 719
Percentage ownership	64.24%	64.24%
Bank share of net income / (loss)	(1 451)	7 173
Total assets	7 090 268	6 407 206
Cash and quasi cash	2 047 876	1 965 567
Direct credit facilities	4 804 101	4 188 604
Total external sources of funds (customers' & banks' deposits)	6 391 434	5 784 062
Total revenues	2 33 748	237 090
Net profit / (loss) before tax	(7 255)	17 657
Net profit / (loss) after tax	2 258	11 166

Arab Bank – Syria:

Arab Bank – Syria was established in 2005, and it was licensed to carry out all commercial banking activities through a network of 18 branches spread in Syria. The current paid capital of the bank SYP 5.05 Billion. Arab Bank plc owns 51.29% of its capital and controls technical management of the Bank.

The following table lists the main financial highlights of 2019 compared to 2018:

In SYP (millions)	2019	2018
Capital	5 050	5 050
Total shareholders' equity	11 441	12 655
Percentage ownership	51.29%	51.29%
Bank share of net income / (loss)	(60)	(1 527)
Total assets	59 801	66 254
Cash and quasi cash	49 341	55 139
Direct credit facilities	6 130	7 200
Total external sources of funds (customers' & banks' deposits)	46 348	51 822
Total revenues	1 566	1 027
Net profit / (loss) before tax	(116)	(1 853)
Net profit / (loss) after tax	(116)	(2 978)

Al Arabi Investment Group (AB Invest):

AB Invest is a financial services company, focusing mainly on investment banking activities. It has developed into one of the leading investment entities in the Arab world. It was established in Jordan in 1996 providing a wide range of services, including brokerage, asset management, corporate finance and research. The Company has one branch operating in Jordan.

The Company's paid up capital is JOD 14 million and is wholly owned by Arab Bank plc.

The following table lists the main financial highlights of 2019 compared to 2018:

In JOD (thousands)	2019	2018
Capital	14 000	14 000
Total shareholders' equity	19 086	19 177
Percentage ownership	100%	100%
Bank share of net income / (loss)	1 215	1 488
Total assets	23 746	22 899
Cash and quasi cash	22 091	21 862
Direct credit facilities	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	3 925	4 044
Net profit / (loss) before tax	1 637	1 843
Net profit / (loss) after tax	1 215	1 488

Arab National Leasing Company:

Arab National Leasing Co. was established in 1996 as a limited liability company and wholly-owned non-banking subsidiary of Arab Bank plc. The company current capital is JOD 50 Million, and it offers financial leasing services that cover a wide range of assets and products through one branch in Amman- Jordan.

The following table lists the main financial highlights of 2019 compared to 2018:

In JOD (thousands)	2019	2018
Capital	50 000	50 000
Total shareholders' equity	72 422	73 183
Percentage ownership	100%	100%
Bank share of net income / (loss)	4 239	4 624
Total assets	100 915	92 231
Cash and quasi cash	-	-
Investment in leasing contracts	96 429	87 949
Total external sources of funds (customers' & banks' deposits)	5 000	-
Total revenues	8 270	7 487
Net profit / (loss) before tax	5 906	5 717
Net profit / (loss) after tax	4 239	4 624

Al Nisr Al Arabi Insurance Company:

Al Nisr Al Arabi Insurance Co. is part of Arab Bank Group. It is a majority-owned subsidiary of the Bank that offers a full range of insurance products. The company was founded in 1976 with a current paid capital of JOD 10 Million. The Company has developed into one of the leading insurance companies in Jordan. The company has three branches operating in Jordan.

In 2006, Arab Bank acquired 50% in addition to two shares of the total shares representing the company's capital.

The following table lists the main financial highlights of 2019 compared to 2018:

In JOD (thousands)	2019	2018
Capital	10 000	10 000
Total shareholders' equity	22 288	21 058
Percentage ownership	50% + 2 Shares	50% + 2 Shares
Bank share of net income / (loss)	1 421	1 283
Total assets	104 904	93 935
Cash and quasi cash	26 142	23 509
Total Investments	74 061	65 203
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	29 455	29 501
Net profit / (loss) before tax	3 590	3 288
Net profit / (loss) after tax	2 842	2 566

Al Arabi Investment Group Company:

Al Arabi Investment Group Company is a financial company, established in Palestine in 2009 and launched its operational activities by the start of year 2010. The company's paid up capital is JOD 1.7 million, and Arab Bank Plc. owns 100% of its capital.

The following table lists the main financial highlights of 2019 compared to 2018:

In JOD (thousands)	2019	2018
Capital	1 700	1 700
Total shareholders' equity	1 658	1 678
Percentage ownership	100%	100%
Bank share of net income / (loss)	(19)	39
Total assets	2 557	2 518
Cash and quasi cash	2 216	2 345
Direct credit facilities	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	320	369
Net profit / (loss) before tax	(19)	39
Net profit / (loss) after tax	(19)	39

First : Jordanian Companies:

Entity	Type	Address	Type of Activity	Capital	No. of Employees
Arab National Leasing Co.	Limited Liability	Amman, Madina Monawwara St., Arab Bank Bldg. no. 255, PO Box 940638 Amman 11194 Jordan Tel. +962 6 5531640/49/50 Fax. +962 6 5529891 www.anl-jo.com	Financial leasing	JOD 50 Million	29
Al Arabi Investment Group (AB Invest)	Limited Liability	Shmeisani, Esam Ajlouni St., Bldg. no. 3, PO Box 143156 Amman 11814 Jordan Tel. +962 6 5522239 Fax. +962 6 5519064 www.ab-invest.net	Investment & Financial services	JOD 14 Million	41
Al Nisr Al Arabi Insurance Co.	Public Shareholding	Shmeisani, Esam Ajlouni St., Bldg. no. 21, PO Box 9194 Amman 11191 Jordan Tel. +962 6 5685171 Fax. +962 6 5685890 www.al-nisr.com	Insurance services	JOD 10 Million	265
Islamic International Arab Bank	Public Shareholding	Wasfi Al Tal St., Bldg. no. 20, PO Box 925802 Amman 11190 Jordan Tel. +962 6 5694901 Fax. +962 6 5694914 www.iiabank.com.jo	Islamic banking	JOD 100 Million	980

Second : Arab & Foreign Companies:

Al Arabi Investment Group/ Palestine	Private Shareholding	Rammallah, old town, Al-Harjeh Bldg., PO Box 1476 Palestine Tel. +970 2 2980240 Fax. +970 2 2980249 www.abinvest.ps	Investment & Financial services	JOD 1.7 Million	8
Arab Tunisian Bank	Public Shareholding	9 Hadi Nouira St, Tunis 1001 Tel. +216 71 351 155 Fax. +216 71 342 852 E-Mail : atbbank@atb.com.tn www.atb.com.tn	Commercial banking	TND 100 Million	1438
Arab Bank – Syria	Public Shareholding	Damascus, Abu Rummana, Mahdi Bin Baraka St., PO Box 38 Damascus, Syria Tel. +963 11 9421 Fax. +963 11 3349844 www.arabbank-syria.sy	Commercial banking	SYP 5.05 Billion	267

No. of Branches	Major Shareholders (5% or more of capital)				
	Name	No. of Shares as of 31/12/2018	%	No. of Shares as of 31/12/2019	%
1	Arab Bank plc	50 000 000 JD/Share	100%	50 000 000 JD/Share	100%
1	Arab Bank plc	14 000 000 JD/Share	100%	14 000 000 JD/Share	100%
3	Arab Bank plc	5 000 002	50%	5 000 002	50%
	Allianz Mena Holding	1 801 264	18.01%	1 801 264	18.01%
	Yacoub Sabella	993 252	9.88%	1 009 081	10.09%
	Zaid Sabella	894 794	8.95%	907 294	9.07%
45	Arab Bank plc	100 000 000	100%	100 000 000	100%
1	Arab Bank plc	1 700 000	100%	1 700 000	100%
133	Arab Bank plc	64 237 531	64.24%	64 237 531	64.24%
	Zarzari Complex	5 386 479	5.39%	5 412 807	5.41%
18	Arab Bank plc	25 899 385	51.29%	25 899 385	51.29%
	Alia Talal Zain	2 525 000	5%	2 525 000	5%
	Moh'd Kamel Sharabati	2 525 000	5%	2 525 000	5%

Entity	Type	Address	Type of Activity	Capital	No. of Employees
Arab Sudanese Bank Limited	Private Shareholding	Wahat El- Khartoum Towers, P.O Box 955, Khartoum, Sudan Tel. +249 15 6550001 Fax. +249 15 6550004	Islamic banking	USD 50 Million	80
Arab Gulf Tech for IT Services FZ	Limited Liability	Dubai Outsource Zone ACSS Building, Second Floor P.O. Box 500524 Dubai, UAE Phone: +971 4 4450555 Fax :+971 4 4495460	IT services for Arab Bank branches	USD 1.5 Million	41
Arab Company for Shared Services FZ	Limited Liability	Dubai Outsource Zone ACSS Building First Floor P.O. Box 11364 Dubai, UAE Phone: +971 4 4450555 Fax: +971 4 4495463	Financial services for Arab Bank branches	AED 40.37 Million	120
Arab Bank Australia Limited	Public Shareholding	Level 7, 20 Bridge St., Sydney NSW 2000 Australia Tel. +61 2 9377 8900 Fax: +61 2 9221 5428 www.arabbank.com.au	Commercial banking	AUD 119.3 Million	96
Europe Arab Bank	Public Shareholding	13-15 Moorgate London EC2R 6AD United Kingdom Tel.: +44 20 7315 8500 Fax: +44 20 7600 7620 www.eabplc.com	Commercial banking	EUR 569.925 Million	132

Third : Sister Company:

Arab Bank (Switzerland) Limited	Public Shareholding	Place de Longemalle 10-12 , PO Box 3575, CH-1211 Geneva , Switzerland Tel. +41 22 715 1211 Fax. +41 22 715 1311 www.arabbank.ch	Commercial banking	CHF 26.7 Million	126	2

No. of Branches	Major Shareholders (5% or more of capital)				
	Name	No. of Shares as of 31/12/2018	%	No. of Shares as of 31/12/2019	%
3	Arab Bank plc	5 000 000	100%	5 000 000	100%
1	Arab Bank plc	5 509 Shares	100%	5 509 Shares	100%
1	Arab Bank plc	40 370 Shares	100%	40 370 Shares	100%
6	Arab Bank plc	94 314 274	100%	119 314 274	100%
6	Arab Bank plc	50 000 deferred shares of £1 and 569 925 540 ordinary shares of €1	100%	50 000 deferred shares of £1 and 569 925 540 ordinary shares of €1	100%

Shareholders of Arab Bank (Switzerland) Ltd. are the same shareholders of Arab Bank plc, with an identical ownership structure.

Arab Bank Plc Investments in the Subsidiaries Companies As at 31/12/2019:

Name Of Company	Nature of Business	Ownership %	Ownership Type	Country
Europe Arab Bank Plc	Commercial Banking	100%	Subsidiary	UK
Arab Bank Australia Limited	Commercial Banking	100%	Subsidiary	Australia
Islamic International Arab Bank plc	Islamic Banking	100%	Subsidiary	Jordan
Arab National Leasing Company	Financial Leasing	100%	Subsidiary	Jordan
Al- Arabi Investment Group Co. (AB Invest)	Investment & Financial Services	100%	Subsidiary	Jordan
Arab Sudanese Bank Limited	Islamic Banking	100%	Subsidiary	Sudan
Al – Arabi Investment Group / Palestine	Investment & Financial Services	100%	Subsidiary	Palestine
Arab Tunisian Bank	Commercial Banking	64.24%	Subsidiary	Tunisia
Al – Nisr Al – Arabi Co . Ltd.	Insurance Services	50% + 2 Shares	Subsidiary	Jordan
Arab Bank - Syria	Commercial Banking	51.29%	Subsidiary	Syria

Arab Bank Plc Investments in Affiliated Companies As at 31/12/2019:

Name Of Company	Nature of Business	Ownership %	Ownership Type	Country
Turkland Bank	Commercial Banking	50%	Affiliated	Turkey
Oman Arab Bank	Commercial Banking	49%	Affiliated	Oman
Arab National Bank	Commercial Banking	40%	Affiliated	Saudi Arabia
Arabia Insurance Co.	Insurance Services	42.51%	Affiliated	Lebanon
Commercial Building Co. S.A.L	Real Estate Leasing	35.24%	Affiliated	Lebanon

Name	**Sabih Taher Darwish Masri**
Title	**Chairman / Non Executive / Non Independent**
Date of Membership	27/3/1998
Date of birth	2/12/1937
Academic qualifications	BSc in Chemical Engineering, University of Texas , Austin , USA 1963

Experiences

- More than 55 years experience in managing private businesses in various areas of investment, finance, industry and commerce.
- Founder and Chairman of Astra Group of companies (since 1966)
- Chairman of the Board of Directors of ASTRA Industrial Group - Saudi Arabia (since 2007)
- Chairman of the Board of Directors of ZARA Holding Co. - Jordan (since 5/1999)
- Chairman of the Board of Directors of Palestine Telecommunication Corp. - Palestine (since 1998)
- Member of the Board of Directors of Palestine Development & Investment Co. (Padico) - Palestine (since 1994)
- Chairman of the Board of Directors of Arab Supply & Trading Co. - Saudi Arabia (since 1979)
- Chairman of the Board of Directors of CICON for Building Materials Co. - UAE (since 1968)
- Member of the Board of Directors of Arab Bank (Switzerland) (2005- 2013)
- Chairman of the Board of Directors of Abdul Hameed Shoman Foundation, Jordan
- Chairman of the Board of Trustees of An-Najah National University

Name	**Dr. Bassem Ibrahim Yousef Awadallah**
Title	**Deputy Chairman / Non Executive / Independent**
Date of Membership	31/3/2016
Date of birth	21/12/1964
Academic qualifications	- Doctor of Philosophy in Economics, University of London 1988 - Master of Science in Economics, University of London 1985 - Bachelor of Science in Foreign Service, International Economics, International Finance and Commerce, Georgetown University 1984
Experiences	- Chief Executive Officer / Tomoh Advisory (2009 - present) - Member of the Board of Directors / Arab National Bank – Saudi Arabia (Representing Arab Bank plc since 1/9/2016 - present) - Member of the Board of Directors / Al Baraka Banking Group – Bahrain (2010 - present) - Deputy Chairman of the Board of Trustees / Al Quds University (2014 - present) - Chief of the Royal Hashemite Court (11/2007 – 10/2008) - Director of the Office of His Majesty King Abdullah II (4/2006 – 11/2007) - Minister of Finance (4/2005 – 6/2005) - Minister of Planning and International Cooperation (10/2001 – 2/2005)

Name	**Ministry of Finance, Saudi Arabia** **Represented by Mr. Hisham Mohammed Attar**
Title	Member of the Board of Directors / Non Executive / Non Independent
Date of membership	- Legal Entity : 29/4/1966 - Legal Entity's Representative : 29/3/2018
Date of birth	29/6/1981
Academic qualifications	- Bachelor in Business Economics and Public Private Sector Organizations / Brown University – Rhode Island USA, 2004
Experiences	- Director Local Partnerships Development / The Public Investment Fund - Saudi Arabia (September 2019 - Present) - Senior Vice President / The Public Investment Fund - Saudi Arabia (2016 - August 2019) - Chairman of the Saudi Jordanian Investment Funds - Jordan (2017 - Present) - Member of the Board of Directors of Mobile Telecommunication (Zain) - Saudi Arabia (2016 - Present) - Member of the Board of Directors of the Industrialization and Energy Services - Saudi Arabia (TAQA) (2017 - Present) - Member of the Board of Directors of Saudi Industrial Investment Company (Dussur) - Saudi Arabia (2017 - Present) - Member of the Executive Committee in the Saudi Arabian Military Industries company (SAMI) - Saudi Arabia (2018 - Present) - Member of the M&A Committee in the Saudi Arabian Military Industries company(SAMI) - Saudi Arabia (2018 - Present)

Name	**Social Security Corporation** **Represented by Dr. Hamzeh Ahmad Khalifeh Jaradat**
Title	**Member of the Board of Directors /Non Executive / Non Independent**
Date of Membership	Legal Entity : 20/9/2001 Legal Entity's Representative : 15/11/2017
Date of birth	1/10/1963

Academic qualifications

- Ph.D., Macro and Monetary economics, Econometrics, Finance, The University of Tennessee, Knoxville, U.S.A, August 2000
- M.Sc., Economics, University of Jordan, August 1994
- B.Sc., Economics & Computer Science, Yarmouk University, Jordan, January 1987

Experiences

- Director, Business Development & Research, Social Security Investment Fund, Jordan (March 2019 – Present)
- Director, Equity's Support Department, Social Security Investment Fund, Jordan (Feb. 2018 - March 2019)
- Director, Research Department, Social Security Investment Fund, Jordan (September 2015 – Feb. 2018)
- General Director, Jordan Post (May 2014 – May 2015)
- Director, Public Private Partnership (PPP) Unit, Ministry of Finance, Jordan (2013- 2014)
- Director, Public Debt Department, Ministry of Finance, Jordan (2012-2013)
- Senior Economist, International Monetary Fund, IMF Center for Economics and Finance, Kuwait (2011-2012)
- Advisor to the Minister, Ministry of Finance, Jordan (2004-2011)
- Economic Researcher, Economic Research and Studies Department, Central Bank of Jordan, (1989-2000)
- Assistant Professor of Economics and Finance, The University of Tennessee and Hanover College, USA (2000-2004)
- Board Member and Head of Committees of several companies, including Jordan Telecom/ Orange, National Electricity Company, Airports Company, Commercial Bank, Housing Bank for Trade & Finance, Jordan Press
- National Coordinator, OECD-MENA Initiatives and member of Governance and Public Finance Experts groups (2009-2014)

Name	**Wahbe Abdallah Wahbe Tamari**
Title	**Member of the Board of Directors / Non Executive / Non Independent**
Date of membership	31/3/2006
Date of birth	14/5/1963
Academic qualifications	- Owner / President Management Program (OMP 43), Harvard Business School, (February 2013) - BA in Management, Webster University, Geneva, Switzerland (1985)
Experiences	- Chairman of the Board of Directors of Arab Bank (Switzerland) Ltd, Geneva, Switzerland (since April 2013), previously Member of the Board of Directors (2007-2013) - Vice Chairman of the Board of Directors of Oman Arab Bank SAOC- Muscat, Oman (since September 2016) - Chairman of the Board of Directors of Arabia Insurance Co. SAL. - Beirut, Lebanon (since June 2006) - Chairman of the Board of Directors of Commercial Buildings Co. SAL. - Beirut, Lebanon (since May 2009) - Chairman of the Board of Directors of Immofina Holding S.A.L. – Beirut, Lebanon (since July 2006) - Chairman of the Board of Directors of the National Company for Real Estate Projects (NCREP) S.A.L. – Beirut, Lebanon (since May 2013) - Member of the Board of Directors of Solidere International Ltd. – Dubai, UAE (since May 2016) - Chairman of the Board of Directors / General Manager of ATFO SAL - Beirut, Lebanon (since January 2018) - Member of the Board of Directors of Sucafina S.A. Geneva, Switzerland (since August 1998) - Member of YPO GOLD - Switzerland (since 1999) - Member of the Board of Directors of LIFE (since April 2016) - Member of the Board of The Tamari Foundation – Switzerland (since 2012) - Member of the Advisory Committee of The Hassib J. Sabbagh Foundation – Switzerland (since 2012)

Name	**Abdul Hameed Shoman Foundation** **Represented by Mr. Khaled Anis Moh'd (Zand Irani)**
Title	**Member of the Board of Directors /** **Non Executive / Non Independent**
Date of membership	- Legal Entity : 31/3/2006 - Legal Entity's Representative : 27/12/2010
Date of birth	21/8/1964
Academic qualifications	- M.S.c. Degree in national parks management and tourism, New Mexico University 1993 - M.S.c. Degree in Arid Land Use, Jordan University 1989 - B.Sc. Degree in Soils, Jordan University 1986
Experiences	- Member of the Upper House of Parliament (2013 - 2016) - President of the Royal Society for the Conservation of Nature (since 2011) - Founder of E2e Company (since Jan. 2011) - Chairman of SMART AE Company (Energy Management) under E2e (since 1/2015) - General Manager/Senior Advisor – Alcazar Energy / Jordan (since 2016) - Chairman of Birdlife International (since 2012) - Minister of Energy and Mineral Resources (Dec. 2009 - Nov. 2010) - Minister of Environment (April 2005 - Dec. 2009) - Director General for the Royal Society for the Conservation of Nature (Oct. 1996 - June 2005) - Manager of the Protected Areas Dept. (Jan. 1986 - Jan. 1989) - Research Assistant / Jordan University (Oct.1986 - Jan. 1989) - Member of International Environmental Committees - Member of Royal Energy Committee - Member of Royal Water Committee

Name	**Bassam Wael Rushdi Kanaan**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	22/1/2013
Date of birth	10/5/1965
Academic qualifications	- Executive Masters of Business Administration (MBA), USA 1998 - Bachelor of Arts (BA) in Economics / Accounting, Claremont McKenna College, Los Angeles 1986 - Certified Public Accountant (CPA) California, USA - 1989 - Chartered Financial Analyst (CFA) - 2001
Experiences	- More than thirty years in senior executive positions at leading private sector and publicly listed companies in the fields of General Management, Finance, Audit and Investment - Chief Strategy and Corporate Development Officer, Hikma Pharmaceuticals Plc (2014-present) - President & COO, MENA and EU, Hikma Pharmaceuticals Plc (2010-present) - Chief Financial Officer , Hikma Pharmaceuticals Plc (2001 - 2010) - Chief Financial Officer, Palestine Development & Investment Ltd (PADICO) (1994 - 2001) - Audit Manager, Deloitte & Touche, Los Angeles, USA, (1986 – 1993) - Member of the Board of Directors of Palestine Telecommunications Company (PALTEL), (2000 - 2001) - Member of the Board of Directors of Central Electricity Generation Company (CEGCO), Jordan (2004 - 2005) - Member of the Board of Directors and Audit Committee, Zara Investment Holding Company (2006 - 2010) - Member of the Board of Directors and Chairman of the Audit Committee of Capital Bank of Jordan (formerly Export Finance Bank) (2007 - 2009) - Member of the Board of Directors and Chairman of the Audit Committee, Aqaba Development Company (ADC) (2008 - 2012)

Name	**Abbas Farouq Ahmad Zuaiter**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	27/3/2014
Date of birth	16/7/1967
Academic qualifications	- BSBA, Finance & Accounting, Georgetown University 1989
Experiences	- Co-Founder & Managing Member, Zuaiter Capital Holdings, LLC (April 2013- present) - Member of the Board of Directors of Trine Acquisition Corp, Inc. (NYSE:TRNE) (March 2019-Present) - Member of the Board of Directors of Ossia, Inc. (Seattle, WA) (2017-Present) - Chairman of Investment Committee, Alcazar Capital (January 2019-Present) - Member of the Board of Directors of The Capital Holdings Funds plc (2014-present) - Member of the Board of Advisors, iMENA Group (2013–present) - Member of the Board of Regents at Georgetown University (2014–present) - Chairman of the Board of Directors of Adecoagro (2003-2018) - Member of the Executive, Investment, Management, Capital Allocation & Risk Committees, Soros Fund Management (September 2002 – April 2013) - Chief Operating Officer, Soros Fund Management (September 2002-April 2013) - Group Chief Financial Officer, Soros Fund Management (September 2002- December 2004) - Partner, PricewaterhouseCoopers LLP – USA Firm (April 1994-September 2002)

Name	**Alaa Arif Saad Batayneh**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	22/4/2015
Date of birth	6/6/1969

Academic qualifications

- MS Degree in Management Information Systems, The George Washington University 1993
- B.S.c of Science in Electrical Engineering, The George Washington University 1991

Experiences

- General Manager – Alarif Consultancy (present)
- Chief Executive Officer – Eagle Hills / Jordan (2015–2017)
- Senator in The Upper House of Parliament (2013–2016)
- Minister of Energy & Mineral Resources & Minister of Transport (2012–2013)
- Minister of Energy & Mineral Resources (May 2012–Oct. 2012)
- Minister of Transport (2011–2012)
- Minister of Transport (2009–2011)
- Minister of Public Works & Housing (Feb. 2009–Dec. 2009)
- Minister of Transport (2007–2009)
- Director General / Customs Department (2005–2007)
- Secretary General of Ministry of Transport / Ministry of Transport (2000–2005)
- General Manager / Al Ajdal Consultancy (1998–2000)
- Head of Project Management / New Work Co. (1994–1998)
- Communication Engineer / Racal Avionics, London (1992–1994)
- Engineer, Research Department / Intelsat, Washington – USA (1991)
- Member of the Board of Trustees / The King Hussein Cancer Foundation (2014–present)
- Member of the Board of Trustees / King Abdullah II Centre for Excellence (2012–present)
- Member of the Board of Jordan Petroleum Refinery Company plc. (2014–present)
- Chairman / The King Abdullah II Fund for Development (2018–present)

Name	**Suleiman Hafez Suleiman Al Masri**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	27/10/2016
Date of birth	1/1/1941
Academic qualifications	- Bachelor Degree in Trade / University of Alexandria - Beirut Branch 1968 - Financial and Management courses in the United States of America, United Kingdom and Austria
Experiences	- Member of the Board of Trustees of The Higher Council for Science and Technology (2013-2017) - Minister of Finance (1997-1998) - Minister of Finance (2012-2013) - Minister of Post & Telecommunications (1998-1999) - Minister of Energy (2010) - Secretary General of the Ministry of Finance (1991-1996) - Chairman / Royal Jordanian Airlines (2014-2016) - Chairman / Social Security Investment Fund / Social Security Corporation (2013-2016) - Chairman / Electricity Regulatory Commission (2009-2010) - Chairman / Telecommunication Regulatory Commission (1998-1999) - Chairman / Jordan Telecommunications Corporation (1999-2001) - Chairman / Arab Potash Co. (2001-2003) - Chairman / KEMAPCO (Kemera Co.) for Fertilizers & Chemicals Industries (2001-2003) - Chairman / Jordan Bromine Co. (2001-2003) - Chairman / Free Zones Corp. & Jordan Investment Corp (1997-1999) - Member of Royal Commission for Modernization and Development (1993-1996) - Governor of the International Monetary Fund "Representing Jordan" for various periods - Deputy Governor of the Islamic Development Bank / Jeddah "Representing Jordan" (1991-1997) - Deputy Governor of the Arab Monetary Fund "Representing Jordan" (1991-1997) - Chairman of the Ministerial Development Committee for various periods - Member of the Board of Directors / Royal Jordanian Airlines (1991-1997) - Member of the Board of Directors / Jordan Electricity Authority (1991-1997) - Member of the Board of Directors / Social Security Corporation (1991-1997) - Member of the Board of Directors / Orphan Development Corp. (1991-1997) - Member of the Board of Directors / Agriculture Credit Corp. (1991-1997) - Member of the Board of Directors / Arab Engineering Industries (1992-1997) - Member of the Board of Directors / Civil Aviation Authority (1991-1997) - Member of the Board of Directors / Jordan Cement Factories Co. (1990-1997) - Member of the Board of Directors / Jordan Phosphate Co. (1992-1997) - Member of the Board of Directors / Arab African Bank (1991-1997) - Member of the Board of Directors / Arab Organisation for Agricultural Development (1992-1997) - Member of the Board of Directors / Royal Automobile Club of Jordan (2012-present)

Name	**Usama Ramez Mikdashi**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	29/3/2018
Date of birth	20/10/1941
Academic qualifications	- M.B.A. / American University of Beirut - Lebanon, 1963 - B.A.A. / American University of Beirut - Lebanon, 1961

Experiences

- Board of Directors of Arabia Insurance Co. SAL. - Beirut, Lebanon (since June 2019)
- Chairman of the Banking Control Commission of Lebanon (2010-2015)
- Board Directorships in Banking, Telecoms, Insurance, Real State in UK, South Africa, Turkey, Lebanon, Jordan & Bahrain (2007-2010)
- Career Citibank / Citigroup (1962-2007):
  - Managing Director Corporate and Investment Banking Risk Management in Europe, Middle East & Africa, London (1995-2007)
  - Group Credit Officer, Financial Institutions Trade Finance, Securities and Cash Management, New York (1989-1995)
  - Division Head, Investment Banking, Middle East and Africa, London (1986-1989)
  - Credit Policy Committee Member, Europe, Middle East and South Asia, London (1982-1986)
  - Division Credit Officer, Middle East, Athens (1979-1982)
  - Senior Credit Officer, Asia Pacific Region, Manila (1977-1979)
  - Chief of Staff and Senior Credit Officer, Middle East & Africa, Beirut and Athens (1975-1977)
  - Project Finance Officer, Middle East Region, Bahrain (1973-1975)
  - Marketing and Credit Officer, South Asia and Middle East, New York (1970-1973)
  - Corporate Banking and Marketing Officer, Karachi (1969-1970)
  - Senior Operations Officer, Riyadh (1968-1969)
  - Assistant Manager, Beirut (1962-1968)

Vacancy of the membership of Dr. Musallam Ali Hussein Musallam in the Board of Directors of Arab Bank plc in accordance with Article 164/A of the Jordanian Companies Law.

Mr. Nemeh Elias Sabbagh

Chief Executive Officer

Date of appointment : 31/1/2010

Date of birth : 15/3/1951

Academic Qualifications:

- B.A. in Economics and French at Austin College in Texas, 1972 with studies at L'Institut d'Etudes Politiques in Paris.
- MA in International Economics and Middle East Studies - Johns Hopkins University, 1974
- MBA in Finance - University of Chicago, 1976
- Completed the Senior Executive Program at the Graduate School of Business - Stanford University, 1990

Experience:

- Chief Executive Officer - Arab Bank (since February, 2010)
- Executive General Manager - Bank Med in Lebanon(2006-2009)
- Managing Director and Chief Executive Officer - Arab National Bank in Riyadh, Saudi Arabia (1998-2005)
- General Manager of the International Banking Group- National Bank of Kuwait (1979-1998)
- Worked with the Industrial Bank of Kuwait (1976-1979), First Chicago in Chicago (1974-1975) and the World Bank in Washington, D.C., 1973

- Board Member of Europe Arab Bank plc –London (Chairman)
- Board Member of Association of Banks in Jordan since 15/12/2010
- Member of the Board of Directors of Al – Hussein Fund for Excellence
- Member of the Board of Trustees - American University of Beirut
- Vice Chairman - Jordan Payments and Clearing Company

Ms. Randa Muhammad Sadik

Deputy Chief Executive Officer

Date of appointment	:	1/ 7/2010
Date of birth	:	14/11/1962

Academic Qualifications:

- B.A. in Business Administration - American University of Beirut, 1984
- M.B.A in Finance - American University of Beirut, 1986

Experience:

- Deputy Chief Executive Officer - Arab Bank (since July 1, 2010)
- Group General Manager for International Banking Group - National Bank of Kuwait (2006-2010)
- Managing Director - National Bank of Kuwait (International) plc, London (2005-2006)
- Assistant General Manager - National Bank of Kuwait (International) plc, London (1998-2005)
- Executive Manager & Treasurer - National Bank of Kuwait (International) plc, London (1993-1998)
- Head of Asset Liquidity Management - National Bank of Kuwait (International) plc, London (1991-1993)
- Financial Analyst - National Bank of Kuwait (1986-1990)
- Graduate Assistant - American University of Beirut (1985-1986)

- Chairman of Arab Tunisian Bank-Tunisia
- Board Member of Oman Arab Bank- Oman
- Vice Chairman of Arab Bank Australia ltd.
- Chairman of the Management Committee for Al-Arabi Investment Group Co.
- Board Member of Endeavor Jordan

Ziyad A. Akrouk

EVP-Head of Group Risk Management

Date of appointment : 10/6/2018

Date of birth : 26/4/1958

Academic Qualifications:

- Master of Business Administration: Finance, December 1988.
  Syracuse University, Syracuse, N.Y.
- Bachelor of Science Degree with Honors, Civil Engineering, 1981
  University of Leeds, Leeds, England

Experience:

- Head of Group Risk, Arab Bank plc, Amman, Jordan (since 6/2018)
- Chief Executive Officer, Member of the Board of Directors, Europe Arab Bank plc, United Kingdom (2011-2018)
- Chief Executive Officer, Citibank, Kuwait (2010-2011)
- Chief Executive Officer, Citibank, Jordan (2005-2010)
- Regional Risk Manager, Senior Credit Officer, Citibank Egypt, Jordan, Lebanon and Libya (2003-2005)
- Risk Manager, Senior Credit Officer, Bank Handlowy (Memebr of Citigroup), Poland (2000-2003)
- Unit Head, Corporate Banking, Corporate Finance & Project Finance, Vice President, Citibank Bahrain (1995-2000)
- Relationship Manager, Financial Institutions , Vice President, Citibank Bahrain (1989-1994)
- Marketing and Technical Support Engineer, Saudi Arabia (1984-1986)
- Project Management Engineer, Kuwait (1981-1984)

- Chairman of the Board of Directors, Al Nisr AlArabi Insurance Company, Jordan
- Member of the Board of Directors, Arab National Bank, Saudi Arabia
- Member of the Board of Directory, Jordan Mortgage Refinance Company, Jordan

Mr. Mohamed A. Hamad Ghanameh

EVP - Chief Credit Officer

Date of appointment	:	1/2/2007
Date of birth	:	6/1/1953

Academic Qualifications:

- B.Sc. in Mathematics, Riyadh University – Saudi Arabia, 1975
- Diploma in Computer Programming, London, 1976

Experience:

- EVP - Head of Credit, Arab Bank plc – Head Office, Jordan (since 4/2010)
- Executive Vice President / Global Head of Corporate & Investment Banking, Arab Bank plc – Head Office, Jordan (2007 –2010)
- Head of Corporate & Investment Banking Banque Saudi Fransi - Riyadh / Saudi Arabia (1999 – 2007)
- Head of Corporate & Investment Banking United Saudi Bank / USCB - Riyadh / Saudi Arabia (1995 – 1999)
- Assistant General Manager / Head of Corporate - Retail Banking Groups Cairo Amman Bank – Jordan (1990 –1995)
- Vice President / Head of Saudi Corporate Marketing Unit Gulf International Bank – Bahrain (1989 –1990)
- Manager International Corporate - Credit Division Arab Bank plc – General Management Jordan (1987–1989)
- Head of Corporate Banking / Central Region Saudi American Bank / Citibank - Riyadh / Saudi Arabia (1976 –1987)

- Chairman of the Supervisory Board of Arab National Leasing Company, Amman - Jordan
- Vice Chairman of International Islamic Arab Bank
- Deputy of the Supervisory Board of AB Invest , Amman – Jordan
- Member of the Board of Directors of Arab National Bank - Riyadh / Saudi Arabia
- Member of the Board of Directors of Arab Bank - Syria
- Vice Chairman of T - Bank - Turkey

Mr. Mohammed Ahmed Khaled Masri

EVP - Head of Corporate and Institutional Banking

Date of Appointment : 20/5/2018
Date of Birth : 23/4/1972

Academic Qualifications:

- BA, Business Administration, Faculty of Economics and Administrative Sciences - University of Jordan, 1995

Experience:

- Executive Vice President / Corporate and Institutional Banking (5/2018-present)
- Country Manager, Arab Bank / United Arab Emirates (2011-2018)
- Senior General Manager, Chief Business Officer, Bank Audi/ Egypt (2006-2011)
- Head of Corporate and Institutional Banking, Millennium Capital Holding/ UAE/ Sudan (2006)
- Head of Corporate and Institutional Banking, Standard Chartered Bank / Jordan (2001-2004)
- Regional Manager, Standard Chartered Bank / Palestine (1999-2001)
- Branch Management, Standard Chartered Bank (Formerly ANZ Grindlays Bank)/ Palestine (1995-1999)

Mr. Antonio Mancuso-Marcello

EVP - Head of Treasury

Date of appointment	:	1/6/2008
Date of birth	:	2/5/1966

Academic Qualifications:

- BA (Honours), Business Studies and German, Nottingham – UK, 1989
- Certificate in Business Sciences, Universitaet-GHS Paderborn – Germany, 1987

Experience:

- Executive Vice President / Treasury, Arab Bank (6/2008 - present)
- Group Treasurer, UniCredit – Italy (2007-2008)
- Global Treasurer, GE Insurance Solutions – UK and US (2002-2006)
- Assistant Treasurer / Head of European Funding, GE Capital – France (1999-2002)
- Associate Director / Fixed Income, UBS – UK (1997-1999)
- Associate Director / Fixed Income, NatWest Markets – UK (1992-1997)
- Assistant Director / Money Markets, Yamaichi International – UK (1990-1992)
- Alumni Fellow of Nottingham Business School, Nottingham Trent University (since 2014)

Mr. Naim Rassem Kamel Al-Hussaini

EVP - Head of Consumer Banking

Date of appointment	:	20/11/2011
Date of birth	:	28/11/1962

Academic Qualifications:

- B.Sc. of Science, Industrial Management, University of Petroleum & Minerals – Saudi Arabia, 1985

Experience:

- Head of Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2008 – 2011).
- Acting Head, Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2006 – 2007).
- Division Manager, Consumer Assets Sales Division, Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2005).
- Regional Manager, Retail Banking Division, Eastern Region, Banque Saudi Fransi, Saudi Arabia (2000 – 2005).
- Manager, Network & Financial Planning Department, Retail Banking Group, Head Office, Banque Saudi Fransi, Saudi Arabia (1995 – 2000).
- Personnel Manager, Corporate Human Resources Division, Head Office, Banque Saudi Fransi, Saudi Arabia (1993 – 1995).
- Manager, Recruitment & Government Relations, Corporate Human Resources Division, Head Office, Banque Saudi Fransi, Saudi Arabia (1990 – 1993).
- Manager, Budget & Financial Planning, ITISALAT ALSAUDIA (1988 – 1990).
- Head, Tender & Contracting, ITISALAT ALSAUDIA (1986 – 1988).
- Member of the Board - Arab Tunisian Bank - Tunisia
- Member of the Board - International Islamic Arab Bank
- Board Member of Jordan Hotels and Tourism Company

Walid Muhi Eddin Mohammed Al Samhouri

EVP- Jordan Country Head

Date of appointment	:	15/8/1988
Date of birth	:	27/10/1962

Academic Qualifications:

- MSc in Economics University of Jordan, Amman 1994.
- BSc in Economics, Statistics & Public Administration - University of Jordan, Amman 1985.

Experience:

- Executive Vice President – Jordan Country Head (10/2015)
- Senior Vice President – Senior Credit Officer - Credit Group, Gulf, Egypt & Subsidiaries (2012-10/2015)
- Senior Vice President- Senior Credit Officer - Credit Group, Gulf, International & subsidiaries (2010-2011)
- Senior Vice President- Senior Credit Officer - Credit Group, North Africa and Lebanon (2008-2010)
- Head of Global Credit Administration & Control- Credit Group (2007-2008)
- Department Head – Corporate & Institutional Banking - Research & Support - Global Banking Group (GBG) (2003-2007)
- Senior Credit Officer - Credit Group (Country Risk, Sovereign and Quasi Sovereign) (1998-2003)
- Various responsibilities in credit, banking operations and trade finance in Jordan and Bahrain (1988-1998)

- Chairman - Arab Sudanese Bank- Sudan
- Board Member - Arab Tunisian Bank
- Board Member- Oman Arab Bank
- Board Member - Jordan Loan Guarantee Corp.

Name : Eric J. Modave

EVP - Chief Operating Officer

Date of appointment : 01/07/2014

Date of birth : 28/05/1966

Academic Qualifications:

- Master in Engineering and Business Management (HEC Liege) – 1989
- Certified Chartered Accountant (Luxembourg) – 2006
- AMP Insead (France) - 2013

Experience:

- Arab Bank: Chief Operating Officer, Arab Bank plc (Jordan), since (1/7/2014)
- Chief Operating Officer, Barclays Africa (Kenya) (2009 - 2014)
- Global Payment Operating Head, Barclays (London) (2006 - 2009)
- Head of Operations, Global Consumer Bank Europe Middle-East, Africa and Russia, Citigroup, (London) (2005 –2006)
- Head of Retail Operations and Process Re-engineering Global Consumer Bank, Europe Middle-East, Africa and Russia, Citigroup (London) (2003 – 2005)
- Operations and Technology Head, Europe International Personal Banking, Citigroup (London) (2001 – 2002)
- Chief Financial Officer, Europe International Personal Banking, Citigroup (London) (1999 - 2000)
- Head of Business Planning and Analysis, Europe Consumer Bank, Citigroup (Brussels) (1996 - 1999)
- Audit Manager Arthur Andersen (Luxembourg), (1991 - 1996)
- Board Member - Europe Arab Bank plc
- Chairman of the Board of Arab Gulf Tech for IT Services - Dubai
- Chairman of the Board of Arab Company for Shared Services - Dubai

Mr. Ghassan Hanna Suleiman Tarazi

EVP - Chief Financial Officer

Date of appointment	:	1/8/2003
Date of birth	:	8/1/1964

Academic Qualifications:

- B.Sc. in Economics, Acadia University – Canada, 1984
- M.Sc. in Business Management, Leuven University, Belgium, 1986
- Professional certification (CBA & CPA) from the USA and FAIBF from Australia

Experience:

- Chief Financial Officer, Arab Bank, (since 8/1/2017)
- Secretary of the Board, Head of Secretariat Division, Investments and Investors Relations (January 2013 - 31/12/2015)
- Chief Financial Officer, 1/7/2008 - 31/12/2012
- Head of Group Internal Audit, Arab Bank (1/8/2003 - 30/6/2008)
- Head of Financial Control and Risk Management, Gulf Investment Corporation, Kuwait, (2/2003 – 7/2003)
- Partner, KPMG Certified Accountants & Auditors, Amman, Jordan (1994 – 2003)
- Assistant Manager, Jordan National Bank, Amman, (1992 – 1993)
- Senior Audit, Arthur Andersen & Co. (1989 – 1992)
- Member of the Board of Directors of Arab Tunisian Bank - Tunisia
- Member of the Board of Directors of Europe Arab Bank plc- London

Basem Ali Al-Imam, Lawyer

Board Secretary / Head of Legal Affairs Division

Date of appointment	:	15/4/2003
Date of Birth	:	19/4/1968

Academic Qualifications:

- B.A. in Law, Faculty of Law, University of Jordan, 1988
- Masters in Law, Faculty of Higher Studies, University of Jordan, 1994

Experience:

- Head of Legal Affairs Division, starting September 5, 2012
- Head of Legal Department – Arab Countries, (7/2007 – 9/2012)
- Legal Counsel (4/2003 – 7/2007)
- Advocate and Legal Consultant, The Housing Bank for Trade and Commerce, (6/1993 – 4/2003)
- Advocate, private law office (7/1991 - 6/1993)
- Legal Trainee (4/1989 – 6/1991)

Ms. Rabab Jamil Said Abbadi MCIPD

EVP - Head of Human Resources

Date of appointment	:	22/4/2018
Date of birth	:	10/12/1963

Academic Qualifications:

- B.Sc. Chemical Engineering, University of Baghdad, 1987
- Masters of Business Administration (MBA) Marketing, Coventry University, UK, 2003
- Member of the Chartered Institute of Personnel and Development, UK, 2016

Experience:

- Executive Vice President / Head of Human Resources/Arab Bank (Since 4/2018)
- Executive Director / Human Resources/Bank of Jordan" Jordan, Palestine, Syria & Bahrain" (2009-2018)
- Head of Human Resources, "Bahrain & Egypt"/ Standard Chartered Bank (2006-2009)
- Head of Human Resources, Levant/ Standard Chartered Bank (2004-2006)
- HR Product Manager /Great Plains Middle East "Dubai" (2000-2002)
- Human Resources Officer/American University of Sharjah (1999-2000)

Mr. Michael Matossian

EVP - Chief Compliance Officer

Date of appointment	:	28/11/2005
Date of birth	:	23/2/1956

Academic Qualifications:

- B.Sc. Accounting, Montclair State University – USA, 1978
- Professional Certificates: Certified Public Accountant, Certified Management Accountant, Certified Fraud Examiner, Certified Risk Professional, Certified Anti-Money Laundering Specialist - USA

Experience:

- Executive Vice President / Group Regulatory Compliance, Arab Bank plc – (since 11/2005)
- Chief Compliance Officer, Fifth Third Bank – USA (2003 - 2005)
- Senior Vice President and Director of Regulatory Risk Management, Director Anti-Money Laundering, Director Operational Risk Governance – Wachovia Corporation (formerly First Union) – USA, (1995 – 2003)
- Vice President and Director of Management Internal Control, First Fidelity Bancorporation (acquired by First Union) - USA, (1993 - 1995)
- Senior Vice President and Chief Internal Auditor, National Community Banks, Inc. – USA, (1989 – 1993)
- Senior Audit Manager, Arthur Andersen, LLP – USA, (1979 - 1989)
- Regulatory Inspector, U.S. Treasury Department, Office of the Comptroller of the Currency – USA (1976 – 1979)
- Deputy Chair of the MENA Financial Crime Compliance Group

Mr. Fadi J. Zouein

EVP - Head of Internal Audit

Date of appointment : 1/11/2009

Date of birth : 14/04/1965

Academic Qualifications:

- BA, Business Administration, Saint Joseph University – Beirut, 1987
- High Diploma in Commercial Studies, Banking and Finance , Saint Joseph University – Beirut, 1992
- Professional Certifications (CIA, CISA,CFE)

Experience:

- Executive Vice President/ Head of Internal Audit , Arab Bank plc – (since 2009)
- General Manager Internal Audit, Gulf Bank – Kuwait, (2008 – 2009)
- Head of Internal Audit, Bank of Beirut – Lebanon, (1993- 2008)
- Senior Auditor Wedge Bank Middle East – Lebanon, (1992-1993)
- Credit Analyst, Bank Tohme - Lebanon, (1989 - 1992)

- Member of the Institute of Internal Auditors

Khulud Walid Eisawi

Head of Secretariat Department

Date of appointment	:	23/9/1989
Date of birth	:	3/10/1967

Academic Qualifications:

- M.S.c in English Language – University of Jordan 1995
- B.S.c in English Language – University of Jordan 1989

Experience:

- Head of Secretariat Department (5/2015 – present)
- Manager / Secretariat Department (9/2012 – 5/2015)
- Office of Chairman of the Board of Directors (1/1996 – 8/2012)
- Employee at the Credit Department – International Branches (9/1989 – 12/1995)

RESIGNED SENIOR EXECUTIVES DURING 2019

There are no resignations during the year 2019

Arab Bank complies with the corporate governance regulations issued by the Central Bank of Jordan and the other central banks, and the relevant official entities in the countries where Arab Bank operates. Its performance management and incentives policies link performance bonuses with the employee's performance, the results of the respective division, the performance of the country where Arab Bank operates, and the overall performance of the bank.

Arab Bank believes that the performance salary and bonus policy should be competitive so that it is able to attract and retain people with high levels of knowledge, skill, and expertise in their fields. For that reason, the bonus scheme is based on the different levels of performance categories.

The bank's salary and bonus policies do not accept or approve any achievements that may expose the bank to unacceptable short- or long-term risks and do not reward poor performance. The bank applies tools in line with governance regulations that promote the optimal use of the bonus pool based on achievement levels and allow for the possibility of deferring, reducing, or clawing back the already approved or granted bonuses.

The policies take into account all types of risks associated with the core activities of the bank (liquidity and credit risks, general circumstances in the regions where the bank operates, etc.). These risks are identified to help achieve the balance between financial performance and risk levels that could arise through its banking activities and business deals.

The purpose of the policies is to enhance the bank's long-term performance and ensure that revenues have been achieved, while taking into account that future revenues may be subject to changing circumstances. For this reason, granting the bonuses is based not only on the current year's performance, but also on the period it may take for such revenues to be attained. This policy applies to long-term objectives that cannot be achieved in the same year, thereby emphasizing the link between the bonus amount, the period over which it will be granted, and the actual attainment of future results.

Arab Bank is also keen to apply the best practices in measuring and evaluating performance by benchmarking itself against set Key Performance Indicators (KPIs). These KPIs help to determine the bonus amounts that reward high performance, achieve differentiation between various levels of performance, and help to motivate and retain outstanding performers at all management levels.

The performance bonus policy helps the bank to be objective and independent of the employees working in control functions, such as risk management, compliance, and internal control, where their performance is measured and their bonuses are determined independently from the business functions they control.

COMPETITIVENESS AND MARKET SHARE

Arab Bank has one of the largest global Arab banking branch networks, with over 600 branches across five continents. In addition to being one of the most important banks in the Middle East and North Africa, Arab Bank is also one of the most competitive and diverse financial institutions. It enjoys an excellent reputation and high levels of credibility, and it has earned the trust of its customers and shareholders.

Despite the challenges posed by the current situation in the Middle East and the volatility of the global economy, Arab Bank continues to meet the needs and expectations of its customers and to protect the interests of its shareholders. The bank maintains a policy of strong liquidity and high capital adequacy ratios. This strategy enables it to work efficiently under difficult and volatile conditions and achieve sustainable profits that are underpinned by a foundation of solid financial performance.

During 2019, Arab Bank received several international awards and recognitions from reputable international parties, most notably the award for Best Bank in the Middle East from Global Finance magazine - New York (fourth consecutive year) and the Middle East's Best Bank from Euromoney magazine. The list of awards Arab Bank received also included Best Bank in Jordan from Global Finance, Euromoney, Asiamoney and EMEA Finance magazines, and Bank of the Year from The Banker magazine (published by the Financial Times). Arab Bank also received several awards from Global Finance magazine, including: Best Trade Finance Provider in the Middle East, Jordan, and Morocco; Best Foreign Exchange Provider in Jordan; Best Private Bank in Jordan; Best Treasury and Cash Management Provider in Jordan, Morocco, Bahrain, Lebanon, and Qatar; The Safest Bank in Jordan; and Best Bank in Yemen. The bank was also awarded Cash Manager of the Year in the Middle East from Global Investor, Best Trade Finance Bank in Jordan from Global Trade Review magazine, Palestine's Best Bank from Euromoney magazine, the Middle East's Best Corporate Social Responsibility and Best Trade Finance Services in the Middle East from EMEA Finance, Best Digital Bank in the Middle East from the Union of Arab Banks, and Best Bank for Banking Services Quality in the Middle East from the World Union of Arab Bankers.

Global Finance presented Arab Bank with six global awards in recognition of its consumer and corporate digital banking services, including Best Online Cash Management in Jordan, Best Trade Finance Services in Jordan, Best Consumer Digital Bank in Jordan and Egypt, Best Mobile Banking App in Jordan, and Best in Social Media Marketing and Services in Jordan.

Market shares in specific Locations:

Arab Bank operates in 28 countries in five continents. Its market share varies by country, according to the nature of business it conducts. The following table presents the Bank's market share in selected Arab countries where the Bank operates:

Country	Total Assets %	Deposits %	Direct Credit Facilities %
Jordan	19.47%	19.45%	15.54%
Palestine	23.3%	25.63%	20.01%
Bahrain	4.06%	2.70%	3.63%
Egypt	1.10%	1.26%	1.52%
Lebanon	0.46%	0.54%	1.24%
Qatar	0.48%	0.69%	0.47%
UAE	0.63%	0.72%	0.78%

Note: Market Share was calculated based on the most recent data released by the central banks in the respective countries.

PATENTS & GOVERNMENT PROTECTION

Arab Bank competes in free and open economies on the basis of fair competition. It does not enjoy any government or preferential protection. It has obtained neither preferential advantages nor specific patents.

MAJOR SUPPLIERS AND CLIENTS

No specific individual supplier or client accounts for 10% or more of the Bank's total purchases and / or sales.

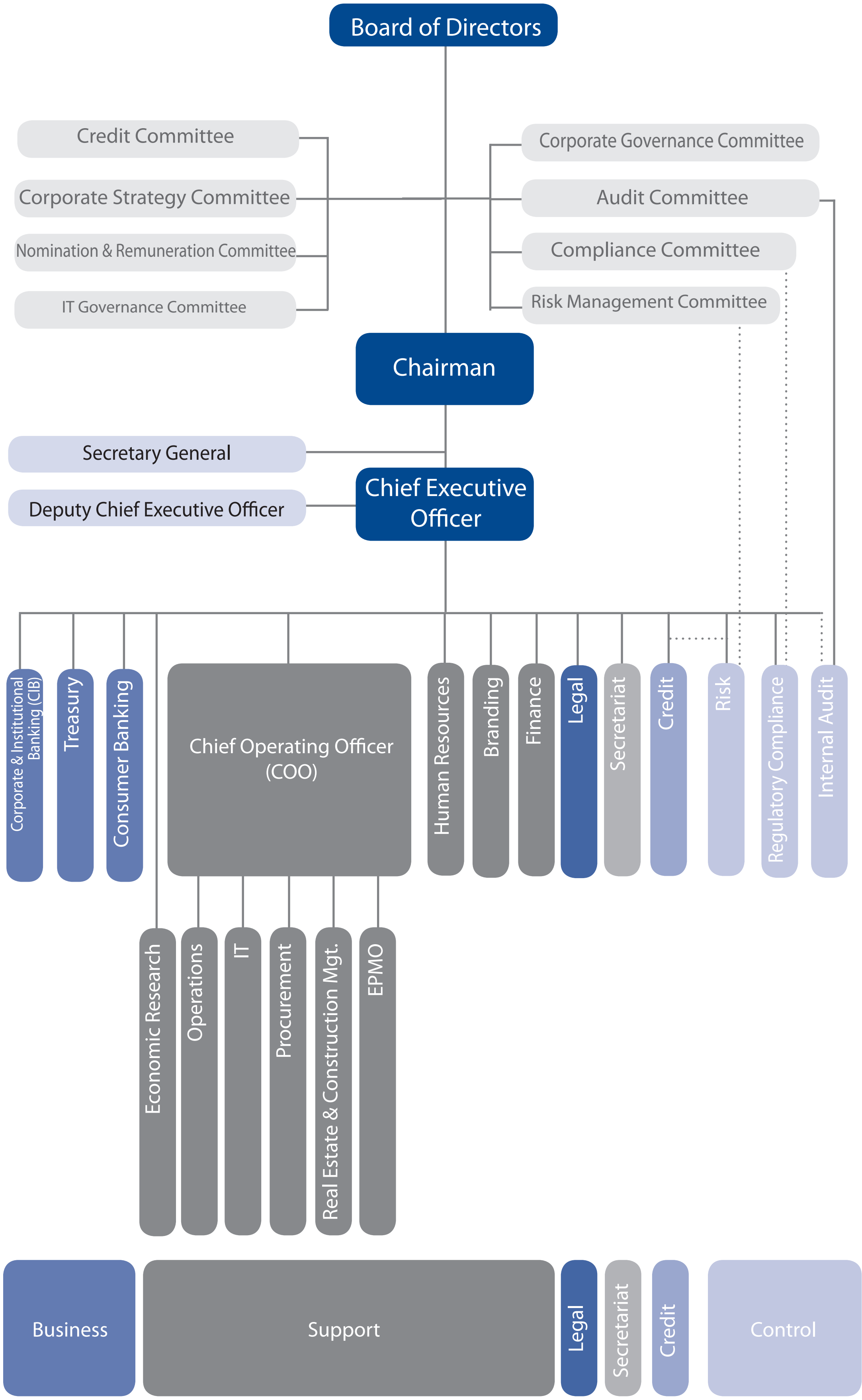
No decrees, laws or regulations were issued by any governmental bodies or international organizations that would have material impact on the Bank, its products or its competitive capabilities, noting that the international quality standards are not applicable to the Bank.

In 2019, Arab Bank received the following ratings from international credit rating agencies, considering the credit rating for the Jordanian Government.

- (BB) with (Stable) outlook from Fitch, in Jone 2019
- (Ba2) with (Stable) outlook from Moody's, in October 2019
- (B+) for Arab Bank plc with (Stable) outlook in July 2019, as well as (BB+) with a (Stable) outlook for Europe Arab Bank from Standard and Poor's

In their reports, the aforementioned agencies stated that Arab Bank follows a prudent risk approach and enjoys a strong franchise and a diverse geographic presence, in addition to sound management.

ARAB BANK ORGANIZATION CHART / HEAD OFFICE



NUMBER OF STAFF AND ACADEMIC QUALIFICATIONS

Academic Qualifications	Arab Bank plc	Europe Arab Bank plc	Arab Bank (Switzerland) Ltd.	Arab Bank Australia Ltd.	Islamic International Arab Bank	Arab Sudanese Bank Ltd.
PhD	9	0	3	1	10	1
Master's degree	640	34	38	14	109	21
Advanced diplomas	28	21	30	2	4	7
Bachelor's degree	4717	44	16	39	640	44
Junior college	480	0	28	29	108	1
High school	494	33	10	10	44	4
Sub high school	472	0	1	1	65	2
Total Employees	6840	132	126	96	980	80

Al-Arabi Investment Group (AB Invest)	Arab Tunisian Bank	Arab Bank - Syria	Al Nisr Al Arabi Insurance Company	Arab Company for Shared Services	Arab Gulf Tech for IT Services	Arab National Leasing Company	Al-Arabi Investment Group	Total
0	3	2	0	0	0	0	0	29
8	276	19	15	17	6	6	1	1204
1	362	2	0	2	0	0	1	460
26	192	174	223	81	30	16	5	6247
1	121	41	16	13	3	4	0	845
1	115	18	3	5	1	2	1	741
4	369	11	8	2	1	1	0	937
41	1438	267	265	120	41	29	8	10463

TRAINING COURSES VS. TRAINEES IN JORDAN & ARAB AREAS IN 2019

Area	Talent and Ruwad		In house						
			Internal Trainers				In house/Training Partne		
			Technical		Soft		Technical		Soft
	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses
Jordan	55	635	164	2641	20	304	54	676	16
Palestine	0	0	9	192	1	10	5	21	8
Egypt	0	0	6	176	2	22	33	805	17
Morocco	0	0	2	25	0	0	0	0	0
Algeria	0	0	0	0	1	14	1	12	4
Lebanon	0	0	19	262	0	0	22	234	9
Yemen	0	0	1	11	0	0	1	2	0
Bahrain	0	0	0	23	0	0	1	4	2
UAE	0	0	15	143	0	0	2	66	1
Qatar	0	0	3	10	0	0	2	23	0
Total per Item	**55**	**635**	**219**	**3483**	**24**	**350**	**121**	**1843**	**57**

rs	External				E-Learning		Certifications and Business Skills		Grand Total Per Area	
	Technical		Soft							
Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees
284	93	332	5	11	249	22133	8	36	664	27052
231	10	128	0	13	19	5747	6	25	58	6367
243	52	396	4	18	21	6531	4	32	139	8223
0	3	5	1	3	9	804	10	21	25	858
42	0	0	1	6	19	1532	14	83	40	1689
120	49	103	3	5	20	2190	12	25	134	2939
0	15	41	1	8	8	1161	3	5	29	1228
17	36	109	31	72	19	1398	3	6	92	1629
17	23	79	10	63	20	2131	0	0	71	2499
0	1	1	0	0	19	839	0	0	25	873
954	**282**	**1194**	**56**	**199**	**403**	**44466**	**60**	**233**	**1277**	**53357**

OVERVIEW

Arab Bank (the 'Bank') addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework based on leading best practices, and supported by a Board and Executive level risk governance structure consisting of the following committees and three independent levels of oversight:

Committees:

- Audit Committee. (Board of Directors)
- Risk Management Committee. (Board of Directors)
- Compliance Committee. (Board of Directors)
- Credit Committee. (Board of Directors)
- High Asset and Liability Management Committee.
- Executive Credit Committees.
- Operational Risk-related committees including Investigation Committee, Information Security and Business Continuity Committee.

The internal control process consists of three levels of oversight as follows:

First Level: Business Line and Country Internal Control Units.

Second Level: Group Risk Management (GRM) and Group Regulatory Compliance (GRC).

Third Level: Group Internal Audit (GIA).

The Board of Directors reviews and ratifies the Bank's overall risk management strategy, and oversees its execution. In addition, the Board of Directors, through its various committees, oversees and ensures that comprehensive risk management policies and procedures are established in all of the Bank's locations.

The Heads of Strategic Business Units manage risks within their specific business lines whether credit or operational. In addition, the Global Treasurer is responsible for the management of market and liquidity risks. They operate within formally delegated risk limits and are responsible and accountable for identifying, assessing, managing and reporting on risks in the course of their business activities.

The Head of Risk is responsible for ensuring that the Bank has a robust system for the identification and management of risk and for establishing appropriate risk frameworks consistent with the Bank's overall business strategy and risk appetite.

The Chief Compliance Officer is responsible for assuring that the Bank is in compliance with applicable laws, rules and regulations, in particular those issued by regulatory authorities.

The Chief Financial Officer is in charge of defining financial risks, reviewing any differences in financial regulatory controls, safeguarding the quality of financial data, and for ensuring the accuracy and reliability of the Bank's Financial Statements.

The Bank's Internal Audit Division is independent from executive management and reports to the Audit Committee of the Board. It contributes to achieving the Bank's objectives by following a systematic and disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes. It also provides an independent and objective assurance that the Bank's functions work in compliance with approved policies and procedures and that all functions are committed to maintain an effective and efficient internal control environment, within approved methodologies and frameworks. Group Internal Audit provides the Board Audit Committee, the Chief Executive Officer and the respective business units with the audit outcome and monitors the implementation of remedial actions.

RISK MANAGEMENT

Group Risk Management represents one of the fundamental levels of oversight and is part of the organizational structure framework for managing the Bank's risks. Arab Bank's Risk Management Strategy is designed to provide a structured approach for identifying, assessing, controlling, reporting and monitoring financial and non-financial risks within the Bank. The Board of Directors approves the Bank's Risk Management Strategy, Risk Management Frameworks, High Level Policies and the Group Risk Appetite.

The Group Risk Management function is tasked with the following:

1. Developing the Bank's Risk Management Framework and Risk Appetite Statement.
2. Implementing the Risk Management Strategy and developing policies and procedures for all types of risks and monitoring their implementation.
3. Developing appropriate risk measurement tools and models to measure, control and oversee all types of risk.
4. Developing Internal Capital Adequacy Assessment Process (ICAAP) for the Group and locally according to requirements.
5. Developing Recovery Plans for the Group and locally according to requirements.
6. Putting in place a Contingency Funding Plan, in coordination with Global Treasury, that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations, at the Group and country levels.
7. Conducting stress testing to measure the ability of the Bank to withstand shocks and elevated risks.
8. Monitoring the level of compliance of executive divisions with defined acceptable risks.

9. Developing and enhancing internal risk management practices in line with regulatory changes and industry best practices.
10. Submitting reports to the Board (through the Risk Committee) and to Executive Management on the Risk Profile of the Bank and its status in relation to the Bank's Risk Appetite, and follow-up to ensure the proper remediation of deviations.
11. Providing recommendations to the Risk Committee of the Board on mitigating risk exposures and documenting and reporting any exception to policies and standards.
12. Providing the necessary information for required risk reporting and disclosures.
13. Improving and raising the level of risk awareness among all employees based on best practices and standards especially those pertaining to the financial sector.
14. Ensuring proper integration between risk measuring tools and IT systems.

Each of the following departments within Group Risk Management has specific roles and responsibilities aimed at advancing the Bank's risk management capabilities based on best practices, international guidelines and requirements of regulatory authorities. Group Risk Management Division includes the following departments: Credit Risk Department, Business Risk Review Department, Market and Liquidity Risk Department, Treasury Middle Office Department, Operational Risk Department, Information Security Department, Business Continuity Management Department, Insurance Department, and the Policy Center.

- The Credit Risk Management Department is responsible for the centralized reporting of credit risk, credit policy review, the International Financial Reporting Standard (IFRS9) Impairment Methodology, and the internal risk rating systems, which are designed to enhance "probability of default" measurement. The department is also responsible for the implementation of Central Banks and Basel Committee requirements that are related to Credit Risk and any amendments thereof.
- The Business Risk Review Department conducts comprehensive individual, portfolio and business risk reviews to ensure that the Bank's various portfolios are aligned to their economic perspective, business strategy and target market and recommends corrective action, if necessary. The department also assesses the quality of the loan portfolio, the sound implementation of the lending policies and processes and the capabilities of the credit staff. Supplemental targeted reviews are undertaken based on market conditions, the size and sectoral nature of portfolios. In specific instances, such reviews are supported by tailored stress testing scenarios.
- The Market and Liquidity Risk Management Department is responsible for setting comprehensive market and liquidity risk policy frameworks. The policy framework ensures independent measurement, monitoring and control of the Bank's market and liquidity risks. The department is also responsible for setting and monitoring risk limits and development of market and liquidity risks measurement tools, such as Value-at-Risk, stress testing and other quantitative

risk assessments (such as those related to Basel II and III), which are performed in coordination with Treasury and Finance. The Treasury Middle Office function is considered as a Treasury Front Office control unit responsible for trade monitoring and validation, monitoring of limits, escalation of breaches and risk reporting.

- The Operational Risk Management Department, which also covers strategic and reputation risks, leads the implementation of a Bank-wide operational risk management framework, as part of the overall strengthening and continuous improvement of the internal control systems within the Bank. The framework consists of policies and aims at the identification, assessment, controlling/responding to, monitoring, and reporting of operational risks in all business activities. The Bank monitors operational risk exposures against the risk appetite at various levels across the Bank. The operational risk appetite is articulated in the Board approved Risk Appetite Statement. Major tools used for operational risk management include:
    - Risk and Control Self-Assessment (RCSA); through which the Bank assesses the operational risks of the Bank's products and services and their potential impact.
    - Key Risk Indicators provide early signals of changes in risk exposures in various areas of the Bank.
    - Loss data collection and analysis of operational risks provide meaningful information for assessing the Bank's exposure to operational risk and the effectiveness of internal controls.
    - Operational Risk Stress Testing used by the Bank to assess the impact of possible future operational risk stresses on its capital adequacy and limits.
- The Information Security Department aims at enabling and supporting business growth by minimizing information and technology risks, ensuring compliance and enabling technology adoption in all lines of business including the digital banking services enjoyed by our clients. The goal is to ensure that assets (information, people, processes and technologies) are adequately protected from possible threats, whether internal or external, deliberate or accidental. Our strategy recognizes the importance of Information Security in establishing and maintaining trust relationship with our customers, business partners, and Bank employees. This is built to instill good security practices, raise information risk awareness, strengthen controls, and ongoing enhancement for the effectiveness of prevention security controls, monitoring and incident response.
- The Business Continuity Management Department aims to counteract interruptions to business activities, to protect critical processes from the effects of major information systems failures or disasters, whether natural or otherwise, and to ensure their timely resumption. The framework is based on identifying major risks and analyzing their impact on business. The teams conduct risk assessments and use a centralized database to build the Bank's comprehensive continuity plans. These plans are kept up-to-date by each country using a web-based application, and are tested on a regular basis to ensure timely resumption of essential operations and services.

- The Insurance Department oversees all the Bank's insurance operations using a centralized database at the local and group levels. It also arranges adequate insurance cover for all insurable risks. Additionally, the department provides the Bank's divisions with the necessary support in reviewing, recommending, and delivering customized insurance coverage for products, portfolios, credit facilities, and financial transactions related to the Bank's clients. In addition, the Insurance Department is responsible for the setup and maintenance of the Bancassurance agreements.
- The Policy Center Department is responsible for centrally managing all the Bank's high level policies from the development phase until final ratification, according to a standard framework specifically customized for the Bank and in line with best international market practices. These high level policies are then embedded in more details into the Bank's various operational processes and its policies and procedures. The high level policies of the Bank are periodically reviewed in order to increase the effectiveness of the risk measurement and monitoring tools and to ensure compliance with the regulatory requirements.

The various Group Risk Management departments work in coordination with the Finance division on Capital Management to assess the impact of new regulations (e.g. Basel III), and to deliver a comprehensive Internal Capital Adequacy Assessment (ICAAP) and the Recovery Plan. This is supplemented by a stress testing framework which includes multiple scenarios covering credit, market, liquidity and operational risk events. Periodic reporting to Senior Management and to banking regulators further ensures that our capital is managed effectively.

CREDIT RISK:

Arab Bank's conservative risk strategy combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit risk profile. The conservative, prudent and well-established credit standards, policies and procedures and risk methodologies, as well as strong risk monitoring and control infrastructure enable the Bank to deal effectively with emerging risks and challenges.

Portfolio management decisions are based on the Bank's business strategy and risk appetite. The quality of the portfolio is examined on a regular basis in relation to key performance indicators. Diversification is the cornerstone for mitigating portfolio risks, which is achieved through industry, geographical, and customer tolerance limits. Periodic stress testing based on conservative scenarios, which are regularly reviewed, are key tools in managing the credit portfolio.

The credit process at Arab Bank is well defined and is institutionally predicated on:

- Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units, periodically reviewed, and adjusted as appropriate.
- Credit Committee structure that ensures credit approvals are made by consensus through committees and not individuals.
- Clear segregation between Business and Credit.
- Authorities are delegated based on risk-differentiated grids for each committee at Country and Head Office levels, which are reviewed on a regular basis.
- Well-defined target market and risk asset acceptance criteria.
- Rigorous financial, credit and overall risk analysis for each customer/ transaction.
- Regular credit risk reporting to Senior Management, Credit Committees and Risk Committee of the Board.
- Concentrations together with mitigation strategies are continuously assessed.
- Early warning system is continually validated and modified to ensure proper functioning for risk identification.
- Advanced systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment, these methodologies undergo regular validation and calibration processes.
- Systematic credit limits management enabling the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels.
- Solid documentation and collateral management processes where collateral is continuously monitored and assessed to ensure proper coverage and top-up triggers.
- Annual and interim individual credit reviews to ensure detecting any signs of weakness or warning signals and considering proper remedies in case of need.
- Implementation of strict control and monitoring systems, which are based on disciplined follow up and monitoring.
- The Bank offers several consumer banking products which are managed on a product portfolio basis through a well-established Credit Product Program. The program is considered the principal approval vehicle for credit products offered to a homogenous set of customers in multiple locations, and is subject to annual review and approval and regular assessment of the program’s performance at Arab Bank Head Office.

- Starting January 2018 Arab Bank has applied the International Financial Reporting Standard (IFRS9). A forward looking expected credit loss model that closely aligns with the clients' credit worthiness, the significant increase in credit risk based on 3 stages and taking into consideration related macroeconomic factors. The Bank adopts the credit provisioning requirement in accordance with IFRS9 guidelines, Central Bank of Jordan or other regulators' guidelines in countries where the Bank has presence, whichever is stricter.
- Conservative approach to provisioning and managing bad debt collection and early identification of problem areas. Such approach is subject to periodic legal and credit reviews and account strategies set to minimize NPLs and maximize recoveries and collections.
- Regular Stress-testing scenarios for top exposures and portfolios and assessment of impact on capital and earnings.
- The Bank enhances its processes and technology infrastructure on an ongoing basis taking into account the changing banking environment and the availability of new systems in the industry.
- Our credit processes are supplemented by sectoral portfolio reviews focused on countries, regions or specific industries, which are intended to identify any inherent risks in the portfolios resulting from changes in market conditions.
- Business Risk Review department within Group Risk Management and Group Internal Audit provide independent regular reviews and assessments on the quality of the credit portfolios within the Bank and the related credit management processes.
- The Bank is focused on developing and enhancing its credit staff competencies through specialized training programs to ensure that they are well equipped to effectively carry out their roles and responsibilities.

LIQUIDITY RISK:

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The objective of the liquidity risk management framework is to ensure that the Group can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. Arab Bank has a robust infrastructure of policies, processes and people, in order to support its strategy and ensure that all obligations are met in a timely manner, under all circumstances and without undue cost.

Liquidity continues to be an area of great focus for Arab Bank. The Bank has a highly diversified and stable funding footprint. In addition, it maintains a large portfolio of highly liquid assets, which acts as a contingent funding source which further boosts liquidity. Arab Bank's long-standing emphasis on maintaining a broad and stable liquidity base has protected the Bank from any negative effects of market volatility.

Arab Bank's liquidity management strategy is determined by the High Asset and Liability Management Committee (High ALCO). The operations of the country level Treasury teams are centrally controlled, and monitored. In coordination with local Asset and Liability Management Committees, the various countries' Treasury teams across Arab Bank work together to meet local and Group needs. The Asset and Liability Management Committees analyse market and liquidity risk exposures and take action where appropriate to adjust the pricing and product mix, in order to ensure an optimal balance sheet structure and market and liquidity risk profile for the Bank.

Treasury Department is mandated to manage the overall liquidity and funding position of the Bank, with Group Risk Management Department acting as an independent control function, responsible for reviewing the liquidity risk framework, setting the risk appetite and developing of Liquidity Risk models, which are used by Treasury, to measure and manage the Group's liquidity risk profile.

The Global Treasury and Group Risk Management receive daily information on actual, forecast and modeled liquidity. Such information is received at country level and at Group level. This provides the Treasurer with high quality decision support information and ensures that Treasury can provide the High ALCO with comprehensive management information on liquidity across the Group. The establishment of limits for Arab Bank's liquidity risk appetite, as with other forms of risk, is managed by the Head of Group Risk and the High ALCO.

The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities, which may expose the Bank to roll risk. These metrics include one week and one month liquidity ratios, cumulative liquidity gap modeling, inter-group borrowing and lending analysis, loan to deposit ratios, large depositor concentration monitoring, Basel III liquidity ratios, and stress testing.

Liquidity Stress Testing framework is one of the key tools for anticipating liquidity risk and evaluating the Group's short term liquidity positon. The bank uses stress tests and scenario analysis to assess the impact of possible future liquidity stresses on its cash flow and liquidity. The liquidity stress testing methodology consists of hypothetical events inspired by the bank's own experience, regulatory requirements and external events of relevance to the bank's portfolio.

Arab Bank's comprehensive approach to measuring and managing liquidity gives the Group a great deal of confidence in its ability to endure all unforeseen market events, while still being able to meet all of its obligations to its customers and regulators. This is supported by the Bank's Treasury and Risk systems.

Liquidity risk will continue to have a major influence on how the world's Banks operate and interact, and regulators will continue to require increasingly high standards of liquidity governance. Arab Bank's approach to liquidity management, along with its current and contingent funding structures, leaves it very well placed to face the future with great confidence. Arab Bank's funding model has shown itself to be extremely resilient for many years and hence remains materially unchanged.

MARKET RISK:

Market risk is defined as the potential for loss from changes in the value of the Bank's portfolios due to movements in interest rates, foreign exchange rates, equity prices and commodity prices. One of the main objectives of Market Risk Management is to ensure that the Bank's risk exposure is within the approved market risk appetite. Market Risk Management defines and implements a framework to systematically identify, assess, monitor and report the Bank's market risk.

Historically the Bank has managed its market risk across its Trading and Banking Books on a consolidated basis as this is a more conservative approach to the management of this risk. In addition, through its Funds Transfer Pricing Policy, the Bank ensures that market risk is transferred from Corporate and Institutional Banking and Consumer Banking to Treasury, where it can be aggregated and centrally managed.

In addition to customer deposit taking and lending activity, three main activities which can expose the Bank to market risk are: Money Markets Trading, Foreign Exchange Trading and Capital Markets Trading.

The Bank's market risk management strategy is to maximise the economic return of assets taking into account the Bank's risk appetite as well as local regulatory constraints. Market risk is governed by the Global Treasurer, the Head of Group Risk and the Chief Financial Officer. The High ALCO provides market risk oversight and guidance on risk appetite and policy settings, and establishes the overall limits, which are then allocated to the various entities by the Global Treasurer. The Global Treasury Policies and Procedures clearly define the rules that exist for the active management of all the Group's portfolios, which are subject to market risk. Group Risk Management, in coordination with Global Treasury, ensures that the policies and procedures are updated on a regular basis, or when the need arises. The market risk limits are established based on the Bank's strategy and risk appetite, and risks are monitored by an independent Middle Office and are reviewed on a regular basis by Global Treasury and Group Risk Management.

The Bank is subject to three types of market risks:

- Interest Rate Risk: Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the High ALCO. The Asset and Liability Management Committees in the various countries, as well as the respective treasurers, handle the day-to-day management of interest rate risks.

  The Group manages its IRR exposures using economic value (PV01) as well as earnings based (NII 100) measures. The Treasury Department is mandated to manage the interest rate risk, with Group Risk Management Department acting as an independent oversight function.

- Capital Markets Exposures: Investments in capital markets instruments are exposed to market risk arising from changes in interest rates and credit spreads. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk.

  The equity investment portfolio represents a very small percent of the Bank's overall investments and generally consists of direct investments in strategic alliances as well as seed investment in mutual funds originated from within the Group.

- Foreign Exchange Risk: Foreign exchange activity arises from mismatches in assets and liabilities that are denominated in currencies other than the functional currency of the respective entity. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimise foreign exchange exposure.

  In Treasury, positions are usually held open only for small risk equivalents. The majority of positions arising from customers are covered on a daily basis. Positions are measured and supervised by local management daily and by global management weekly.

Market Risk Management and Measurement Techniques:

Managing market risk is a key part of the Bank's business planning process, and in line with the Bank's risk appetite, exposure to market risk is kept at a minimal level. The main tools used for measuring and managing market risk are the following:

1. PV01: PV01 uses the interest rate gaps at the balance sheet level to measure the risk to economic value arising from changes in interest rates by 0.01%. This is measured at country and Group levels. All interest rate positions are included in the PV01 calculation, including both on-balance sheet and off-balance sheet products in the Trading and Banking Books.
2. NII 100: NII100 measures the effect of a 1% increase in interest rates on first and second year pretax earnings. This is measured at country and Group levels.
3. Overall Net Open FX Position: The Overall Net Open FX Position measures the open position for each currency, including precious metals, at country and Group levels.
4. Value at Risk (VaR): VaR is currently used as an internal measure of market risk to estimate the maximum loss that may be experienced by the Group over a one day holding period with 99% confidence level using the Historical Simulation approach supported by 500 days of data. The Group's VaR calculation is run at consolidated and country levels and covers both interest rate and foreign exchange risks.
5. Stress Testing: The Stress Testing model aims to complement the Group's Market Risk calculations by identifying and quantifying the effects of extreme, but plausible events on the Group's portfolio. The methodologies used range from single factor to multi-factor stress tests. The single factor stress tests incorporate a number of standard shocks in addition to worst historical movements for each risk factor. The multi-factor tests consist of hypothetical and historical tests as well as a hybrid of the two. All scenarios are tailored to account for the special characteristics of the Group's portfolio.

OTHER RISKS:

Arab Bank faces a number of other banking risks, which include compliance risk and strategic risk.

COMPLIANCE RISK:

Arab Bank continues to maintain an unwavering commitment to integrity and exercises the highest ethical standards across its operation, applying both the letter and spirit of regulations to ensure compliance with statutory, regulatory, and supervisory requirements. Evolving to meet the needs of rapidly changing business environments, Arab Bank ensures that its internal processes are consistent with applicable regulatory requirements, promote efficiency, foster effectiveness and meet or exceed customer and regulatory expectations.

Group Regulatory Compliance Division reporting directly to the Chief Executive Officer and with direct access to the Compliance Committee of the Board of Directors, is responsible for ensuring compliance with requirements impacting the business lines including, but not limited to, Know Your Customer, Anti-Money Laundering, and Combating Terrorist Financing.

With the steadfast support and commitment of the Arab Bank Board of Directors and Senior Management, coupled with the dedication of Bank staff, Arab Bank is resolved to sustain and further strengthen its sound compliance program and to continue to meet and/or exceed the regulatory expectations. There have been no regulatory sanctions nor any significant fines associated with non-compliance.

Arab Bank gives great importance to customer complaints, recognizing that it is one of the key indicators of the level of service quality and performance of its products and services offered to customers. Customer Complaints are managed and handled by the Service Excellence Unit under the Consumer Banking Division, with the exception of Jordan, Egypt and Palestine where customer complaints are managed by a separate unit within the Compliance function in accordance with local regulatory guidelines / requirements in these countries, and has been equipped with qualified and trained staff who are able to handle, analyze, and act on customer complaints as required.

All complaints are handled in an effective and highly professional manner. Complaints and inquiries are followed-up on a timely basis with the concerned departments of the Bank to ensure they are given proper attention, including the identification of root causes to avoid a repeat complaint. All customer complaints received by Arab Bank during 2019, have been reviewed, analyzed, and handled in accordance with the Bank's policies and procedures and in a fair and transparent manner.

STRATEGIC RISK:

The Bank maintains clearly defined work standards for comprehensive strategic planning. The Board of Directors, together with the Bank's management, periodically analyses the impact of the Bank's major operations on its strategy, including the internal and external working conditions, the implications of competition, customer requirements, changes in laws and information technology as well as the Bank's existing systems.

Achievement of the Bank's clearly-defined objectives depends on a basic principle; its ability to fully leverage its widespread network of branches, maintain and develop its strong customer base, continuously expand and improve its products and services and maintain its sound financial position.

Management assesses the Group's financial performance in light of the current strategy and the need to revise its objectives, if necessary, in the context of a continuously changing work and market environment. As such, profitability and commitments of projects to be undertaken are assessed in the context of "Business As Usual" as well as "Stressed Conditions" scenarios. This ensures the Bank is able to quickly react to developing situations in managing its longer term strategy.

Despite regional and global economic challenges, Arab Bank continued to perform strongly in 2019. It closed the year with solid results, reporting net income after tax of $846.5 million, compared to $820.5 million in 2018, for a recorded growth of 3.2%. Net income before tax grew to $1.15 billion compared to $1.12 billion in 2018, while group equity grew to $9.102 billion, for a return on equity of 9.3%.

Arab Bank Group's net operating income grew by 5%, driven by growth in interest and fee income. Credit facilities grew by 1.2% to $26.1 billion, while customer deposits increased by 6% – almost $2 billion – to reach $36.2 billion. Revenues grew by 4.6% to $2.23 billion, generated broadly from both the local and international networks, with the latter comprising close to 70% of total revenues. Total expenses decreased by 3% from 2018.

The Group was able to grow its equity by 5% during the year to reach over $9 billion, despite the exceptional distribution of a 45% cash dividend for the year 2018, following the dismissal of the legal case in New York.

Arab Bank Group's strong performance confirms our ability to deal with the challenging and changing operating environment and reflects our prudent operating policies. The broad network of the Group both regionally and globally, provides the benefit of diversified sources of income, and the Group has demonstrated that it has the right strategy and footprint to deliver value for its shareholders.

The group's results for 2019 were driven by sustainable growth in the underlying business and by well controlled expenses. Arab Bank Group maintains a well-funded balance sheet, strong liquidity, a robust capital position, and it enjoys strong, prudent, and healthy fundamental financial metrics. The group's loan-to-deposit ratio stood at 72.1%, while the capital adequacy ratio (calculated in accordance with Basel III regulations) ended the year at 16.2%. The group's asset quality remains high and credit provisions held against non-performing loans continue to be above 100%.

The Corporate and Institutional Banking (CIB) reported solid financial results in 2019, despite challenging global and regional market conditions. Its resilient performance reflects its prudent business management, cautious credit and risk policies, and healthy and well-diversified streams of revenue.

Arab Bank's international network and regional accessibility have played an essential role in allowing corporations to expand their operational reach across geographies and gain the benefits of cross-border business flows and global markets. As a result, our clients have enhanced their multinational scope and found in Arab Bank the reliability and trustworthiness to enable them to fulfil their business requirements. Arab Bank is a prominent financier in the region and is regarded a strategic entry point for major corporations involved in trade and projects related to power, electricity, water treatment and desalination, and road infrastructure across the MENA region.

CIB offers extensive local expertise in every country in which it operates catering for key local clients across the different stages of their business cycle, size, business model, and industry specialization. CIB also focuses on providing services to SMEs, with specialized solutions and dedicated business centers across Arab Bank's network.

CIB continued to progress with the digital transformation process of the client journey. We have invested in digital solutions and revamped key processes to give clients a flexible and seamless banking experience. CIB's digital product offerings, such as ArabiConnect cash management and trade finance corporate platform and the ArabiSync host-to-host solution, are providing a superior banking experience, one that empowers clients to be increasingly efficient and more competitive in today's rapidly changing business environment.

Consumer Banking has continued to work to bring digital solutions to its banking services through service re-engineering, upgrading products and programs, and services development. The account opening service on its mobile application enables new bank customers to start the process of opening an account and fill in their information using the application and complete the process at branches in just minutes. The new account opening system has also been delivered to the UAE and improvements have been added in Jordan, Egypt, and Palestine.

A new customer relationship management system has been introduced in our Customer Care Center and Jordan branches. It will help us to maintain a clear picture of our customer relationships and to develop products and services in response to their needs. Following the success of our new digital self-service branches in Jordan, a new self-service zone was created in one of our UAE branches to benefit our customers there. This is in addition to having self service plug-ins across several branches in Jordan.

Arab Bank extended its offering to the doctors segment in Jordan, Palestine, Egypt, and Lebanon through the addition of a complete services package that has been designed specifically to suit their banking needs and lifestyles.

For our Elite program customers, we have launched a new, free permanent disability and life insurance feature in Jordan as part of its exclusive set of services. In addition, a new campaign for the "Shabab" program was introduced in Jordan and Palestine which focuses on offers and discounts at a wide range of restaurants and shops, in addition to the prizes offered as part of the program.

Consumer Banking has launched the first of its kind digital payment service in Jordan, Arabi MobiCash. It gives customers the ability to fast pay for purchases to a wide set of merchants. Additionally, our mobile banking channel, Arabi Mobile, with its new design has been launched in Palestine, the UAE, and Qatar. Arabi Mobile provides a set of comprehensive services to offer our customers a unique experience. Arab Bank has also delivered the first of its kind self-service transactional kiosk in Palestine and Egypt. The kiosk offers customers on-the-spot account statements and instant issuance of debit cards.

To support the culture of paperless and instant payments, Arabi Online and Arabi Mobile channels have been integrated with Palpay. This is a bills inquiry and payment aggregator in Palestine that offers instant bill inquiries and payments to a set of telecommunication companies, utility providers, government entities, universities, and other organizations that save customers time and effort.

Following the successful deployment of the Interactive Teller Machine channel in Jordan, Palestine, and Egypt, the service was also introduced in the UAE. To enhance ATMs in Jordan, Palestine, and Lebanon, a new text-to-speech feature was introduced which enables visually impaired customers to make inquiries and withdraw cash from their accounts. The contactless payment feature has been activated on our debit and credit cards to give our customers easier and faster payment options.

Consumer Banking has signed a set of agreements with many service providers. Our aim is to offer customers extra value from their accounts in the form of valuable offers and privileges. A signed partnership agreement with Aramex Shop&Ship in Jordan has resulted in special offers to support customers' eCommerce activities. Arab Bank has launched the first of its kind MasterCard World Elite metallic card in Jordan and Palestine. The Travel Mate platinum credit card was also launched in Palestine and Bahrain.

In connection with the co-branded agreement with Royal Jordanian, Arab Bank has launched a special promotion campaign for its newly designed card. The partnership has also led to the launch of the new Arab Bank Visa and Royal Jordanian Platinum card in Palestine.

To reinforce our already strong relationship with customers in Palestine and Egypt, Consumer Banking has introduced its new Arabi Points program.

The market environment continued to be volatile in 2019, and the MENA markets in particular had to manage significant uncertainty. Arab Bank was able to maintain its conservative risk position while continuing to deliver stable earnings from foreign exchange activity. Through careful interest rate risk management and the prudent use of hedging techniques, the bank was also able to preserve its net interest income and protect profits, despite interest rate cuts in 2019.

Treasury is already enjoying the benefits of its new trade flow and risk modelling tools, with the added benefit of straight through processing on 97% of Arab Bank treasury deals. Our integrated treasury systems, which are live across all Arab Bank plc countries, give the bank far better real-time information and higher quality analysis. Continued investment in Treasury's digital transformation means that we are better positioned than ever before to manage our market risks effectively, with increased earnings.

Arab Bank ended 2019 with a strong liquidity position, thanks to deposit growth and prudent liquidity management strategies.

There have been no non-recurring operations that had a material effect on the bank or the group financial position in 2019.

Time Series Data for Major Financial Indicators (2015 - 2019):

Values in JOD Millions for the Bank & in USD Millions for the Group					
	2019	**2018**	**2017**	**2016**	**2015**
Arab Bank PLC : Net Profit after Tax	423.6	433.5	195.0	212.4	154.0
Arab Bank Group : Net Profit after tax	846.5	820.5	533.0	532.7	442.1
Arab Bank PLC : Shareholder's Equity	3 795.2	3 670.6	3 549.9	3 500.8	3 518.1
Arab Bank Group : Owner's Equity	9 102.5	8 664.6	8 409.3	8 164.5	8 015.6

Distributed Dividends					
Total Dividends (in JOD millions)	192.2	288.4	256.3	192.2	160.2
Dividends (%)	%30	%45	%40	%30	25%
Number of Issued Shares (in thousands)	640 800	640 800	640 800	640 800	640 800
Share price on Last Working Day (JOD)	5.75	6.21	5.60	6.17	6.45

This section of the Board of Directors report highlights relevant financial data which is included in the consolidated financial statements of Arab Bank Group and Arab Bank PLC for the year 2019. The financial statements were prepared in accordance with the International Financial Reporting Statndards (IFRS), the interpretations issued by the Committee of the IFRS Board and the prevailing rules of the countries where the Group operates and the Central Bank of Jordan requirements.The accompanying notes are an integral part of the consolidated financial statements.

The Consolidated Financial Statements of Arab Bank Group consolidate the statements of Arab Bank Plc, it's sister company Arab Bank (Switzerland) and the following subsidiaries:

	Percentage of ownership as of 31 December 2019
Arab Bank Australia Limited	%100.00
Europe Arab Bank Plc	%100.00
Islamic International Arab Bank Plc	%100.00
Arab National Leasing Company L.L.C	%100.00
Al - Arabi Investment Group L.L.C	%100.00
Arab Sudanese Bank Limited	%100.00
Al Arabi Investment Group	%100.00
Arab Tunisian Bank	%64.24
Arab Bank Syria	%51.29
Al Nisr Al Arabi Insurance Plc	%50.00

Subsidiaries are the companies under the effective control of Arab Bank plc. Control becomes effective when the bank has the power to govern the financial and operating policies of the subsudiary so as to obtain benefits from its activities. Transactions are eliminated between Arab Bank plc, the subsidiaries and it's sister company Arab Bank (Switzerland) upon the consolidation of the group financial statements.

Arab Bank Group

Consolidated Statement of Income

Arab Bank Group's net income for the year ended 31 December 2019 amounted USD 846.5 million compared to USD 820.5 million for the year ended 31 December 2018, Total revenues of the Group stood at USD 2230.8 million compared to USD 2133 million in 2018 recording an increase of 4.6%, expected credit losses for financial assets amounted to USD 188 million.

The following schedule compares the principal components of the Group's Consolidated Statement of income:

In USD (Thousands)	2019	2018	Variance	%
Revenue				
Net interest income	1 341 291	1 290 937	50 354	4%
Net commission income	291 305	294 991	(3 686)	(1%)
Other	598 234	547 121	51 113	9%
Total Income	**2 230 830**	**2 133 049**	**97 781**	**5%**
Expenses				
Employees Expenses	499 542	513 166	(13 624)	(3%)
Other Expenses	392 515	349 580	42 935	12%
Provision for impairment - ECL	187 971	251 331	(63 360)	(25%)
Total Expenses	**1 080 028**	**1 114 077**	**(34 049)**	**(3%)**
Recovery of legal provision	-	325 000	(325 000)	(100%)
Impairment of investment held for sale	-	(225 000)	225 000	(100%)
Profit For the year before Tax	**1 150 802**	**1 118 972**	**31 830**	**3%**
Income tax	304 254	298 428	5 826	2%
Profit for the year	**846 548**	**820 544**	**26 004**	**3%**

Consolidated Statement of Comprehensive Income

Arab Bank Group's comprehensive income for the year ended 31 December 2019 amounted USD 883 million compared to USD 880.2 million for the year ended 31 December 2018, the following schedule shows the principal components of the Group's consolidated statement of comprehensive income:

In USD (Thousands)	2019	2018
Profit for the year	**846 548**	**820 544**
Add:		
Items that will be subsequently transferred to the statement of income		
Exchange differences arising on the translation of foreign operations	15 875	72 009
Items that will not be subsequently transferred to the statement of income		
Net change in fair value of financial assets at fair value through other comprehensive income	20 610	(12 332)
Total Comprehensive income for the year	**883 033**	**880 221**

Consolidated Statement of Financial Position

Arab Bank Group assets reached USD 51.2 billion as at 31 December 2019,Customer deposits amounted USD 36.2 billion. Investment portfolio has reached USD 9.8 billion,Credit facilities amounted USD 24 billion forming 47% of total assets while Shareholders' equity reached USD 9.1 billion.

The Following schedule compares the principal components of the Group's consolidated statement of financial posotion:

In USD (Thousands)	2019	2018	Variance	%
Assets				
Cash and due from Banks	12 477 959	11 495 100	982 859	9%
Investment Portfolio	9 799 604	9 318 686	480 918	5%
Direct credit facilities at amortized cost	23 960 625	23 785 542	175 083	1%
Other	4 976 656	4 563 297	413 359	9%
Total Assets	**51 214 844**	**49 162 625**	**2 052 219**	**4%**
Liabilities				
Due to banks	4 094 831	4 548 069	(453 238)	(10%)
Due to customers	36 237 748	34 344 384	1 893 364	6%
Other	1 779 814	1 605 583	174 231	11%
Shareholders' Equity	9 102 451	8 664 589	437 862	5%
Total Liabilities and Shareholders' Equity	**51 214 844**	**49 162 625**	**2 052 219**	**4%**

Arab Bank plc

Statement of Income

Arab Bank plc's net income for the year ended 31 December 2019 amounted JOD 423.6 million compared to JOD 433.5 million for the year ended 31 December 2018, total revenues of the Bank stood at JOD 1116.7 million compared to JOD 1082.7 million in 2018 recording an increase of 3%, expected credit losses for financial assets amounted JOD 118.9 million.

The following schedule compares the principal components of the Arab Bank Plc's statement of income:

In JOD (Thousands)	2019	2018	Variance	%
Revenue				
Net Interest income	774 911	748 301	26 610	4%
Net commission income	146 471	154 715	(8 244)	(5%)
other	195 341	179 716	15 625	9%
Total Income	**1 116 723**	**1 082 732**	**33 991**	**3%**
Expenses				
Employees expenses	232 255	254 712	(22 457)	(9%)
Other expenses	209 390	199 500	9 890	5%
Provision for impairment - ECL	118 858	157 086	(38 228)	(24%)
Total Expenses	**560 503**	**611 298**	**(50 795)**	**(8%)**
Recovery of legal provision	-	230 496	(230 496)	(100%)
Impairment of investment held for sale	-	(147 691)	147 691	(100%)
Profit for the year before tax	**556 220**	**554 239**	**1 981**	**0%**
Income tax	132 660	120 725	11 935	10%
Profit for the year	**423 560**	**433 514**	**(9 954)**	**(2%)**

Statement of Comprehensive Income

Arab Bank Plc's comprehensive income for the year ended 31 December 2019 amounted JOD 415.4 million compared to JOD 457.2 million for the year ended 31 December 2018.

The Following schedule shows the principal components of the Arab Bank plc's statement of comprehensive income :

In JOD (Thousands)	2019	2018
Profit for the year	**423 560**	**433 514**
Add:		
Items that will be subsequently transferred to the statement of income		
Net exchange differences arising on the translation of foreign operations	(8 191)	31 394
Items that will not be subsequently transferred to the statement of income		
Net change in fair value of financial assets at fair value through other comprehensive income	41	(7 722)
Total Comprehensive income for the year	**415 410**	**457 186**

Statement of Financial Position

Arab bank Plc assets reached JOD 26.3 billion as at 31 December 2019, Customer deposits amounted JOD 19.5 billion . Investment portfolio has reached JOD 5.5 billion . Credit facilities amount to JOD 11.9 billion forming 45% of total assets while shareholder's equity reached JOD 3.8 billion.

The following schedule compares the principal components of the Arab Bank Plc's statement of financial position:

In JOD (Thousands)	2019	2018	Variance	%
Assets				
Cash and due from banks	7 181 661	6 598 843	582 818	9%
Investment Portfolio	5 510 524	5 235 341	275 183	5%
Direct credit facilities at amortized cost	11 926 366	12 173 355	(246 989)	(2%)
other	1 710 134	1 537 799	172 335	11%
Total Assets	**26 328 685**	**25 545 338**	**783 347**	**3%**
Liabilities				
Due to banks	2 162 497	2 311 227	(148 730)	(6%)
Due to Customers	19 506 889	18 735 296	771 593	4%
Other	864 057	828 192	35 865	4%
Shareholders' equity	3 795 242	3 670 623	124 619	3%
Total Liabilities and shareholders' equity	**26 328 685**	**25 545 338**	**783 347**	**3%**

Capital Adequacy

Arab Bank maintains capital adequacy ratios that exceed the required levels as per Basel committee, and Central Bank of Jordan requirements. The following table presents a summary of the capital adequacy calculations for the years 2019 and 2018 in accordance with Basel III:

Arab Bank Group

In USD (Thousands)

Capital Adequacy Ratio as at December 31, 2019 and 2018 in accordance with Basel III requirements

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

Arab Bank PLC

In JOD (Thousands)

Capital Adequacy Ratio as at December 31, 2019 and 2018 in accordance with Basel III requirements

Risk-weighted assets (RWA)	**19 738 077**	**19 373 817**
Common Equity Tier 1	3 492 242	3 271 504
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(809 790)	(659 854)
Additional Tier 1	-	-
Supplementary Capital	179 850	177 286
Regulatory Adjustments (Deductions from Supplementary Capital)	(67 849)	(133 914)
Regulatory Capital	**2 794 453**	**2 655 022**
Common Equity Tier 1 Ratio	**13.59%**	**13.48%**
Tier 1 Capital Ratio	**13.59%**	**13.48%**
Capital Adequacy Ratio	**14.16%**	**13.70%**

Income Appropriation for Arab Bank plc

Arab Bank follows a well established policy with regards to cash dividends, which aims at achieving the enhancement of its revenues and financial position , and the distribution of a reasonable dividends to the shareholders.

The Board of Directors recommends the distribution of cash dividends of 30% of the shares par value or JOD 192.2 million for the year 2019 Compared to 45% of the shares par value or JOD 288.4 million in 2018 as shown in the table below:

In JOD (Millions)	2019	2018
Income available for appropriation	423.6	433.5
Statutory Reserve	23.6	55.4
Voluntary Reserve	-	-
General Reserve	-	-
General banking risk reserve	-	-
Proposed Cash dividends	192.2	288.4
Retained earnings	207.8	89.7
Total Appropriation	**423.6**	**433.5**

Financial Ratios related to Arab Bank Group:

	2019	2018
Shareholders' Equity / Total Assets	17.8%	17.6%
Loans / Deposits	66.1%	69.3%
Liquidity Ratio (cash and quasi cash)	43.6%	42.5%
Cost / Income	48.4%	49.9%
Cost / Income (excluding provision for impairment)	38.6%	40.7%
Common Equity Tier 1 Ratio - Basel III	15.10%	14.50%
Tier 1 Capital Ratio - Basel III	15.11%	14.53%
Capital Adequacy Ratio - Basel III	16.19%	15.64%
Return on Equity	9.3%	9.5%
Return on Assets	1.7%	1.7%
Net interest and commission income / total Assets	3.2%	3.2%
EPS (USD)	1.32	1.28

Financial Ratios related to Arab bank Plc :

	2019	2018
Shareholders' equity / Total Assets	14.4%	14.4%
Loans / Deposits	61.1%	65.0%
Liquidity ratio (cash and quasi cash)	48.3%	46.4%
Cost / Income	50.2%	52.4%
Cost / Income (excluding provision for impairment)	38.4%	41.6%
Common Equity Tier 1 Ratio - Basel III	13.59%	13.48%
Tier 1 Capital Ratio - Basel III	13.59%	13.48%
Capital Adequacy Ratio - Basel III	14.16%	13.70%
Return on equity	11.2%	11.8%
Return on Assets	1.6%	1.7%
Net interest and commission income / Total Assets	3.5%	3.5%

Our plans for 2020 and beyond take into consideration the prevailing and anticipated market conditions locally, regionally, and internationally. We remain focused on preserving the following values and principles:

- **Liquidity:**

Our priority is to maintain ample liquidity to support our operations and protect our shareholders and customers in the regions in which we operate. This has always been, and will continue to be, one of the main pillars of Arab Bank.

- **Capital adequacy:**

We are committed to maintaining a comfortable capital adequacy ratio that exceeds limits set by Basel, the Central Bank of Jordan, and other regulatory bodies in the countries in which we operate.

- **Risk management:**

We believe in taking calculated risks. We have not, and will not enter into, any business that we do not understand, cannot calculate, and the risks of which we cannot mitigate.

- **Excellence:**

We will continue to build upon and enhance our customers' satisfaction and operational efficiency, and our shareholders' return.

Our objectives for 2020 are focused on reinforcing our financial position by expanding the bank's business in a prudent and sustainable manner, improving our customer service and business processes, maintaining prudent credit policies, and enhancing our risk management platform. We follow a cautious approach so that shareholders' equity is safeguarded and we are well positioned to deal with any unexpected crises in the MENA region and the world.

Arab Bank's Corporate and Institutional Banking (CIB) division will continue to develop its product and service offerings across the Arab Bank network. As part of its digital transformation program, CIB will introduce innovative products and services to provide clients with value-added digital solutions that help them to manage their business operations and transactional banking requirements. Our client relationship team oversees our clients' engagement with Arab Bank locally and across borders, ensuring that clients receive excellent service quality across all channels.

Consumer Banking will continue its work to introduce a new set of banking services and products on its digital channels. Electronic digital account opening service will be introduced in countries where regulations allow. Customer Relationship Management system (CRM) will be implemented in our main markets to enhance our banking services and deliver a new savings tool to youth customers.

Following the success of self-service branches in Jordan, Consumer Banking will open branches of this kind in Egypt and Palestine.

During 2020, our plan is to capitalize on our regional presence so that we maximize the benefits of our "Cross Border" program. We will add further services to this program to increase our customer base in the region.

With regard to the youth and children's market segments, we will add a variety of new services and enhance existing ones with the aim of building relationships with young customers.

In light of the rapid development of digital services and their importance to Arab Bank, Consumer Banking will continue to develop its digital banking propositions in line with the evolving customers' expectations across the different countries. A group of new digital services will be launched as part of the Arabi Mobile application that will further enhance our customers' experience.

The Arabi MobiCash payment application will benefit from new features aimed at increasing customer satisfaction. Consumer Banking will continue to expand its relationships with business partners to help them create extra value for customers.

Consumer Banking continues to work toward its goal of making Arab Bank's cards the top choice for customers. These cards are underpinned by their unique features, advanced loyalty program, international coverage, and the heritage of Arab Bank's trademark. Consumer Banking strives to manage customers' experience throughout all their banking cards transactions and add value through promotions, best in class digital services, and innovative solutions. Work will continue to develop the credit and debit card products and value-added campaigns.

Our vision is supported by a digital strategy, underpinned by data analytics, that focuses on creating new, easily accessed services and products that fit in with our customers' lifestyles.

Through its network of highly trained treasury teams, Arab Bank will continue to serve clients, protect the bank, and generate stable, high quality earnings. In 2020, the bank will continue to develop its products and services and leverage technology to enhance operational efficiency and customer service.

In JOD Thousands	2019	2018
Fees for quarterly and annual audits and reviews	1,130	1,043

Following are the Service contracts (outside the auditing scope) provided by external auditors:

Service	External Auditor	Fees In JOD Thousands
COBIT Gap Assesment Follow up service	Ernst & Young	9

Number of Arab Bank Shares Owned by Members of the Board and the companies controlled by them in comparison with last year

No.	Name	Position	Nationality
1.	**Mr. Sabih Taher D. Masri**	Chairman	Jordanian
2.	**Dr. Bassem Ibrahim Y. Awadallah**	Deputy Chairman	Jordanian
3.	**Messrs. Ministry of Finance, Saudi Arabia** Represented by Mr. Hisham Mohammad M. Attar	Member	Saudi
4.	**Messrs. Social Security Corporation** Represented by Dr. Hamzeh Ahmad Kh. Jaradat	Member	Jordanian
5.	**Mr. Wahbe Abdallah W. Tamari**	Member	Lebanese
6.	**Messrs. Abdul Hameed Shoman Foundation** Represented by Mr. Khaled Anis M. (Zand Irani)	Member	Jordanian
7.	**Mr. Bassam Wael R. Kanaan**	Member	Jordanian
8.	**Mr. Abbas Farouq A. Zuaiter**	Member	Jordanian
9.	**Mr. Alaa Arif S. Batayneh**	Member	Jordanian
10.	**Mr. Suleiman Hafez S. AL Masri**	Member	Jordanian
11.	**Dr. Musallam Ali H. Musallam** Until 18/11/2019	Member	Saudi
12.	**Mr. Usama Ramez Mikdashi**	Member	Lebanese

Number of shares		No of shares owned by companies controlled by them	
31/12/2019	31/12/2018	31/12/2019	31/12/2018
1007370	29007360	68153598	39273498
11016	11016	---	---
28800000	28800000	---	---
108891558	102548682	---	---
18000	18000	8168256	8168256
32023026	32023026	---	---
112410	110394	---	---
148086	125964	---	---
50004	43038	---	---
10008	10008	---	---
22705758	22705758	---	---
10008	10008	---	---

Number of Arab Bank Shares Owned by Senior Executives and the companies controlled by them In comparison with last year

No.	Name	Position
1.	MR NEMEH ELIAS SABBAGH	Chief Executive Officer
2.	MISS RANDA MUHAMMAD TAWFEEQ EL SADIK	Deputy Chief Executive Officer
3.	MR. GHASSAN HANNA SULEIMAN TARAZI	EVP – Chief Financial Officer
4.	MR. MOHAMAD AHMED KHALED AL-MASRI	EVP – Head of Corporate & Institutional Banking
5.	MR. MOHAMED ABDEL FATTAH HAMAD GHANAMAH	EVP – Chief Credit Officer
6.	MR. MICHAEL MATOSSIAN	EVP – Chief Compliance Officer
7.	MR. NAIM RASEM KAMEL AL HUSSAINI	EVP – Head of Consumer Banking
8.	MR. ZIYAD ANWAR ABDUL RAHMAN AKROUK	EVP Head of Group Risk
9.	MR. FADI JOSEPH ZOUEIN	EVP Head of Internal Audit
10.	MR. BASEM ALI ABDALLAH AL EMAM	Board Secretary Head of Legal Affairs
11.	MR. ANTONIO MANCUSO MARCELLO	EVP Head Of Treasury
12.	MR. ERIC JACQUES J. MODAVE	EVP Chief Operating Officer
13.	MR. WALID MUHI EDDIN MOHAMMAD AL SAMHOURI	EVP - Jordan Country Head
14.	MRS. RABAB JAMIL SAID ABBADI	EVP- Head of Human Resources
15.	MRS. KHULUD WALID KHALED EL ISSAWI	Head of Secretariat

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Lebanese	12006	12006	------	------
Jordanian	34020	34020	-------	-------
Jordanian	------	------	-------	-------
Jordanian	------	------	-------	-------
Jordanian	53244	53244	-------	-------
American	1440	1440	-------	-------
Saudi	-------	-------	-------	-------
Jordanian	8406	8406	-------	-------
Lebanese	------	------	-------	-------
Jordanian	1080	1080	-------	-------
British	------	------	-------	-------
Belgian	------	------	-------	-------
Jordanian	------	------	-------	-------
Jordanian	------	------	-------	-------
Jordanian	54	54	-------	-------

Number of Arab Bank Shares Owned by the Relatives of the Board Members and the companies controlled by them in comparison with last year

No.	Name	Relationship	Nationality
1.	Mr. Sabih Taher D. Masri Chairman		
		Spouse Minors	------ ------
2.	Dr. Bassem Ibrahim Y. Awadallah Deputy Chairman		
		Spouse Minors	------ ------
3.	Messrs. Ministry of Finance, Saudi Arabia Member Represented by Mr. Hisham Mohammed M. Attar		
			------ ------
4.	Messrs. Social Security Corporation Member Represented by Dr. Hamzeh Ahmad Kh. Jaradat		
			------ ------
5.	Mr. Wahbe Abdallah W. Tamari Member		
		Spouse Minors	------ ------
6.	Messrs. Abdul Hameed Shoman Foundation Member Represented by Mr. Khaled Anis M. (Zand Irani)		
			------ ------
7.	Mr. Bassam Wael R. Kanaan Member		
		Spouse Minors	------ ------

	Number of shares		No of shares owned by companies controlled by them	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	------- -------	------- -------	------- -------	------- -------
	------- -------	------- -------	------- -------	------- -------
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No.	Name	Relationship	Nationality
8.	Mr. Abbas Farouq A. Zuaiter Member		
		Spouse Minors	------ ------
9.	Mr. Alaa Arif S. Batayneh Member		
	A'YESHAH A'LA AREF AL-BATAYNEH AREF ALAA' AREF AL BATAINEH	Spouse Minors Minors	------ Jordanian Jordanian
10.	Mr. Suleiman Hafez S. AL Masri Member		
	Mrs. Rusaila Mohamad Lutfe Mohamad Hasan Bayazidi	Spouse Minors	Jordanian --------
11.	Dr. Musallam Ali H. Musallam Member Until 18/11/2019		
		Spouse Minors	------ ------
12.	Mr. Usama Ramez Mikdashi Member		
		Spouse Minors	------ ------

	Number of shares		No of shares owned by companies controlled by them	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	------- -------	------- -------	------- -------	------- -------
	------- 3078 3096	------- 2070 2088	------- ------- -------	------- ------- -------
	2214 -------	2214 -------	------- -------	------- -------
	------- -------	------- -------	------- -------	------- -------
	------- -------	------- -------	------- -------	------- -------

Number of Arab Bank Shares Owned by the Relatives of Senior Executives and the companies controlled by them in comparison with last year

No.	Name	Relationship	Nationality
1.	MR NEMEH ELYAS SABBAGH		
		Spouse Minors	Lebanese
2.	MISS RANDA MOHAMMAD TAWFEEQ ALSADEQ		

3.	MR. GHASSAN HANNA SULEIMAN TARAZI		
	MRS. NAWAL WAFA NAJIB TARAZI	Spouse Minors	Jordanian
4.	MR. MOHAMAD AHMED KHALED AL-MASRI		
		Spouse Minors	Jordanian
5.	MR. MOHAMED ABDUL FATTAH HAMAD GHANAME	Spouse Minors	
			Jordanian
6.	MR. MICHAEL MATOSSIAN		
		Spouse Minors	American
7.	MR. NAEM RASEM KAMEL AL HUSSEINI		
		Spouse Minors	Saudi
8.	MR. ZIYAD ANWAR ABDUL RAHMAN AKROUK		
	MRS. JUMANA SHUJA' MOHAMMAD AL-ASAD	Spouse Minors	Jordanian

	Number of shares		No of shares owned by companies controlled by them	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	------	------	------	------
	-------	-------	-------	-------
	1206	1206	-------	-------
	------	------	-------	-------
	------	------	-------	-------
	------	------	-------	-------
	------	------	-------	-------
	21762	9612	-------	-------

No.	Name	Relationship	Nationality
9.	MR. FADY ZOUEIN	Spouse Minors	Lebanese
10.	MR. BASEM ALI ABDULLAH AL EMAM		
		Spouse Minors	Jordanian
11.	MR. ANTONIO MANCUSO MARCELLO		
		Spouse Minors	British
12.	Mr. Eric Jacques J. Modave		
		Spouse Minors	Belgian
13.	MR. WALID MOHY ELDEIN MOHAMMAD SAMHOURI		
	MRS. RIMA MOHAMMAD ABDULKAREEM SHWAIKA	Spouse Minors	Jordanian
14.	MRS. RABAB JAMIL SAID ABBADI		
		Spouse Minors	-------
15.	MRS. KHULUD WALID KHALED EL ISSAWI		
		Spouse Minors	Jordanian

	Number of shares		No of shares owned by companies controlled by them	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	-------	-------	--------	--------
	-------	-------	--------	--------
	-------	-------	--------	--------
	-------	-------	--------	--------
	90 --------	90 -------	--------	--------
	-------	-------	--------	--------
	-------	-------	--------	--------

Board of Directors Remuneration and Benefits paid in 2019

No.	Member Name	Title
1	Mr. Sabih Taher D. Masri	Chairman
2	Dr. Bassem Ibrahim Y. Awadallah	Deputy Chairman
3	Messrs. Ministry of Finance, Saudi Arabia Represented by Mr. Hisham Mohammad M. Attar	Member
4	Messrs. Social Security Corporation	Member
5	Mr. Wahbe Abdallah W. Tamari	Member
6	Messrs. Abdul Hameed Shoman Foundation Represented by Mr. Khaled Anis M.(Zand Irani)	Member
7	Mr. Bassam Wael R. Kanaan	Member
8	Mr. Abbas Farouq A. Zuaiter	Member
9	Mr. Alaa Arif S. Batayneh	Member
10	Mr. Suleiman Hafez S. Al Masri	Member
11	Dr. Musallam Ali H. Musallam Until 18/11/2019	Member
12	Mr. Usama Ramez Mikdashi	Member

* Including exceptioanl remuneration of JD 50,000

(Amounts in Jordanian Dinar)

Annual Salary	Annual Transportation Allowance	Annual Remuneration for attendance Board & Committees Meetings	Annual Remuneration	Total*
—	24,000	60,000	5,000	139,000
—	24,000	62,500	4,286	140,786
—	24,000	32,500	4,286	110,786
—	24,000	60,000	5,000	139,000
—	24,000	55,000	4,286	133,286
—	24,000	57,500	5,000	136,500
—	24,000	55,000	5,000	134,000
—	24,000	62,500	5,000	141,500
—	24,000	65,000	5,000	144,000
—	24,000	57,500	5,000	136,500
—	21,188	10,000	2,143	83,331
—	24,000	45,000	3,572	122,572

Names of Major Shareholders of 5% and more

Shareholder's Name	Number of shares 31.12.2019	Ownership % 31.12.2019	Number of shares 31.12.2018
Social Security Corporation	108891558	16.993%	102548682

Shareholders who own 1% or more of the share capital of the Bank, the ultimate beneficiary owner and number of pledged shares

Shareholder name	Nationality	No. of Shares as 31/12/2019	Percentage %
Social Security Corporation	Jordanian	108891558	16.993%
Abdul Hameed Shoman Foundation	Jordanian	32023026	4.997%
Ministry of Finance, Saudi Arabia	Saudi	28800000	4.494%
Arab supply & Trading Co	Saudi	28043226	4.376%
Musallam Ali Hussein Musallam	Saudi	22705758	3.543%
Palestinian Telecommunications Co.	Palestinian	19999998	3.121%
AlMaseera International Co. E.C.	Bahraini	17442846	2.722%
Dar Al Handasa (Shair and Partners) Co.	Emarati	13608972	2.124%
Ministry of Economy and Finance / Qatar	Qatari	10564164	1.649%
Nasser Ibrahim R. Al Rashid	Saudi	8273754	1.291%
Palestine Development and Investment LTD (PADICO)	Liberia	7211790	1.125%
BANKMED SUISSE SA	Swiss	6902820	1.077%
Mary Issa A. Alousi	Jordanian	6544656	1.021%

Ownership % 31.12.2018
16.003%

Ultimate Beneficiary Owner	No. of pledged Shares	Percentage %	Pledgee
Same	-	-	-
Abdul Hameed Shoman Foundation, Panama/ Private Interest Foundation, Foundation Council	-	-	-
Same/ Government			
Mr. Sabih Taher Masri 9% , Mr. Khalid Sabih Masri 90% , Desert peak Company 1% .			
Same	22695750	3.542%	Housing Bank
* Palestine Development & Investmant LTD (PADICO) 30.63% (Palestinian Telecommunications Co.16.91%, Al Maseera International CO. 10.52%, Siraj Fund Management Company (Cayman) LTD 9.28%, Massar International Limited 8.20%, Munib Rashid Masri 5.09%) - Siraj Fund Management Company (Cayman) LTD : Massar International Limited 100% owned by Mr. Bashar Masri 99%. - Massar International Limited / Holding Company owned by Mr. Bashar Masri 99%. * Palestine Investments Fund 6.74% (Sovereign Wealth Fund for the State of Palestine / Palestinian People)	-	-	-
- Mr. Sabih Taher Masri 50% - Mr. Khaled Sabih Masri 50%	-	-	-
Holding Limited Company owned by Mr. Talal Al Shair (28.5%) & others			
Same/ Government	-	-	-
Same	-	-	-
Palestinian Telecommunications Co 16.91% , Al Maseera International CO. 10.52% , Saraj for Investment funds group 9.28% , Massar International funds group 8.20% , Munib Rashed Al -Masri 5.09%	1067778	0.166%	Ahli Bank
Bankmed Customers / Switzerland	-	-	-
Same	-	-	-

Executive Management Compensation and Benefits in 2019:

	Name	Position
1	Nemeh Elias Sabbagh	Chief Executive Officer
2	Randa Muhammad Sadik	Deputy Chief Executive Officer
3	Ghassan Hanna Suleiman Tarazi	EVP- Chief Financial Officer
4	Mohamed Abdel Fattah Al Ghanamah	EVP - Chief Credit Officer
5	Walid Muhi Eddin Al Samhouri	EVP - Jordan Country Head
6	Ziyad Anwar Abdel Rahman Akrouk	EVP-Head of Group Risk Management
7	Michael Matossian	EVP - Chief Compliance Officer
8	Rabab Jamil Said Abbadi	EVP - Head of Human Resources
9	Naim Rasim K. Al-Hussaini	EVP- Head of Consumer Banking
10	Fadi Joseph Zouein	EVP - Head of Internal Audit
11	Basem Ali Abdallah Al Imam	Board Secretary / Head of Legal Affairs Division
12	Antonio Mancuso Marcello	EVP - Head of Treasury
13	Mohammed Ahmed Khaled Masri	EVP-Head of Corporate and Institutional Banking
14	Eric Jacques Modave	EVP - Chief Operating Officer

(In JOD)

Annual Salary	Annual Transportation allowance	Annual Travel Expenses (does not include accommodation and tickets)	Performance Bonus paid during 2019	Total
750000	-	-	350000	1100000
498912	-	-	132176	631088
267168	-	-	23025	290193
321104	-	-	36622	357726
352880	-	-	84292	437172
449968	-	-	-	449968
452312	-	-	35862	488174
206736	-	-	30000	236736
343648	-	-	58914	402562
307216	-	-	35886	343102
261216	-	-	60660	321876
385824	-	-	94306	480130
449968	-	-	26563	476531
241112	-	-	46651	287763

Project / Entity	JOD
Abdul Hameed Shoman Foundation	13 099 798
King Hussein Cancer Foundation	808 678
The Queen Rania Foundation for Education and Development	783 884
King's Academy	752 199
The project of spreading the community's financial culture	450 000
Zakat fund	250 000
Scholarships for Employees' Children	189 756
Jordan River Foundation	118 850
King Abdullah II Fund For Development	100 000
The Jordanian Hashemite Fund for Human Development	70 000
Tkiyet Um Ali	26 600
SOS Children Villages	7 500
Others	69 852
	16 727 117

Excluding transactions carried out within the context of the Bank's regular business, the Bank did not enter in any form of contracts, projects or commitments with any of it's subsidiaries, sister companies and affiliates. The Bank has neither entered in any form of contracts with it's chairman, any of it's directors, the Chief Executives Officer, any of it's staff or their relatives.

The details of the outstanding balances with related parties are as follows:

JD '000

	December 31, 2019			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Sister and subsidiary companies	1 294 016	23 477	93 189	139 233
Associates companies	264 006	-	15 142	28 014
Major shareholders and members of the Board of Directors	-	174 316	434 187	59 198
Total	**1 558 022**	**197 793**	**542 518**	**226 445**

JD '000

	December 31, 2018			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Sister and subsidiary companies	1 741 879	17 838	103 780	87 729
Associates companies	81 908	-	67 439	27 541
Major shareholders and members of the Board of Directors	-	212 130	439 769	63 396
Total	**1 823 787**	**229 968**	**610 988**	**178 666**

The details of transactions with related parties are as follows:

JD '000

	2019		2018	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Sister and subsidiary companies	24 739	2 111	22 715	2 122
Associates companies	2 365	398	1 293	952
Total	**27 104**	**2 509**	**24 008**	**3 074**

The details of the credit facilities granted to members of the Board of Directors and related parties are as follows:

JD '000

	December 31, 2019								
	Granted to BOD Members			Granted to Related Parties			Total		
	Direct Credit Facilities	Indirect Credit Facilities	Total	Direct Credit Facilities	Indirect Credit Facilities	Total	Direct Credit Facilities	Indirect Credit Facilities	Total
Mr. Sabih Masri	-	1	1	101 538	59 175	160 713	101 538	59 176	160 714
Mr. Wahbeh Tamari	-	-	-	72 774	21	72 795	72 774	21	72 795
Mr.Khaled Irani	1	-	1	-	-	-	1	-	1
Mr.Bassam Kanaan	1	-	1	-	-	-	1	-	1
Mr. Abbas Zuaiter	1	-	1	-	-	-	1	-	1
Mr. Hamzeh Jaradat	1	-	1	-	-	-	1	-	1
Abdul HamidFoundation	-	1	1	-	-	-	-	1	1
Total	**4**	**2**	**6**	**174 312**	**59 196**	**233 508**	**174 316**	**59 198**	**233 514**

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

Arab Bank believes that a clean and sustainable environment is essential for the welfare of future generations, including employees, their families, and wider society. That is why the bank actively participates in internal and external initiatives and activities aimed at protecting the environment.

The bank has switched all lighting units used in buildings to LED. This change contributed significantly to a reduction in energy consumption during the year in our HO and COU buildings. In addition, the UPS systems of HQ and 50% of Arab Bank branches were replaced to reduce the amount of electricity loss and reduce energy consumption.

Arab Bank has adopted a series of initiatives related to solar energy. This year we announced an agreement to sell and allocate electricity between the National Electricity Company and Arab Bank to cover 100% of the bank's electrical consumption. Thus, contributing to an additional reduction in electricity consumption and the emissions of toxic products.

With the aim of reducing both energy consumption and toxic emissions, the bank also installed a more advanced AC system (VRF) in the new locations instead of the traditional system.

As part of Arab Bank's commitment to environmental sustainability, it continued to encourage its employees, business partners, and customers to think about their environmental footprint when conducting their transactions. As a result of these efforts, the bank has established a paperless working environment and integrated it into daily business practice at its operations. The paperless approach is one of the bank's key commitments to reducing its environmental impact through improved services that enable both employees and customers to reduce their paper usage and environmental impact. Arab Bank continues to work to reduce paper consumption by extending the implementation of Mobile KYC, its e-procurement project, Auto Signature Verification (ASV) and other related projects which achieved a significant reduction in paper consumption used in correspondence.

Arab Bank Group pays special attention to the renewable energy sector in the MENA region and Jordan in particular. It is part of the bank's comprehensive vision for this vital sector, which is aimed at promoting renewable energy sources and improving local environmental and social conditions.

Arab Bank cooperates with other international financial institutions and multilaterals to provide the sector with its special financing requirements among which are the International Finance Corporation IFC and the European Bank for Reconstruction and Development (EBRD). Arab Bank has participated in the financing arrangements for rounds 1 and 2 of the solar energy projects (photovoltaics) in Jordan and the Fit Program in Egypt. In 2019, the bank supported the following two ventures:

- Al-Risha Power Plant for PV: This 50 megawatt power plant entered into commercial operation at the beginning of December 2019 after obtaining all the required environmental licenses from the Jordanian Ministry of Environment. This station was funded by Arab Bank in cooperation with the EBRD and the German Investment Corporation DEG (Development Finance Corporation of the German Reconstruction Bank KfW).

- Nine solar PV energy generation projects: These projects are being constructed in the Benban region, north of Aswan Governorate, in the Arab Republic of Egypt. Arab Bank is the main financier in the funding provided by the International Finance Corporation for the nine projects. The opening of this city – the largest solar city in the world – has been scheduled for the end of 2019.

In 2019, the bank met the financing needs of Electricity Net Metering & Wheeling Law for the 15.64 megawatt Rashadiyah Energy Efficiency project in the Rashadiyeh/Tafilah area. The purpose of this project is to provide electricity for the private consumption of the Jordanian Cement Factories Company (Lafarge Jordan). All the project works were completed and began commercial operation at the end of October 2019. This project represents about a third of the energy needs of the Jordanian Cement Factories Company.

In view of the sector's steady growth and strategic importance for the development of an economy, the bank is constantly monitoring the financing needs of solar energy projects.

During 2019, Arab Bank has taken on the onshore role to be able to match the long-term financing provided by international financial institutions with solar energy projects in Jordan. In accordance with the new "Security Interests Over Movable Assets", the bank is coordinating with all the financiers to document and perfect all local security interests in accordance with this new Law within the designated deadline.

Following the successful financing of the Al-Samra Wastewater Treatment Company's first expansion project, Arab Bank is currently working with the project developer on a technical and financial proposal to the Jordanian Ministry of Water and Irrigation. The proposal is for the second expansion of the Khirbet Al Samra wastewater treatment plant to increase the treatment capacity of the plant by about 100,000 cubic meters a day. The total capacity of the station will reach about 465,000 cubic meters a day. Arab Bank expects to complete the study and financing stages and start implementation during the second half of 2020. This station is considered one of the leading stations in the Middle East in terms of advanced technology for wastewater treatment. The station is currently treating 70% of wastewater for the cities of Amman and Zarqa. It also provides up to 10% of the total treated water for agriculture.

Arab Bank will continue to lead and cooperate with international financial institutions to provide the best banking and financing solutions for projects such as these that are vitally important to the future of the Middle East.

Arab Bank supported several initiatives to protect the environment in Jordan, primarily by collaborating with the Royal Society for the Conservation of Nature (RSCN).

Arab Bank's sustainability journey began in 1930 when the bank was founded. It has evolved over time as an integral part of the bank's objectives and many of its efforts go toward supporting the development of the Arab world. Over time, the bank has played a significant role in shaping the lives of people in the Arab world and developing the economies and communities in which it operates. The bank believes in supporting and financing strategic projects in the region that develop the capacity of the Arab world through serving community needs and priorities.

Arab Bank understands the importance of adopting a holistic management approach to sustainability to address growing social, economic, and environmental challenges. That is why the bank sets several sustainability-related strategic objectives for itself, based on international best practices, to address these challenges. These objectives are:

- To align Arab Bank's sustainability approach with the evolving expectations and aspirations of its various stakeholders
- To expand the bank's role and impact in supporting social and economic development
- To address all potential environmental and social risks at a strategic level
- To maintain and reinforce Arab Bank's reputation as a social, environmental, and economic leader

The bank has implemented many initiatives aimed at achieving economic, environmental, and social sustainability. Building on a long history of community investment, it developed an inclusive stakeholder model to optimize the bank's contribution to its community and create long-term financial and non-financial value for the bank and its stakeholders. This model consists of two main pillars that drive the bank's community cooperation and impact, the bank's dedicated CSR program, Together, which supports the community's fundamental causes and the Abdul Hameed Shoman Foundation.

The bank issued its tenth sustainability report in 2019, based on the first international sustainability reporting standards of the Global Reporting Initiative (GRI). By reporting in this way, the bank measures, understands, and communicates its economic, environmental, and social performance, and manages change in line with international best practices. This approach allows the bank to measure it strategic goals for sustainability regularly.

EMEA Finance Magazine, headquartered in London, has awarded Arab Bank "Middle East's Best Corporate Social Responsibility program 2019". The award was presented in recognition of the bank's remarkable corporate social responsibility achievements and commitment to its sustainability strategy.

Corporate Social Responsibility Program: Together

The bank established Together as an integrated, full-fledged corporate social responsibility (CSR) program to get the bank's employees, customers, and selected NGOs involved in supporting causes that are aligned with the community's needs and priorities and the bank's sustainability direction.

The bank has adopted five main community causes as the primary focus areas for Together, based on the community's primary needs and the bank's ability to make a positive and long-lasting impact. These areas are health, poverty alleviation, environmental protection, education, and orphan support.

Through Together, the bank's engagement with its employees, customers, and partner NGOs is channeled through the following paths:

- Employee volunteering: Arab Bank encourages its employees to donate their time, efforts, and experience to initiatives and programs that are aligned with the five main community causes the bank has adopted. The volunteering program is driven by a set of KPIs and is managed by a full-fledged system that drives and monitors its performance and deliverables. In 2019, our employees and their families volunteered in around 900 instances, contributing over 3,550 hours through 73 community programs, and reaching over 289,500 beneficiaries.
- Collaboration with NGOs: The bank works closely with reputable NGOs with track records in each of the bank's CSR focus areas. The engagement includes developing and implementing community initiatives and intervention programs through Arab Bank community investments. These programs have set deliverables and KPIs that are aligned with the bank's sustainability strategy. As part of working with partner NGOs, the bank also offers a capacity building program that focuses on strengthening the functional, technical, and interpersonal skills of the NGO's staff in a manner that positively affects the NGO's performance and community role. During 2019, the bank introduced several courses that used our employees' knowledge and experience, benefiting 126 employees at our partner NGOs through 753 training hours.
- Customer donations: Through Together, the bank enables its customers to contribute financially to its five main community causes. A donation mechanism within the bank's service channels – ATMs, online banking, Together credit card, the branch network, and the efawateercom service – enable customers to donate to any of the Together partner NGOs easily and conveniently. During 2019, customer donations reached more than JOD 658,800.

Here are the highlights of Arab Bank's community contributions through the Together program:

Health

Arab Bank has collaborated with several organizations to support initiatives aimed at advancing health-related causes in the community. The bank sponsored the Back to School Program with the King Hussein Cancer Foundation, supporting around 452 young patients and giving them a chance to continue their education while undergoing treatment at the King Hussein Cancer Center. Twenty-five of the bank's employees volunteered their time to tutor cancer patient students at the center.

The bank collaborated with the Royal Health Awareness Society to support eight schools in Amman, Irbid, and Kerak as part of the Healthy Schools program. This program is aimed at creating health-promoting environments within the schools that reflect positively on students' physical and social growth and their academic performance. Twenty-three Arab Bank employees participated in Arab Bank-supported health awareness programs to promote healthy habits among students, benefiting more than 890 students.

The bank supported the Jordan Air Ambulance Center in providing emergency air transportation services to patients. During 2019, the bank organized six blood donation drives in collaboration with Jordan Blood Bank, during which the bank's employees donated 262 blood units.

The bank reinforced the importance of supporting health initiatives by participating in several health and sports initiatives in Jordan, including sponsoring the Jordan National Football and Youth Leagues, and the Amman Marathon. The bank also covered the participation cost of 1,167 of the bank's employees and their families and friends in the Amman and Dead Sea Marathons.

In Palestine, the bank supported several initiatives aimed at enhancing the infrastructure for the health sector and increase its efficiency. The bank helped to establish the waiting room sunshade for Watani Hospital in Nablus and supported the creation of the Pediatric Observation unit at Caritas Baby Hospital in Bethlehem. Arab Bank also helped the blood bank to install a new deep freeze room. It worked with the Jerusalem Governorate Health Directorate to provide urgent equipment as part of the directorate's building renovation project to help improve the level of health service in a Jerusalem suburb. This project also included a dentist clinic, an ultrasound machine, and electrocardiogram equipment. Five dialysis machines were donated to the Ministry of Health for distribution to five main governorates, and 20 dropper machines were supplied to Watani Hospital in Nablus to serve cancer patients from all the northern governorates in Palestine.

Arab Bank sponsored two doctor training sessions held by the Palestinian Medical Council, aimed at enhancing their efficiency and educational level. The bank held several blood donation drives, adding 82 blood units from employees to the National Blood Bank.

Poverty Alleviation

In collaboration with Tkiyet Um Ali, the Children's Museum, and the Jordan River Foundation, Arab Bank strived to help alleviate poverty in the Kingdom. Its efforts were channeled through the Families Adoption and winter campaign (Lamsit Dafa) and the Child Safety and Women Empowerment programs with the Jordan River Foundation. The bank also sponsored many charity Iftars for underprivileged kids through the Children's Museum, the Jordan River Foundation, and Tkiyet Um Ali. Over 267 employees volunteered in poverty alleviation programs during 2019.

In Palestine, Arab Bank supported several initiatives, including the distribution of 500 food packages for families that live under the poverty line, and distributing iftar meals for cancer children and their families during Ramadan. It also organized a charity iftar for Beit Al-Ajdad for elderly care residents in Jericho and distributed 2,000 school bags for underprivileged students in eight governorates in partnership with the Ministry of Social Development. The bank helped the Sanad Association for Special Needs to adopt the rehabilitation treatment for 10 special needs children and established a sensory room for treatment purposes.

Environmental Protection

Arab Bank collaborated with the Royal Society for the Conservation of Nature (RSCN) on several initiatives to protect the environment in Jordan. It worked with RSCN FIFA Eco-village on several projects with the aim of increasing the environmental awareness of villages and, at the same time, resulting in economic development and better living conditions for the local community. Those projects included establishing income-generating home gardens through planting date trees and installing grey water systems and generating organic fertilizers from food waste. Around 20 homes benefited from the project in its first phase.

Arab Bank sponsored the Fourth National Conference of Nature Reserves in Jordan, "Sustainable Tourism", in addition to supporting the infrastructure of natural reserves in Jordan, including Azraq, Shomary, Ajloun, and Dibeen with the participation of 113 of our employees and their family members.

Education

Arab Bank collaborated with several organizations to empower youth through education and training. Bank employees volunteered with INJAZ to deliver courses in schools and universities, and it was the exclusive sponsor of the Cyber Security program, the first of its kind to be available to university students in Jordan. The bank was also a sponsor of the university students' internship program (Darb) in collaboration with King Abdullah Fund for Development (KAFD) and the LOYAC, and collaborated with the Traffic Department to sponsor the Back to School awareness campaign. The bank works to spread financial literacy among children through the Art of Saving program in collaboration with Haya Cultural Center. Around 1,800 children benefited from this program in 2019.

The bank continued to support the national financial educational program, launched by the Central Bank of Jordan, which is aimed at increasing financial literacy among school students and teaching them how to develop smart saving habits and make sound financial decisions. The bank also supported this initiative through Abdul Hameed Shoman Foundation (AHSF). The program aims to bridge the gap between financial knowledge and behavior and acquaint grade 7 to 12 students with basic economic and financial concepts.

Under the umbrella of the Queen Rania Foundation, the bank supported the development of the "Karim and Jana – Our World" application. This application focuses on the socio-emotional learning skills of children aged three to six. The bank helped to renovate the facilities and infrastructure of three schools to provide a better educational environment through the Madrasati initiative and supported the Teach Like a Champion program, which is offered through the Queen Rania Teacher Academy. Arab Bank also sponsored two online courses through EDRAAK, the first massive open online platform (MOOC) in the Arab world. Several Children's Museum programs received support from Arab Bank, including Earth Month, Back to School Month, Arabic Child Month, and Persons with Disabilities Month. The bank also donated computer equipment to be refurbished and used at schools and youth centers in the most underprivileged areas in the Kingdom.

Arab Bank Palestine worked with INJAZ for a sixth year to provide funding to the Schools Renovation project. This year the bank added six schools from different areas with the aim of improving the school environment to provide students with a better quality of education. Additionally, the bank supported the renovation of a school in Jerusalem district, reaching a total of 30 public schools that have been renovated since 2013. The bank also participated in Banking Week by visiting 100 schools and delivering awareness sessions for more than 10,000 students.

Orphan Support

The bank lends its support to several initiatives to improve the quality of orphans' lives, prepare them to be integrated into society, and to become self-reliant and productive members of their communities. The bank helped Al Aman Fund for the Future of Orphans by providing university education to 35 older orphans who have aged out of care and also sponsored one of the SOS houses in Amman. It also sponsored Charity Clothing Bank's Orphans' Day program, which provides new clothes for 1,200 orphans for one year.

Other Initiatives

Arab Bank was the official Senior Lead Sponsor of the sixth Euromoney Jordan Conference. This conference, under the theme: Stability, Innovation and Transformation – Jordan's Economic Challenge, focused on exploring Jordan's ability to reach its full economic potential and ways in which it can work to achieve macro-economic stability. The speakers at the conference evaluated the level of infrastructure that is needed to support Jordan's digital future and examined the steps the country must take to manage the transformation to digital financial services.

As part of its strategic partnership with the Union of Arab Banks, the bank sponsored a number of conferences and forums held by the Union in Jordan, including: the Financing SMEs & Start Up Companies forum, the Combating Financial Crimes: Compliance with Evolving Global AML/CFT Standards forum, the Enhancing Financial Stability forum, and the third edition of Palestinian Banking Sector in its Arab Environment conference under the title "Fintech Innovations and the Future of Banking Services". The bank also sponsored several other conferences, including the 2019 Arab Banking Conference and the ninth Annual Forum for Heads of AML/CFT Compliance Units in Arab Banks & Financial Institutions in Lebanon, the International Arab Banking Summit IABS 2019, entitled "Euro-Arab Mediterranean Dialogues for a Better Economic Zone" in Italy, and the Annual Arab Banking Conference for 2019, the Digital transformation in banks and the future of financial intermediation forum and the Chief Risk Officers in Arab Banks Forum: The Road to Basel 4, in Egypt.

Arab Bank was the strategic sponsor of the Second Arab Capital Markets Conference, "Enhancing Transparency and Financial Innovation", which was held in Amman, under the patronage of H.E. Prime Minister of Jordan and organized by the Union of Arab Securities Authorities in cooperation with Jordan Securities Commission. The conference was attended by over 300 investors and capital markets devotees from around the world.

Arab Bank was the diamond sponsor of the seventh Conference of Jordanian Expatriates Businessmen and Investors, "Development and Building Partners", under the patronage of His Majesty King Abdullah II bin Al-Hussein. The conference was organized by the Jordanian Businessmen Association (JBA) and the Businesspeople Association of Jordanian Expatriates (BAJE), in cooperation with the ministry of foreign affairs and expatriates and the Jordan Investment Commission. The conference covered numerous topics, including the investment climate in the Kingdom, business opportunities, incentives offered to Jordanian investors, prospects for expatriate investment in Jordan, success stories abroad, the role of industrial cities, developmental, private, and free zones in attracting investments to Jordan, and many other relevant topics. The conference was attended by about 250 businessmen and investors residing in Jordan and abroad.

Arab Bank has participated in several initiatives and activities that are of interest to youth, including sponsoring several career days at the University of Jordan Job Fair and career days at Princess Sumaya University for Technology, the German Jordanian University, and Hashemite University.

As part of Arab Bank's continuous efforts to support entrepreneurship and innovation, it has sponsored several different activities in this field, including the DealMakers 2019 event, which was held for two days in Amman. Organized by Endeavor-Jordan, this event was a vital platform to engage with entrepreneurs and investors through networking events and workshops aimed at stimulating investments in emerging and fast-growing companies in the Arab world, particularly Jordan.

In Palestine, Arab Bank was the main sponsor of the Global Entrepreneurship Week, which is part of a global initiative to support entrepreneurs and startups. It takes place annually during October across 170 countries around the world, including Palestine, and provides a significant opportunity for entrepreneurs to share their experiences and ideas at a series of lectures and events held throughout the week. Arab Bank also helped to launch a competition for the best project to participate in the international round. Additionally, Arab Bank was the Platinum Sponsor of Jordan Digital Transformation for Banking and Government Sectors forum, held in Amman under the patronage

of H.E. Governor of Central Bank of Jordan and organized by the Information and Communications Technology Association, “Intaj”. The aim of the forum is to explore the complexities of the digital transformation journey, including an in-depth look into strategy and business model changes, cultural and organizational challenges, the technology underpinning the transformation, and ways to monetize the new reality in the government and banking sectors. Over 400 participants from leading Jordanian banks and government sectors attended the forum, which hosted a series of panel discussions with the participation of nearly 45 local and international speakers.

In the UAE, Arab Bank sponsored the Global Finance Digital Banks & Innovators Conference, which was held in Dubai. The conference is the leading event dedicated to digital banking and innovation in financial services in the Middle East. With over 500 delegates, the conference brought together the region’s leading financial institutions, corporate treasurers, innovation officers, investors, fintechs and start-ups. Critical to the agenda was advancing the region’s fintech ecosystem, payments processing and Swift GPI, trade finance digitization, and advanced analytics and AI in financial services.

Arab Bank was the diamond sponsor of the BAFT MENA Bank to Bank Forum in Dubai, which attracted attendees from transaction banking, trade, payments and cash management, FI/sales/relationship management, and more. The forum focused on correspondent banking, with topics such as technology, digitization, and innovation; regulatory issues; an economic update; and compliance.

The Abdul Hameed Shoman Foundation

The Abdul Hameed Shoman Foundation (AHSF) was established in 1978 as a non-profit initiative and a pioneering step by the Arab Bank to contribute to building a beacon of culture and creativity in Jordan and the Arab world. Founded on a belief in the importance of building a scientific and cultural grounds, as well as cultural, social, and intellectual responsibility, the Foundation has three pillars: thought leadership, literature and arts, and innovation.

In 2019, the Abdul Hameed Shoman Foundation continued to implement its programs with the aim of supporting creativity, education, innovation, and scientific research and a culture of reading in the community through spreading its mission to as many segments of the community as possible. These achievements were crowned by the launch of the Al-Ashrafieh branch of the Abdul Hameed Shoman Public Library at the end of 2018. The need to expand the library was obvious because of its many visitors. The new branch serves a large number of people, particularly the students and children of the area.

In an effort to spread its mission into Jordanian governorates and cities, the Foundation held its annual cultural days in Al-Balqa Governorate, mainly in the city of Salt, which lasted for four days. During this time, it presented a comprehensive cultural, scientific and artistic program that attracted more than 6000 people of all ages.

The Abdul Hameed Shoman Foundation Innovation Award 2018

The Foundation launched the Abdul Hameed Shoman Innovation Award in 2018 with the aim of fostering an environment that supports creativity, innovation, and productivity in Jordan. Covering both science and social innovation, this award is aimed at strengthening the knowledge community and driving economic growth in areas such as the fourth industrial revolution, present-day challenges, and advancing communities and an improved quality of life through job creation and employment.

The award field covers five topic groups: green technology and environmental sustainability, food security and agricultural technology, healthcare and biomedical technology, labor market and economic productivity solutions, and educational solutions

In 2019, the award completed its first round, with 46 projects qualifying to compete for the award. The projects were evaluated across three phases: research and proof of concept (the development of a prototype), community application and testing, and roll-out and scaling. In the end, eight innovative projects received a total of 700,000 JD in grants.

In the second half of the year, the Foundation launched the Deep Dive II training program, aimed at developing the capabilities of the winners and providing them with different tools and skills, each according to his/her needs. The Foundation held 25 training days on 17 different topics, delivered by 13 specialized trainers. The training program coincided with the implementation of a mentoring program that included 24 mentors.

The Abdul Hameed Shoman Creativity Award for Children and Youth (Abde')

The Foundation re-launched the Abdul Hameed Shoman's Creativity Award for Children and Youth "Abde'" in 2018. It originally ran from 1988 to 2003 and targets children and youth (aged 8-18) from all governorates of the Kingdom. The philosophy of the award reflects AHSF's belief in the role young generations play in shaping the future.

The award has opened the door to creativity through seven fields: drawing, Arabic calligraphy, essay, poetry, music, dancing, and scientific innovation. It attracted 1,090 participants from all the governorates of the Kingdom, with 229 male and female students qualifying to take specialized training workshops, and 15 participants each winning $1000 prizes. The winners were honored at a day-long carnival.

The award aims to advance the creative production of children and youth in the literary, artistic, performance, and scientific innovation fields. Such advancement helps to develop the young person's mind and foster a generation that is aware of the common issues of the day. It also aims to create a spirit of positive competition among children and youth, highlighting their talents, enriching their knowledge, developing their capacities, enhancing literacy and artistic taste, supporting their scientific innovation, developing their insights in the fields of literature, art, and science, and helping them to express their views and opinions. The young people benefit from increased knowledge and literacy skills, with a specific focus on sound Arabic language, and a culture of creativity is nurtured through the early discovery of talented children and youth.

The award is supervised by a higher committee with experience and competence in the subjects of the award. Judges and trainers are appointed annually.

Scientific Research

The Foundation honored the winners of the 37th annual Abdul Hameed Shoman Arab Researchers' Award in 2019. Fifteen distinguished Arab researchers, scholars, and scientists were honored in the following fields: medical and health sciences; engineering sciences; basic sciences; literature and humanities; social and educational sciences; economics and administration sciences; and agriculture and technology. Since the launch of the award, there have been 434 male and female recipients from different Arab nationalities. Four of this year's winners gave public talks at the University of Jordan and the German-Jordanian University.

The Foundation continues to support applied scientific research projects in Jordanian universities, institutions, and scientific centers through the Abdul Hameed Shoman Scientific Research Support Fund, the first privately funded fund in the region. The Foundation signed eight grant agreements in 2019 with eight male and female researchers from two research institutions, with a total value of approximately 150,000 JD. Nine previously-funded research projects were completed after the completion of work on them, in addition to publishing scientific papers resulting from research supported by the Fund in international and Arab peer-reviewed scientific journals.

Abdul Hameed Shoman Award for Children's Literature

The Abdul Hameed Shoman Award for Children's Literature, launched in 2006, aims to improve the quality of Arabic literature produced for children and to promote the development of creative knowledge among children.

In 2019, the theme of the 13th award was the "science fiction novel" as an imagined literary art, based on scientific facts, predictive vision, and guesswork for future events. The award received a total of 400 unpublished literary works by Arab writers from 37 Arab and non-Arab countries. The award was given to three works from Syria, Jordan, and Tunisia. The Foundation held a ceremony under the patronage of His Excellency Mr. Sabih Al-Masri, chairman of the board of Arab Bank and chairman of the board of directors of the Abdul Hameed Shoman Foundation. The Foundation will publish the first edition of the winning works, which will be distributed at the beginning of 2020. The theme of the 14th award will also be announced, which is the "early childhood fairy tale".

The Science and Education Program

The Foundation launched the Science and Education Program in 2014 to promote a culture of scientific research and innovation among children and youth, and to have a positive impact on the teaching methods in Jordan by stimulating critical and analytical thinking. The program also aims to build the capacity of science teachers and students through initiatives undertaken in partnership with the Ministry of Education and others, such as supporting the participation of Jordanian students in the Intel-International Science and Engineering Fair (ISEF), the Young Innovators Lab, and the Shoman Camp for Science Teachers.

During 2019, the Foundation supported Jordan's participation in the Intel -International Science and Engineering Fair for the fifth time by providing judges to select the winning projects in Jordan, and by supporting 22 male and female winners with 14 different projects to participate in the Intel- International Science and Engineering Fair. In addition to covering the costs of travel and accommodation. A presentation skills training was provided to the students who qualified for the global competition in the United States of America. Sessions were also held with subject-matter mentors who provided guidance on student-specific projects, financed the development (modelling) of their projects, and prepared display panels.

Young Innovators' Lab

In cooperation with the Young Scientists' Forum, the Foundation completed the fourth session of the Young Innovators Lab in Amman. The same program was implemented for the first time in Al Balqa Governorate. The aim of the program is to develop critical thinking skills and the love of science, among children and adolescents between the ages of 10 to 13 years, through conducting experiments and scientific projects. Twenty-two students from Amman and 22 students from Al Balqa went through several stages of the program. It started with critical thinking, formulating questions, logical search for answers and experimentation, an introduction to electrical circuits and electronic microcontrollers, and programming and ended with the acquisition of teamwork skills. After receiving eight months of training under the supervision of male and female supervisors from different universities and scientific majors, the students produced nine innovative scientific projects that contribute to solving complex problems that matter to society. The projects were presented to a public audience at two separate events, under the patronage of His Excellency the Minister of Education, during which children and supervisors were honored.

The Abdul Hameed Shoman Science Teachers' Camp

The Foundation worked to complete the third annual Science Teachers' Camp. The program chiefly aims to introduce teachers to non-formal education and critical thinking and provide them with new concepts to develop thinking skills among students in schools. Through the camp, teachers develop the skills to manage an interactive classroom that promotes thinking and creativity. The teachers are also given new educational and learning resources to help them communicate ideas found in the curriculum in a fun way that allows students to absorb them and to encourage them to produce creative tools which can be used in the non-formal education process.

Thirty-two teachers from different governorates of the Kingdom took part in the training. The first camp was held in Al Balqa Governorate as part of Shoman Cultural Days in Al Balqa, and the other took place in Amman. Teachers received extensive educational training to equip them with the latest tools and methods of integrating non-formal education in traditional education settings with a focus on physics, chemistry, biology, earth sciences, and mathematics.

At the end of the camp, a competition for non-formal education tools was announced to encourage teachers to develop new tools that can be used in the educational process. The competition was held during the month of November, and the judges selected two winning projects. The winners were honored in a ceremony attended by His Excellency the Minister of Education.

Additionally, the Foundation will select a group of teachers who attended the camp to train on how to manage thinking clubs at schools and introduce activities that encourage students to think critically.

Knowledge Path Library for Children and Youth

The Knowledge Path Library devotes many of its activities to reviving the book's role in the upbringing of children. Its mission is to promote reading in children's lives as necessary for their quest for knowledge. The library provides a friendly and enjoyable environment that offers reading and artistic and creative activities.

The opening of the Knowledge Path Library for children and youth in 2013 introduced a free and lively space for children of all ages and backgrounds in which to meet, search, and discover together through interactive reading and creative activities.

During 2019, the library continued to provide its services and welcomed more than 117,000 boys and girls: 56,000 in the Jabal Amman branch and 61,000 in the Al-Ashrafieh branch. Together they borrowed more than 84,000 books on various topics, 49,000 in the Jabal Amman branch and 35,000 in the Al-Ashrafieh branch. The children also read about 165,000 books within the two branches of the library.

The two libraries received 101 school visits that featured several programs and events, including reading and creativity activities, with 60 visits to Jabal Amman branch and 41 visits to the Al-Ashrafieh branch.

A total of 12 summer and winter camps were organized in Amman and the governorates of Al-Balqa, Irbid, Jerash, Madaba, and Al-Mafraq, and 28 film screenings for children. The library also hosted workshops and courses for children, and nine capacity building workshops for parents on topics that included cyberbullying, encouraging children's interests, how to build a reading house, teaching children about diversity and acceptance of others, creating safe spaces for children, creative thinking for children, and the basics of healthy nutrition for children. The library also provided two sessions on the basics of creative writing for children, and hosted thirteen Jordanian authors visits to the library.

The Knowledge Path Library team made field visits to 65 schools in the governorates of Al-Zarqa, Aqaba, Al-Mafraq, Ma'an, and Amman. During these visits, story-reading sessions were held, followed by theatrical and musical activities and handicrafts. Also, and in cooperation with the Goethe Institute – Jordan, the Knowledge Path Library organized the Science Film Festival for the sixth year in a row.

The Knowledge Path Library team strolled around the halls of Al-Bashir Hospital with a cart loaded with stories and books, containing many titles that children and young adults could borrow and read during their hospital stay. This cart was part of a school student graduation project, the cart was donated as a gift and delivered to the Abdul Hameed Shoman Knowledge Path Library.

The Abdul Hameed Shoman Cultural Forum

The activities of the Abdul Hameed Shoman Cultural Forum continued during 2019, including the participation of a group of prominent Arab and foreign researchers and experts. Twenty-two women participated in the forum in 2019, and more than 11,171 people attended the events.

The forum hosted Dr Amr Moussa from Egypt and he participated in several events, the last of which was a public talk attended by more than 980 people and at which he spoke about the first wave of the Arab Spring.

To learn about the best education experiences in the world, the forum hosted Tania Anaissie, a design thinking expert from Stanford University in the United States to give a lecture on activating design thinking in the professional sphere and using it to develop critical thinking and problem-solving skills.

The Cultural Forum also held a workshop on creative writing, on both the novel and short stories, presented by novelist Taleb Al-Refai from Kuwait, which 22 people attended. The forum also hosted several local and Arab movie stars to talk about their creative experience, including Ayman Zeidan from Syria, Nadira Omran and Zuhair Al-Nobani from Jordan, and Asser Yassin and Ahmad Murad from Egypt.

The forum organized many lectures and seminars during the year, the most important of which were a lecture by Dr. Shahid Mahmud from Pakistan called "The prosperity of the Islamic world through openness to innovation and technology", a seminar, "Translation is the Message of Peace", in cooperation with the Sheikh Hamad Award for Translation and International Understanding, and a seminar in cooperation with the Saudi Embassy called "The New Saudi Vision of the Importance of Culture in Society". Other events included Knowledge Week in cooperation with the Mohammed bin Rashid Al Maktoum Foundation for Knowledge under the patronage of the Prime Minister, and a book discussion on "When the South Reinvents the World" in cooperation with the Arab Thought Foundation in the presence of the author, French Professor Dr. Bertrand Badie.

This year, His Excellency Dr Mohammad Hamdan was chosen as the Guest of the Year. A seminar titled "Mohammed Hamdan as an academic and a pedagogist" was held to celebrate his achievements in which 28 experts testified on the guest's experience and 140 people attended. In the Royal Cultural Palace, the forum organized a poetry evening for the poets Mourid and Tamim Barghouti, attended by 1600 people, at which a new book "Wings for all the oppressed" which represents a collection of the late novelist Radwa Ashour's literary, critical, and political essays was signed.

The forum ended this year's activities with the Environment Today program, during which five public talks on the environment were held and delivered by Arab and Jordanian experts.

Five books were published during 2019, including the collection of the Abdul Hameed Shoman Cultural Forum lectures and seminars.

Cinema Program

The Foundation's Cinema Program continues to highlight outstanding Arabic and international films, with each screening, normally accompanied by a written analysis of the film and a post-viewing discussion panel. The program continues to provide the film library with new international films translated into Arabic.

The Cinema Program also held two workshops during 2019. The first focused on cinematography and lighting. It was presented by the Syrian director of photography, Hanna Ward, and was held in cooperation with the Royal Film Commission. The topic of the second workshop was the art of scriptwriting, led by the Egyptian scriptwriter Ahmad Murad. The program also hosted several film weeks celebrating Arab, Asian, and European cinema creativity.

The Children's Cinema Program continued to provide its free monthly screenings. The aim of this program is to introduce children and young people to different cinematic schools and build their critical skills.

During the year, the Cinema Program hosted a number of Arab artists to share with public audience their cinematic experience, including the Syrian artist Ayman Zeidan, the Egyptian Ahmad Murad, and others, attracting more than 7200 attendees.

Abdul Hameed Shoman Foundation Cultural Days

As part of its efforts to connect with Jordanian society through cultural activities, the Abdul Hameed Shoman Foundation continued to hold its Abdul Hameed Shoman Cultural Days, which feature integrated artistic and cultural activities that reflect the Foundation's diverse programs. In 2019, the Cultural Days were held in the city of Salt and included 40 events and book exhibitions from 20 Jordanian publishing houses, plus musical evenings, film screenings, and a poetry evening by the Lebanese poet Zahi Wehbe. There were also workshops in creative writing, film making, scientific research, and other topics, and creative activities for children and adolescents.

The activities were distributed in different regions in the city of Salt, in cooperation with the Ministry of Tourism and Culture, Al-Balqa Governorate, and 18 partners from local institutions in Al-Balqa Governorate. These activities attracted more than 6000 visitors and participants from the governorate.

For the sixth year in a row, the Abdul Hameed Shoman Cultural Days were held in the Jabal Amman neighborhood to celebrate it as a cultural hub in the Jordanian capital, Amman. This event was held in partnership with the Jabal Amman Residents Association (JARA), under the auspices of the Mayor of Greater Amman, and in cooperation with 20 other cultural entities. The Jabal Amman Cultural Days featured several cultural activities and events for different ages and interests and included the screening of Jordanian films, music and poetry evenings, forums and seminars, a book fair, art exhibitions in multiple Jabal Amman galleries, and training workshops and creative children's events on JARA Street and in the Knowledge Path Library.

The year also saw the participation of more than 29 publishing houses and 40 cultural events. These events attracted a large number of attendees, reaching nearly 22,000 people.

The Abdul Hameed Shoman Public Library, Jabal Amman and Al-Ashrafieh branch

The library continues to play an important role as a center for information services, providing resources and references for all groups in society. The library added 4,269 new paper books during the year, including 1,423 in the Al-Ashrafieh branch. The library is also home to electronic databases that provide access to a wealth of useful research materials from academic journals, dissertations, books, articles etc

In its role as a community center, the library held 14 capacity building and self-development workshops for community members, and using the library's electronic databases, five of which were held in Al-Ashrafieh branch. Eleven training courses were held in critical thinking, the basics of scientific research and literacy, including six courses in Al-Ashrafieh branch.

To fulfil the library's role as a promoter of reading and a disseminator of knowledge in society, 15 books were launched through the Library's Reading Program, 50 books were discussed by various reading clubs. Several educational sessions were on topics such as Wikipedia and the Bel Arabi initiative, the internet of things, robotics, and artificial intelligence.

The library seeks to develop the skills of those working in the field of librarianship and information science, particularly in Jordan and Palestine. During 2019, it held and broadcasted a seminar called "The Library as an Engine of Change". This seminar was held with the participation of international experts who discussed best practices, successful international models of modern libraries, and the changing role of libraries in the 21st century. Around 280 librarians from several libraries and institutions in Jordan and Palestine attended.

In the field of library enhancement and with the fast paced technological developments, a new open-source system – the Koha system – has been acquired for the Abdul Hameed Shoman Public Library. It offers digital, advanced and self-services for library users.

Work was completed during the year to make the library accessible for persons with disabilities and ensure their right to inclusion and accessibility.

Physical facilities are now available from a ramp to toilets for disabled persons, there are private parking lots and light alarms for people with hearing disabilities, lending counters are available that meet the needs of people with physical disabilities, and chairs with sturdy armrests, and an automatic glass entrance have been introduced. New service facilities make it easier for people to use the library's resources, including a text-reader-equipped computer, SuperNova and Acapela software for NVDA, optical character recognition software that makes it easier to read printed texts in both Arabic and English, a magnifier to enlarge font size, and a Braille display keyboard, printer, and computer controls.

To increase the role of the library in the governorates, four training sessions were held in Irbid, Karak, Salt, and Aqaba on indexing, classification, technical library methods, scientific research, and critical thinking. The library continues to support the governorates libraries and municipalities' libraries in Palestine.

By the end of 2019, the number of the library visitors had reached 377,355, of whom 51,826 visited the Al-Ashrafieh branch. The total number of subscribers was 49,045, of whom 2,285 were new (463 at the Al-Ashrafieh branch). The number of borrowers reached 25,807 (3,327 at the Al-Ashrafieh branch). They borrowed 54,335 books (6,417 at the Al-Ashrafieh branch), and used 89,710 books inside the library, including 19,668 in Al-Ashrafieh branch. There were 2,511 users of the e-databases in the library, of which 269 were at the Al-Ashrafieh branch.

On the first year anniversary of the opening of the Al-Ashrafieh branch of the Abdul Hameed Shoman Public Library, it welcomed 51,826 library visitors, and five training workshops and six courses were held on scientific research, critical thinking, and literacy. The library expansion project was approved, and the Street Library was added to serve the local community and visitors to Al-Bashir Hospital.

Abdul Hameed Shoman Foundation's Musical Evenings

At the beginning of 2014, the Foundation launched a music program aimed at celebrating the pioneers of Jordanian music, introducing Arab and international music, and to make music available to a wider audience.

Free musical evenings are held on the last Thursday of every month with uprising local bands and musicians coming together with Arab and international bands and musicians for evenings of musical fusion.

In 2019, nine musical evenings were held at the Abdul Hameed Shoman Foundation, featuring young Jordanian talents and professional artists. Three musical evenings were held in central Amman on the auditorium of the Odeon, during which Jordanian artists performed alongside international music bands, such as the Miraz band from Turkey and the Egyptian artist Donia Massoud in addition to one evening where Dr. Haitham Sukkariya accompanied the Orchestra of the National Music Conservatory. These performances attracted more than 6,000 people.

The Abdul Hameed Shoman Foundation is a members of the new Higher National Committee for Music in Jordan, which the Prime Minister commissioned under the umbrella of the Ministry of Culture. The committee has been asked to develop and implement a national music strategic plan and the draft strategy has already been presented to the Minister of Culture.

Grants and Support Programs

The Abdul Hameed Shoman Foundation believes in investing in intellectual, cultural and social creativity. That is why it provides annual grants that are aimed at revitalizing societies through a greater sense of culture and innovation.

Societies that are rich with creativity and a desire to influence change and keep pace with development can be hindered by difficulties and obstacles. For this reason, the Foundation provides grants and support to creators in both Jordan and Palestine to enable them to continue to contribute to cultural, artistic, and scientific activity in these countries. The Foundation provides two programs:

1- The Arts and Literature Program: More than 130 projects were funded between 2014 and 2019 in six sectors: performing arts, audiovisual, festivals and cultural activities, cultural and national heritage, artistic and literary spaces, and library development support. Through the program, the Foundation seeks to help develop artistic and literary talents and skills and promote cultural diversity. By supporting such projects, there is access to the arts for everyone, which helps to enrich and spread distinctive Arab literary and artistic content across all media while supporting workers in the cultural and creative industry, particularly young people.

2- The Thought Leadership Program: This program include: scientific research conferences, scientific activities, scientific spaces and educational applications, and youth forums and debates. More than 60 projects were supported between 2014 and 2019 which meet educational and scientific needs across multiple platforms.

At the beginning of 2019, the Foundation supported 27 projects in the Arts and Literature Grants Programs valued at 702,226 JD, and 15 projects through the Thought Leadership Program, with an estimated value of 702,226 JD. The total value of support for both programs is estimated to be 1,207,535 JD.

What distinguished this year was that the Foundation invited applications for grants between June 23 and August 21, on specific themes and topics. By the second half of 2019, the Foundation had received 214 applications, with 168 requests from Jordan and 46 from Palestine. Twenty projects from Jordan and Palestine received grant support through this initiative.

These projects bring together talent and the creative resources and spaces, a combination that will help to spread art and culture, preserve the cultural and national heritage, and support the performing arts. Other projects promote the Arabic language by encouraging reading and enriching outstanding Arab literary and artistic content via digital media. There is also support for libraries and projects that encourage reading, education, and innovative learning resources for all.

The Foundation's Digital Transformation

The Abdul Hameed Shoman Foundation started in 2019 to bring about its vision for digital transformation. This pioneering project brought together all departments, units, and programs to achieve several goals, including improving access to information, simplifying and integrating operational procedures, and improving the services provided to beneficiaries.

As part of this vision, the Foundation adopted a new and enhanced electronic library management system to improve the accessibility of library services, including: searching the contents of the library via the internet, self-services such as borrowing, renewal and reservation, and using the digital library services across different devices and mobile applications, and other services.

The Foundation has also developed several projects to serve its vision in the field of digital transformation, including:

- The portal of the Abdul Hameed Shoman Foundation Creativity Award for Children and Youth (Abde), Creative Production
- The portal of the Abdul Hameed Shoman Award for Arab Researchers
- The portal of the Abdul Hameed Shoman Award for Children›s Literature

These portals make it easy to apply for the awards by submitting applications online, completing evaluations, and extracting executive and analytical reports electronically.

The Foundation is currently developing the second phase of the project, which involves establishing a platform for digital services to enable users to access services such as registering to attend events and activities, applying for the support and grants program, scientific research fund, and awards, and other library services.

Arab Bank Group

Arab Bank plc

USD '000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

ARAB BANK GROUP

USD '000

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

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

USD '000

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

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

		Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve
2019	**Balance at the Beginning of the year**		**926 615**	**1 225 747**	**919 507**	**977 315**	**1 141 824**	**237 124**
	Effect of IFRS (16) adoption - Note 3		-	-	-	-	-	-
	Restated Balance at the Beginning of the year		**926 615**	**1 225 747**	**919 507**	**977 315**	**1 141 824**	**237 124**
	Profit for the year		-	-	-	-	-	-
	Other comprehensive income for the year		-	-	-	-	-	-
	Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**	**-**	**-**
	Transferred to statutory reserve		-	-	7 108	-	-	-
	Transferred to general banking risk reserve		-	-	-	-	-	1 828
	Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-
	Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-
	Dividends paid	33	-	-	-	-	-	-
	changes in associates equity **		-	-	-	-	-	-
	Adjustments during the year		-	-	-	-	-	-
	Balance at the End of the Year		**926 615**	**1 225 747**	**926 615**	**977 315**	**1 141 824**	**238 952**
2018	**Balance at the Beginning of the year**		**926 615**	**1 225 747**	**841 359**	**977 315**	**1 141 824**	**395 828**
	Effect of IFRS (9) adoption		-	-	-	-	-	-
	Restated Balance at the Beginning of the year		**926 615**	**1 225 747**	**841 359**	**977 315**	**1 141 824**	**395 828**
	Profit for the year		-	-	-	-	-	-
	Other comprehensive income for the year		-	-	-	-	-	-
	Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**	**-**	**-**
	Transferred to statutory reserve		-	-	78 148	-	-	-
	Transferred from general banking risk reserve		-	-	-	-	-	(158 704)
	Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-
	Investments revaluation reserve transferred to non- controlling interests		-	-	-	-	-	-
	Dividends paid	33	-	-	-	-	-	-
	changes in associates equity **		-	-	-	-	-	-
	Adjustments during the year		-	-	-	-	-	-
	Balance at the End of the Year		**926 615**	**1 225 747**	**919 507**	**977 315**	**1 141 824**	**237 124**

- Retained earnings include restricted deferred tax assets in the amount of USD 155.4 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, as a result of adopting of certain International Accounting Standards, amounted to USD 2.8 million as of 31 December 2019.
- The Bank cannot use a restricted amount of USD (298.4) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 31 December 2019.

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

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

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

USD '000

Reserves with Associates	Foreign Currency Translation Reserve	Investments Revaluation Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Total Share holoders' Equity
1 540 896	**(264 651)**	**(322 831)**	**2 192 006**	**8 573 552**	**91 037**	**8 664 589**
-	-	-	(5 327)	(5 327)	-	(5 327)
1 540 896	**(264 651)**	**(322 831)**	**2 186 679**	**8 568 225**	**91 037**	**8 659 262**
-	-	-	844 937	844 937	1 611	846 548
-	11 726	22 227	-	33 953	2 532	36 485
-	**11 726**	**22 227**	**844 937**	**878 890**	**4 143**	**883 033**
-	-	-	(7 108)	-	-	-
-	-	-	(1 828)	-	-	-
-	-	2 201	(2 201)	-	-	-
-	-	-	-	-	(7)	(7)
-	-	-	(417 997)	(417 997)	(2 604)	(420 601)
-	-	-	(13 724)	(13 724)	-	(13 724)
-	-	-	(4 221)	(4 221)	(1 291)	(5 512)
1 540 896	**(252 925)**	**(298 403)**	**2 584 537**	**9 011 173**	**91 278**	**9 102 451**
1 540 896	**(350 550)**	**(313 438)**	**1 904 663**	**8 290 259**	**119 013**	**8 409 272**
-	-	-	(164 205)	(164 205)	(8 241)	(172 446)
1 540 896	**(350 550)**	**(313 438)**	**1 740 458**	**8 126 054**	**110 772**	**8 236 826**
-	-	-	820 649	820 649	(105)	820 544
-	85 899	(11 352)	-	74 547	(14 870)	59 677
-	**85 899**	**(11 352)**	**820 649**	**895 196**	**(14 975)**	**880 221**
-	-	-	(78 148)	-	-	-
-	-	-	158 704	-	-	-
-	-	1 959	(1 959)	-	-	-
-	-	-	-	-	(1)	(1)
-	-	-	(368 911)	(368 911)	(4 759)	(373 670)
-	-	-	(82 038)	(82 038)	-	(82 038)
-	-	-	3 251	3 251	-	3 251
1 540 896	**(264 651)**	**(322 831)**	**2 192 006**	**8 573 552**	**91 037**	**8 664 589**

CONSOLIDATED STATEMENT OF CASH FLOWS

USD '000

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

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

1. General

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

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

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

2. (a) Basis of Preparation

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

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

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

2. (b) Basis of Consolidation

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

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

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

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

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

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

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

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

3. Changes in Accounting Policies

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

IFRS (16) Leases

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

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

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

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

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

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

Based on the above, as at 1 January 2019:

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

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

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

IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

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

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

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

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

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS (3), between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

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

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

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

4. Significant Accounting Policies

Recognition of Interest Income

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

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

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

Interest and similar income and expense

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

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

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

Fee and commission income

Fee income can be divided into the following two categories:

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

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

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

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

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

• Amortized cost
• FVOCI
• FVTPL

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

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

Financial Assets and Liabilities

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

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

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

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

Debt instruments at FVOCI

The Group measures its debt instruments at FVOCI when both of the following conditions are met:

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.
Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

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

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

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.
Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income and an ECL provision.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

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

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

Derecognition other than for substantial modification

A. Financial assets

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

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

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

Or

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

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

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

A transfer only qualifies for derecognition if either:

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

Or

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

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

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

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

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

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

Impairment of financial assets
Overview of the ECL principles
The Group records the allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS9.

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

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

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

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

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

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

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

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

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

The Group's internal credit rating system:

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

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

The calculation of ECL

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

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

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

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

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

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

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

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

The mechanism of the ECL method are summarized below:

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

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

Stage 3: For financial assets which are considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.

Loan commitments and letter of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Financial guarantee contracts: The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

Debt instruments measured at fair value through OCI

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

Credit cards and other revolving facilities

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

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

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

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

Forward looking information

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

- GDP growth
- Unemployment rates
- Central Bank base rates

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

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed periodically. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.
To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

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

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

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

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

Leases (Policy applicable before 1 January 2019)

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

1. The Group as a lessor

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

2. The Group as a lessee:

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

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

Leases (policy applicable after 1 January 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

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

Foreign currency translation

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

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

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

2) Group companies

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

Fixed assets

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

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

Land and assets under construction are not depreciated.
Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

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

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

Impairment of non-financial assets -

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

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

Intangible Assets

Goodwill

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

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

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

Other Intangible Assets

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

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

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

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

Repurchase and Resale Agreements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial derivatives

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

Financial derivatives held for hedge purposes

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

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

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

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

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

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

Financial derivatives for trading

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

Foreclosed assets

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

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

Provisions

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

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

Segments Information

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

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

Assets under Management

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

Offsetting

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

Cash and cash equivalents

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

5. Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

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

- Provisions for impairment - ECL
  In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

· Definition of default

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

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

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

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

- **Expected Life**

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

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

6- Credit Losses Expense on Financial Assets:

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

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

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

7. Cash and Balances with Central Banks

The details of this item are as follows:

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

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.
- Balances and certificates of deposit maturing after three months amounted to USD 93 million as of 31 December 2019 (USD 38.6 million as of 31 December 2018).

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

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

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

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

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

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

8. Balances with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions

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

Abroad Banks and financial institutions

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

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

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

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

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

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

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

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

9. Deposits with Banks and Financial Institutions

The details of this item are as follows:

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

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

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

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

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

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

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

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

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

10. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

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

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

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

11. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

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

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

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

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

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

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

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

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

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

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

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

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

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

	31 December 2018						
	Consumer Banking	Corporates		Banks and Financial Institutions	Govern-ment and Public Sector	Total	The total includes movement on the real - estates loans provision as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	158 583	157 613	1 071 575	507	4 636	1 392 914	11 782
ECL charges during the year	22 241	22 557	213 915	42	409	259 164	2 559
Recoveries	(13 343)	(7 504)	(64 957)	(19)	(952)	(86 775)	(2 999)
Transferred to Stage 1	960	1 008	(7 700)	-	102	(5 630)	(76)
Transferred to Stage 2	(1 207)	(11 984)	7 986	-	(102)	(5 307)	(62)
Transferred to Stage 3	247	10 976	(286)	-	-	10 937	138
Impact on year end ECL caused by transfers between stages during the year	1 990	9 258	47 764	-	467	59 479	950
Used from provision (written off or transferred to off state-ment of financial position)	(392)	(4 300)	(30 490)	-	-	(35 182)	(32)
Adjsutments during the year	814	2 053	1 761	(13)	778	5 393	6 331
Translation Adjustments	(6 398)	(7 744)	(6 809)	(12)	(97)	(21 060)	(31)
Balance at the End of the Year	**163 495**	**171 933**	**1 232 759**	**505**	**5 241**	**1 573 933**	**18 560**

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of 31 December 2019 and 2018.
- Impairment is assessed based on individual customer accounts.

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

The details of movement on interest and commissions in suspense are as follows:

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

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

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

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

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

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

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

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

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

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

Direct Credit Facilities at Amortized Cost - Consumer Banking

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

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

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

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

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

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

Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises

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

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

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

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

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

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

Direct Credit Facilities at Amortized Cost - Large Corporates
The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

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

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

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

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

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

Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions

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

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

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

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

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

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

Direct Credit Facilities at Amortized Cost - Government & Public Sector
The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

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

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

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

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

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

13. Other financial assets at amortized cost

The details of this item are as follows:

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

Analysis of bonds based on interest nature:

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

Analysis of financial assets based on market quotation:

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

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

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

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

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

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

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

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

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

14. Investments in Associates

The details of this item are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The Group's share of associates are as follows:

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

15. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Other	Total
Historical Cost:	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018	**72 190**	**402 749**	**219 143**	**151 947**	**15 149**	**82 223**	**943 401**
Additions	39	23 906	8 004	19 619	1 888	8 662	62 118
Disposals	-	(5 204)	(7 520)	(4 471)	(1 422)	(4 370)	(22 987)
Adjustments during the year	355	(1 863)	(6 294)	60	-	7 742	-
Translation Adjustments	(2 616)	(4 693)	(3 012)	(4 382)	(1 147)	(4 759)	(20 609)
Balance as of 31 December 2018	69 968	414 895	210 321	162 773	14 468	89 498	961 923
Additions	-	21 283	7 950	22 016	2 047	5 276	58 572
Disposals	(2 112)	-	(2 722)	(8 746)	(1 424)	(5 201)	(20 205)
Adjustments during the year	-	(2)	(167)	(1 902)	-	2	(2 069)
Translation Adjustments	99	2 224	239	596	221	998	4 377
Balance at 31 December 2019	**67 955**	**438 400**	**215 621**	**174 737**	**15 312**	**90 573**	**1 002 598**
Accumulated Depreciation :							
Balance as of 1 January 2018	-	137 573	168 419	113 712	11 421	53 135	484 260
Depreciation charge for the year	-	9 698	11 854	17 164	1 275	8 162	48 153
Disposals	-	(466)	(7 364)	(4 401)	(1 415)	(2 179)	(15 825)
Adjustments during the year	-	-	(3 550)	-	-	3 550	-
Translation adjustments	-	(1 287)	(1 754)	(3 456)	(640)	(3 247)	(10 384)
Balance as of 31 December 2018	-	145 518	167 605	123 019	10 641	59 421	506 204
Depreciation charge for the year	-	9 670	11 127	19 655	1 400	7 129	48 981
Disposals	-	-	(2 670)	(8 537)	(1 420)	(3 009)	(15 636)
Adjustments during the year	-	54	(28)	(26)	-	-	-
Translation adjustments	-	533	148	429	161	661	1 932
Balance at 31 December 2019	**-**	**155 775**	**176 182**	**134 540**	**10 782**	**64 202**	**541 481**
Net Book Value as of 31 December 2019	**67 955**	**282 625**	**39 439**	**40 197**	**4 530**	**26 371**	**461 117**
Net Book Value as of 31 December 2018	**69 968**	**269 377**	**42 716**	**39 754**	**3 827**	**30 077**	**455 719**

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

16. Other Assets

The details of this item are as follows:

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

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

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

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

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

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

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

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

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

17. Deferred Tax Assets

The details of this item are as follows :

Items attributable to deferred tax assets are as follows:

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

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

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

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

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

18. Banks and Financial Institutions Deposits

The details of this item are as follows:

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

19. Customers' Deposits

The details of this item are as follows:

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

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

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

20. Cash Margin

The details of this item are as follows:

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

21. Borrowed Funds

The details of this item are as follows:

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

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

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

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 4.5 million (USD 5.1 million as of 31 December 2018).
* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.9 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 2.5 million (USD 3.1 million as of 31 December 2018).
* During 2015 and 2016, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 2%, The advances are repaid in accordance with customers monthly installments which starts on January 2020 and ends on August 2029, these advances amounted USD 69.4 million as of 31 December 2019 (USD 62.6 million as of 31 December 2018)
* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.1 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2019 amounted to USD 5.1 million (USD 5.1 million as of 31 December 2018).
* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 10.9 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of 31 December 2019 amounted to USD 4.8 million (USD 2.4 million as of 31 December 2018).

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

  During 2018,Arab Bank (Jordan branches) signed loan agreements with Mitsui Sumitomo Banking Company in Dubai with fixed interest rates ranging between (0.860% - 0.872%) as the balance reached $ 21.7 million as on 31 December 2018 the first contract matured on 4 January 2019 and the last contract on 7 May 2019 ($ 23.5 million as on 31 December 2018)
* During 2018, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to USD 100 million, for the duration of 7 years with a floating interest rate of (1.92%+LIBOR 3 months) the interest is repaid in 4 installment during the year, the loan is repaid semi-annually, with installments in March and September of each year. the Balance of the loan as of 31 December 2019 amounted to USD 100 million (USD 100 million as of 31 December 2018)
* During 2019 Arab National Leasing Co. signed loan agreement with Jordanian Mortgage Refinance Company for a duration of two years with a fixed interest rate of 5.6% , the balance of the loan as of 31 December 2019 amounted to USD 7.1 million
* Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 69.9 million as of 31 December 2019 (USD 81.5 million as of 31 December 2018) whereas the lowest interest rate is (0.7%) and the highest is (9.3%) and the last maturity date is on 19 May 2032, as per the following details:

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

22. Provision for Income Tax

The details of this item are as follows:

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

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

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

- The Banking income tax rate in Jordan is 35%. The Jordanian income tax law No. (34) for the year 2018 has been amended and the tax rate has become 35% income tax + 3% national contribution tax, i.e. a total of 38%. While the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of 31 December 2019 and 2018. Arab Bank Group effective tax rate was 26.4% as of 31 December 2019 and 26.7% as of 31 December 2018.
- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2018 such as Arab Bank United Arab Emirates and arab bank Egypt and Islamic International Arab Bank and 2017 such as Arab Bank Palestine.

23. Other Provisions

The details of this item are as follows:

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

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

24. Other Liabilities

The details of this item are as follows:

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

Indirect Credit Facilities

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

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

The movement on total indirect credit facilities is as follows:

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

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

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

25. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	2019					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Other	33 598	4 434	(5 310)	(930)	31 792	6 402
Total	**33 598**	**4 434**	**(5 310)**	**(930)**	**31 792**	**6 402**

	2018					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Other	22 532	15 346	(2 800)	(1 480)	33 598	8 210
Total	**22 532**	**15 346**	**(2 800)**	**(1 480)**	**33 598**	**8 210**

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

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

26. Share Capital & Premium

a .Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of 31 December 2019 and 2018 with an authorized capital of 640.8 million shares (at a par value of USD1.41 per share).
b. Share premium amounted to USD 1225.7 million as of 31 December 2019 and 2018.

27. Statutory Reserve

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

28. Voluntary Reserve

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

29. General Reserve

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

30. General Banking Risks Reserve

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

31. Foreign currency translation reserve

The details of this item are as follows:

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

32. Investment Revaluation Reserve

The details of this item are as follows:

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

33. Retained Earnings and Non-controlling interests

The movement of retained earnings are as follows:

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

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

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

The details of non-controlling interests are as follows:

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

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

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

34. Interest Income

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

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

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

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

35. Interest Expense

The details of this item are as follows:

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

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

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

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

36. Net Commission Income

The details of this item are as follows:

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

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

The details of this item are as follows:

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

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

38. Other Revenue

The details of this item are as follows:

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

39. Employees' Expenses

The details of this item are as follows:

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

40. Other Expenses

The details of this item are as follows:

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

41. Financial Derivatives

The details of this item is as follows:

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

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

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

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

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

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

43. Business Segments

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

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

1. Corporate and Institutional Banking

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

2. Treasury Group

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

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

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

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

3. Consumer Banking

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

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

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

Information about the Group's Business Segments

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

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

44. Banking Risk Management

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

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

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

a. Credit Risk Management

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

b. Geographic Concentration Risk

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

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

c. Liquidity Risk

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

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

d. Market Risk

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

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

1. Interest Rate Risk

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

Interest rate benchmark reform

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

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

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

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

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

2. Capital Market Exposures

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

3. Foreign Exchange Risk

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

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

e. Operational Risk

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

45. Credit Risk

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

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

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

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

	Total Credit Risk Exposure	Cash	Banks accepted letters of guaran-tees	Real estate properties
	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:				
Balances with central banks	7 380 833			
Balances with banks and financial institutions	4 260 931			
Deposits with banks and financial institutions	315 234			
Financial assets at fair value through profit or loss	494 609			
Direct credit facilities at amor-tized cost	**26 134 777**	**1 793 133**	**371 676**	**3 667 550**
Consumer Banking	5 844 211	400 351	6 457	190 021
Small and Medium Corporates	3 344 680	298 456	34 912	698 436
Large Corporates	15 633 572	1 072 110	330 208	2 773 804
Banks and Financial Institutions	256 627	-	99	-
Government and Public Sector	1 055 687	22 216	-	5 289
Other financial assets at amortized cost	8 935 335	-	-	-
Financial derivatives - positive fair value	54 212	-	-	-
Other assets	313 518	-	-	-
Total Credit exposures relating to items off statement of financial position:	**47 889 449**	**1 793 133**	**371 676**	**3 667 550**
Total	**17 161 524**	**1 076 314**	**27 921**	**222 450**
Grand Total	**65 050 973**	**2 869 447**	**399 597**	**3 890 000**
Grand Total as of 31 December 2018	**64 311 104**	**2 749 416**	**450 269**	**3 617 190**

31 December 2019

Fair Value of Collaterals					
Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
				7 380 833	8 808
				4 260 931	2 338
				315 234	1 678
				494 609	-
553 790	**429 591**	**5 012 716**	**11 828 456**	**14 306 321**	**1 633 162**
2 250	84 467	1 481 903	2 165 449	3 678 762	165 691
194 169	26 843	456 086	1 708 902	1 635 778	236 333
357 371	318 281	2 860 238	7 712 012	7 921 560	1 222 169
-	-	718	817	255 810	5 013
-	-	213 771	241 276	814 411	3 956
-	-	-	-	8 935 335	40 717
-	-	-	-	54 212	-
-	-	-	-	313 518	-
553 790	**429 591**	**5 012 716**	**11 828 456**	**36 060 993**	**1 686 703**
15 304	**11 225**	**1 923 934**	**3 277 148**	**13 884 376**	**59 213**
569 094	**440 816**	**6 936 650**	**15 105 604**	**49 945 369**	**1 745 916**
667 416	**466 667**	**6 830 483**	**14 781 441**	**49 529 663**	**1 697 620**

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

	Total Credit Risk Exposure	Fair Value of Collaterals		
		Cash	Banks accepted letters of guarantees	Real estate properties
	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:				
Cash and balances with central banks	-	-	-	-
Balances with banks and financial institutions	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Direct credit facilities at amortized cost	**1 929 078**	**13 687**	**182**	**281 069**
Consumer Banking	252 833	-	-	24 749
Small and Medium Corporates	392 346	913	182	90 091
Large Corporates	1 279 275	12 774	-	166 229
Banks and Financial Institutions	3 989	-	-	-
Government and Public Sector	635	-	-	-
Other financial assets at amortized cost	4 776	-	-	-
Financial derivatives - positive fair value	-	-	-	-
Other assets	-	-	-	-
Total Credit exposures relating to items off statement of financial position:	**1 933 854**	**13 687**	**182**	**281 069**
Total	**51 167**	**1 570**	**-**	**4 724**
Grand Total	**1 985 021**	**15 257**	**182**	**285 793**
Grand Total as of 31 Decmeber 2018	**1 773 694**	**17 683**	**2 209**	**241 440**

31 December 2019

	Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3 530	**36 317**	**44 417**	**379 202**	**1 549 876**	**1 218 644**
	165	1 625	19 793	46 332	206 501	145 220
	-	678	5 921	97 785	294 561	188 434
	3 365	34 014	18 703	235 085	1 044 190	880 368
	-	-	-	-	3 989	3 928
	-	-	-	-	635	694
	-	-	-	-	4 776	4 776
	-	-	-	-	-	-
	-	-	-	-	-	-
	3 530	**36 317**	**44 417**	**379 202**	**1 554 652**	**1 223 420**
	-	**-**	**6 680**	**12 974**	**38 193**	**9 546**
	3 530	**36 317**	**51 097**	**392 176**	**1 592 845**	**1 232 966**
	3 946	**14 333**	**31 085**	**310 696**	**1 462 998**	**1 201 204**

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

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

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

- Expected Credit Losses for Reclassified Credit Exposures:

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

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

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

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

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

E. Credit exposure categorized by geographical distribution:

	31 December 2019						
	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	3 129 449	2 872 887	374	1 354 778	-	14 537	7 372 025
Balances and deposits with banks and financial institutions	339 468	1 593 924	361 963	1 236 846	940 945	99 003	4 572 149
Financial assets at fair value through profit or loss	-	270 321	19 988	198 017	-	6 283	494 609
Direct credit facilities at amortized cost	8 057 670	13 512 944	337 684	1 272 859	67 207	712 261	23 960 625
Consumer Banking	2 865 505	2 334 243	18	129 483	83	277 997	5 607 329
Small and Medium Corporates	871 514	1 529 882	45 870	390 807	26 238	134 014	2 998 325
Large Corporates	4 017 857	8 752 373	291 796	654 433	40 886	294 340	14 051 685
Banks and Financial Institutions	91 972	153 673	-	-	-	5 910	251 555
Government and public Sector	210 822	742 773		98 136	-	-	1 051 731
Other financial assets at amortized cost	3 783 214	4 085 369	141 721	488 890	113 983	281 441	8 894 618
financial derivatives - positive fair value	8 743	30 394	89	7 110	-	7 876	54 212
Other assets	70 059	185 693	2 210	53 122	226	2 208	313 518
Total	**15 388 603**	**22 551 532**	**864 029**	**4 611 622**	**1 122 361**	**1 123 609**	**45 661 756**
Total - as of 31 December 2018	**14 478 064**	**21 648 345**	**937 132**	**5 201 814**	**834 500**	**1 039 395**	**44 139 250**

* Excluding Arab Countries

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

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

* Excluding Arab Countries.

F. Credit exposure categorized by economic sector

	Consumer Banking	Corporates			
		Industry and Mining	Construc-tions	Real Estate	Trade
	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	-	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss	-	15 541	-	-	-
Direct credit facilities at amortized cost	5 607 329	4 609 887	1 949 459	1 851 056	4 201 680
Other financial assets at amortized cost	-	90 182	-	6 938	-
Financial derivatives - positive fair value	-	5	-	-	872
Other assets	16 473	33 723	13 801	6 352	27 617
Total	**5 623 802**	**4 749 338**	**1 963 260**	**1 864 346**	**4 230 169**
Total as of 31 December 2018	**5 447 156**	**4 913 605**	**2 058 717**	**1 868 126**	**4 300 092**

31 December 2019

	Agriculture	Tour-ism and Hotels	Transportation	Shares	General Services	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	-	-	-	-	-	-	7 372 025	7 372 025
	-	-	-	-	-	4 572 149	-	4 572 149
	-	-	29 624	-	-	242 033	207 411	494 609
	357 273	572 124	341 686	11 984	3 154 861	251 555	1 051 731	23 960 625
	-	-	-	-	166 931	1 260 701	7 369 866	8 894 618
	-	-	1 501	-	4 283	25 624	21 927	54 212
	1 370	2 551	3 309	-	41 901	21 122	145 299	313 518
	358 643	**574 675**	**376 120**	**11 984**	**3 367 976**	**6 373 184**	**16 168 259**	**45 661 756**
	330 849	**648 581**	**396 112**	**11 985**	**3 093 478**	**5 150 291**	**15 920 258**	**44 139 250**

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

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

46. Market Risk

Market Risk Sensitivity

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

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

47. Interest Rate Risk

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

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

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

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

48. Liquidity Risk

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

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

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

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

49. Net Foreign Currency Positions
The details of this item are as follows:

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

* Various foreign currencies translated to US Dollars.

50. Fair Value Hierarchy
Financial instruments include financial assets and financial liabilities.

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

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

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

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

a. Fair value of financial assets and financial liabilities measured at fair value on recurring basis.
Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs).

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

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

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

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

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

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

51.- Analysis of Assets and Liabilities Maturities

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

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

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

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

52. Contingent Accounts

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

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

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

53. Capital Management

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

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

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

54. Transactions with Related Parties

The details of this item are as follows:

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

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

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

The details of transactions with related parties are as follows:

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

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

- Direct credit facilitates granted to key management personnel amounted to USD 2.3 million and indirect credit facilities amounted to USD217.1 thousand as of 31 December 2019 (USD 1.6 million direct credit facilities and USD 14.1 thousand indirect credit facilities as of 31 December 2018).
- Deposits of key management personnel amounted to USD 4.4 million as of December 31, 2019 (USD 3.1 million as of December 31, 2018)
- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 66.9 million for the year ended on 31 December 2019 (USD 65.2 million for the year ended on 31 December 2018).

55. Earnings Per Share

The details of this item are as follows:

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

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

56. Assets under management

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

57. Cash and Cash Equivalent

The details of this item are as follows:

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

58. Legal Cases

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

59. Standards Issued But Not Yet Effective

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

IFRS 17 Insurance Contracts

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

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

Amendments to IFRS 3: Definition of a Business

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

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

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

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

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

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

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

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

60. Comparative Figures

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

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

Opinion

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

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

Basis for Opinion

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

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Key Audit Matters

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

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

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

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

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

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

Our audit procedures included the following:

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

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

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

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

o Appropriateness of the group's staging.
o Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
o Appropriateness of the PD, EAD and LGD used for different exposures at different stages.
o Appropriateness of the internal rating and the objectivity,</td></tr>
</table>

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	competency and independence of the experts involved in this exercise. o Soundness and mathematical integrity of the ECL Model. o For exposures moved between stages we have checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. o For exposures determined to be individually impaired, we re-preformed the ECL calculation. We also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. • For forward looking assumptions used by the Group in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information. • We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (4), (5), (6) and (12) to the consolidated financial statements.
2. Valuation of Unquoted Investments & Derivatives Refer to notes (11) and (41) to the consolidated financial statements	
Key audit matter: The valuation of investments in private equities and the valuation of derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As at 31 December 2019, the unquoted equities, positive and negative fair value of derivatives amounted to USD 252 million, USD 54 million and USD 76 million, respectively.	**How the key audit matter was addressed in the audit:** Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data. Disclosures of unquoted investments and derivatives are detailed in notes (11) and (41) to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amman – Jordan
10 February 2020

Ernst + Young

ARAB BANK Plc

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		December 31,	
	Notes	**2019**	**2018**
ASSETS			
Cash and balances with central banks	7	3 752 594	3 258 485
Balances with banks and financial institutions	8	3 264 458	3 209 371
Deposits with banks and financial institutions	9	164 609	130 987
Financial assets at fair value through profit or loss	10	169 020	83 521
Financial derivatives - positive fair value	42	23 497	18 270
Direct credit facilities at amortized cost	12	11 926 366	12 173 355
Financial assets at fair value through other comprehensive income	11	157 764	156 164
Other financial assets at amortized cost	13	5 183 740	4 995 656
Investments in subsidiaries and associates	14	921 524	912 182
Fixed assets	15	228 723	224 280
Other assets	16	440 321	304 939
Deferred tax assets	17	96 069	78 128
Total Assets		**26 328 685**	**25 545 338**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Banks' and financial institutions' deposits	18	1 980 915	2 169 420
Customer deposits	19	17 425 837	16 785 476
Cash margin	20	2 081 052	1 949 820
Financial derivatives - negative fair value	42	19 854	15 164
Borrowed funds	21	181 582	141 807
Provision for income tax	22	157 562	140 408
Other provisions	23	142 882	137 640
Other liabilities	24	542 562	534 032
Deferred tax liabilities	25	1 197	948
Total Liabilities		**22 533 443**	**21 874 715**
Share capital	26	640 800	640 800
Share premium	26	859 626	859 626
Statutory reserve	27	640 800	617 235
Voluntary reserve	28	614 920	614 920
General reserve	29	583 695	583 695
General banking risks reserve	30	108 795	108 795
Foreign currency translation reserve	31	(198 397)	(190 206)
Investment revaluation reserve	32	(214 946)	(215 187)
Retained earnings	33	759 949	650 945
Total Shareholders' Equity		**3 795 242**	**3 670 623**
Total Liabilities and Shareholders' Equity		**26 328 685**	**25 545 338**

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

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ARAB BANK Plc

		Notes	For the Year Ended, December 31 2019	2018
REVENUE	Interest income	34	1 377 051	1 264 383
	Less: Interest expense	35	602 140	516 082
	Net Interest Income		**774 911**	**748 301**
	Net commission income	36	146 471	154 715
	Net Interest and Commission Income		**921 382**	**903 016**
	Foreign exchange differences		50 411	43 708
	Gain from financial assets at fair value through profit or loss	37	4 100	3 298
	Dividends from financial assets at fair value through other comprehensive income	11	3 989	4 393
	Dividends from subsidiaries and associates	38	121 253	108 914
	Other revenue	39	15 588	19 403
	Total Income		**1 116 723**	**1 082 732**
EXPENSES	Employees expenses	40	232 255	254 712
	Other expenses	41	164 942	167 017
	Depreciation and amortization	15&16	31 563	29 204
	Credit Loss expenses on Financial Assets	6	118 858	157 086
	Other provisions	23	12 885	3 279
	Total Expenses		**560 503**	**611 298**
	Recovery (expense) of Legal Provision		-	230 496
	Impairment of investment held for sale	14	-	(147 691)
PROFIT FOR THE YEAR	**Profit For The Year Before Income Tax**		**556 220**	**554 239**
	Less: Income tax expense	22	132 660	120 725
	Profit For The Year		**423 560**	**433 514**

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

ARAB BANK Plc

JD '000

	Notes	For the Year Ended December 31, 2019	2018
Profit for the year		**423 560**	**433 514**
Add: Other comprehensive income items - after tax			
Items that will be subsequently transferred to the statement of income			
Exchange differences arising on the translation of foreign operations	31	(8 191)	31 394
Items that will not be subsequently transferred to the statement of income			
Net Change in fair value of financial assets at fair value through other comprehansice income	32	41	(7 722)
Charges in Investment Revaluation Reseve		241	(7 750)
Gain (Loss) from sale of finacial assets at fair value through the statement of comprehansive income		(200)	28
Total Other Comprehensive Income Items - After Tax		**(8 150)**	**23 672**
Total Comprehensive Income For The Year		**415 410**	**457 186**

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

ARAB BANK Plc

		Note	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve
2019	**Balance at the beginning of the year**		**640 800**	**859 626**	**617 235**	**614 920**
	The Effect of IFRS (16) adoption Note (3)		-	-	-	-
	Amended Balance at the Beginning of the year		**640 800**	**859 626**	**617 235**	**614 920**
	Total Comprehensive Income for the Year		-	-	-	-
	Transferred to statutory reserve		-	-	23 565	-
	Investment revaluation reserve transferred to retained earnings	11	-	-	-	-
	Dividends Paid	33	-	-	-	-
	Balance at the End of the Year		**640 800**	**859 626**	**640 800**	**614 920**
2018	**Balance at the beginning of the year**		**640 800**	**859 626**	**561 811**	**614 920**
	The Effect of IFRS (9) adoption		-	-	-	-
	Amended Balance at the Beginning of the year		**640 800**	**859 626**	**561 811**	**614 920**
	Profit for the year		-	-	-	-
	Other comprehensive income for the year		-	-	-	-
	Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**
	Transferred to statutory reserve		-	-	55 424	-
	Transferred from general banking risk reserve		-	-	-	-
	Investment revaluation reserve transferred to retained earnings	11	-	-	-	-
	Dividends paid	33	-	-	-	-
	Balance at the End of the Year		**640 800**	**859 626**	**617 235**	**614 920**

* Retained earnings include restricted deferred tax assets in the amount of JD 96 million. Restricted retained earnings that cannot be distributed or otherwise utilized except under certain circumstances as a result of adopting certain International Accounting Standards amounted to JD 2 million as of December 31, 2019.

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

* The negative balance of the investments revaluation reserve in the amount of JD (215) million as of December 31, 2019 is restricted according to the Jordan Securities Commission instructions and Central Bank of Jordan.

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

JD ‘000

General Reserve	General Banking Risk Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders Equity
583 695	**108 795**	**(190 206)**	**(215 187)**	**650 945**	**3 670 623**
-	-	-	-	(2 431)	(2 431)
583 695	**108 795**	**(190 206)**	**(215 187)**	**648 514**	**3 668 192**
-	-	(8 191)	41	423 560	415 410
-	-	-	-	(23 565)	-
-	-	-	200	(200)	-
-	-	-	-	(288 360)	(288 360)
583 695	**108 795**	**(198 397)**	**(214 946)**	**759 949**	**3 795 242**
583 695	**220 468**	**(221 600)**	**(207 437)**	**497 626**	**3 549 909**
-	-	-	-	(80 152)	(80 152)
583 695	**220 468**	**(221 600)**	**(207 437)**	**417 474**	**3 469 757**
-	-	-	-	433 514	433 514
-	-	31 394	(7 722)	-	23 672
-	**-**	**31 394**	**(7 722)**	**433 514**	**457 186**
-	-	-	-	(55 424)	-
-	(111 673)	-	-	111 673	-
-	-	-	(28)	28	-
-	-	-	-	(256 320)	(256 320)
583 695	**108 795**	**(190 206)**	**(215 187)**	**650 945**	**3 670 623**

JD '000

ARAB BANK Plc

Section		Notes	For the Year Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**Profit for the year before tax**		**556 220**	**554 239**
	Adjustments for:			
	Depreciation	15	25 100	24 437
	amortization of intangible assets	16	6 463	4 767
	Credit loss expense on financial assets	6	118 858	157 086
	Net accrued Interest		14 457	(1 864)
	(Gain) from sale of fixed assets		(92)	(243)
	(Gain) from revaluation of financial assets at fair value through profit or loss	37	(1 926)	(480)
	Dividends from financial assets at fair value through other comprehensive income	11	(3 989)	(4 393)
	Dividends from subsidiaries and associates	38	(121 253)	(108 914)
	(Recovery) expense of Legal Provision		-	(230 496)
	Impairment of investment held for sale	14	-	147 691
	Other provisions	23	12 885	3 279
	Total		**606 723**	**545 109**
	(Increase) Decrease in Assets			
	Balances with central banks (maturing after 3 months)		(38 610)	(9 481)
	Deposits with banks and financial institutions (maturing after 3 months)		(33 408)	502 481
	Direct credit facilities at amortized cost		104 087	(441 696)
	Financial assets at fair value through profit or loss		(83 573)	(16 559)
	Other assets and financial derivatives		(134 962)	14 063
	(Decrease) Increase in Liabilities:			
	Banks and financial institutions deposits (maturing after 3 months)		(233 553)	37 576
	Customer deposits		640 361	606 650
	Cash margin		131 232	187 956
	Other liabilities and financial derivatives		(6 491)	(226 124)
	Net Cash From Operating Activities before Income Tax		**951 806**	**1 199 975**
	Income tax paid		(131 982)	(118 282)
	Net Cash From Operating Activities		**819 824**	**1 081 693**
CASH FLOWS FROM INVESTING ACTIVITIES	(Purchase) Sale of financial assets at fair value through other comprehensive income		(1 559)	1 026
	Maturity of other financial assets at amortized cost		(184 688)	(721 847)
	(Paid for) investments in subsidiaries and associates - net		(3 970)	(1 457)
	Dividends from subsidiaries and associates	38	121 253	108 914
	Dividends from financial assets at fair value through other comprehensive income	11	3 989	4 393
	(Purchase) of fixed assets - net	15	(32 935)	(36 766)
	Proceeds from selling fixed assets		3 337	4 549
	(Purchase) of intangible assets - net		(8 146)	(4 132)
	Net Cash (Used in) Investing Activities		**(102 719)**	**(645 320)**
CASH FLOWS FROM FINANCING ACTIVITIES	Increase in borrowed funds		39 775	78 066
	Dividends paid to shareholders		(286 187)	(254 922)
	Net Cash (Used in) Financing Activities		**(246 412)**	**(176 856)**
	Net Increase in Cash and Cash Equivalent		470 693	259 517
	Exchange differences - change in foreign exchange rates		(903)	94 646
	Cash and cash equivalent at the beginning of the year		4 647 620	4 293 457
	Cash and Cash Equivalent at the End of the Year	**57**	**5 117 410**	**4 647 620**
	Interest Paid		582 401	498 041
	Interest Received		1 371 769	1 244 478

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

(1) General

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

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

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

(2-a) Basis Of Preparation Of The Financial Statements

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

The financial statements of Arab Bank PLC are presented in conjunction with the consolidated financial statements of Arab Bank Group and which form integral part of the Bank's financial statements.

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

The financial statements have been presented in Jordan Dinars, being the functional and presentation currency of the bank.

The accounting policies adopted in the preparation of the financial statements are consistent with those adopted for the year ended 31 December 2018, except for the adoption of new standards and amendments mentioned in note (3).

(2-b) Basis of presentation of the financial statements

The accompanying financial statement of Arab Bank Plc comprise the financial statements of Arab Bank branches within the Hashemite Kingdom of Jordan and it's foreign branches after excluding balances and transactions between the branches. Transactions on the way the end of the year are shown under other assets or other liabilities as the case may be. The financial statement of the Bank's branches operating outside the Hashemite Kingdom of Jordan are translated into Jordanian Dinars at the prevailing at rates as at the balance sheet date.

The Bank prepares consolidated financial statements for the Bank, its subsidiaries and Arab Bank Switzerland Limited.

(3) Changes of Accounting Policies

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

IFRS (16) Leases

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

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

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

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

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

Leases previously accounted for as operating leases

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

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:
- Right-of-use assets of JOD 52,916 thousands were recognized and presented in the statement of financial position within "other assets – note 16".
- Additional lease liabilities of JOD 51,345 thousands (included in "Other liabilities – note 24") were recognized.
- The impact of adoption of IFRS 16 resulted in decreasing the Bank's retained earnings by JOD 2,431 thousands and no material impact on its CAR ratio.

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

	JD'000
Total operating lease obligation as of 31 December 2018	**70,607**
Weighted average incremental borrowing rate as at 1 January 2019	2.2%
Discounted total operating lease obligations at 1 January 2019	**57,770**
Less: Obligations related to short-term leases exempted from the adoption of the standard	1,358
Add: Obligations associated with finance leases (previously)	-
Lease obligations as of 1 January 2019	**56,412**

IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

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

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

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

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

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS (3), between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

No significant impact resulted on the financial statement for the Bank.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 clarify the accounting when a plan amendment, curtailment or settlement occurs during a fiscal year. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in the statement of comprehensive income.

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

No significant impact resulted on the financial statement for the Bank.

4. Significant Accounting Policies

Recognition of Interest Income

The effective interest rate method

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

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

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

Interest and similar income and expense

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

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

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

Fee and commission income

Fee income can be divided into the following two categories:

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

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

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

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

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVTPL

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

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

Financial Assets and Liabilities

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

The Bank only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

Debt instruments at FVOCI

The Bank measures it's debt instruments at FVOCI when both of the following conditions are met:

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

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

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

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

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

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.
Financial guarantees are initially recognized in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income and an ECL provision.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.
The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

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

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

Derecognition other than for substantial modification

A. Financial assets

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

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

Or

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

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

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

A transfer only qualifies for derecognition if either:

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

Or

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

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

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

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

B. Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

The Bank records the allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

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

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

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

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

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

The Bank's internal credit rating system:

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

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

The calculation of ECL

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

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

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

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

The mechanism of the ECL method are summarized below:

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

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

Stage 3: For financial assets which are considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.

Loan commitments and letter of credit

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

Debt instruments measured at fair value through OCI

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

Credit cards and other revolving facilities

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

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

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

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

Forward looking information

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

- GDP growth
- Unemployment rates
- Central Bank base rates

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

Collateral valuation

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

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

Collateral repossessed

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

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

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

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

Leases (Policy applicable before 1 January 2019)

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

1. The Bank as a lessor

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

2. The Bank as a lessee:

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

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

Leases (policy applicable after 1 January 2019)

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

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

Right-of-use assets

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

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

Lease liabilities

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

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

Foreign currency translation

1) Transactions and balances

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

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

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

Fixed assets

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

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

Land and assets under construction are not depreciated.
Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

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

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

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

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

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

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

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

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

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

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

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

Repurchase and Resale Agreements

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

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

Capital

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

Investments in Associates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial derivatives

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

Financial derivatives held for hedge purposes

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

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

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

The ineffective portion is recognized in 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 and recorded in the statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the statement of income.

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

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

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

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

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

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

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

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

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

Offsetting

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

Cash and cash equivalents

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

5. Significant accounting judgements, estimates and assumptions

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

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

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

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

- Impairment loss for foreclosed assets is booked after a recent valuation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards. Moreover, deferred tax assets and liabilities and the income tax provision are recorded.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the statement of income.
- A provision is set for lawsuits raised against the Bank. This provision is based to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- Management frequently reviews financial assets stated at amortized cost and compares to fair value to estimate any impairment in their value. The impairment amount is taken to the statement of income for the year.

- **Fair value hierarchy:**

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

- **Provisions for impairment - ECL**

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

• Definition of default

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

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

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

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

• Expected Life

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

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

6- Credit losses expense on financial assets:

The below table shows the expected credit losses on financial assets during the year:

	31 December 2019				
	Notes	Stage 1	Stage 2	Stage 3	Total
		JD '000	JD '000	JD '000	JD '000
Balances with central banks	7	357	3 761	-	4 118
Balances with banks and financial institutions	8	135	-	-	135
Deposits with banks and financial institutions	9	(214)	-	-	(214)
Direct credit facilities at amortized cost	12	5 592	36 797	87 854	130 243
Debt instruments included in financial assets at amortized cost	13	(4 814)	1 418	-	(3 396)
Indirect facilities	24	(457)	(11 229)	(342)	(12 028)
Total		**599**	**30 747**	**87 512**	**118 858**

	31 December 2018				
	Notes	Stage 1	Stage 2	Stage 3	Total
		JD '000	JD '000	JD '000	JD '000
Balances with central banks	7	(594)	-	-	(594)
Balances with banks and financial institutions	8	81	-	-	81
Deposits with banks and financial institutions	9	759	-	-	759
Direct credit facilities at amortized cost	12	3 203	13 589	127 005	143 797
Debt instruments included in financial assets at amortized cost	13	114	(1 900)	-	(1 786)
Indirect facilities	24	5 243	9 926	(340)	14 829
Total		**8 806**	**21 615**	**126 665**	**157 086**

7. Cash and Balances with Central Banks

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Cash in vaults	328 993	271 797
Balances with central banks:		
- Current accounts	534 546	344 962
- Time and notice	1 459 776	1 246 947
- Mandatory cash reserve	1 104 788	958 497
- Certificates of deposit	329 465	437 138
Less: Net ECL Charges	(4 974)	(856)
Total	**3 752 594**	**3 258 485**

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.
- Balances and certificates of deposit maturing after three months amounted to JD 66 million as of December 31, 2019 (JD 27.4 million as of December 31, 2018).

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	3 277 770	-	-	3 277 770	2 987 544
Acceptable risk / performing	-	150 805	-	150 805	-
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**3 277 770**	**150 805**	-	**3 428 575**	**2 987 544**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	2 987 544	-	-	2 987 544	2 952 405
New balances (Additions)	415 121	128 170	-	543 291	301 232
Repaid balances (excluding write offs)	(101 578)	-	-	(101 578)	(261 888)
Transfers to stage 2	(22 635)	22 635	-	-	-
Translation Adjustments	(682)	-	-	(682)	(4 205)
Total	**3 277 770**	**150 805**	-	**3 428 575**	**2 987 544**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	856	-	-	856	1 278
ECL charges during the year	844	3 761	-	4 605	71
Recoveries (excluding write offs)	(487)	-	-	(487)	(665)
Transfers to stage 2	(506)	506	-	-	-
Adjustments during the year	-	-	-	-	174
Translation Adjustments	-	-	-	-	(2)
Total	**707**	**4 267**	**-**	**4 974**	**856**

8. Balances with Banks and Financial Institutions

Local banks and financial institutions

	December 31,	
	2019	**2018**
	JD '000	JD '000
Current accounts	769	1 011
Time deposits maturing within 3 months	88 320	97 090
Total	89 089	98 101

Abroad Banks and financial institutions

	December 31,	
	2019	**2018**
	JD '000	JD '000
Current accounts	842 633	982 391
Time deposits maturing within 3 months	2 293 515	2 129 258
Certificates of deposit	39 734	-
Total	3 175 882	3 111 649
Less: Net ECL Charges	(513)	(379)
Total balances with Banks and Financial Institutions Local and Abroad	3 264 458	3 209 371

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

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	2 782 949	-	-	2 782 949	2 872 762
Acceptable risk / performing	482 022	-	-	482 022	336 988
Non-performing:				0	
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**3 264 971**	**-**	**-**	**3 264 971**	**3 209 750**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	3 209 750	-	-	3 209 750	3 063 256
New balances (Additions)	617 480	-	-	617 480	842 956
Repaid balances (excluding write offs)	(561 885)	-	-	(561 885)	(695 788)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(374)	-	-	(374)	(674)
Total	**3 264 971**	**-**	**-**	**3 264 971**	**3 209 750**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	379	-	-	379	276
ECL charges during the year	1 135	-	-	1 135	343
Recoveries (excluding write offs)	(1 000)	-	-	(1 000)	(262)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	-	-	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	22
Translation Adjustments	(1)	-	-	(1)	-
Total	**513**	**-**	**-**	**513**	**379**

9. Deposits with Banks and Financial Institutions

The details of this item are as follows:

	December 31,	
Deposits with local banks and financial institutions	**2019**	**2018**
	JD '000	JD '000
Time deposits maturing after one year	118 955	118 955
Total	118 955	118 955

	December 31,	
Deposits with abroad banks and financial institutions	**2019**	**2018**
	JD '000	JD '000
Time deposits maturing after 3 months and before 6 months	6 735	13 062
Time deposits maturing after 9 months and before one year	39 734	-
Total	46 469	13 062
Less: Net ECL Charges	(815)	(1 030)
Total Deposits with banks and financial institutions Local and Abroad	164 609	130 987

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

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	165 424	-	-	165 424	124 982
Acceptable risk / performing	-	-	-	-	7 035
Non-performing:				-	
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**165 424**	**-**	**-**	**165 424**	**132 017**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	132 017	-	-	132 017	67 067
New balances (Additions)	40 442	-	-	40 442	125 990
Repaid balances (excluding write offs)	(7 035)	-	-	(7 035)	(60 776)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	-	-	-	-	(264)
Total	**165 424**	**-**	**-**	**165 424**	**132 017**

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

	December 31, 2019				December 31, 2018
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	1 030	-	-	1 030	238
ECL charges during the year	109	-	-	109	863
Recoveries (excluding write offs)	(323)	-	-	(323)	(104)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	-	-	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	33
Translation Adjustments	(1)	-	-	(1)	-
Total	**815**	**-**	**-**	**815**	**1 030**

10. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Treasury bills and Government bonds	147 100	61 567
Loans and advances	21 010	21 010
Corporate shares	910	944
Total	**169 020**	**83 521**

2019	Designated as FV	Carried Mandatorily at FV	Total
	JD '000	JD '000	JD '000
Treasury bills and Government bonds	147 100	-	147 100
Loans and advances	21 010	-	21 010
Corporate shares	-	910	910
Total	**168 110**	**910**	**169 020**

2018	Designated as FV	Carried Mandatorily at FV	Total
	JD '000	JD '000	JD '000
Treasury bills and Government bonds	61 567	-	61 567
Loans and advances	21 010	-	21 010
Corporate shares	-	944	944
Total	**82 577**	**944**	**83 521**

11. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2019	2018
	JD '000	JD '000
Quoted shares	72 290	75 801
Unquoted shares	85 474	80 363
Total	157 764	156 164

2019	Designated as FV	Carried Mandatorily at FV	Total
	JD '000	JD '000	JD '000
Quoted shares	-	72 290	72 290
Unquoted shares	-	85 474	85 474
Total	**-**	**157 764**	**157 764**

2018	Designated as FV	Carried Mandatorily at FV	Total
	JD '000	JD '000	JD '000
Quoted shares	-	75 801	75 801
Unquoted shares	-	80 363	80 363
Total	**-**	**156 164**	**156 164**

* Cash dividends on the investments above amounted to JD 4 million for the year ended December 31, 2019 (JD 4.4 million for the year ended December 31, 2018).

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

	December 31, 2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Discounted bills *	50 997	50 279	247 005	85 728	-	434 009
Overdrafts *	28 852	580 703	2 148 978	2 540	128 864	2 889 937
Loans and advances *	1 284 307	696 051	6 218 323	42 062	407 172	8 647 915
Real-estate loans	1 059 719	1 328	-	-	-	1 061 047
Credit cards	85 623	-	-	-	-	85 623
Total	**2 509 498**	**1 328 361**	**8 614 306**	**130 330**	**536 036**	**13 118 531**
Less: Interest and commission in suspense	42 427	63 455	190 999	38	-	296 919
Provision for impairment - direct credit facilities at amortized cost	90 084	113 500	687 628	3 080	954	895 246
Total	**132 511**	**176 955**	**878 627**	**3 118**	**954**	**1 192 165**
Net Direct Credit Facilities at Amortized Cost	**2 376 987**	**1 151 406**	**7 735 679**	**127 212**	**535 082**	**11 926 366**

* Net of interest and commission received in advance, which amounted to JD 24.3 million as at December 31, 2019.

- Rescheduled loans during the year ended December 31, 2019 amounted to JD 776.6 million.
- There were no Retsructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2019.
- Direct credit facilities granted to and guaranteed by government of Jordan as of December 31, 2019 amounted to JD 82.7 million or 0.6% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2019 amounted to JD 1032.6 million or 7.9 % of total direct credit facilities.
- Non-performing direct credit facilities, net of interest and commission in suspense, as of December 31, 2019 amounted to JD 752.4 million or 5.9 % of direct credit facilities, after deducting interest and commission in suspense.

	December 31, 2018					
		Corporates				
	Consumer Banking	Small and Medium	Large	Banks and Financial Institu-tions	Govern-ment and Public Sector	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Discounted bills *	53 938	67 008	334 777	18 849	-	474 572
Overdrafts *	29 923	571 706	2 400 185	2 558	133 579	3 137 951
Loans and advances *	1 233 602	667 259	6 168 745	45 019	452 934	8 567 559
Real-estate loans	1 032 413	1 248	-	-	-	1 033 661
Credit cards	87 666	-	-	-	-	87 666
Total	**2 437 542**	**1 307 221**	**8 903 707**	**66 426**	**586 513**	**13 301 409**
Less: Interest and commission in suspense	43 819	61 083	147 338	5 639	-	257 879
Provision for impairment - direct credit facilities at amortized cost	88 291	79 290	699 733	15	2 846	870 175
Total	**132 110**	**140 373**	**847 071**	**5 654**	**2 846**	**1 128 054**
Net Direct Credit Facilities at Amortized Cost	**2 305 432**	**1 166 848**	**8 056 636**	**60 772**	**583 667**	**12 173 355**

* Net of interest and commission received in advance, which amounted to JD 24 million as at December 31, 2018.

- Rescheduled loans during the year ended December 31, 2018 amounted to JD 253.9 million.
- Retsructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2018 amounted to JD 0.1 million
- Direct credit facilities granted to and guaranteed by government of Jordan as of December 31, 2018 amounted to JD 22.6 million or 0.2% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2018 amounted to JD 932.9 million or 7.0% of total direct credit facilities.
- Non-performing direct credit facilities, net of interest and commission in suspense, as of December 31, 2018 amounted to JD 685.4 million or 5.3 % of direct credit facilities, after deducting interest and commission in suspense.

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

	December 31, 2019						
	Con-sumer Banking	Corporates Small and Medium	Corporates Large	Banks and Financial Institu-tions	Govern-ment and Public Sector	Total	The Total includes movement on the real-estate loans provision as follows
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	88 291	79 290	699 733	15	2 846	870 175	9 494
ECL charges during the year	18 758	32 396	102 828	580	358	154 920	2 376
Recoveries	(11 784)	(10 348)	(23 922)	(28)	(2 131)	(48 213)	(2 149)
Transferred to Stage 1	(383)	(158)	1 446	-	141	1 046	15
Transferred to Stage 2	(924)	(4 909)	(24 791)	-	(141)	(30 765)	(93)
Transferred to Stage 3	1 307	5 067	23 345	-	-	29 719	78
Impact on year end ECL caused by trans-fers between stages during the year	4 294	12 011	7 441	-	(210)	23 536	34
Used from provision (written off or transferred to off statement of financial position)	(10 400)	(2 783)	(97 077)	-	-	(110 260)	(14)
Adjsutments during the year	-	435	(3 231)	2 500	20	(276)	138
Translation Adjustments	925	2 499	1 856	13	71	5 364	(1)
Balance at the End of the Year	**90 084**	**113 500**	**687 628**	**3 080**	**954**	**895 246**	**9 878**

	December 31, 2018						
	Con-sumer Banking	Corporates Small and Medium	Corporates Large	Banks and Financial Institu-tions	Govern-ment and Public Sector	Total	The Total includes movement on the real-estate loans provision as follows
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	81 251	64 866	600 177	18	2 386	748 698	6 299
ECL charges during the year	14 387	13 034	134 432	5	234	162 092	1 795
Recoveries	(8 022)	(3 501)	(39 891)	(14)	(657)	(52 085)	(1 606)
Transferred to Stage 1	673	(270)	(6 800)	-	73	(6 324)	84
Transferred to Stage 2	(739)	(7 471)	7 075	-	(73)	(1 208)	(106)
Transferred to Stage 3	66	7 741	(275)	-	-	7 532	22
Impact on year end ECL caused by trans-fers between stages during the year	891	6 326	26 242	-	331	33 790	-
Used from provision (written off or transferred to off statement of financial position)	(255)	(3 049)	(21 423)	-	-	(24 727)	(22)
Adjsutments during the year	(26)	1 845	558	6	552	2 935	3 044
Translation Adjustments	65	(231)	(362)	-	-	(528)	(16)
Balance at the End of the Year	**88 291**	**79 290**	**699 733**	**15**	**2 846**	**870 175**	**9 494**

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of December 31, 2019 and 2018.
- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off statement of financial position amounted to JD 108 million as of December 31, 2019 (JD 4 million as of December 31, 2018) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

The details of movement on interest and commissions in suspense are as follows:

	December 31, 2019						
	Consumer Banking	Corporates		Banks and Financial Institu- tions	Govern- ment and Public Sector	Total	The total includes interest and com- mission in suspense movement on real-estate loans as follows
		Small and Medium	Large				
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	43 819	61 083	147 338	5 639	-	257 879	8 993
Interest and commission suspended during the year	11 904	8 879	48 625	1 121	-	70 529	2 619
Interest and commission in suspense settled (written off or transferred to off statement of financial position)	(11 076)	(5 065)	(2 629)	(6 762)	-	(25 532)	(1 157)
Intrest and commission settled (trans- ferd to revenues)	(2 250)	(1 580)	(2 557)	-	-	(6 387)	(1 069)
Adjustments during the year	-	(148)	108	40	-	-	-
Translation adjustments	30	286	114	-	-	430	-
Balance at the End of the Year	**42 427**	**63 455**	**190 999**	**38**	**-**	**296 919**	**9 386**

	December 31, 2018						
	Consumer Banking	Corporates		Banks and Financial Institu- tions	Govern- ment and Public Sector	Total	The total includes interest and com- mission in suspnese movement on real-estate loans as follows
		Small and Medium	Large				
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	36 765	57 552	118 420	4 639	-	217 376	7 700
Interest and commission suspended during the year	10 827	7 254	38 878	1 000	-	57 959	2 334
Interest and commission in suspense settled (written off or transferred to off statement of financial position)	(1 667)	(3 459)	(2 956)	-	-	(8 082)	(292)
Intrest and commission settled (trans- ferd to revenues)	(2 117)	(493)	(830)	-	-	(3 440)	(694)
Adjustments during the year	-	-	(6 148)	-	-	(6 148)	(53)
Translation adjustments	11	229	(26)	-	-	214	(2)
Balance at the End of the Year	**43 819**	**61 083**	**147 338**	**5 639**	**-**	**257 879**	**8 993**

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

	Inside Jordan	Outside Jordan	December 31, 2019	December 31, 2018
Economic Sector	JD '000	JD '000	JD '000	JD '000
Consumer Banking	1 031 035	1 345 952	2 376 987	2 305 432
Industry and Mining	862 018	1 660 604	2 522 622	2 691 135
Constructions	257 916	923 094	1 181 010	1 231 224
Real Estate	116 022	754 723	870 745	919 771
Trade	722 624	1 557 193	2 279 817	2 351 798
Agriculture	81 432	28 953	110 385	134 777
Tourism and Hotels	157 597	23 266	180 863	229 252
Transportation	33 910	100 846	134 756	140 543
Shares	-	8 500	8 500	8 500
General Service	580 416	1 017 971	1 598 387	1 516 484
Banks and Financial Institutions	51 265	75 947	127 212	60 772
Government and Public Sector	149 519	385 563	535 082	583 667
Net Direct Credit Direct Facilities at Amortized Cost	**4 043 754**	**7 882 612**	**11 926 366**	**12 173 355**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	1 185 304	-	-	1 185 304	1 200 052
Acceptable risk / performing	9 425 972	1 474 672	-	10 900 644	11 168 466
Non-performing:					
- Substandard	-	-	46 312	46 312	22 471
- Doubtful	-	-	92 981	92 981	163 947
- Problematic	-	-	893 290	893 290	746 473
Total	**10 611 276**	**1 474 672**	**1 032 583**	**13 118 531**	**13 301 409**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	10 851 577	1 516 941	932 891	13 301 409	12 841 530
New balances (Additions)	2 526 042	365 140	74 780	2 965 962	3 303 561
Repaid balances (excluding write offs)	(2 720 331)	(263 335)	(38 795)	(3 022 461)	(2 800 215)
Transfers to stage 1	372 471	(370 846)	(1 625)	-	-
Transfers to stage 2	(386 946)	387 716	(770)	-	-
Transfers to stage 3	(29 624)	(160 534)	190 158	-	-
Written off balances	-	-	(125 533)	(125 533)	(32 809)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(1 913)	(410)	1 477	(846)	(10 658)
Total	**10 611 276**	**1 474 672**	**1 032 583**	**13 118 531**	**13 301 409**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	42 751	206 535	620 889	870 175	748 698
ECL charges during the year	26 063	37 529	91 328	154 920	162 092
Recoveries (excluding write offs)	(19 088)	(9 170)	(19 955)	(48 213)	(52 085)
Transfers to stage 1	2 999	(2 980)	(19)	-	-
Transfers to stage 2	(1 475)	1 503	(28)	-	-
Transfers to stage 3	(478)	(29 288)	29 766	-	-
Impact on year end ECL caused by transfers between stages during the year	(1 383)	8 438	16 481	23 536	33 790
Used from provision (written off or transferred to off statement of financial position)	-	-	(110 260)	(110 260)	(24 727)
Adjustments during the year	(286)	(13)	23	(276)	2 935
Translation Adjustments	735	858	3 771	5 364	(528)
Total	**49 838**	**213 412**	**631 996**	**895 246**	**870 175**

Direct Credit Facilities at Amortized Cost - Consumer Banking

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

	December 31, 2019				December 31, 2018
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	224 942	-	-	224 942	215 533
Acceptable risk / performing	2 102 016	43 289	-	2 145 305	2 092 477
Non-performing:					
- Substandard	-	-	20 060	20 060	13 352
- Doubtful	-	-	16 551	16 551	10 316
- Problematic	-	-	102 640	102 640	105 864
Total	**2 326 958**	**43 289**	**139 251**	**2 509 498**	**2 437 542**

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

	December 31, 2019				December 31, 2018
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	2 277 060	30 950	129 532	2 437 542	2 315 583
New balances (Additions)	425 880	15 475	20 448	461 803	248 233
Repaid balances (excluding write offs)	(337 904)	(25 600)	(10 144)	(373 648)	(124 259)
Transfers to stage 1	6 933	(5 308)	(1 625)	-	-
Transfers to stage 2	(33 751)	34 521	(770)	-	-
Transfers to stage 3	(11 245)	(6 749)	17 994	-	-
Written off balances	-	-	(16 184)	(16 184)	(1 927)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(15)	-	-	(15)	(88)
Total	**2 326 958**	**43 289**	**139 251**	**2 509 498**	**2 437 542**

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

	December 31, 2019				December 31, 2018
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	6 539	3 602	78 150	88 291	81 251
ECL charges during the year	5 152	1 637	11 969	18 758	14 387
Recoveries (excluding write offs)	(2 032)	(1 927)	(7 825)	(11 784)	(8 022)
Transfers to stage 1	110	(91)	(19)	-	-
Transfers to stage 2	(106)	134	(28)	-	-
Transfers to stage 3	(387)	(967)	1 354	-	-
Impact on year end ECL caused by transfers between stages during the year	-	171	4 123	4 294	891
Used from provision (written off or transferred to off statement of financial position)	-	-	(10 400)	(10 400)	(255)
Adjustments during the year	-	(11)	11	-	(26)
Translation Adjustments	67	27	831	925	65
Total	**9 343**	**2 575**	**78 166**	**90 084**	**88 291**

Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	154 357	-	-	154 357	150 689
Acceptable risk / performing	801 848	190 301	-	992 149	1 003 270
Non-performing:					
- Substandard	-	-	11 260	11 260	8 325
- Doubtful	-	-	18 872	18 872	10 102
- Problematic	-	-	151 723	151 723	134 835
Total	**956 205**	**190 301**	**181 855**	**1 328 361**	**1 307 221**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	1 020 570	133 389	153 262	1 307 221	1 228 239
New balances (Additions)	286 000	85 468	12 767	384 235	352 421
Repaid balances (excluding write offs)	(295 235)	(46 570)	(18 036)	(359 841)	(265 682)
Transfers to stage 1	20 530	(20 530)	-	-	-
Transfers to stage 2	(66 708)	66 708	-	-	-
Transfers to stage 3	(8 668)	(28 146)	36 814	-	-
Written off balances	-	-	(3 983)	(3 983)	(6 504)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(284)	(18)	1 031	729	(1 253)
Total	**956 205**	**190 301**	**181 855**	**1 328 361**	**1 307 221**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	4 131	3 421	71 738	79 290	64 866
ECL charges during the year	2 087	14 869	15 440	32 396	13 034
Recoveries (excluding write offs)	(1 289)	(587)	(8 472)	(10 348)	(3 501)
Transfers to stage 1	255	(255)	-	-	-
Transfers to stage 2	(388)	388	-	-	-
Transfers to stage 3	(25)	(5 042)	5 067	-	-
Impact on year end ECL caused by transfers between stages during the year	(67)	6 686	5 392	12 011	6 326
Used from provision (written off or transferred to off statement of financial position)	-	-	(2 783)	(2 783)	(3 049)
Adjustments during the year	(27)	21	441	435	1 845
Translation Adjustments	-	145	2 354	2 499	(231)
Total	**4 677**	**19 646**	**89 177**	**113 500**	**79 290**

Direct Credit Facilities at Amortized Cost - Large Corporates

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	497 435	-	-	497 435	566 044
Acceptable risk / performing	6 166 852	1 241 082	-	7 407 934	7 713 665
Non-performing:					
- Substandard	-	-	14 992	14 992	794
- Doubtful	-	-	57 558	57 558	119 988
- Problematic	-	-	636 387	636 387	503 216
Total	**6 664 287**	**1 241 082**	**708 937**	**8 614 306**	**8 903 707**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	6 949 691	1 330 018	623 998	8 903 707	8 470 784
New balances (Additions)	1 599 498	264 197	40 444	1 904 139	2 571 050
Repaid balances (excluding write offs)	(1 909 515)	(191 164)	(10 615)	(2 111 294)	(2 104 551)
Transfers to stage 1	322 421	(322 421)	-	-	-
Transfers to stage 2	(286 483)	286 483	-	-	-
Transfers to stage 3	(9 711)	(125 639)	135 350	-	-
Written off balances	-	-	(80 704)	(80 704)	(24 378)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(1 614)	(392)	464	(1 542)	(9 198)
Total	**6 664 287**	**1 241 082**	**708 937**	**8 614 306**	**8 903 707**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	29 361	199 371	471 001	699 733	600 177
ECL charges during the year	17 901	21 008	63 919	102 828	134 432
Recoveries (excluding write offs)	(13 633)	(6 631)	(3 658)	(23 922)	(39 891)
Transfers to stage 1	2 493	(2 493)	-	-	-
Transfers to stage 2	(981)	981	-	-	-
Transfers to stage 3	(66)	(23 279)	23 345	-	-
Impact on year end ECL caused by transfers between stages during the year	(1 134)	1 609	6 966	7 441	26 242
Used from provision (written off or transferred to off statement of financial position)	-	-	(97 077)	(97 077)	(21 423)
Adjustments during the year	(279)	(23)	(2 929)	(3 231)	558
Translation Adjustments	622	648	586	1 856	(362)
Total	**34 284**	**191 191**	**462 153**	**687 628**	**699 733**

Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions
The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	45 955	-	-	45 955	20 021
Acceptable risk / performing	81 835	-	-	81 835	20 306
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	23 541
- Problematic	-	-	2 540	2 540	2 558
Total	**127 790**	**-**	**2 540**	**130 330**	**66 426**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	40 327	-	26 099	66 426	70 552
New balances (Additions)	137 330	-	1 121	138 451	22 460
Repaid balances (excluding write offs)	(49 867)	-	-	(49 867)	(26 586)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Written off balances	-	-	(24 662)	(24 662)	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	-	-	(18)	(18)	-
Total	**127 790**	**-**	**2 540**	**130 330**	**66 426**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	15	-	-	15	18
ECL charges during the year	565	15	-	580	5
Recoveries (excluding write offs)	(3)	(25)	-	(28)	(14)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	-	-	-	-
Used from provision (written off or transferred to off statement of financial position)	-	-	-	-	-
Adjustments during the year		-	2 500	2 500	6
Translation Adjustments	3	10	-	13	-
Total	**580**	**-**	**2 500**	**3 080**	**15**

Direct Credit Facilities at Amortized Cost - Government & Public Sector

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	262 615	-	-	262 615	247 765
Acceptable risk / performing	273 418	3	-	273 421	338 748
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**536 033**	**3**	**-**	**536 036**	**586 513**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	563 929	22 584	-	586 513	756 372
New balances (Additions)	77 334	-	-	77 334	109 397
Repaid balances (excluding write offs)	(127 810)	(1)	-	(127 811)	(279 137)
Transfers to stage 1	22 584	(22 584)	-	-	-
Transfers to stage 2	(4)	4	-	-	-
Transfers to stage 3	-	-	-	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	-	-	-	-	(119)
Total	**536 033**	**3**	**-**	**536 036**	**586 513**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	2 705	141	-	2 846	2 386
ECL charges during the year	358	-	-	358	234
Recoveries (excluding write offs)	(2 131)		-	(2 131)	(657)
Transfers to stage 1	141	(141)	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	(182)	(28)	-	(210)	331
Used from provision (written off or transferred to off statement of financial position)	-	-	-	-	-
Adjustments during the year	20	-	-	20	552
Translation Adjustments	43	28	0	71	-
Total	**954**	**-**	**-**	**954**	**2 846**

13. Other Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Treasury bills	1 523 510	1 816 165
Government bonds and bonds guaranteed by the government	3 233 664	2 777 264
Corporate bonds	438 418	417 476
Less: Net ECL Charges	(11 852)	(15 249)
Total	**5 183 740**	**4 995 656**

Analysis of bonds based on interest nature:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Floating interest rate	172 248	125 792
Fixed interest rate	5 023 344	4 885 113
Total	**5 195 592**	**5 010 905**
Less: Net ECL Charges	(11 852)	(15 249)
Grand Total	**5 183 740**	**4 995 656**

Analysis of financial assets based on market quotation:

	December 31,	
	2019	**2018**
Financial assets quoted in the market:	JD '000	JD '000
Treasury bills	470 650	559 602
Government bonds and bonds guaranteed by the government	503 577	413 063
Corporate bonds	386 033	370 653
Total	**1 360 260**	**1 343 318**

	December 31,	
	2019	**2018**
Financial assets unquoted in the market:	JD '000	JD '000
Treasury bills	1 052 860	1 256 563
Government bonds and bonds guaranteed by the government	2 730 087	2 364 201
Corporate bonds	52 385	46 823
Total	**3 835 332**	**3 667 587**
Less: Net ECL Charges	(11 852)	(15 249)
Grand Total	**5 183 740**	**4 995 656**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	5 118 173	-	-	5 118 173	4 925 429
Acceptable risk / performing	8 219	66 368	-	74 587	82 644
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	2 832	2 832	2 832
Total	**5 126 392**	**66 368**	**2 832**	**5 195 592**	**5 010 905**

The movement on total balances of other financial assets at amortized cost is as follows:

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	4 965 583	42 490	2 832	5 010 905	4 289 096
New investments (Additions)	3 558 896	15	-	3 558 911	2 637 124
Matured investments	(3 374 084)	(17)	-	(3 374 101)	(1 913 497)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(23 880)	23 880	-	-	-
Transfers to stage 3	-	-	-	-	-
Written off investments	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(123)	-	-	(123)	(1 818)
Total	**5 126 392**	**66 368**	**2 832**	**5 195 592**	**5 010 905**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	11 449	968	2 832	15 249	17 073
ECL charges during the year	1 707	53	-	1 760	986
Recoveries from matured investments	(6 521)	-	-	(6 521)	(2 772)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(217)	217	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	1 365	-	1 365	-
Written off investments	-	-	-	-	-
Adjustments during the year	-	-	-	-	(36)
Translation Adjustments	(1)	-	-	(1)	(2)
Total	**6 417**	**2 603**	**2 832**	**11 852**	**15 249**

There were no sold other financial assets at amortized cost During the year ended 31 December 2019 (JD 46.8 million during the year ended December 31,2018)

14. Investment in Subsidiaries and Associates

The details of this item are as follows:

	December 31, 2019		Place of Incorporation	Principal activity	Date of Ownership
	Ownership and Voting Right	Cost			
	%	JD '000			
The Bank's investments in subsidiaries:					
Europe Arab Bank plc	100	453 070	U.K.	Banking	2006
Arab Bank Australia Limited	100	59 288	Australia	Banking	1994
Islamic International Arab Bank	100	73 500	Jordan	Banking	1997
Arab National Leasing Company Ltd	100	15 000	Jordan	Finance leasing	1996
Al-Arabi Investment Group Ltd	100	8 900	Jordan	Financial services	1996
Arab Sudanese Bank Limited	100	1 848	Sudan	Banking	2008
Al Arabi Investment Group Limited - Palestine	100	1 600	Palestine	Financial services	2009
Arab Tunisian Bank	64.24	36 449	Tunisia	Banking	1982
Arab Bank Syria	51.29	4 718	Syria	Banking	2005
Al-Nisr Al Arabi plc	50.00	11 250	Jordan	Insurance	2006
Other		12 863			
Total		678 486			
The Bank's investments in associates					
Oman Arab Bank	49.00	75 800	Oman	Banking	1984
Arab National Bank	40.00	161 534	Saudi Arabia	Banking	1979
Arabia Insurance Company S.A.L	42.51	5 324	Lebanon	Insurance	1972
Commercial Building Company S.A.L	35.24	380	Lebanon	Real estate operating leasing	1966
Total		**243 038**			
Grand Total		**921 524**			

The details of this item are as follows:

	December 31, 2018				
	Ownership and Voting Right	Cost	Place of Incorporation	Principal activity	Date of Ownership
	%	JD '000			
The Bank's investments in subsidiaries:					
Europe Arab Bank plc	100	461 903	U.K.	Banking	2006
Arab Bank Australia Limited	100	47 203	Australia	Banking	1994
Islamic International Arab Bank	100	73 500	Jordan	Banking	1997
Arab National Leasing Company Ltd	100	15 000	Jordan	Finance leasing	1996
Al-Arabi Investment Group Ltd	100	8 900	Jordan	Financial services	1996
Arab Sudanese Bank Limited	100	1 750	Sudan	Banking	2008
Al Arabi Investment Group Limited - Palestine	100	1 600	Palestine	Financial services	2009
Arab Tunisian Bank	64.24	34 428	Tunisia	Banking	1982
Arab Bank Syria	51.29	4 718	Syria	Banking	2005
Al-Nisr Al Arabi plc	50.00	11 250	Jordan	Insurance	2006
Other		9 317			
Total		**669 569**			
The Bank's investments in associates					
Oman Arab Bank	49.00	75 800	Oman	Banking	1984
Arab National Bank	40.00	161 534	Saudi Arabia	Banking	1979
Arabia Insurance Company S.A.L	42.02	4 899	Lebanon	Insurance	1972
Commercial Building Company S.A.L	35.24	380	Lebanon	Real estate operating leasing	1966
Total		**242 613**			
Grand Total		**912 182**			

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

	December 31,	
	2019	**2018**
	JD '000	JD '000
Balance at the beginning of the year	912 182	965 933
Purchase of additional investments	16 630	9 501
Translation adjustment	(7 288)	(63 252)
Balance at the End of the Year	**921 524**	**912 182**

During 2018, the Bank classified its investment in Turkland Bank A.S. as an investment held for sale in accordance with IFRS 5. As a result of the sale transaction, the foreign currency translation reserve relating to Turkland Bank A.S. of JD 100 million recorded in comprehensive income was recognized in the statement of income.

15. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equip-ment	Computers and Com-munication Equipment	Motor Vehicles	Others	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Historical Cost :							
Balance as of January 1, 2018	**39 561**	**196 583**	**135 195**	**65 586**	**6 747**	**19 913**	**463 585**
Additions	-	16 878	4 694	10 122	859	4 213	36 766
Disposals	-	(3 641)	(4 828)	(1 884)	(742)	(2 060)	(13 155)
Adjustments during the year	252	(1 322)	(4 464)	42	-	5 492	-
Translation adjustments	(75)	(664)	(108)	(203)	(5)	-	(1 055)
Balance as of December 31, 2018	**39 738**	**207 834**	**130 489**	**73 663**	**6 859**	**27 558**	**486 141**
Additions	-	14 068	4 331	11 795	735	2 006	32 935
Disposals	(1 498)	-	(1 630)	(4 652)	(509)	(2 853)	(11 142)
Adjustments during the year	-	-	-	-	-	-	-
Translation adjustments	(19)	(147)	(22)	(36)	(2)	(4)	(230)
Balance as of December 31, 2019	**38 221**	**221 755**	**133 168**	**80 770**	**7 083**	**26 707**	**507 704**
Accumulated Depreciation :							
Balance as of January 1, 2018	**-**	**75 693**	**105 597**	**47 596**	**5 310**	**12 573**	**246 769**
Depreciation charge for the year	-	4 886	7 203	8 741	503	3 104	24 437
Disposals	-	(280)	(4 751)	(1 837)	(742)	(1 239)	(8 849)
Adjustments during the year	-	-	(2 518)	-	-	2 518	-
Translation adjustments	-	(252)	(75)	(165)	(4)	-	(496)
Balance as of December 31, 2018	-	80 047	105 456	54 335	5 067	16 956	261 861
Depreciation charge for the year	-	4 810	6 644	10 132	588	2 926	25 100
Disposals	-	-	(1 576)	(4 510)	(509)	(1 302)	(7 897)
Adjustments during the year	-	38	(19)	(19)	-	-	-
Translation adjustments	-	(42)	(12)	(27)	(2)	-	(83)
Balance as of December 31, 2019	**-**	**84 853**	**110 493**	**59 911**	**5 144**	**18 580**	**278 981**
Net Book Value as of December 31, 2019	**38 221**	**136 902**	**22 675**	**20 859**	**1 939**	**8 127**	**228 723**
Net Book Value as of December 31, 2018	**39 738**	**127 787**	**25 033**	**19 328**	**1 792**	**10 602**	**224 280**

The cost of the fully depreciated fixed assets amounted to JD 152.7 million as of December 31, 2019 (JD 131.4 million as of December 31, 2018).

16. Other Assets

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD '000	JD '000
Accrued interest receivable	119 799	114 517
Prepaid expenses	64 127	72 631
Foreclosed assets *	77 833	57 660
Intangible assets **	11 858	10 175
Right of Use Assets	52 916	-
Other miscellaneous assets	113 788	49 956
Total	**440 321**	**304 939**

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

The details of movement on foreclosed assets are as follows:

	2019			
	Land	Buildings	Others	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	32 268	25 392	-	57 660
Additions	3 088	19 887	-	22 975
Disposals	(49)	(666)	-	(715)
Provision for impairment and Impairment Loss	(2 081)	(6)	-	(2 087)
Translation Adjustment	-	-	-	-
Balance at the End of the Year	**33 226**	**44 607**	**-**	**77 833**

	2018			
	Land	Buildings	Others	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	14 070	23 403	251	37 724
Additions	19 014	3 123	-	22 137
Disposals	(981)	(844)	(251)	(2 076)
Provision for impairment and Impairment Loss	165	(264)	-	(99)
Translation Adjustment	-	(26)	-	(26)
Balance at the End of the Year	**32 268**	**25 392**	**-**	**57 660**

** The movement on intangible assets was as follows:

	December 31, 2019	December 31, 2018
	JD '000	JD '000
Balance at the beginning of the year	10 175	10 810
Additions	8 146	4 132
Disposals and adjustments during the year	-	-
Amortization during the year	(6 463)	(4 767)
Balance at the End of the Year	**11 858**	**10 175**

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

	2019
	JD '000
Balance at the beginning of the year	58 121
Additions	4 270
Depreciation	(9 475)
Balance at the End of the Year	**52 916**

17. Deferred Tax Assets

The details of this item are as follows:

Items attributable to deferred tax assets are as follows

	December 31, 2019					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Expected Credit Losses - direct credit facilities at amortized cost	205 394	118 803	(74 931)	20	249 286	60 495
End-of-Service indemnity	39 684	6 255	(3 712)	-	42 227	12 375
Interest in suspense (paid tax)	20 593	18 891	(2 563)	-	36 921	8 802
Others	28 155	16 422	(4 414)	(30)	40 133	14 397
Total	**293 826**	**160 371**	**(85 620)**	**(10)**	**368 567**	**96 069**

	December 31, 2018					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Expected Credit Losses - direct credit facilities at amortized cost	139 997	79 644	(14 268)	21	205 394	49 783
End-of-Service indemnity	39 084	5 270	(5 519)	849	39 684	11 808
Interest in suspense (paid tax)	12 006	9 975	(1 388)	-	20 593	4 330
Others	34 621	3 963	(10 236)	(193)	28 155	12 207
Total	**225 708**	**98 852**	**(31 411)**	**677**	**293 826**	**78 128**

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

	2019	2018
	JD '000	JD '000
Balance at the beginning of the year	78 128	61 242
Additions during the year	43 963	26 773
Amortized during the year	(26 025)	(9 825)
Adjustments during the year and translation adjustments	3	(62)
Balance at the End of the Year	**96 069**	**78 128**

18. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2019			December 31, 2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	21 737	68 200	89 937	22 332	89 213	111 545
Time deposits	96 918	1 794 060	1 890 978	88 280	1 969 595	2 057 875
Total	**118 655**	**1 862 260**	**1 980 915**	**110 612**	**2 058 808**	**2 169 420**

19. Customer Deposits

The details of this item are as follows:

	December 31, 2019				
	Consumer Banking	Corporates		Government and public sector	Total
		Small and medium	Large		
	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	4 000 946	1 041 507	1 203 639	113 364	6 359 456
Savings	1 657 559	7 504	3 115	30	1 668 208
Time and notice	4 976 078	497 072	2 842 111	796 432	9 111 693
Certificates of deposit	285 786	515	179	-	286 480
Total	**10 920 369**	**1 546 598**	**4 049 044**	**909 826**	**17 425 837**

	December 31, 2018				
	Consumer Banking	Corporates		Government and public sector	Total
		Small and medium	Large		
	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	3 858 147	1 069 180	1 124 586	181 453	6 233 366
Savings	1 584 482	12 685	5 339	26	1 602 532
Time and notice	4 522 942	517 526	2 447 458	1 244 357	8 732 283
Certificates of deposit	215 938	1 177	180	-	217 295
Total	**10 181 509**	**1 600 568**	**3 577 563**	**1 425 836**	**16 785 476**

- Government of Jordan and Jordanian Public Sector deposits amounted to JD 429.6 million, or 2.5% of total customer deposits as of December 31, 2019 (JD 450 million, or 2.7 % of total customer deposits as of December 31, 2018).
- Non-interest bearing deposits amounted to JD 5572.3million, or 32% of total customer deposits as of December 31, 2019 (JD 5475.4 million, or 32.6% of total customer deposits as of December 31, 2018).
- Blocked deposits amounted to JD 70.4 million, or 0.40% of total customer deposits as of December 31, 2019 (JD 46.6 million, or 0.28% of total customer deposits as of December 31, 2018).
- Dormant deposits amounted to JD 170.5 million, or 0.98% of total customer deposits as of December 31, 2019 (JD 156.1 million, or 0.93% of total customer deposits as of December 31, 2018).

20. Cash Margin

The details of this item are as follows:

	December 31,	
	2019	2018
	JD '000	JD '000
Against direct credit facilities at amortized cost	1 004 991	1 039 275
Against indirect credit facilities	1 073 122	908 134
Against margin trading	1 890	1 271
Other cash margins	1 049	1 140
Total	**2 081 052**	**1 949 820**

21. Borrowed Funds

The details of this item are as follows:

	December 31,	
	2019	2018
	JD '000	JD '000
From central banks	61 161	55 560
From banks and financial institutions	120 421	86 247
Total	**181 582**	**141 807**

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

	December 31,	
	2019	2018
	JD '000	JD '000
Floating interest rate	130 607	79 799
Fixed interest rate	50 975	62 008
Total	**181 582**	**141 807**

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to JD 4 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of December 31, 2019 amounted to JD 3.2 million (JD 3.6 million as of December 31, 2018).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to JD 2.8 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of December 31, 2019 amounted to JD 1.8 million (JD 2.2 Million as of December 31, 2018).

* During 2015 and 2016, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 2%, The advances are repaid in accordance with customers monthly installments which starts on January 2020 and ends on August 2029, these advances amounted JD 49.2 million as of December 31, 2019 (JD 44.4 million as of December 31, 2018).

* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to JD 3.6 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of December 31, 2019 amounted to JD 3.6 million (JD 3.6 million as of December 31, 2018).

* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to JD 7.7 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of December 31, 2019 amounted to JD 3.4 million (JD 1.7 million as of December 31, 2018).

** During 2018, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to JD 70.9 million, for the duration of 7 years with a floating interest rate between (1.392%+LIBOR 3 months) the interest is repaid in 4 installment during the year. The loan is repaid semi-annually, with installments in March and September of each year the first installment starts on September 15, 2020 and ends on september 15,2025. The Balance of the loan as of December 31, 2019 amounted to 70.9 (JD 70.9 million as of December 31,2018).

** During 2019, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to JD 49.5 million, for the duration of 6 years with a floating interest rate between (1.503%+LIBOR 3 months) the interest is repaid in 2 installment during the year. The loan is repaid semi-annually, with installments in March and September of each year the first installment starts on September 15, 2020 and ends on September 15,2025. The Balance of the loan as of December 31, 2019 amounted to JD 49.5 million.

During 2018,Arab Bank (Jordan branches) signed loan agreements with Mitsui Sumitomo Banking Company in Dubai with fixed interest rates ranging between (0.860% - 0.872%) as the balance reached JD 15.4 million as on December 31, 2019, the first contract matured on January 4th 2019 and the last contract on May 7, 2019 (JD 16.7 million as on December 31, 2018).

22. Provision for Income Tax

The details of this item are as follows:

	2019	2018
	JD '000	JD '000
Balance at the beginning of the year	140 408	122 264
Income tax charge	149 136	136 426
Income tax paid	(131 982)	(118 282)
Balance at the End of the Year	**157 562**	**140 408**

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

	2019	2018
	JD '000	JD '000
Income tax charge for the year	149 136	136 426
Deferred tax assets for the year	(42 717)	(25 086)
Amortization of deferred tax assets	26 025	9 379
Deferred tax liabilities for the year	216	6
Amortization of deferred tax liabilities	-	-
Total	**132 660**	**120 725**

The Banking income tax rate in Jordan is 35%. The Jordanian income tax law No. (34) for the year 2019 has been amended and the tax rate will become 35% income tax + 3% national contribution tax, i.e. a total of 38%. While the income tax rate in the countries where the Bank has investments and branches ranges from zero to 38% as of 31 December 2019 and 2018. The branches of Arab bank Plc have reached a recent tax settlements ranging between 2018 as for Arab Bank United Arab Emirates and arab bank Egypt and 2017 as for Arab Bank Palestine.

23. Other Provisions

The details of this item are as follows:

	2019					
	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Returned to Income	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
End-of-service indemnity	77 290	10 569	(6 918)	-	125	81 066
Legal cases	3 376	2 776	(579)	(466)	(2)	5 105
Other	56 974	14	(293)	(8)	24	56 711
Total	**137 640**	**13 359**	**(7 790)**	**(474)**	**147**	**142 882**

	2018					
	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Returned to Income	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
End-of-service indemnity	78 270	9 193	(10 156)	-	(17)	77 290
Legal cases	11 188	1 541	(1 717)	(7 634)	(2)	3 376
Other	110 128	197	(53 311)	(18)	(22)	56 974
Total	**199 586**	**10 931**	**(65 184)**	**(7 652)**	**(41)**	**137 640**

24. Other Liabilities

The details of this item are as follows:

	December 31, 2019	December 31, 2018
	JD '000	JD '000
Accrued interest payable	124 726	104 987
Notes payable	82 756	81 263
Interest and commission received in advance	51 072	69 550
Accrued expenses	30 343	25 590
Dividends payable to shareholders	14 420	12 247
Lease Contracts Liabilites	51 345	-
Other miscellaneous liabilities	172 611	213 979
Provision for impairment - ECL of the indirect credit facilities*	15 289	26 416
Total	**542 562**	**534 032**

Indirect Credit Facilities

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	1 046 740	-	-	1 046 740	948 818
Acceptable risk / performing	9 485 370	220 521	-	9 705 891	10 514 386
Non-performing	-	-	28 936	28 936	9 968
Total	**10 532 110**	**220 521**	**28 936**	**10 781 567**	**11 473 172**

The movement on total balances of indirect credit facilities is as follows:

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	11 139 612	323 592	9 968	11 473 172	11 716 778
New balances (Additions)	3 916 689	119 683	119	4 036 491	3 966 450
Matured balances	(4 498 663)	(217 269)	(4 114)	(4 720 046)	(4 186 173)
Transfers to stage 1	83 668	(83 262)	(406)	-	-
Transfers to stage 2	(100 275)	100 275	-	-	-
Transfers to stage 3	(912)	(22 426)	23 338	-	-
Written off balances	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(8 009)	(72)	31	(8 050)	(23 883)
Total	**10 532 110**	**220 521**	**28 936**	**10 781 567**	**11 473 172**

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

	December 31, 2019				December 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	12 026	13 871	519	26 416	8 559
ECL charges during the year	8 337	1 083	22	9 442	20 677
Recoveries (excluding write offs)	(8 682)	(12 262)	(364)	(21 308)	(7 215)
Transfers to stage 1	437	(437)	-	-	-
Transfers to stage 2	(69)	69	-	-	-
Transfers to stage 3	-	(303)	303	-	-
Impact on year end ECL caused by transfers between stages during the year	(112)	(50)	-	(162)	1 367
Written off balances	-	-	-	-	-
Adjustments during the year	255	22	-	277	3 025
Translation Adjustments	573	1	50	624	3
Total	**12 765**	**1 994**	**530**	**15 289**	**26 416**

25. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	2019					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Translation Adjustments	Balance at the End of the Year	Deferred Tax
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Other	4 211	1 115	-	-	5 326	1 197
Total	**4 211**	**1 115**	**-**	**-**	**5 326**	**1 197**

	2018					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Translation Adjustments	Balance at the End of the Year	Deferred Tax
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Other	3 815	28	-	368	4 211	948
Total	**3 815**	**28**	**-**	**368**	**4 211**	**948**

- The details of movement on deferred tax liabilities are as follows:

	2019	**2018**
	JD '000	JD '000
Balance at the beginning of the year	948	942
Additions during the year	249	6
Amortized during the year	-	-
Balance at the End of the Year	**1 197**	**948**

26. Share Capital and Share Premium

A. Share capital amounted to JD 640.8 million distributed on 640.8 million shares as of 31 December 2019 and 2018 with a authorized capital of JD 640.8 million shares (at par value of JD 1 per share).
B. Share premium amounted to JD 859.6 million as at December 31, 2019 and 2018.

27. Statutory Reserve

The statutory reserve amounted to JD 640.8 million as at December 31, 2019 (JD 617.2 million as at December 31, 2018) according to the regulations of the central bank of Jordan and companies law and it can't be distributed to the shareholders of the bank.

28. Voluntary Reserve

The voluntary reserve amounted to JD 614.9 million as at December 31, 2019 and 2018. This reserve is used for the purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

29. General Reserve

The general reserve amounted to JD 583.7 million as of December 31, 2019 and 2018. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30. General Banking Risk Reserve

The general banking risk reserve amounted to JD 108.8 million as at December 31, 2019 (JD 108.8 million as of December 31,2018).

31. Foreign Currency Translation Reserve

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Balance at the beginning of the year	(190 206)	(221 600)
Additions (disposals) during the year transferred to other comprehensive income	(8 191)	31 394
Balance at the End of the Year	**(198 397)**	**(190 206)**

32. Investment Revaluation Reserve

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Balance at the beginning of the year	(215 187)	(207 437)
Change in fair value during the year	41	(7 722)
Net realized losses (gains) transferred to retained earnings	200	(28)
Balance at the End of the Year *	**(214 946)**	**(215 187)**

33. Retained Earnings

The details of the movement on the retained earnings are as follows:

	2019	2018
	JD '000	JD '000
Balance at the beginning of the year	650 945	497 626
Profit for the year	423 560	433 514
Investments revaluation reserve transferred to retained earnings	(200)	28
Dividends paid **	(288 360)	(256 320)
Transferred to statutory reserve	(23 565)	(55 424)
Transferred to (from) general banking risk reserve	-	111 673
The Effect of IFRS (9) adoption	-	(80 152)
The Effect of IFRS (16) adoption	(2 431)	-
Adjustment during the year	-	-
Balance at the End of the Year *	**759 949**	**650 945**

** Arab Bank plc Board of Directors recommended a 30 % of par value as cash dividend, equivalent to JD 192.2 million, for the year 2019, This proposal is subject to the approval of the General Assembly of shareholders. (The General Assembly of the Arab Bank plc in its meeting held on March 28, 2019 approved the recommendation of the Bank's Board of Directors to distribute 45% of par value as cash dividends for the year 2018 equivalent to JD 288.4 million).

* Retained earnings include restricted deferred tax assets in the amount of JD 96 million. Restricted retained earnings that cannot be distributed or otherwise utilized except under certain circumstances as a result of adopting certain International Accounting Standards amounted to JD 2 million as of December 31, 2019.

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

* The negative balance of the investments revaluation reserve in the amount of JD (215) million as of December 31, 2019 is restricted according to the Jordan Securities Commission instructions and Central Bank of Jordan.

34. Interest Income

The details of this item are as follows:

	2019	2018
	JD '000	JD '000
Direct credit facilities at amortized cost *	903 493	869 156
Central Banks	70 455	51 286
Banks and financial institutions deposits	63 760	47 882
Financial assets at fair value through profit or loss	9 237	14 731
Other financial assets at amortized cost	330 106	281 328
Total	**1 377 051**	**1 264 383**

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

	2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Discounted bills	3 037	7 765	15 551	1 425	-	27 778
Overdrafts	2 338	53 120	186 507	6	8 285	250 256
Loans and advances	111 783	48 034	352 838	1 488	30 712	544 855
Real estate loans	67 083	129	-	-	-	67 212
Credit cards	13 392	-	-	-	-	13 392
Total	**197 633**	**109 048**	**554 896**	**2 919**	**38 997**	**903 493**

	2018					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Discounted bills	2 879	8 320	14 376	2 228	-	27 803
Overdrafts	2 123	51 111	180 841	2	15 039	249 116
Loans and advances	107 047	44 636	328 230	891	34 921	515 725
Real estate loans	64 747	10	-	-	-	64 757
Credit cards	11 755	-	-	-	-	11 755
Total	**188 551**	**104 077**	**523 447**	**3 121**	**49 960**	**869 156**

35. Interest Expense

The details of this item are as follows:

	2019	2018
	JD '000	JD '000
Customer deposits *	491 406	423 757
Banks' and financial institutions' deposits	49 445	41 430
Cash margins	41 319	31 897
Borrowed funds	4 916	1 352
Deposit insurance fees	15 054	17 646
Total	**602 140**	**516 082**

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

	2019				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	19 141	2 736	12 311	274	34 462
Savings	11 094	238	3	-	11 335
Time and notice	199 167	22 680	137 351	48 762	407 960
Certificates of deposit	37 623	23	3	-	37 649
Total	**267 025**	**25 677**	**149 668**	**49 036**	**491 406**

	2018				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	12 807	1 478	16 960	911	32 156
Savings	10 534	237	5	-	10 776
Time and notice	188 395	19 247	95 809	50 858	354 309
Certificates of deposit	26 491	20	5	-	26 516
Total	**238 227**	**20 982**	**112 779**	**51 769**	**423 757**

36. Net Commission Income

The details of this item are as follows:

	2019	2018
	JD '000	JD '000
Commission income:		
Direct credit facilities at amortized cost	59 519	58 479
Indirect credit facilities	63 288	66 461
Other	51 835	51 529
Less: Commission expense	(28 171)	(21 754)
Net Commission Income	**146 471**	**154 715**

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

The details of this item are as follows:

	2019			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	JD '000	JD '000	JD '000	JD '000
Treasury bills and bonds	2 118	1 960	-	4 078
Corporate shares	-	(34)	56	22
Total	**2 118**	**1 926**	**56**	**4 100**

	2018			
	Realized Gains	Unrealized Gains (Loss)	Dividends	Total
	JD '000	JD '000	JD '000	JD '000
Treasury bills and bonds	2 743	551	-	3 294
Corporate shares	-	(71)	75	4
Total	**2 743**	**480**	**75**	**3 298**

38. Dividends from Subsidiares and Associates

The details of this item are as follows:

	2019	2018
	JD '000	JD '000
Arab Tunisian Bank	922	3 709
Arab Sudanese Bank Limited	-	1 035
Al-Nisr Al Arabi Insurance Company plc	1 250	1 000
Al-Arabi Investment Group Company L.L.C	1 100	260
Islamic International Arab Bank plc	14 000	12 000
Arab National Leasing Company L.L.C	5 000	5 000
Others	-	-
Total Dividends from Subsidiaries	**22 272**	**23 004**
Arab National Bank	86 771	73 700
Oman Arab Bank	12 026	12 026
Commercial Building Company S.A.L	184	184
Total Dividends from Associates	**98 981**	**85 910**
Total Dividends from Subsidiaries and Associates	**121 253**	**108 914**

39. Other Revenue

The details of this item are as follows:

	2019 JD '000	2018 JD '000
Revenue from customer services	7 576	7 586
Safe box rent	937	724
Gains from derivatives	(629)	14
Miscellaneous revenue	7 704	11 079
Total	**15 588**	**19 403**

40. Employees' Expenses

The details of this item are as follows:

	2019 JD '000	2018 JD '000
Salaries and benefits	162 568	179 691
Social security	12 784	12 307
Savings fund	1 474	1 461
Indemnity compensation	1 321	1 854
Medical	8 078	7 538
Training	1 473	1 354
Allowances	39 549	44 730
Other	5 008	5 777
Total	**232 255**	**254 712**

41. Other Expenses

The details of this item are as follows:

	2019 JD '000	2018 JD '000
Occupancy	39 259	38 348
Office	39 191	37 906
Services	29 003	28 421
Fees	7 542	7 701
Information technology	24 683	21 240
Other administrative expenses	25 264	33 401
Total	**164 942**	**167 017**

42. Financial Derivatives

- The details of movement on financial derivatives are as follows:

	December 31, 2019						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 Months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Interest rate swaps	5 736	3 118	988 011	171 368	24 245	235 549	556 849
Foreign currency forward contracts	4 018	2 494	5 791 017	4 146 438	1 094 693	549 886	-
Derivatives held for trading	**9 754**	**5 612**	**6 779 028**	**4 317 806**	**1 118 938**	**785 435**	**556 849**
Interest rate swaps	13 743	14 242	1 229 290	58 156	338 808	529 957	302 369
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for fair value hedge	**13 743**	**14 242**	**1 229 290**	**58 156**	**338 808**	**529 957**	**302 369**
Interest rate swaps	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**23 497**	**19 854**	**8 008 318**	**4 375 962**	**1 457 746**	**1 315 392**	**859 218**

	December 31, 2018						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 Months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Interest rate swaps	2 069	1 156	607 227	189 259	112 415	165 490	140 063
Foreign currency forward contracts	3 771	2 067	5 073 824	4 189 777	766 828	117 219	-
Derivatives held for trading	**5 840**	**3 223**	**5 681 051**	**4 379 036**	**879 243**	**282 709**	**140 063**
Interest rate swaps	12 430	11 941	961 812	-	257 314	295 468	409 030
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for fair value hedge	**12 430**	**11 941**	**961 812**	**-**	**257 314**	**295 468**	**409 030**
Interest rate swaps	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**18 270**	**15 164**	**6 642 863**	**4 379 036**	**1 136 557**	**578 177**	**549 093**

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

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

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

	Inside Jordan		Outside Jordan		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Revenue	390 215	365 402	726 508	717 330	1 116 723	1 082 732
Assets	8 920 369	8 420 590	17 408 316	17 124 748	26 328 685	25 545 338
Capital expenditures	15 896	14 864	25 185	26 034	41 081	40 898

(44) BUSINESS SEGMENTS

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

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

Corporate and Institutional Banking

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

Treasury Bank

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

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

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

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

Consumer Banking

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

Advanced digital solutions are important to our ability to serve customers efficiently and to streamline our internal operations. New solutions are constantly under review and are introduced regularly to ensure that customers benefit from the latest and most effective direct banking services and channels.A key element of the bank's long term strategy is to offer banking services at a regional level by introducing cross-border solutions to our Elite and Arabi Premium clients throughout the bank's branch network and online banking services.

Information about the Bank's Business Segments

	2019					
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Total income	570 945	441 864	(144 442)	118 334	130 022	1 116 723
Net inter-segment interest income	(80 407)	(280 501)	278 456	82 452	-	-
Less:						
Provision for impairment - direct credit facilities at amortized cost	107 195	395	523	10 745	-	118 858
Other provisions	6 305	1 075	846	4 659	-	12 885
Direct administrative expenses	71 273	9 548	12 297	92 539	-	185 657
Result of operations of segments	**305 765**	**150 345**	**120 348**	**92 843**	**130 022**	**799 323**
Indirect expenses on segments	111 121	26 196	19 632	84 464	1 690	243 103
Profit for the year before income tax	**194 644**	**124 149**	**100 716**	**8 379**	**128 332**	**556 220**
Less: Income tax expense	51 870	37 974	29 828	3 062	9 926	132 660
Profit for the Year	**142 774**	**86 175**	**70 888**	**5 317**	**118 406**	**423 560**
Depreciation and amortization	10 995	2 409	1 717	16 442	-	31 563
Other Information						
Segment assets	10 014 117	12 033 572	681 585	2 088 862	589 025	25 407 161
Inter-segment assets	-	-	7 710 549	1 033 023	2 972 605	-
Investments in associates and subsidiaries	-	-	-	-	921 524	921 524
Total Assets	**10 014 117**	**12 033 572**	**8 392 134**	**3 121 885**	**4 483 154**	**26 328 685**
Segment liabilities	8 805 282	1 526 230	8 392 134	3 121 885	687 912	22 533 443
Shareholders' equity	-	-	-	-	3 795 242	3 795 242
Inter-segment liabilities	1 208 835	10 507 342	-	-	-	-
Total Liabilities and Shareholders' Equity	**10 014 117**	**12 033 572**	**8 392 134**	**3 121 885**	**4 483 154**	**26 328 685**

	2018					
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Total income	599 473	372 331	(111 665)	104 833	117 760	1 082 732
Net inter-segment interest income	(141 716)	(160 934)	217 930	84 720	-	-
Less:						
Provision for impairment - direct credit facilities at amortized cost	150 651	(1 113)	1 448	6 100	-	157 086
Other provisions	475	(199)	(67)	3 070	-	3 279
Direct administrative expenses	68 376	10 393	11 664	88 687	-	179 120
Result of operations of segment	**238 255**	**202 316**	**93 220**	**91 696**	**117 760**	**743 247**
Less: Indirect expenses on segments	125 037	35 272	20 970	88 717	1 817	271 813
Recovery (expense) of Legal Provision	-	-	-	-	230 496	230 496
Impairment of investment held for sale	-	-	-	-	(147 691)	(147 691)
Profit for the year before income tax	**113 218**	**167 044**	**72 250**	**2 979**	**198 748**	**554 239**
Less: Income tax expense	33 502	40 244	18 661	1 280	27 038	120 725
Profit for the Year	**79 716**	**126 800**	**53 589**	**1 699**	**171 710**	**433 514**
Depreciation and amortization	10 081	2 328	1 278	15 517	-	29 204
Other Information						
Segment assets	10 311 732	11 318 217	619 115	1 968 510	415 582	24 633 156
Inter-segment assets	-	-	7 108 041	983 019	2 673 475	-
Investments in associates and subsidiaries	-	-	-	-	912 182	912 182
Total Assets	**10 311 732**	**11 318 217**	**7 727 156**	**2 951 529**	**4 001 239**	**25 545 338**
Segment liabilities	8 636 098	2 229 316	7 727 156	2 951 529	330 616	21 874 715
Shareholders' equity	-	-	-	-	3 670 623	3 670 623
Inter-segment liabilities	1 675 634	9 088 901	-	-	-	-
Total Liabilities and Shareholders' Equity	**10 311 732**	**11 318 217**	**7 727 156**	**2 951 529**	**4 001 239**	**25 545 338**

45. BANKING RISK MANAGEMENT

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

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

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

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

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

Note (46- E) shows the details of the geographical distribution of assets.

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

Note (49) shows the maturities of the assets and liabilities of the Bank.

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Bank's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Bank to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (47) shows the details of market risk sensitivity analysis.

1. Interest Rate Risk

Interest rate risk in the Bank is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the ALCO.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative risk-free rates (referred to as 'IBOR reform'). The Bank has exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is uncertainty over the timing and the methods of transition. The Bank anticipates that IBOR reform may have operational, risk management and accounting impacts.

The Bank is in the process of reviewing the impact of the IBOR reform on their floating rate loans and advances to customers' contracts and their floating rate financial liabilities contracts.

Most of the Bank's hedging relationships are fair value hedges and accordingly, any uncertainties are already included in the consolidated statement of income.

Derivatives held for risk management purposes and hedge accounting:

The Bank holds derivatives for risk management purposes, some of which are designated as hedging relationships and management is in the process of assessing the impact.

Note (48) shows the details of the interest rate risk sensitivity of the Bank.

2. Capital Market Exposures

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Bank's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (50) shows the net positions of foreign currencies.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Bank.

46 - Credit Risk

A. Gross exposure to credit risk (net of impairment provisions and interest in suspense and prior to collaterals and other risk mitigations):

	December 31,	
	2019	**2018**
	JD '000	JD '000
Credit risk exposures relating to items on statement of financial position:		
Balances with central banks	3 423 601	2 986 688
Balances with banks and financial institutions	3 264 458	3 209 371
Deposits with banks and financial institutions	164 609	130 987
Financial assets at fair value through profit or loss	168 110	82 577
Direct credit facilities at amortized cost	**11 926 366**	**12 173 355**
Consumer banking	2 376 987	2 305 432
Small and medium corporate	1 151 406	1 166 848
Large corporate	7 735 679	8 056 636
Banks and financial institutions	127 212	60 772
Government and public sector	535 082	583 667
Other financial assets at amortized cost	5 183 740	4 995 656
financial derivatives - positive fair value	23 497	18 270
Other assets	183 926	187 148
Total credit exposure related to items on statement of financial position:	**24 338 307**	**23 784 052**
Credit risk exposures relating to items off the statement of financial position		
Total items off the statement of financial position	**10 766 278**	**11 446 756**
Grand Total	**35 104 585**	**35 230 808**

The table above shows the maximum limit of the bank credit risk as of December 31, 2019 and 2018 excluding collaterals or risks mitigations.

B. Fair value of collaterals obtained against total credit exposures :

	Total Credit Risk Exposure	Fair Value of Collaterals		
		Cash	Banks accepted letters of guarantees	Real estate properties
	JD '000	JD '000	JD '000	JD '000
Credit exposures relating to items on statement of financial position:				
Balances with central banks	3 428 575	-	-	-
Balances with banks and financial institutions	3 264 971	-	-	-
Deposits with banks and financial institutions	165 424	-	-	-
Financial assets at fair value through profit or loss	168 110	-	-	-
Direct credit facilities at amortized cost	**13 118 531**	**753 870**	**138 257**	**1 845 250**
Consumer Banking	2 509 498	224 951	18	55 247
Small and Medium Corporates	1 328 361	136 709	21 334	360 907
Large Corporates	8 614 306	376 892	116 905	1 425 345
Banks and Financial Institutions	130 330	-	-	-
Government and Public Sector	536 036	15 318	-	3 751
Other financial assets at amortized cost	5 195 592	-	-	-
Financial derivatives - positive fair value	23 497	-	-	-
Other assets	183 926	-	-	-
Total Credit exposures relating to items on statement of financial position	**25 548 626**	**753 870**	**138 257**	**1 845 250**
Credit exposures relating to items off statement of financial position:				
Total Credit exposures relating to items off statement of financial position	**10 781 567**	**1 064 071**	**16 250**	**98 407**
Grand Total	**36 330 193**	**1 817 941**	**154 507**	**1 943 657**
Grand Total as of December 31, 2018	**36 402 792**	**1 679 730**	**228 208**	**1 874 211**

						December 31, 2019
	Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
	-	-	-	-	3 428 575	4 974
	-	-	-	-	3 264 971	513
	-	-	-	-	165 424	815
	-	-	-	-	168 110	-
	198 962	**239 702**	**2 707 799**	**5 883 840**	**7 234 691**	**895 246**
	1 308	1 647	728 840	1 012 011	1 497 487	90 084
	17 192	15 692	243 139	794 973	533 388	113 500
	180 462	222 363	1 584 210	3 906 177	4 708 129	687 628
	-	-	-	-	130 330	3 080
	-	-	151 610	170 679	365 357	954
	-	-	-	-	5 195 592	11 852
	-	-	-	-	23 497	-
	-	-	-	-	183 926	-
	198 962	**239 702**	**2 707 799**	**5 883 840**	**19 664 786**	**913 400**
	625	**7 896**	**1 319 706**	**2 506 955**	**8 274 612**	**15 289**
	199 587	**247 598**	**4 027 505**	**8 390 795**	**27 939 398**	**928 689**
	259 689	**255 759**	**4 073 223**	**8 370 820**	**28 031 972**	**914 105**

C. Fair value of collaterals obtained against Stage 3 Credit Exposures :

	Total Credit Risk Exposure	Fair Value of Collaterals		
		Cash	Banks accepted letters of guarantees	Real estate properties
	JD '000	JD '000	JD '000	JD '000
Credit exposures relating to items on statement of financial position:				
Balances with central banks	-	-	-	-
Balances with banks and financial institutions	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Direct credit facilities at amortized cost	**1 032 583**	**9 214**	**129**	**117 877**
Consumer Banking	139 251	-	-	5 602
Small and Medium Corporates	181 855	253	129	37 880
Large Corporates	708 937	8 961	-	74 395
Banks and Financial Institutions	2 540	-	-	-
Government and Public Sector	-	-	-	-
Other financial assets at amortized cost	2 832	-	-	-
Financial derivatives - positive fair value	-	-	-	-
Other assets	-	-	-	-
Total Credit exposures relating to items on statement of financial position	**1 035 415**	**9 214**	**129**	**117 877**
Credit exposures relating to items off statement of financial position:				
Total Credit exposures relating to items off statement of financial position	**28 936**	**974**	**-**	**224**
Grand Total	**1 064 351**	**10 188**	**129**	**118 101**
Grand Total as of December 31, 2018	**945 691**	**10 173**	**310**	**82 606**

December 31, 2019

Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
60	**24 478**	**16 813**	**168 571**	**864 012**	**631 996**
-	119	10 792	16 513	122 738	78 166
-	318	195	38 775	143 080	89 177
60	24 041	5 826	113 283	595 654	462 153
-	-	-	-	2 540	2 500
-	-	-	-	-	-
-	-	-	-	2 832	2 832
-	-	-	-	-	-
-	-	-	-	-	-
60	**24 478**	**16 813**	**168 571**	**866 844**	**634 828**
-	**-**	**4 608**	**5 806**	**23 130**	**530**
60	**24 478**	**21 421**	**174 377**	**889 974**	**635 358**
68	**8 910**	**13 304**	**115 371**	**830 320**	**624 240**

NOTES TO THE FINANCIAL STATEMENTS

- The Disclosures below were prepared on two stage: The first to the total exposures of credit -facilities and the second for the size of the expeded credit - loss.

	December 31, 2019					
	Stage 2		Stage 3			
	Total Credit Risk Exposure	Reclassified Credit Risk Exposure	Total Credit Risk Exposure	Reclassified Credit Risk Exposure	Total Reclassified Credit Risk Exposure	Percentage of Reclassified Credit Risk Exposure (%)
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Credit exposures relating to items on statement of financial position:						
Balances with central banks	150 805	22 635	-	-	22 635	15%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Direct credit facilities at amortized cost	1 474 672	(143 664)	1 032 583	187 763	44 099	1.8%
Other financial assets at amortized cost	66 368	23 880	2 832	-	23 880	34.5%
Total Credit exposures relating to items on statement of financial position	**1 691 845**	**(97 149)**	**1 035 415**	**187 763**	**90 614**	**3.3%**
Credit exposures relating to items off statement of financial position:						
Total Credit exposures relating to items off statement of financial position	**220 521**	**(5 413)**	**28 936**	**22 932**	**17 519**	**7%**
Grand Total	**1 912 366**	**(102 562)**	**1 064 351**	**210 695**	**108 133**	**3.6%**
Grand Total as of December 31, 2018	**1 883 023**	**591 057**	**945 691**	**131 273**	**722 330**	**25.5%**

	December 31, 2019					
	Stage 2		Stage 3			
	Total Expected Credit Loss	Reclassified Expected Credit Loss	Total Expected Credit Loss	Reclassified Expected Credit Loss	Total Reclassified Expected Credit Loss	Percentage of Reclassified Expected Credit Loss (%)
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Credit exposures relating to items on statement of financial position:						
Balances with central banks	4 267	506	-	-	506	12%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Direct credit facilities at amortized cost	213 412	(30 765)	631 996	29 719	(1 046)	-0.1%
Other financial assets at amortized cost	2 603	217	2 832	-	217	4.0%
Total Credit exposures relating to items on statement of financial position	220 282	(30 042)	634 828	29 719	(323)	-0.1%
Credit exposures relating to items off statement of financial position:						
Total Credit exposures relating to items off statement of financial position	**1 994**	**(671)**	**530**	**303**	**(368)**	**-14.6%**
Grand Total	**222 276**	**(30 713)**	**635 358**	**30 022**	**(691)**	**-0.1%**
Grand Total as of December 31, 2018	**221 374**	**(1 453)**	**624 240**	**7 532**	**6 079**	**0.7%**

- Expected Credit Losses for Reclassified Credit Exposures:

	December 31, 2019						
	Reclassified Credit Exposures			Expected Credit Losses for Reclassified Credit Exposures:			
	Reclassified Credit Exposures from Stage 2	Reclassified Credit Exposures from Stage 3	Total Reclassified Credit Exposures	Stage 2 (Individual)	Stage 2 (Collective)	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Credit exposures relating to items on statement of financial position:							
Balances with central banks	22 635	-	22 635	506	-	-	506
Balances with banks and financial institutions	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	(143 664)	187 763	44 099	(21 574)	(753)	46 200	23 873
Other financial assets at amortized cost	23 880	-	23 880	1 582	-	-	1 582
Total Credit exposures relating to items on statement of financial position	**(97 149)**	**187 763**	**90 614**	**(19 486)**	**(753)**	**46 200**	**25 961**
Credit exposures relating to items off statement of financial position:							
Total Credit exposures relating to items off statement of financial position	**(5 413)**	**22 932**	**17 519**	**(721)**	**-**	**303**	**(418)**
Grand Total	**(102 562)**	**210 695**	**108 133**	**(20 207)**	**(753)**	**46 503**	**25 543**
Grand Total as of December 31, 2018	**591 057**	**131 273**	**722 330**	**15 493**	**(642)**	**21 602**	**36 453**

D. Classification of debt securities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies.

	December 31, 2019		
	Financial Assets at Fair Value through Profit or Loss	Other Financial Assets at Amortized Cost	Total
Credit Rating	JD '000	JD '000	JD '000
Private sector:			
AAA to A-	-	360 998	360 998
BBB+ to B-	-	32 333	32 333
Below B-	-	-	-
Unrated	21 010	41 034	62 044
Government and public sector	147 100	4 749 375	4 896 475
Total	**168 110**	**5 183 740**	**5 351 850**

	December 31, 2018		
	Financial Assets at Fair Value through Profit or Loss	Other Financial Assets at Amortized Cost	Total
Credit Rating	JD '000	JD '000	JD '000
Private sector:			
AAA to A-	-	315 271	315 271
BBB+ to B-	-	54 294	54 294
Below B-	-	-	-
Unrated	21 010	43 250	64 260
Government and public sector	61 567	4 582 841	4 644 408
Total	**82 577**	**4 995 656**	**5 078 233**

E. Credit exposure categorized by geographical distribution:

	December 31, 2019						
	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balances with central banks	1 553 837	1 869 498	266	-	-	-	3 423 601
Balances and deposits with banks and financial institutions	207 212	1 055 156	252 289	1 607 849	256 391	50 170	3 429 067
Financial assets at fair value through profit or loss	-	168 110	-	-	-	-	168 110
Direct credit facilities at amortized cost	4 043 754	7 614 767	191 330	43 326	28 997	4 192	11 926 366
Consumer Banking	1 031 035	1 345 872	13	67	-	-	2 376 987
Small and Medium Corporates	459 902	691 322	-	182	-	-	1 151 406
Large Corporates	2 352 033	5 120 255	191 317	43 077	28 997	-	7 735 679
Banks and Financial Institutions	51 265	71 755	-	-	-	4 192	127 212
Government and Public Sector	149 519	385 563	-	-	-	-	535 082
Other financial assets at amortized cost	2 589 572	2 410 359	95 343	37 899	36 036	14 531	5 183 740
Financial derivatives - positive fair value	5 118	18 335	37	7	-	-	23 497
Other assets	46 689	135 553	1 494	69	121	-	183 926
Total	**8 446 182**	**13 271 778**	**540 759**	**1 689 150**	**321 545**	**68 893**	**24 338 307**
Total - as of December 31, 2018	**8 009 997**	**12 910 117**	**517 593**	**1 939 618**	**331 672**	**75 055**	**23 784 052**

* Excluding Arab Countries.

E. Credit exposure categorized by geographical distribution and stagings according to IFRS 9:

	December 31, 2019					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Jordan	6 602 271	1 008 785	786 740	11 195	37 191	8 446 182
Other Arab Countries	11 244 439	1 307 831	613 615	28 940	76 953	13 271 778
Asia*	540 746	13	-	-	-	540 759
Europe	1 682 820	66	-	-	6 264	1 689 150
America	305 401	-	16 144	-	-	321 545
Rest of the World	68 893	-	-	-	-	68 893
Total	**20 444 570**	**2 316 695**	**1 416 499**	**40 135**	**120 408**	**24 338 307**
Total as of December 31, 2018	**20 106 218**	**2 269 810**	**1 315 380**	**26 861**	**65 783**	**23 784 052**

* Excluding Arab Countries.

NOTES TO THE FINANCIAL STATEMENTS

F. Credit exposure categorized by economic sector

	Consumer Banking	Industry and Mining	Constructions	Real estate	Trade
	JD '000	JD '000	JD '000	JD '000	JD '000
Balances with Central Banks	-	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Direct credit facilities at amortized cost	2 376 987	2 522 622	1 181 010	870 745	2 279 817
Other financial assets at amortized cost	-	35 821	-	4 921	-
financial derivatives - positive fair value	-	3	-	-	619
Other assets	9 422	14 715	8 503	2 062	15 315
Total	**2 386 409**	**2 573 161**	**1 189 513**	**877 728**	**2 295 751**
Total as of December 31, 2018	**2 313 293**	**2 737 431**	**1 237 940**	**923 599**	**2 387 457**

December 31, 2019

orporates					Banks and Financial Institutions	Government and Public Sector	Total
Agriculture	Tourism and Hotels	Transportation	Shares	General Ser-vices			
JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
-	-	-	-	-	-	3 423 601	3 423 601
-	-	-	-	-	3 429 067	-	3 429 067
-	-	21 010	-	-	-	147 100	168 110
110 385	180 863	134 756	8 500	1 598 387	127 212	535 082	11 926 366
-	-	-	-	7 046	386 577	4 749 375	5 183 740
-	-	5	-	3 037	4 281	15 552	23 497
308	481	329	-	18 103	10 703	103 985	183 926
110 693	**181 344**	**156 100**	**8 500**	**1 626 573**	**3 957 840**	**8 974 695**	**24 338 307**
135 140	**229 890**	**162 002**	**8 500**	**1 550 721**	**3 779 851**	**8 318 228**	**23 784 052**

F. Credit exposure categorized by economic sector and stagings according to IFRS 9:

	December 31, 2019					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Consumer Banking	9 422	2 316 695	-	40 135	20 157	2 386 409
Industry and Mining	2 229 175	-	294 651	-	49 335	2 573 161
Constructions	912 086	-	258 259	-	19 168	1 189 513
Real Estate	714 696	-	157 721	-	5 311	877 728
Trade	2 009 355	-	267 305	-	19 091	2 295 751
Agriculture	83 448	-	25 578	-	1 667	110 693
Tourism and Hotels	56 036	-	124 772	-	536	181 344
Transportation	138 350	-	17 733	-	17	156 100
Shares	8 500	-	-	-	-	8 500
General Service	1 561 272	-	60 177	-	5 124	1 626 573
Banks and Financial Institutions	3 957 838	-	-	-	2	3 957 840
Government and Public Sector	8 764 392	-	210 303	-	-	8 974 695
Total	**20 444 570**	**2 316 695**	**1 416 499**	**40 135**	**120 408**	**24 338 307**
Total as of December 31, 2018	**20 106 218**	**2 269 810**	**1 315 380**	**26 861**	**65 783**	**23 784 052**

47. Market Risk

Assuming market prices as at December 31, 2019 and 2018 change by 5%, the impact on statement of income and shareholders equity will be as follows:

	December 31, 2019			December 31, 2018		
	Statement of Income	Shareholders' Equity	Total	Statement of Income	Shareholders' Equity	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Interest rate sensitivity	29 584	-	29 584	29 435	-	29 435
Foreign exchange rate sensitivity	1 320	28 387	29 707	1 117	27 802	28 919
Equity instruments price sensitivity	46	7 888	7 934	47	7 808	7 855
Total	**30 950**	**36 275**	**67 225**	**30 599**	**35 610**	**66 209**

48. Interest Rate Risk

Exposure to interest rate volatility as of December 31, 2019 (classification is based on interest rate repricing or maturity date, whichever is nearer).

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Assets								
Cash at vaults	-	-	-	-	-	-	328 993	328 993
Mandatory cash reserve	-	-	-	-	-	-	1 104 788	1 104 788
Balances with central banks	1 651 481	71 561	48 263	-	17 730	-	529 778	2 318 813
Balances and deposits with banks and financial institutions	2 325 550	1 008 389	6 735	39 734	48 659	-	-	3 429 067
Financial assets at fair value through profit or loss	8	431	85 819	15 230	11 472	55 150	910	169 020
Direct credit facilities at amortized cost	2 980 409	1 529 097	1 481 334	1 941 343	1 015 205	2 978 978	-	11 926 366
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	157 764	157 764
Other financial assets at amortized cost	744 749	690 876	683 223	523 887	1 991 419	549 586	-	5 183 740
Investment in subsidiaries and associates	-	-	-	-	-	-	921 524	921 524
Fixed assets	-	-	-	-	-	-	228 723	228 723
Other assets and financial derivatives - positive fair value	10 432	19 391	30 067	293	3 842	14 637	385 156	463 818
Deferred tax assets	-	-	-	-	-	-	96 069	96 069
Total assets	**7 712 629**	**3 319 745**	**2 335 441**	**2 520 487**	**3 088 327**	**3 598 351**	**3 753 705**	**26 328 685**
Liabilities								
Banks' and financial institutions' deposits	776 392	1 018 893	2 350	38 808	53 452	1 083	89 937	1 980 915
Customer deposits	6 124 430	2 317 934	1 403 529	1 576 355	344 129	87 206	5 572 254	17 425 837
Cash margin	425 014	151 241	1 023 097	272 555	8 947	5 626	194 572	2 081 052
Borrowed funds	39 637	132 064	8 576	1 305	-	-	-	181 582
Provision for income tax	-	-	-	-	-	-	157 562	157 562
Other Provisions	-	-	-	-	-	-	142 882	142 882
Other liabilities and financial derivatives - negative fair value	44 347	15 255	24 050	3 239	-	-	475 525	562 416
Deferred tax liabilities	-	-	-	-	-	-	1 197	1 197
Total liabilities	**7 409 820**	**3 635 387**	**2 461 602**	**1 892 262**	**406 528**	**93 915**	**6 633 929**	**22 533 443**
Gap	**302 809**	**(315 642)**	**(126 161)**	**628 225**	**2 681 799**	**3 504 436**	**(2 880 224)**	**3 795 242**

Exposure to interest rate volatility as of December 31, 2018 (classification is based on interest rate repricing or maturity date, whichever is nearer).

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Assets								
Cash at vaults	-	-	-	-	-	-	271 797	271 797
Mandatory cash reserve	-	-	-	-	-	-	958 497	958 497
Balances with central banks	1 609 529	47 173	9 653	-	-	17 225	344 611	2 028 191
Balances and deposits with banks and financial institutions	1 879 376	1 329 992	13 013	-	117 977	-	-	3 340 358
Financial assets at fair value through profit or loss	25 705	11 343	10 579	5 707	4 495	24 748	944	83 521
Direct credit facilities at amortized cost	3 639 375	1 872 936	1 219 452	1 627 249	936 354	2 877 989	-	12 173 355
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	156 164	156 164
Other financial assets at amortized cost	596 042	926 127	496 648	634 334	1 685 108	657 397	-	4 995 656
Investment in subsidiaries and associates	-	-	-	-	-	-	912 182	912 182
Fixed assets	-	-	-	-	-	-	224 280	224 280
Other assets and financial derivatives - positive fair value	36 690	20 344	25 889	-	6 656	7 190	226 440	323 209
Deferred tax assets	-	-	-	-	-	-	78 128	78 128
Total assets	**7 786 717**	**4 207 915**	**1 775 234**	**2 267 290**	**2 750 590**	**3 584 549**	**3 173 043**	**25 545 338**
Liabilities								
Banks' and financial institutions' deposits	864 731	999 169	82 437	9 894	78 272	23 372	111 545	2 169 420
Customer deposits	6 095 776	2 202 009	1 021 238	1 729 634	226 279	35 146	5 475 394	16 785 476
Cash margin	497 259	671 314	393 057	194 720	19 182	7 620	166 668	1 949 820
Borrowed funds	39 324	90 377	8 983	2 573	550	-	-	141 807
Provision for income tax	-	-	-	-	-	-	140 408	140 408
Other Provisions	-	-	-	-	-	-	137 640	137 640
Other liabilities and financial derivatives - negative fair value	37 133	40 289	19 351	2 509	-	-	449 914	549 196
Deferred tax liabilities	-	-	-	-	-	-	948	948
Total liabilities	**7 534 223**	**4 003 158**	**1 525 066**	**1 939 330**	**324 283**	**66 138**	**6 482 517**	**21 874 715**
Gap	**252 494**	**204 757**	**250 168**	**327 960**	**2 426 307**	**3 518 411**	**(3 309 474)**	**3 670 623**

49. Liquidity Risk

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of December 31, 2019:

	Within 1 Months	After 1 Month and till 3 Months	After 3 Months and till 6 Months	After 6 Months and till One Year	After One Year and till 3 Years	After 3 Years	Not Tied to a Specific Maturity	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Liabilities								
Banks' and financial institutions' deposits	730 336	1 018 983	2 375	16 149	123 650	1 083	89 937	1 982 513
Customer deposits	5 185 547	2 609 334	1 374 891	1 597 050	335 775	89 995	6 359 456	17 552 048
Cash margin	397 567	149 795	235 695	1 064 887	8 947	5 626	222 305	2 084 822
Borrowed funds	216	8 859	5 997	979	9 729	155 947	-	181 727
Provision for income tax	-	-	-	-	-	-	157 562	157 562
Other provisions	-	-	-	-	-	-	142 882	142 882
Financial derivatives - negative fair value	1 101	59	287	-	-	-	18 407	19 854
Other liabilities	43 246	15 196	23 763	3 239	-	-	457 118	542 562
Deferred tax liabilities	-	-	-	-	-	-	1 197	1 197
Total Liabilities	**6 358 013**	**3 802 226**	**1 643 008**	**2 682 304**	**478 101**	**252 651**	**7 448 864**	**22 665 167**
Total assets according to expected maturities	**5 836 716**	**2 793 706**	**1 872 284**	**2 250 144**	**3 935 325**	**5 106 555**	**4 533 955**	**26 328 685**

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of December 31, 2018:

	Within 1 Months	After 1 Month and till 3 Months	After 3 Months and till 6 Months	After 6 Months and till One Year	After One Year and till 3 Years	After 3 Years	Not Tied to a Specific Maturity	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Liabilities								
Banks' and financial institutions' deposits	822 287	226 568	639 679	240 559	107 536	25 016	111 545	2 173 190
Customer deposits	5 152 337	2 216 959	1 043 364	1 706 876	545 452	77 240	6 233 366	16 975 594
Cash margin	447 658	811 302	262 362	204 562	28 769	7 053	192 388	1 954 094
Borrowed funds	4 670	15 131	8 470	219	5 027	108 445	-	141 962
Provision for income tax	-	-	-	-	-	-	140 408	140 408
Other provisions	-	-	-	-	-	-	137 640	137 640
Financial derivatives - negative fair value	581	56	372	-	-	-	14 157	15 166
Other liabilities	36 552	40 233	183 717	2 509	-	-	271 021	534 032
Deferred tax liabilities	-	-	-	-	-	-	948	948
Total Liabilities	**6 464 085**	**3 310 249**	**2 137 964**	**2 154 725**	**686 784**	**217 754**	**7 101 473**	**22 073 034**
Total assets according to expected maturities	**6 205 830**	**3 335 872**	**1 622 205**	**2 162 067**	**3 515 623**	**4 537 126**	**4 166 615**	**25 545 338**

50. Net Foreign Currency Positions

The details of this item are as follows:

	December 31, 2019		December 31, 2018	
	Base Currency in Thousand	Equivalent in JD '000	Base Currency in Thousand	Equivalent in JD '000
USD	29 153	20 676	101 387	71 906
GBP	(1 728)	(1 607)	262	236
EUR	3 389	2 694	1 299	1 053
JPY	17 939	117	10 898	70
Other currencies *		(48 286)		(55 934)
Total		**(26 406)**		**17 331**

* Various foreign currencies translated to Jordanian Dinars.

51. Fair Value Hierarchy

Financial instruments include financial assets and financial liabilities.
The Bank uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

A. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs).

Financial assets / Financial liabilities	Fair Value as at December 31,		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019	**2018**				
Financial assets at fair value	JD '000	JD '000				
Financial assets at fair value through profit or loss:						
Treasuring bills and Bonds	147 100	61 567	Level 1	Quoted Shares	Not Applicable	Not Applicable
Loans and advances	21 010	21 010	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	910	944	Level 1	Quoted Shares	Not Applicable	Not Applicable
Total Financial Assets at Fair Value through Profit or Loss	**169 020**	**83 521**				
Financial derivatives - positive fair value	23 497	18 270	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	72 290	75 801	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	85 474	80 363	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total financial assets at fair value through other comprehensive income	**157 764**	**156 164**				
Total Financial Assets at Fair Value	**350 281**	**257 955**				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	19 854	15 164	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	**19 854**	**15 164**				

There were no transfers between Level 1 and 2, during 2019 & 2018.

B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the banks financial statements approximate their fair values:

	December 31, 2019		December 31, 2018		
	Book value	Fair value	Book value	Fair value	Fair Value Hierarchy
	JD '000	JD '000	JD '000	JD '000	
Financial assets not calculated at fair value					
Mandatory reserve time and notice and certificates of deposits with central banks	2 889 055	2 890 210	2 641 726	2 643 035	Level 2
Balances and Deposits with banks and financial institutions	3 429 067	3 431 382	3 340 358	3 343 427	Level 2
Direct credit facilities at amortized cost	11 926 366	11 964 617	12 173 355	12 216 925	Level 2
Other Financial assets at amortized cost	5 183 740	5 239 494	4 995 656	5 044 554	Level 1 & 2
Total financial assets not calculated at fair value	**23 428 228**	**23 525 703**	**23 151 095**	**23 247 941**	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	1 980 915	1 988 389	2 169 420	2 180 231	Level 2
Customer deposits	17 425 837	17 505 943	16 785 476	16 851 651	Level 2
Cash margin	2 081 052	2 091 656	1 949 820	1 958 270	Level 2
Borrowed funds	181 582	182 971	141 807	142 117	Level 2
Total financial liabilities not calculated at fair value	**21 669 386**	**21 768 959**	**21 046 523**	**21 132 269**	

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

52. Analysis for Assets and Liabilities Maturities

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at December 31, 2019.

	UP to One Year	More than One Year	Total
	JD '000	JD '000	JD '000
Assets			
Cash at vaults	328 993	-	328 993
Mandatory cash reserve	1 104 788	-	1 104 788
Balances with central banks	2 301 083	17 730	2 318 813
Balances and deposits with banks and financial institutions	3 310 925	118 142	3 429 067
Financial assets at fair value through profit or loss	102 399	66 621	169 020
Direct credit facilities at amortized cost	5 732 459	6 193 907	11 926 366
Financial assets at fair value through other comprehensive income	-	157 764	157 764
Other financial assets at amortized cost	2 538 260	2 645 480	5 183 740
Investment in subsidiaries and associates	-	921 524	921 524
Fixed assets	25 100	203 623	228 723
Other assets and financial derivatives - positive fair value	463 818	-	463 818
Deferred tax assets	96 069	-	96 069
Total Assets	**16 003 894**	**10 324 791**	**26 328 685**
Liabilities			
Banks' and financial institutions' deposits	1 856 182	124 733	1 980 915
Customer deposits	17 033 895	391 942	17 425 837
Cash margin	2 068 835	12 217	2 081 052
Borrowed funds	15 906	165 676	181 582
Provision for income tax	157 562	-	157 562
Other provisions	142 882	-	142 882
Other liabilities and financial derivatives - negative fair value	562 416	-	562 416
Deferred tax liabilities	1 197	-	1 197
Total Liabilities	**21 838 875**	**694 568**	**22 533 443**
Net	**(5 834 981)**	**9 630 223**	**3 795 242**

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at December 31, 2018

	UP to One Year	More than One Year	Total
	JD '000	JD '000	JD '000
Assets			
Cash at vaults	271 797	-	271 797
Mandatory cash reserve	958 497	-	958 497
Balances with central banks	2 010 966	17 225	2 028 191
Balances and deposits with banks and financial institutions	3 222 381	117 977	3 340 358
Financial assets at fair value through profit or loss	54 279	29 242	83 521
Direct credit facilities at amortized cost	6 760 133	5 413 222	12 173 355
Financial assets at fair value through other comprehensive income	-	156 164	156 164
Other financial assets at amortized cost	2 521 442	2 474 214	4 995 656
Investment in subsidiaries and associates	-	912 182	912 182
Fixed assets	24 437	199 843	224 280
Other assets and financial derivatives - positive fair value	322 340	869	323 209
Deferred tax assets	78 128	-	78 128
Total Assets	**16 224 400**	**9 320 938**	**25 545 338**
Liabilities			
Banks' and financial institutions' deposits	2 039 407	130 013	2 169 420
Customer deposits	16 258 031	527 445	16 785 476
Cash margin	1 913 999	35 821	1 949 820
Borrowed funds	28 336	113 471	141 807
Provision for income tax	140 408	-	140 408
Other provisions	137 640	-	137 640
Other liabilities and financial derivatives - negative fair value	549 196	-	549 196
Deferred tax liabilities	948	-	948
Total Liabilities	**21 067 965**	**806 750**	**21 874 715**
Net	**(4 843 565)**	**8 514 188**	**3 670 623**

53. Contingent Accounts

The table below details the maturity of expected liabilities and commitments:

	December 31, 2019			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
	JD '000	JD '000	JD '000	JD '000
Letters of credit	790 550	14 655	-	805 205
Acceptances	462 533	4 160	-	466 693
Letters of guarantee:				
- Payment guarantees	1 154 067	31 485	639	1 186 191
- Performance guarantees	2 299 508	920 527	7 961	3 227 996
- Other guarantees	1 895 597	279 929	417	2 175 943
Unutilized credit facilities	2 687 653	231 886	-	2 919 539
Total	**9 289 908**	**1 482 642**	**9 017**	**10 781 567**

	December 31, 2019			
	JD '000	JD '000	JD '000	JD '000
Constructions projects contracts	1 385	-	-	1 385
Procurement contracts	5 705	1 858	1 352	8 915
Total	**7 090**	**1 858**	**1 352**	**10 300**

	December 31, 2018			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
	JD '000	JD '000	JD '000	JD '000
Letters of credit	925 923	13 251	-	939 174
Acceptances	542 493	11 540	-	554 033
Letters of guarantee:				
- Payment guarantees	910 726	13 608	-	924 334
- Performance guarantees	2 552 499	874 285	9 363	3 436 147
- Other guarantees	1 989 025	456 193	599	2 445 817
Unutilized credit facilities	3 059 111	114 556	-	3 173 667
Total	**9 979 777**	**1 483 433**	**9 962**	**11 473 172**

	December 31, 2018			
	JD '000	JD '000	JD '000	JD '000
Constructions projects contracts	641	7 382	-	8 023
Procurement contracts	4 866	1 237	1 597	7 700
Operating lease contracts	16	3 062	17 721	20 799
Total	**5 523**	**11 681**	**19 318**	**36 522**

54. Capital Management

The Bank manages it's capital to safeguard it's ability to continue it's operating activities while maximizing the return to shareholders. The composition of the regulatory capital as defined by Basel III Committee is as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Common Equity Tier 1	3 492 242	3 271 504
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(809 790)	(659 854)
Additional Tier 1	-	-
Supplementary Capital	179 850	177 286
Regulatory Adjustments (Deductions from Supplementary Capital)	(67 849)	(133 914)
Regulatory Capital	**2 794 453**	**2 655 022**
Risk-weighted assets (RWA)	**19 738 077**	**19 373 817**
Common Equity Tier 1 Ratio	**%13.59**	**%13.48**
Tier 1 Capital Ratio	**%13.59**	**%13.48**
Capital Adequacy Ratio	**%14.16**	**%13.70**

- The Board of Directors performs an overall review of the capital structure of the Bank on quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

55. Transactions with Related Parties

The details of this item are as follows:

	December 31, 2019			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	JD '000	JD '000	JD '000	JD '000
Sister and subsidiary companies	1 294 016	23 477	93 189	139 233
Associates companies	264 006	-	15 142	28 014
Major shareholders and members of the Board of Directors	-	174 316	434 187	59 198
Total	**1 558 022**	**197 793**	**542 518**	**226 445**

	December 31, 2018			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	JD '000	JD '000	JD '000	JD '000
Sister and subsidiary companies	1 741 879	17 838	103 780	87 729
Associates companies	81 908	-	67 439	27 541
Major shareholders and members of the Board of Directors	-	212 130	439 769	63 396
Total	**1 823 787**	**229 968**	**610 988**	**178 666**

Direct credit facilities granted to key management personnel amounted to JD 1.6 million and indirect credit facilities amounted to JD 154 thousands as of December 31, 2019 (Direct credit facilities JD 1.2 million and indirect credit facilities JD 10 thousand as of December 31, 2018)
Top management deposits amounted to JD 3.1 million as of December 31, 2019 (JD 2.2 million as of December 31, 2018)
All facilities granted to related parties are performing loans in accordance with the credit rating of the Bank.
No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	2019	
	Interest Income	Interest Expense
	JD '000	JD '000
Subsidiaries and sister companies	24 739	2 111
Associated companies	2 365	398
Total	**27 104**	**2 509**

	2018	
	Interest Income	Interest Expense
	JD '000	JD '000
Subsidiaries and sister companies	22 715	2 122
Associated companies	1 293	952
Total	**24 008**	**3 074**

Interest on facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
The salaries and other fringe benefits of the Bank's key management personnel, inside and outside Jordan, amounted to JD 31.9 million for the year ended on December 31, 2019 (JD 32.6 million for the year ended on December 31, 2018).

56. Assets under Management

There are no assets under management as of December 31, 2019 and 2018.

57. Cash and Cash Equivalent

The details of this item are as follows:

	December 31,	
	2019	**2018**
	JD '000	JD '000
Cash and balances with central banks maturing within 3 months	3 691 575	3 231 958
Add: Balances with banks and financial institutions maturing within 3 months	3 264 971	3 209 750
Less: Banks and financial institutions deposits maturing within 3 months	1 839 136	1 794 088
Total	**5 117 410**	**4 647 620**

58. LEGAL CASES

There are lawsuits filed against the Bank totaling JOD 130.8 million as of 31 December 2019, (JOD 118.5 million as of 31 December 2018). In the opinion of the management and the lawyers representing the Bank in the litigation at issue, the provisions taken in connection with the lawsuits are adequate.

59. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.
The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Bank has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

60. COMPARATIVE FIGURES

Some of the comparative figures in the financial statements for the year 2018 have been reclassified to be consistent with the year 2019 presentation, with no effect on profit and equity for the year 2018.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders
Arab Bank PLC
Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Bank PLC Company (a Public Shareholding Company) which comprise the statement of financial position as at 31 December 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. 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. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><td colspan="2">1. Inadequate allowances (ECL) for credit facilities
Refer to note (12) on the financial statements</td></tr>
<tr><td>Key audit matter:

This is considered as a key audit matter as the bank exercises significant judgement to determine when and how much to record as impairment.

The provision for credit facilities at amortized cost are determined in accordance with the bank's impairment and provisioning policy, which is aligned to the requirements of IFRS 9.

Credit facilities at amortized cost form a major portion of the Bank's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2019, the Bank's gross credit facilities amounted to JD 13,119 million and the related impairment provisions amounted to JD 895 million. The impairment provision policy is presented in the accounting policies in (note 4) to the financial statements.</td>
<td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• We gained an understanding of the Bank's key credit processes comprising granting, booking and tested the operating effectiveness of key controls over these processes.

• We read the Bank's impairment provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

• We assessed the Bank's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

• We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:

o Appropriateness of the bank's staging.
o Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
o Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages.
o Appropriateness of the internal rating and the objectivity,</td></tr>
</table>

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<table>
<tr><td></td><td>
<li style="list-style-type:circle">competence and independence of the experts involved in this exercise.
<li style="list-style-type:circle">Soundness and mathematical integrity of the ECL Model.
<li style="list-style-type:circle">For exposures moved between stages we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
<li style="list-style-type:circle">For exposures determined to be individually impaired we re-preformed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.
For forward looking assumptions used by the Bank in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information.
We assessed the financial statement, disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes 4, 5, 6 and 12 respectively to the financial statements.
</td></tr>
<tr><td colspan="2">2. Valuation of Unquoted Investments & Derivatives
Refer to notes (١١) and (٤٢) on the financial statements</td></tr>
<tr><td>Key audit matter:

The valuation of investments in private equities and the valuation of Derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As at 31 December 2019, the unquoted equities, positive and negative fair value derivatives amounted to JOD 85 million, JOD 23 million and JOD 20 million.</td><td>How the key audit matter was addressed in the audit:

Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data.

Disclosures of financial assets and derivatives are detailed in notes 11 and 42 to the financial statements.</td></tr>
</table>

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Other information included in the Bank's 2019 annual report.

Other information consists of the information included in The Bank's 2019 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 IFRSs, and for such internal control as management determines is 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.

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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 ISAs, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of accounts, which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker; license number 592.

Amman – Jordan
10 February 2020

Ernst & Young

The Board of Directors confirms that there are no significant issues that may affect the continued operations of the Bank during the financial year 2020.

Sabih T. Masri
Chairman

Bassem I. Awadallah
Deputy Chairman

Hisham M. Attar
Representing
The Ministry of Finance
Saudi Arabia

Hamzeh A. Jaradat
Representing
The Social Security Corporation

Wahbe A. Tamari

Khaled A. (Zand Irani)
Representing
Abdul Hamid Shoman Foundation

Bassam W. Kanaan

Alaa A. Batayneh

Usama R. Mikdashi

Abbas F. Zuaiter

Suleiman H. Al-Masri

The Board of Directors confirms its responsibility for the preparation of the financial statements, and for implementing an effective internal control system in line with international standards.

Sabih T. Masri
Chairman

Bassem I. Awadallah
Deputy Chairman

Hisham M. Attar
Representing
The Ministry of Finance
Saudi Arabia

Hamzeh A. Jaradat
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Alaa A. Batayneh

Usama R. Mikdashi

Abbas F. Zuaiter

Suleiman H. Al-Masri

The Chairman, the Chief Executive Officer and the Group Chief Financial Officer attest to the accuracy and completeness of the financial statements and the financial information of this report as at 31 December 2019.

Sabih Taher D. Masri
Chairman

Nemeh Elyas Sabbagh
Chief Executive Officer

Ghassan Tarazi
Chief Financial Officer

The Board of Directors confirms that none of its members or those related to them received any benefits, whether material or in-kind, for the fiscal year 2019.

Sabih T. Masri **Chairman**	**Bassem I. Awadallah** **Deputy Chairman**
Hisham M. Attar **Representing The Ministry of Finance Saudi Arabia**	**Hamzeh A. Jaradat** **Representing The Social Security Corporation**
Wahbe A. Tamari	**Khaled A. (Zand Irani)** **Representing Abdul Hamid Shoman Foundation**
Bassam W. Kanaan	**Alaa A. Batayneh**

Usama R. Mikdashi **Abbas F. Zuaiter** **Suleiman H. Al-Masri**

Introduction

Arab Bank attaches considerable importance to good corporate governance practices and the Board is committed to implementing the highest professional standards in all the Bank's activities. In this regard the Bank follows the instructions of the Central Bank of Jordan which adopted the Basel Committee's recommendations on Corporate Governance. The Bank also observes the requirements of the relevant regulatory / official entities in Jordan and in the other countries in which it operates.

A pioneer to commit to best practices of Corporate Governance in the Middle East, Arab Bank established the Audit Committee in early 1996 followed by the Corporate Governance Board Committee in 2002. The Nomination and Remuneration Committee was established in 2006, while the Risk Management Committee and the Strategy Committee were formed in 2007.

This Corporate Governance Code is based on the Code of Corporate Governance for Banks in Jordan and related instructions issued by the Central Bank of Jordan and after aligning it with the Jordanian Banking Law, the Companies Law in addition to the Memorandum and Articles of Association of the Bank.

This Code will continue to be reviewed and developed from time to time and whenever necessary to meet the Bank's changing needs and expectations and to keep up with the changes that may occur in the marketplace.

Article (1): Commitment to Corporate Governance

There is a consistent set of relationships between the Bank, its Board of Directors, Shareholders and other interest groups. The relationship structure deals with the general framework of the Bank's strategy and the necessary means to achieve its goals. The general framework of corporate governance ensures a fair treatment of all shareholders including minority and foreign shareholders. The Bank also recognizes the rights of all shareholders as stipulated by the law, and assures providing them with all necessary information on the Bank's activities and the commitment of its Board members and their accountability to the Bank and its Shareholders.

The Bank has amended this Code in compliance with the instructions of the Central Bank of Jordan issued in its circular No. 58/2014 "The Corporate Governance Regulations For Banks" and in alignment with its needs and policies. This Code has been approved by the Board of Directors in its meeting of 29/1/2015 and has been amended on 28/1/2016. On 27/10/2016 this Code was amended in compliance with the requirements of the Amended Corporate Governance Regulations for Banks issued by the Central Bank of Jordan No. 63/2016. An updated version has been posted on the Bank's website. It is also available to the public upon request. The Bank discloses its compliance with the Corporate Governance Code in its Annual Report.

Article (2): Definitions

In this Code (and unless the context requires otherwise) the following words and expressions shall have the meanings respectively assigned to them herein below:

a- **Corporate Governance:**
The system of rules by which the Bank is directed and controlled and which essentially involves identifying the Bank's corporate objectives and the framework for attaining them, the safe operation of the Bank's business, securing the interests of depositors, shareholders and other stakeholders, and compliance with the Bank's bylaws and internal policies.

b- **Suitability:** the fulfilment of certain requirements and criteria by the members of the Board and senior executives.

c- **The** Board: the Board of Directors of the Bank.

d- **Stakeholders:** any person/group/organization that has interest or concern in the Bank such as depositors, shareholders, employees, debtors, customers or competent regulatory authorities.

e- **Major Shareholder:** The person holding not less than (5%) of the Bank's share capital whether directly or indirectly.

f- **An Executive Member:** a member of the Board who is paid in consideration for his/her employment at the Bank.

g- **An Independent Member:** a member of the Board apart from major shareholders who is not under the control of any of them and is not subject to any influences that may restrict his/her ability to make objective decisions for the benefit of the Bank and who satisfies the conditions set out in Article (3/c) of this Code.

h- **Senior Executive Management:** Includes the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Risk Officer, Head of Audit, Head of Treasury, Head of Regulatory Compliance in addition to any other Bank employee who has an executive authority that is equal to the authority of any of the aforementioned and reports directly to the Chief Executive Officer.

Article (3): Composition of the Board

a) The Board shall be comprised of twelve non-executive members who shall be elected by the General Assembly for a term of four years. The Chairman and Deputy Chairman shall be elected by the members of the Board.
b) The Board shall have one third of its members as independent with a minimum of four members.

c) The Nomination and Remuneration Committee shall specify the necessary conditions that ensure the independence of the Board Member. The conditions shall include, at a minimum, that the independent member:

1. Has not been an executive member of the Board during the three years preceding the date of his election.
2. Has not been employed by the Bank or any of its subsidiaries in the three years preceding the date of his election.
3. Is not a relative (up to the second degree) of any of the other members of the Board or any Board member of the subsidiaries of the Bank or a relative of any of the Bank's major shareholders.
4. Is not a relative of any of the senior executive management members of the Bank or any of the senior executive management members of the subsidiaries of the Bank up to the second degree.
5. Is not a partner or employee of the external auditor of the Bank, or has been such a partner or employee during the past three years preceding the date of his election as member of the Board and is not a relative (up to the first degree) with the partner responsible for the audit.
6. Is not a major shareholder in the bank or a representative or associate of a major shareholder in the Bank, nor should his shareholding constitute, along with his associate shareholder, a major shareholding, nor is a major shareholder of one of the Bank's subsidiaries.
7. Has not been a member of the Board of Directors of the Bank or any of its subsidiaries or its managment Committee for more than eight consecutive years.
8. Has not obtained, personally or through any other company in which he is a Board Member or owner or a major shareholder, credit facilities from the bank in excess of 5% of the Bank's subscribed share capital, nor is a guarantor of a facility which amount is in excess of the said percentage.
9. Has adequate knowledge or experience in the financial and banking sectors.

Article (4): Board Meetings

a) The Board shall meet not less than 6 times per year.

b) Board members Shall attend the meetings in person, if unable to attend, the member can give his/her views through video (video phone) after obtaining the approval of the Chairman. The Chairman and the Board Secretary shall endorse the minutes of the meeting and its legal quorum.

c) The Senior Executive Management should, and the Chairman should ensure that, the Members of the Board are provided with the agenda of the meeting and all relevant documents prior to the meetings.

d) Deliberations and proceedings of the meetings of the Board and its Committees shall be fully and accurately noted down along with any reservation that may be voiced by any member. Such minutes shall be duly and properly kept.

Article (5): Responsibilities of the Board of Directors

(1) The Board of Directors should:

a) Oversee and monitor the executive management and its performance, ensure the financial soundness and solvency of the Bank, and approve appropriate policies and procedures to supervise and control the Bank's performance.

b) Specify the strategic objectives of the Bank, instruct the executive management to set a strategy for achieving those objectives and approve the strategy and such work plans that are compatible therewith.

c) Approve a policy for monitoring and supervising the performance of the executive management by setting key performance indicators to gauge and observe performance and progress towards the implementation of the strategic plan of the Bank.

d) Ensure the availability of policies, plans and procedures for all the Bank's activities and that such policies, plans and procedures are in compliance with the relevant applicable legislation, are being circulated to all levels of management and are being regularly reviewed.

e) Identify a corporate culture of high ethical standards and integrity alongside setting and enforcing clear lines of responsibility and accountability throughout the Bank.

f) Set a code of conduct for the Board of Directors, the Executive Management and the employees and review them annually.

g) Bear the ultimate responsibility for the Bank's business including its financial status, and its compliance with the requirements of the Central Bank and such other regulatory authorities. The Board shall also be ultimately responsible for safeguarding the interests of the Stakeholders, ensuring that the Bank is being operated in accordance with its bylaws and internal policies and that effective supervision and control measures over the activities of the Bank, including those outsourced, are always available.

h) Appoint and accept the resignation or terminate the employment of any member of the Senior Executive Management based on the recommendation of the Nomination and Remuneration Committee. The Bank shall obtain a no – objection letter from the Central Bank of Jordan to the appointment, resignation or termination of employment of the Chief Executive Officer, and the audit, compliance and risk management directors.

i) 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 once a year at least.

j) Approve a succession plan and approve a policy for human resources and training.

k) Ensure the constant independence of the external auditor.

l) Approve and monitor the implementation of the risk management strategy including the Bank's risk tolerance/appetite and ensure that the Bank is not exposed to high risks, that the Board is cognizant of the operational environment and associated risks and that all needed risk management instruments and infra structure are available and able to identify, measure, control and supervise all kinds of risks to which the Bank may be exposed.

m) Ensure an adequate and reliable information management system covering all the activities of the Bank.

n) Ensure that the Bank's credit policy includes a corporate governance evaluation system for its corporate customers, in particular the public shareholding companies whereby the risk is evaluated by points of weakness and strength according to their implementation of sound corporate governance practices.

o) Ensure that the Bank adopts social initiatives in the field of environment, health and education.

p) Set a policy for Corporate Social Responsibility and its programs to support the local community and environment.

q) Adopt sufficient procedures to ensure clear separation of powers between controlling shareholders on the one part and executive management of the Bank on the other in order to reinforce sound corporate governance. The Board shall also attain proper mechanisms to limit the influence of the controlling shareholders through, inter alia, the following:

   1. Preclude the employment of a controlling shareholder in a senior executive position.

   2. Ensure that the Senior Executive Management obtains its authority solely from the Board and that it functions within the framework of the authorizations granted to it thereby.

r) Approve the organizational structure of the Bank that shows the administrative hierarchy including Board Committees and executive management.

s) Approve the strategies and policies at the Group level and its subsidiaries, approve the administrative structures for the subsidiaries and establish a corporate governance code at the Group level taking into account the instructions issued in this regard by the central banks or regulatory authorities in the countries in which the subsidiaries operate.

t) Determine the banking operations which require the approval of the Board of Directors subject always to limiting the scope of operations requiring the Board's approval in order not to prejudice the supervisory role of the Board and subject also to not granting the Board any executive authorities including the granting of credit to a single Board Member including the Chairman.

u) Establish Board Committees and determine their responsibilities.

v) Appoint the Secretary of the Board and determine his/her responsibilities which shall include: -

   1. Attending all meetings of the Board and recording all deliberations, suggestions, objections, reservations and results of voting on Board resolutions.

   2. Setting the dates for the Board meetings in coordination with the Chairman.

   3. Ensuring that all Board members sign the minutes of the meetings and the Board resolutions.

4. Monitor the implementation of the Board resolutions, and following-up on topics postponed from previous meetings.
5. Keeping records and documents of board meetings.
6. Ensuring that the draft resolutions intended to be issued by the Board are consistent with the applicable rules and regulations.
7. Prepare for the General Assembly meetings and to coordinate with the Board's Committees.
8. Submit the suitability attestations signed by each of the Board members to the Central Bank.

w) Allow direct communication between the members of the Board of Directors and its Committees with the executive management and the Secretary of the Board and facilitate the performance of their duties including seeking the assistance, at the expense of the Bank and upon the Board approval, of third parties provided always that the acts of the members of the Board do not influence the decisions of the executive management apart from through deliberations during the meetings of the Board or its Committees.

(2) Role of the chairman:

a) Encourage efficient relationship between the Board of Directors and the executive management.
b) Promote critical discussions of issues deliberated by the Board and ensure different views are expressed and discussed during the decision-making process.
c) Ensure that the Board Secretary provide the Board members with the minutes of previous meetings and get them signed, and ensure timely provision of board meetings' agendas and documents provided that the said agendas contain sufficient information about the items that will be discussed. The Secretary of the Board shall be responsible for providing the Board members with the documents.
d) Ensure that there exists a charter that sets out the Board of Directors' mandate and scope of work.
e) Encourage thorough discussions of strategic and critical issues by the Board.
f) Provide each Board Member, upon his election, with the laws and regulations that govern bank's activities and the instructions of the Central Bank of Jordan including this Corporate Governance Code and a manual outlining the rights, responsibilities and duties of the Member and the responsibilities and duties of the Secretary of the Board.
g) Provide each member with comprehensive summary of the Bank's activities upon his/her election or request.
h) To accommodate the Board members' needs for continuous enhancement of their knowledge and expertise and to allow new Board members, taking into consideration his/her banking background, to join a orientation program that includes at the minimum:

1. The organizational structure of the Bank, corporate governance and the code of conduct.
2. Corporate objectives and the Bank's strategic plan and approved policies.
3. The financial position of the Bank.
4. The Bank's risk structure and the risk management framework.

i) Discussing with each new Member and in cooperation with the Bank's legal Counsel, the duties and responsibilities of the Board, in particular; issues pertaining to the legal and regulatory requirements, the term of the Board membership, dates of the meetings, responsibilities and duties of the Board Committees, the amount of remuneration and the ability to seek and obtain an independent specialized opinion if the need arises.

(3) Members of the Board of Directors shall:

a) Have adequate knowledge of applicable legislation and principles pertaining to the banking industry and the operational environment of the Bank and keep up with major changes in these fields including the requirements of employment in Senior Executive Management positions.
b) Attend Board meetings, Board Committees and the General Assembly meetings.
c) Not disclose any Bank confidential information or use the same for his or another's benefit.
d) Prioritize the Bank's interest in all transactions with any other company in which he/she has a personal interest, not allow competition over business opportunities between the Bank and such other company, avert conflict of interests and disclose to the Board of Directors the details of any conflict of interest situation and abstain from attending or voting in the meeting in which such matter is to be discussed. Such disclosure should be recorded in the minutes of meeting.
e) Dedicate enough time to fulfill his/her duties as a member of the Board of Directors.

(4) The responsibility of the Board of Directors and its accountability:

a) Set and enforce clear guidelines for responsibility and accountability at all levels at the Bank and comply and ensure compliance therewith.
b) Ensure that the organizational chart clearly reflects the lines of responsibility and authority, which chart shall include at least the following supervisory levels:
   1. Board of Directors and its Committees.
   2. Separate departments for risk, compliance and internal audit that do not carry out daily executive tasks.
   3. Units/employees not involved in the daily operations of the Bank's activities.

c) Ensure that the Senior Executive Management carries out its duties relating to the oversight of the day-to-day management of the Bank, contributes to the implementation of sound corporate governance, delegates duties to employees, establishes an effective management structure that promotes accountability, and ensures that the Bank's activities are consistent with the policies and procedures approved by the Board.
d) Approve appropriate controls systems that enables it to hold the senior executive management accountable.
e) Ensure that there is no Chairman /Chief Executive Officer duality and that neither the Chairman nor any of the Board members is related to the Chief Executive Officer up to the third degree.

Article (6): Chief Executive Officer

In addition to what is stipulated in the legislation, the Chief Executive Officer shall have the following responsibilities:

a) Develop the strategic objectives of the Bank.
b) Implement the Bank's strategies policies.
c) Implement the Board's decisions.
d) Provide guidance for the implementation of short and long-term action plans.
e) Communicate the Bank's vision, mission and strategy to the Bank's employees.
f) Inform the Board of all significant aspects of the Bank's operations.
g) Manage day-to-day operations of the Bank.

Article (7): Board Committees

Board Committees shall be formed by the Board from among its members. The Board shall define the Committees' objectives and delegate its authorities thereto according to the Charter of each Committee. These committees shall periodically submit its reports to the Board of Directors. The formation of these Committees shall not exonerate the Board from its responsibilities.

A member of the Board of Directors cannot be Chairman of more than one of these Committees (Corporate Governance, Audit, Nomination and Remuneration and Risk Management Committees). Moreover, a member of the Board of Directors cannot be chairman of more than two of the Board Committees.

The Board Committees are:

a. The Corporate Governance Committee:

1. The Committee shall comprise of, at least, three Board members provided that the majority of the members are independent directors and should include the Chairman of the Board. The Committee shall direct and examine the preparation and review of the corporate governance code and monitor its implementation.
2. The committee shall meet at least twice during the year.

3. Quorum of the meeting shall be deemed legal if attended by two thirds of the committee members.
4. The committee shall take its decisions by a majority of the votes of the attendees, votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
5. The Corporate Governance Committee shall undertake the following:
   a. Establish written work procedures to implement the regulations for Corporate Governance, review them and evaluate their implementation annually.
   b. Ensure that the Bank complies with the corporate governance regulations issued by the regulatory authorities.
   c. Review the regulators' observations regarding the implementation of corporate governance in the Bank and follow up on what has been done in this regard.
   d. Prepare the corporate governance report and submit it to the Board.

b. The Audit Committee:

1. The Audit Committee shall be comprised of a chairman and two members at least, provided that the chairman and at least another member are independent members and also provided that the chairman of the Committee shall neither be the Chairman of the Board nor the chairman of any other Board Committee.
2. The Audit Committee members should have professional financial or accounting qualifications and practical experience in the fields of accountancy, finance or any other specializations or similar areas that are relevant to the Bank's business.
3. The Audit Committee shall meet periodically every three months as a minimum and shall submit its reports to the Board of Directors, provided that the number of its meetings is not less than four times per year, and that the minutes of these meetings are duly recorded.
4. The meeting shall be considered legal if attended by two thirds of the committee members.
5. The committee shall take its decisions by a majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
6. The Audit Committee shall review the following:
   a) The scope, results and adequacy of the Bank's internal and external audits.
   b) Accountancy issues that will have a significant impact on the Bank's financial statements.

c) The Bank's internal controls.

7. The Audit Committee shall submit its recommendations to the Board regarding the external auditor's appointment / termination of appointment, remuneration, and other terms of engagement taking into account any non-audit services that they have performed, in addition to assessing the independence of the external auditor.
8. The Committee has the authority to obtain any information from executive management, and summon any executive or Board member to attend its meetings, the committee has at its disposal all the necessary capabilities including obtaining assistance from experts whenever necessary.
9. The Audit Committee shall meet, at least once a year, with each of the Bank's external auditor, the internal auditor, without the presence of the senior executive management.
10. The Audit Committee shall review and monitor the procedures that enable employees to confidentially communicate any error in the financial reports or any other observation. The Committee shall ensure proper arrangements to ascertain an independent investigation and follow up.
11. The duties of any other Committee may not be merged with the duties of this Committee.

c. The Nomination & Remuneration Committee:

1. The Nomination and Remuneration Committee shall be comprised of at least three Board members the majority of whom including its Chairman shall be Independent members.
2. The Committee shall meet at least twice during the year.
3. The meeting shall be considered legal if attended by two thirds of the committee members.
4. The committee shall take its decisions by a majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
5. Duties and responsibilities of the Nomination and Remuneration Committee shall be as follows:
   a) Recommending qualified candidates for the membership of the Board of Directors taking into consideration the candidates' qualifications and skills. In case of re-nomination, the regular attendance of such candidate of Board meetings and active participation in the meetings shall be taken into consideration.
   b) Identify competency requirements at the Senior Executive Management level and the basis for their selection and recommend to the Board the qualified candidates for appointment in Senior Executive Management jobs.
   c) Ensuring that Board members attend workshops or seminars related to Banking topics with particular emphasis on Risk management, Corporate Governance and other latest updates in the banking industry.

d) Defining and annually reviewing the fulfilment of criteria that designates a member as independent.
e) Setting specific standards to evaluate the performance of the Board, its committees and the Chief Executive Officer objectively, and duly inform the relevant regulators of the outcome of this evaluation.
f) Review the succession plan/policy and the policy for human resources and training and monitor their implementation annually.
g) Providing, upon request, background information and summaries to the members of the Board regarding certain significant matters about the Bank and ensure keeping the members up with material updates in the Banking industry.
h) Ensuring that there exists a Performance Incentives Policy and that such policy is being implemented and periodically reviewed. The Committee shall also recommend the compensation and benefit plan for the Chief Executive Officer and other senior executive managers.
i) Creating a clear methodology to ascertain that a member of the Board dedicates adequate time to carry out their duties as a Board member.

d. The Risk Management Committee:

1. The Risk Management Committee shall be comprised of three Board members (one of whom shall be an independent member) in addition to the Chief Executive Officer and Head of Risk Management.
2. The Committee shall meet four times a year and whenever necessary.
3. The meeting shall be considered legal if attended by two thirds of the committee members.
4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee’s meetings during the year.
5. Duties and responsibilities of The Risk Management committee shall include:
   a) Annual review of the Bank’s risk management strategy and framework, approve high level policies related to risk management operations and obtain the Board’s approval.
   b) Ensure that policies and frameworks for risk management are in place, ensure availability of the necessary tools and programs and review them annually.
   c) Review the group risk management structure.
   d) Annual review and approval of credit risk appetite limits for Arab Bank and lending limits authority for the Subsidiaries.
   e) Annual review and approval of group risk appetite for operational, market and liquidity risks.

f) Ongoing monitoring of risk factors that might affect the risk profile of the Bank and submitting regular reports to the Board.

g) Identify any variance between the actual risk taken by the Bank and risk appetite, report them to the Board and continue to address them.

h) To create porper conditions that would ensure that all significant risks and any activities performed by the Bank that may expose it to higher than the acceptable risk are well identified, and to submit reports of the same to the Board of Directors and to follow up on them and find solutions thereof.

i) Ensure that there is a business continuity plan and review it periodically.

j) Review the results of the Internal Capital Adequacy Assessment Process (ICAAP).

k) Review the Recovery Plan according to the requirements of the Central Bank of Jordan.

l) Oversee/review the performance of credit portfolios.

m) Oversee the development of the database necessary for risk management.

n) Discuss risk management reports.

e. The Corporate Strategy Committee:

1. The Corporate Strategy Committee shall be comprised of three Board members at least in addition to the Chairman of the Board, Chief Executive Officer and Deputy Chief Executive Officer.
2. The Committee shall meet whenever necessary.
3. The meeting is considered legal if attended by two thirds of the committee members.
4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
5. Duties of the Corporate Strategy Committee shall include:
   a) Supervising all elements pertaining to the Bank's strategy and ensuring that there is in place general policies for the implementation of the Bank's strategy.
   b) Approving all strategic decisions and providing direction to the executive management including strategies, action plans and following up on the implementation of strategies.
   c) Reviewing and approving any new investments such as mergers, acquisitions, penetration of new markets, and disposing of any of the Bank's assets or of its subsidiaries or affiliates.

f. The Credit Committee:

1. The Credit Committee shall be comprised of the Chairman of the Board and four Board members, provided that none of them shall be a member of the Audit Committee. Members of the senior management may participate in the Committee's meetings.
2. The Committee shall meet whenever necessary.
3. The meeting shall be considered legal if attended by at least four members of the Board.
4. The committee takes its decisions by the majority votes of its members. Voting on its decisions is in person, and in the event that personal attendance is not possible, the member can express his/her point of view through the video or phone, and he has the right to vote and sign the minutes of the meeting, provided that this is duly documented, and that the member's personal attendance is not less than 50% of Committee meetings during the year.
5. The Board Credit Committee shall approve granting loans and credit which amounts exceed those within the authority of the credit committees headed by the CEO upon the recommendation of the credit committees in the Bank and in accordance with the credit policy and credit limitations approved by the Board of Directors.
6. The Credit Committee shall regularly submit to the Board details of the credit facilities approved thereby.

g. The IT Governance Committee:

1. The Information Technology Governance Committee shall be comprised of at least three members of the Board, it is preferable to include in its membership individuals with experience or knowledge in information technology.
2. The IT Governance Committee can invite any of the Bank's executives to attend its meetings to seek their opinion, including those involved in internal audit, members of Senior Executive Management or those involved in external audit.
3. The Committee shall meet at least quarterly.
4. The meeting shall be considered legal if attended by two thirds of the committee members.
5. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
6. The ITG Committee shall regularly submit reports to the Board of Directors.
7. The ITG Committee shall carry out its duties according to the IT Governance & Management Manual approved by the Board of Directors.

h. The Compliance Committee:

1. The Compliance Committee shall be comprised of at least three Board Members provided that the majority of the members are independent directors.
2. The Committee shall meet at least (2) times per year.
3. The meeting shall be considered legal if attended by two thirds of the committee members.
4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by phone or video are allowed when the personal presence of the member is not possible, provided that the number of members present in person is not less than two thirds of the members of the committee, and that the percentage of personal attendance of the member is not less than 50% of the committee's meetings during the year.
5. The Committee shall submit its reports to the Board of Directors.
6. The Committee shall exercise its duties and responsibilities as specified in the relevant laws and legislations, ensuring that necessary measures are taken to implement the values of integrity and professionalism within the Bank, thus ensuring that complying with the applicable laws, regulations and instructions, orders and applied standards is an essential objective that has to be applied.
7. The Committee shall supervise and monitor the operations of the Compliance Department and ensure that the Bank is in full compliance with the applicable legislations and regulatory requirements.

Article (8): Suitability of Board members:

a) The Board of Directors shall approve an effective policy to ensure suitability of its members provided that the said policy include the minimum standards, requirements and conditions that a nominated or elected member should fulfil and that such policy be reviewed whenever necessary. Sufficient procedures and controls should also be identified to ensure that all members fulfil and remain fulfilling those requirements.

b) The Chairman and Board members should meet the following criteria:

   1. Not to be less than twenty-five years of age.
   2. Not to be a member of the Board of any other bank in Jordan or its General Manager or employee unless the other bank is a subsidiary of Arab Bank's.
   3. Not to be the Bank's lawyer, legal advisor or auditor.
   4. Have a bachelor degree at a minimum specializing either in economics, finance, accounting or business administration or any other related field.
   5. Not to be a government employee or employee of an official public institution unless he/she is a representative of that entity.
   6. Not to be a member of the board of directors of more than five public shareholding companies in the Kingdom whether in a personal capacity or as representative of a legal entity.

7. Possess expertise of not less than 5 years in banking, finance or similar specializations.

c) The Chairman and members of the Board should each sign a Suitability Attestation in the approved form. The signed form shall be kept at the Bank and a copy thereof shall be sent to the Central Bank of Jordan along with the Member's Curriculum Vitae.

d) The Chairman shall ensure that any critical information that may adversely affect the suitability of any Member is disclosed to the Central Bank of Jordan.

Article (9): Suitability of Senior Executives:

a) The Board of Directors shall:

1. Approve a policy that would ensure the suitability of the members of the Senior Executive Management provided that such policy include the minimum criteria, procedures and controls that ought to be met by the members. The policy is to be reviewed by the Board of Directors from time to time and the Board should set out procedures, and adequate controls to ascertain that the criteria is being met by all members of the Senior Executive Management and they continue to be met.
2. Appoints a Chief Executive Officer of integrity, technical competence and banking experience after obtaining the no- objection from the Central Bank of Jordan.
3. Approve the appointment of any of the Senior Executive Management members after obtaining a no-objection statement from the Central Bank of Jordan.
4. Approve a succession plan for the Senior Executive Management and review the plan once at year at a minimum.
5. Timely disclose to the Central Bank of Jordan any material information that may adversely affect the suitability of any member of the Senior Executive Management.

b) The Following conditions should be fulfilled by an appointed senior executive:

The appointed member:

1. Should not be a member of the Board of Directors of any other bank in Jordan unless the other bank is a subsidiary of Arab Bank's.
2. Should be dedicated full time to the management of the Bank's business.
3. Should have, at a minimum, a bachelor degree in economics, finance, accounting or business administration or any other related field.
4. Should have a minimum of five year experience in banking or a related field, except for the position of Chief Executive Officer which occupant should have a minimum of ten year experience in banking.

c) A "no objection" letter should be obtained from the Central Bank of Jordan prior to the appointment of any Board Member to a Senior Executive Management office accordingly the Bank, prior to such appointment, ought to obtain from the candidate his/her Curriculum Vitae along with any academic certificates, certificates of expertise, certificate of good conduct and such other necessary documentation. The Member will also be asked to sign the approved Suitability Attestation form and the Bank will provide the Central Bank of Jordan with a copy thereof along with the Curriculum Vitae.

Article (10): Evaluating the performance of the Board and Senior Executives

a) The Board of Directors shall develop a mechanism to evaluate its performance and that of its members provided that such mechanism shall at least include the following:
   1. Set specific goals and define the role of the Board to achieve these goals in a measurable manner.
   2. Identify key performance indicators based on the plans and strategic goals and use them to measure the performance of the Board.
   3. Communication between the Board and the shareholders and the regularity of such communication.
   4. Regularity of the meetings of the Board of Directors with the senior executive management.
   5. The member's participation in the Board meetings, comparing his/her performance with that of other Board members and getting the members feedback in order to improve the evaluation process.

b) The Nomination and Remuneration Committee shall be responsible for evaluation, on an annual basis, the performance of the Board as a whole, its committees and members, and inform the Central Bank of the results of such evaluation.

c) The Board shall, on an annual basis, evaluate the performance of the Chief Executive Officer according to an evaluation mechanism set by the Nomination and Remuneration Committee which shall include key performance indicators. The aspects of evaluation of the performance of the Chief Executive Officer shall include the administrative and financial operation of the Bank and the achievement of the medium and long term goals and strategies of the Bank. The Committee shall inform the Central Bank of Jordan of the results of the evaluation.

d) The Board shall adopt a system to measure the performance of the Bank's executives who are not members of the Board, and Chief Executive Officer. This system should include at a minimum the following:
   1. To appropriately measure the extent of commitment to the framework of risk management, internal controls and regulatory requirements.
   2. The total revenue and profitability shall not be the sole measurement indicator; risks related to basic operations and customer satisfaction should and such other indicators should also be considered.
   3. Not using one's position of power and conflict of interests.

Article (11): The Remuneration for the Board and Executives

a) The Board of Directors shall adopt procedures to determine the remuneration of its members, based on the evaluation system, approved thereby.

b) The Nomination and Remuneration Committee shall be responsible for setting an objective and transparent remuneration policy for the Executive Management.

c) The Remuneration policy should include the following key points at a minimum:

   1. To be structured to retain and recruit qualified and experienced executives, and to motivate them and promote their performance.
   2. To be designed to ensure that it shall not to be used in a manner that might affect the soundness and reputation of the Bank.
   3. To take into consideration the risks, liquidity, profits and its timing.
   4. To ensure that remuneration is not based on the performance of the current year only but takes into consideration the medium and long term performance (3-5 years).
   5. To reflect the goal, value and strategy of the Bank.
   6. To define the form of the remuneration such as fees, salaries, allowances, bonuses, share options or any other form of benefits.
   7. The possibility of postponing payment of a reasonable proportion of the remuneration. The amount of such proportion and the postponement period shall depend on the nature of the work, the risks associated therewith and the concerned executive's activities.
   8. Executives of supervisory departments (risk management, audit, compliance, etc.) should not be given remunerations based on the performance the departments that they monitor.

Article (12): Conflict of Interests

a) Executives should avoid conflict of interests.

b) The Board shall adopt a policy and procedures to handle conflict of interests and disclose any such conflicts which may arise as a result of the inter-group relationships.

c) The Board shall adopt policies and procedures for dealing with related parties to include the definition of these parties, taking into consideration the regulations, terms of transactions, approval procedures and a mechanism to monitor these transactions, to ensure consistency with the policies and procedures.

d) The supervisory departments in the Bank shall ensure that any dealings involving the related parties have been carried out in accordance with the approved policy and procedures; the Audit Committee shall review and monitor all related parties' transactions and update the Board on the same.

e) The Board shall ascertain that the Senior Executive Management implement the adopted policies and procedures.

f) The Board shall adopt controls to manage the transfer of information within various departments, to prevent using such information for personal gain.

g) The Board should approve policies and a Code of Conduct and circulate the same to executives, that shall, at a minimum, include:

   1. Executives not to use any inside information for personal gain.
   2. Rules and procedures for managing dealings with related parties.

3. Situations that may result in conflict of interests.

h) The Board shall ensure that executive management exercise high integrity and avoid conflict of interests.

Article (13): Internal Audit

(1) The Board of Directors shall:

a) Ensure that the Bank's internal audit department is capable of fulfilling, among others, the following duties:

1. To ascertain that there are adequate internal controls of the Bank's and subsidiaries' activities and to ensure compliance therewith.
2. To ascertain adherence to internal policies, international standards and procedures, and applicable laws and regulations.
3. To audit the Bank's financial statements and administrative reports while ensuring accuracy and timeliness.
4. To assess compliance with the Corporate Governance Code.
5. To examine the comprehensiveness and accuracy of the stress tests in accordance with the methodology approved by the Board.
6. To ensure the accuracy of the procedures used for the internal evaluation of the Bank's capital adequacy.

b) To ensure and enhance the independence of internal auditors, ensure that they are well positioned in the bank's hierarchical structure and that they are well qualified to perform their duties including being entitled to access all records and information and to communicate with any employee of the Bank in order to perform their work and prepare reports with no external influence.

c) Take necessary measures to enhance the efficiency of the internal audit through:

1. Emphasize the importance of the internal audit function and reinforce that in the Bank.
2. Requiring timely correction of audit findings.

d) To adopt Internal Audit charter that includes duties, authorities and responsibilities of the Internal Audit, and circulate it within the Bank.

e) To ensure that the Internal Audit Department is under the direct supervision of the Audit Committee, and reports directly to the Chairman of the Committee.

(2) The Audit Committee shall be responsible for:

a) Ensuring the sufficiency of human resources assigned to manage the internal audit work and to train them.

b) Ensuring rotation of internal auditors to audit the various aspects of the Bank's business at least every three years.

c) Ensuring that internal auditors are not assigned do any executive function.

d) Ensuring that all the Bank's activities are subject to audit including outsourced activities.

e) Evaluating the performance of staff and head of internal audit.

Article (14): External Audit

a) Rotation of external auditors should take place every 7 years at most.

b) The first seven years period shall be computed as of the year 2010.

c) The New external auditor firm (when rotation is implemented) shall work jointly with the old firm for the first year.

d) Apart from the joint audit, the old external auditor firm shall not be re-elected before at least two years from the date of its last election.

e) The independence of the external auditor is to be assessed annually by the Audit Committee.

f) The Board of Directors shall take necessary measures to timely correct any flaws in the internal control system or any other flaws identified by the external auditor.

Article (15): Risk Management

a) The risk management shall be responsible for monitoring compliance of the executive departments at the Bank with the levels of risk tolerance.

b) The Board of Directors shall ensure that correction measures and remedies are taken to mitigate risk exposures, and holding executive management accountable for exceeding the limits.

c) The Board of Directors shall ensure that the Risk Management Department conduct periodical stress tests to gauge the Bank's ability to absorb shocks and deal with high risks. The Board shall also have a fundamental role in approving the hypothesis and scenarios used and discuss the stress tests' results and approve the measures to be taken based on the said results.

d) The Board of Directors shall adopt a methodology for assessing capital adequacy. The methodology ought to be comprehensive, efficient and able to identify all risks that the Bank may face and shall take into consideration the Bank's strategic plan and capital plan. Additionally, the Board shall review the methodology regularly and ensure that it is duly implemented and that the Bank has adequate capital to face any risk.

e) Before approving any expansion in the Bank's activities, The Board of Directors will have to consider all associated risks and the skills and qualifications of the Risk Management Department's personnel.

f) The Board of Directors shall give sufficient authority to the Risk Management Department to report to the Risk Management Committee, have access to all information from the various departments within the Bank and to cooperate with other committees in order for it to fulfil its duties.

g) The Board of Directors should adopt a charter for the Bank's tolerable risks.

h) The responsibilities of the Risk Management Department shall include, without limitation,:
    1. Reviewing the risk management framework before being approved by the Board of Directors.
    2. Implementing the risk management strategy in addition to developing policies and procedures to manage all types of risks.
    3. Developing methodologies to identify, measure, monitor and control all types of risks.
    4. Reporting to the Board of Directors, through the Risk Management Committee, and with a copy to the Senior Executive Management, on the actual risk exposures for all the Bank's activities compared to the charter of tolerable risks, and to follow-up on the measures taken to remedy any negative deviations.
    5. Verify the compatibility of the risk measurement methodologies with the applied management information systems.
    6. Review and analyze all types of risks that the Bank may face.
    7. Submitting recommendations to the Risk Management Committee on risk exposures and any exceptions to the risk management policy.
    8. Providing necessary Bank risks information for use in the Bank's disclosures.

Article (16): Compliance

a) The Board shall award the Compliance Department with the necessary authority that would ensure submit reports directly to the Compliance Committee and continuous recruiting of an adequate number of well trained staff.
b) The Board shall approve the compliance policy, ensure its annual review and implementation.
c) The Board of Directors shall approve roles and responsibilities of the compliance management.
d) Compliance management shall submit its reports to the Compliance Committee with a copy to the Chief Executive Officer.

Article (17): Stakeholders' Rights

a) A mechanism shall be developed to guarantee communication with stakeholders by disclosing and providing relevant information about the Bank's activities through:
    1. General Assembly meetings.

2. Annual Report.
3. Quarterly financial reports which enclose financial data, and the Board's report on the Bank's share trading and the Bank's financial status during the year.
4. The Bank's website.
5. Shareholders' division.

b) A part of the Bank's website shall be designated to clarify shareholders' rights and to encourage them to attend and vote at the General Assembly meetings. Also the documents of the General Assembly meetings, including the invitation and minutes of meetings, shall be published on the website.

Article (18): Disclosure and Transparency

a) The Board shall ensure that all financial and non-financial information that are of interest to the stakeholders shall be published.

b) The annual report shall include a statement to the effect that the Board is liable for the accuracy and completeness of the financial statements of the Bank and all other information in the report in addition to the adequacy of the internal control systems.

c) The Board shall ensure that the Bank's financial disclosures are consistent with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Central Bank of Jordan regulations, and other relevant legislations and also that the executive management keep well informed of changes and updates on the related International Financial Reporting Standards.

d) The Board shall ensure that the Bank's annual and quarterly reports identify key financial and operational results that enables the shareholders to understand the financial position of the Bank.

e) The Board shall ensure that the annual report include, at a minimum, the following information:

1. Summary of the organizational chart of the Bank;
2. Summary of the roles and responsibilities of the Board Committees, and the authorities delegated to each Committee;
3. Useful information to stakeholders as identified in the Corporate Governance Code and the extent of compliance with the code;
4. Information about each Board member in terms of his/her qualifications, experience, shareholding, status (independent/ non-executive, etc) membership in Board Committees, date of appointment, any other board memberships in the boards of other companies and remunerations of all forms for the previous year in

addition to loans granted to the Member by the Bank and any other transaction that has taken between the Bank on the one part and the Member or related parties on the other;

5. Information about Risk Management Department, including its structure and nature of its operations and its development;
6. Number of Board and Board Committee meetings and attendance of each member at such meetings;
7. Names of each board member and senior executives who have resigned during the year;
8. Summary of the remuneration policy and full disclosure of all forms of remuneration to board members and executive management individually for the previous year;
9. A list of shareholders who own 1% or more of the share capital of the Bank, the ultimate beneficiary owner of such shareholdings or any part thereof, in addition to a clarification as to whether the shareholdings are wholly or partially pledged;
10. Attestations of all Board members confirming that he/she or any of the members' relatives did not receive any benefits from the Bank during his/her tenor, which has not been previously disclosed.

Governance Report

Arab Bank is one of the leading banks and financial institutions to implement corporate governance. The Bank has established the Audit Committee, the Nomination and Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee also the Corporate Strategy Committee and this followed by established the other Committees IT Governance Committee and Compliance Committee and Credit Committee. Arab Bank issued its first Corporate Governance Code in 2007 and continued to update this Code in alignment with the Regulations issued by the relevant regulatory authorities; also the Bank regularly makes necessary amendments to the Memorandum & Articles of Association, the internal controls and policies to comply with any legislative amendments related to banking regulations or the Companies Law and the Securities Commission.

Arab Bank put in place the following mechanism and procedures to assure the proper implementation of the Corporate Governance Regulations issued by all regulatory authorities, which is being revised annually:

1. Ensure that there exists an approved corporate governance code prepared in accordance with the Corporate Governance Regulations issued by the Central Bank of Jordan and the Jordan Securities Commission, and ensure that the code is being revised and updated in alignment with the requirement of the regulatory authorities.
2. Ensure that there exists a Charter for the Board of Directors and charters for all committees in alignment with the Regulations.
3. Ensure that there exists written and approved policies for the Bank's various activities in accordance with the Regulations.
4. Ensure that the Board of Directors' meetings are held in accordance with the Regulations.
5. Ensure that there exist timetables set for the work of the Board and committees to ensure that all tasks and responsibilities are carried out according to the instructions.
6. Ensure that the Board of Directors and its respective committees carry out an annual self-assessment prepared according to the Regulations.
7. Ensure that oversight departments (audit, risk, compliance) submit their reports to the relevat committees of the Board of Directors.
8. Ensure that the new board member is enrolled in an orientation program.
9. Ensure that invitations and agendas to attend the Board and Committee meetings are sent in due time.

In compliance with the Corporate Governance Regulations for Listed Shareholding Companies for the year 2017 issued by the Jordan Securities Commission, this report has been prepared to include the following data:

The names of the members of the Board of Directors of the Arab Bank

Name	Position	Independent / Non Independent	Executive / Non Executive
Mr. Sabih Taher Masri Since 27/3/1998	Chairman	Non Independent	Non Executive
H.E. Mr. Bassem Ibrahim Awadallah Since 31/3/2016	Deputy Chairman	Independent	Non Executive
Ministry of Finance, Saudi Arabia Since 29/4/1966 Represented by Mr. Hisham Mohammed Attar Since 29/3/2018	Member	Non Independent Non Independent	Non Executive Non Executive
Social Security Corp. Since 20/9/2001 Represented by Dr. Hamzeh Ahmad Jaradat Since 15/11/2017	Member	Non Independent Non Independent	Non Executive Non Executive
Mr. Wahbe Abdallah Tamari Since 31/3/2006	Member	Non Independent	Non Executive
Abdul Hameed Shoman Foundation Since 31/3/2006 Represented by H.E. Mr. Khaled Anis (Zand Irani) Since 27/12/2010	Member	Non Independent Non Independent	Non Executive Non Executive
Mr. Bassam Wael Kanaan Since 22/1/2013	Member	Independent	Non Executive
Mr. Abbas Farouq Zuaiter Since 27/3/2014	Member	Independent	Non Executive
H.E. Mr. Alaa Arif Batayneh Since 22/4/2015	Member	Independent	Non Executive
H.E. Mr. Suleiman Hafez AL-Masri Since 27/10/2016	Member	Independent	Non Executive
Dr. Musallam Ali Musallam Since 8/5/2017 Until 18/11/2019	Member	Independent	Non Executive
Mr. Usama Ramez Mikdashi Since 29/3/2018	Member	Independent	Non Executive

Executive positions in the Bank and the names of the persons who occupy them

Position	Name
Chief Executive Officer	Mr. Nemeh Elias Sabbagh
Deputy Chief Executive Officer	Ms. Randa Muhammad El Sadik
EVP – Head of Group Risk	Mr. Ziyad Anwar Akrouk
EVP – Chief Credit Officer	Mr. Mohammad Abdel Fattah Al Ghanamah
EVP – Head of Corporate & Institutional Banking	Mr. Mohammad Ahmad Khaled Masri
EVP – Head of Treasury	Mr. Antonio Mancuso Marcello
EVP – Head of Consumer Banking	Mr. Naim Rasim K. AlHussaini
EVP – Jordan Country Head	Mr. Walid Muhi Eddin Al Samhouri
EVP – Chief Operating Officer	Mr. Eric Jacques Modave
EVP – Chief Financial Officer	Mr. Ghassan Hanna Suleiman Tarazi
Board Secretary / Head of Legal Affairs	Mr. Basem Ali Abdallah Al Imam
EVP – Head of Human Resource	Ms. Rabab Jamil Said Abbadi
EVP – Chief Compliance Officer	Mr. Michael Matossian
EVP – Head of Internal Audit	Mr. Fadi Joseph Zouein

Memberships of the Board of Directors (Natural person) held by the Board of Directors in Public Shareholding Companies inside Jordan

Name	Membership in the Boards of Public Shareholding Companies
Mr. Sabih Taher Masri	- Chairman of the Board of Directors of ZARA Holding Co. - Jordan (since 5/1999)
H.E. Mr. Bassem Ibrahim Awadallah	None
Mr. Wahbe Abdallah Tamari	None
Mr. Bassam Wael Kanaan	None
Mr. Abbas Farouq Zuaiter	None
H.E. Mr. Alaa Arif Batayneh	- Member of the Board of Jordan Petroleum Refinery (since 2014)
H.E. Mr. Suleiman Hafez AL-Masri	None
Dr. Musallam Ali Musallam Until 18/11/2019	None
Mr. Usama Ramez Mikdashi	None

The Name of the Corporate Governance Officer in the bank

- Mrs. Khulud Walid Khaled Eisawi / Head of Secretariat Department – Shareholders Section

List of Board Committees

- Corporate Governance Committee
- Audit Committee
- Nomination & Remuneration Committee
- Corporate Strategy Committee
- Risk Management Committee
- IT Governance Committee
- Compliance Committee
- Credit Committee

The names of the members of the Audit Committee and their financial and accounting qualifications

Member	Qualifications	Experience
Bassam Wael Rushdi Kanaan / Chairman	- Executive Masters of Business Administration (MBA), USA 1998 - Bachelor of Arts (BA) in Economics / Accounting, Claremont McKenna College, Los Angeles 1986 - Certified Public Accountant (CPA) California, USA 1989 - Chartered Financial Analyst (CFA) 2001	- More than thirty years in senior executive positions at leading private sector and publicly listed companies in the fields of General Management, Finance, Audit and Investment. - Chief Strategy and Corporate Development Officer, Hikma Pharmaceuticals plc (2014–present) - President & COO, MENA and EU, Hikma Pharmaceuticals plc (2010-present) - Chief Financial Officer, Hikma Pharmaceuticals plc (2001-2010) - Chief Financial Officer, Palestine Development & Investment Ltd (PADICO) (1994-2001) - Audit Manager, Deloitte & Touche, Los Angeles, USA (1986 –1993) - Member of the Board of Directors of Palestine Telecommunications Company (PALTEL) (2000 -2001) - Member of the Board of Directors of Central Electricity Generation Company (CEGCO), Jordan (2004-2005) - Member of the Board of Directors and Audit Committee, Zara Investment Holding Company (2006-2010) - Member of the Board of Directors and Chairman of the Audit Committee of Capital Bank of Jordan (formerly Export Finance Bank) (2007-2009) - Member of the Board of Directors and Chairman of the Audit Committee, Aqaba Development Company (ADC) (2008-2012)

Member	Qualifications	Experience
Dr. Bassem Ibrahim Yousef Awadallah / Member	- Doctor of Philosophy in Economics, University of London 1988 - Master of Science in Economics, University of London 1985 - Bachelor of Science in Foreign Service, International Economics, International Finance and Commerce, Georgetown University 1984	- Chief Executive Officer / Tomoh Advisory (2009 - present) - Member of the Board of Directors / Arab National Bank – Saudi Arabia (Representing Arab Bank plc since 1/9/2016 - present) - Member of the Board of Directors / Al Baraka Banking Group – Bahrain (2010 - present) - Deputy Chairman of the Board of Trustees / Al Quds University (2014 - present) - Chief of the Royal Hashemite Court (11/2007 – 10/2008) - Director of the Office of His Majesty King Abdullah II (4/2006 – 11/2007) - Minister of Finance (4/2005 – 6/2005) - Minister of Planning and International Cooperation (10/2001 – 2/2005)
Dr. Hamzeh Ahmad Khalifeh Jaradat Representative of Social Security Corporation / Member	- Ph.D., Macro and Monetary economics, Econometrics, Finance, The University of Tennessee, Knoxville, U.S.A, August 2000 - M.Sc., Economics, University of Jordan, August 1994 - B.Sc., Economics & Computer Science, Yarmouk University, Jordan, January 1987	- Director, Business Development & Research, Social Security Investment Fund, Jordan (March 2019 – Present) - Director, Equity's Support Department, Social Security Investment Fund (February 2018-March 2019) - Director, Research Department, Social Security Investment Fund (September 2015 – February 2018) - General Director, Jordan Post (May 2014 – May 2015) - Director, Public Private Partnership (PPP) Unit, Ministry of Finance, Jordan (2013- 2014) - Director, Public Debt Department, Ministry of Finance, Jordan (2012-2013) - Senior Economist, International Monetary Fund, IMF Center for Economics and Finance, Kuwait (2011-2012) - Advisor to the Minister, Ministry of Finance, Jordan (2004-2011)

Member	Qualifications	Experience
Abbas Farouq Ahmad Zuaiter/ Member	- BSBA, Finance & Accounting, Georgetown University 1989	- Co-Founder & Managing Member, Zuaiter Capital Holdings, LLC (April 2013-present) - Member of the Board of Directors of Trine Acquisition Corp, Inc. (NYSE:TRNE) (March 2019-present) - Member of the Board of Directors of Ossia, Inc. (Seattle, WA) (2017-present) - Chairman of Investment Committee, Alcazar Capital (January 2019-present) - Member of the Board of Directors of The Capital Holdings Funds plc (2014-present) - Member of the Board of Advisors, iMENA Group (2013–present) - Member of the Board of Regents at Georgetown University (2014–present) - Chairman of the Board of Directors of Adecoagro (2003-2018) - Member of the Executive, Investment, Management, Capital Allocation & Risk Committees, Soros Fund Management (September 2002 – April 2013) - Chief Operating Officer, Soros Fund Management (September 2002-April 2013) - Group Chief Financial Officer, Soros Fund Management (September 2002- December 2004) - Partner, PricewaterhouseCoopers LLP – USA Firm (April 1994-September 2002)

Name of the Chairman and members of the Corporate Governance Committee, Nomination and Remuneration Committee, and Risk Management Committee

Corporate Governance Committee	- Mr. Sabih Masri / Chairman - Mr. Alaa Batayneh / Member - Mr. Suleiman Hafez / Member
Nomination and Remuneration Committee	- Dr. Bassem Awadallah / Chairman - Mr. Sabih Masri / Member - Mr. Alaa Batayneh / Member
Risk Management Committee	- Mr. Usama Mikdashi / Chairman - Social Security Corp. Represented by Dr. Hamzeh Jaradat / Member - Abdul Hameed Shoman Foundation Represented by Mr. Khaled "Zand Irani" / Member - Mr. Abbas Zuaiter / Member - Chief Executive Officer / Member - Head of Group Risk / Member

Number of Board committees meeting during the year 2019*

	Audit Committee **						Nomination & Remuneration Committee			Corporate Governance Committee		
	First	Second	Third	Forth	Fifth	Sixth	First	Second	Third	First	Second	Third
Mr. Sabih Masri							✓	✓	✓	✓	✓	✓
Dr. Bassem Awadallah	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Ministry of Finance, Saudi Arabia/Represented by Mr. Hisham Attar												
Social Security Corp. Represented by Dr. Hamzeh Jaradat	✓	✓	✓	✓	✓	✓						
Wahbe Tamari												
Abdul Hameed Shoman Foundation / Represented by Mr. Khaled (Zand Irani)												
Mr. Bassam Kanaan	✓	✓	✓	✓	✓	✓						
Mr. Abbas Zuaiter	✓	✓	✓	✓		✓						
Mr. Alaa Batayneh							✓	✓	✓	✓	✓	✓
Mr. Suleiman Al-Masri										✓	✓	✓
Dr. Musallam Musallam Until 18/11/2019												
Mr. Usama Mikdashi												

* Roles and responsibilities of the committees are in compliance with the Corporate Governance Code.

** The Bank's external auditors attended five meetings of the Audit Committee.

*** The Corporate Strategy Committee includes members of the Executive Management: the Chief Executive Officer and the Deputy Chief Executive Officer, who attended all meetings of the Committee.

**** The Risk Management Committee includes members of the Executive Management: the Chief Executive Officer and the Head of Group Risk, who attended all meetings of the Committee.

	Strategy Committee***		Risk Committee ****				IT Governance Committee				Compliance Committee				Credit Committee	
	First	Second	First	Second	Third	Forth	First	Second	Third	Forth	First	Second	Third	Forth	First	Second
	✓	✓													✓	✓
	✓	✓														
											✓		✓	✓		
			✓	✓	✓	✓										
	✓	✓					✓	✓	✓	✓					✓	✓
			✓		✓	✓	✓	✓	✓	✓					✓	✓
	✓	✓									✓	✓	✓	✓		
	✓	✓	✓	✓	✓	✓										
							✓	✓	✓	✓					✓	✓
											✓	✓	✓	✓	✓	✓
			✓	✓	✓	✓										

Number of Board meetings during the year 2019

Board of Directors	Meetings of the Board of Directors						
	First	Second	Third	Forth	Fifth	Sixth	Seventh
Mr. Sabih Masri / Chairman	✓	✓	✓	✓	✓	✓	✓
Dr. Bassem Awadallah / Deputy Chairman	✓	✓	✓	✓	✓	✓	✓
Ministry of Finance, Saudi Arabia / Member Represented by Mr. Hisham Attar	✓		✓		✓	✓	✓
Social Security Corp. / Member Represented by Dr. Hamzeh Jaradat	✓	✓	✓	✓	✓	✓	✓
Mr. Wahbe Tamari / Member	✓	✓	✓	✓	✓	✓	✓
Abdul Hameed Shoman Foundation / Member Represented by Mr. Khaled (Zand Irani)	✓	✓	✓	✓	✓	✓	✓
Mr. Bassam Kanaan / Member		✓	✓	✓		✓	✓
Mr. Abbas Zuaiter / Member	✓	✓	✓	✓	✓	✓	✓
Mr. Alaa Batayneh / Member	✓	✓	✓	✓	✓	✓	✓
Mr. Suleiman AL-Masri / Member	✓	✓	✓	✓	✓	✓	✓
Dr. Musallam Musallam / Member Until 18/11/2019	✓						
Mr. Usama Mikdashi / Member	✓	✓	✓	✓	✓	✓	✓

Arab Bank confirms its commitment to apply all articles of the Corporate Governance Code as approved by the Board of Directors and published on the website.

Arab Bank approved and published the IT Governance Management Manual on its website in line with the regulations of the Central Bank of Jordan and confirms its commitment to apply all articles of the code.

Agenda of the 90th Ordinary General Assembly:

1. Reciting the minutes of the previous Ordinary General Assembly Meeting of the 89th General Assembly.

2. Discussion and approval of the report of the Board of Directors for the fiscal year 2019 and the future business plan of the Bank for 2020.

3. Presentation of the auditors' report on the financial statements of the Bank for the fiscal year 2019.

4. Discussion and approval of the financial statements and balance sheet of the Bank for the fiscal year 2019, and approval of the recommendation of the Board of Directors to pay dividends to shareholders at the rate of JOD 0.300 per share, i.e. 30% of the nominal value of the share being JOD 1.00.

5. Presentation of a brief on the work undertaken by the Board Committees in accordance with Article 6/h of the Corporate Governance Regulations for Listed Shareholding Companies for the year 2017 issued by the Jordan Securities Commission.

6. Release of the members of the Board of Directors from liability for the fiscal year 2019.

7. Election of the Bank's auditors for the fiscal year 2020 and the determination of their remuneration.

8. Approval of the General Assembly to the Board of Directors' resolution adopted on 30/1/2020 regarding renewing the appointment of Messrs. Ernst & Young to the functions of the audit of Arab Bank plc branches working in Lebanon for three years from 1/1/2020 until 31/12/2022 according to the provisions of Article (189) read along with Article No (186) of the Lebanese Law of Money and Credit.

9. Other matters which the General Assembly proposes to include in the agenda and are within the work scope of the General Assembly in its ordinary meeting provided that such proposal is approved by shareholders representing not less than 10% of the shares represented in the meeting.

Agenda of the Extraordinary General Assembly:

- Obtaining the approval of the General Assembly to decrease the number of the Members of the Board of Directors and amend the paragraph "A" in Article (14) of the Articles of Association as follows:

  "The management of the Company and its affairs shall be vested in a Board of Directors composed of eleven members. The members of the Board shall be elected by the General Assembly by means of a secret ballot in accordance with the provisions of the Law. The Board of Directors shall undertake the management of the Company for four years as from the date of its election."

Country	Address	
Jordan	General Management PO BOX 950545 Amman 11195 Jordan	Tel. 00962 (6) 5600000 Fax. 00962 (6) 5606793 00962 (6) 5606830
	Amman PO Box 68 Amman 11118 Jordan	Tel. 00962 (6) 4638161/9 Fax. 00962 (6) 4637082
	Shmeisani PO Box 950546 Amman 11195 Jordan	Tel. 00962 (6) 5000013 Fax. 00962 (6) 5670564
Palestine	PO Box 1476, Grand Park Hotel St. Al Masyoon - Ramallah Palestine	Tel. 00970 (2) 2978100 Fax. 00970 (2) 2982444
Bahrain	PO Box 813, Building 540, Road 1706 - Block 317, Diplomatic Area Kingdom of Bahrain	Tel. 00973 17549000 Fax. 00973 17541116
United Arab Emirates	Abu Dhabi: PO Box 875 Naser St., SH. Tahnoon Bin Moh'd Bldg.	Tel. 00971 (2) 6392225 Fax. 00971 (2) 6212370
	Dubai: PO Box 11364 Emaar Square. Bldg. no. 2	Tel. 00971 (4) 3737400 Fax. 00971 (4) 3385022
Lebanon	PO Box 11-1015 Riad El Solh Square Banks Street Commercial Buildings Co. Bldg. Beirut - Lebanon	Tel. 00961 (1) 980246/9 Fax. 00961 (1) 980299 00961 (1) 980803

Country	Address	
Egypt	46 Gamet El Dowal El Arabia St. Mohandessein - Al Giza	Tel. 00 20 (2) 3332 8500 Fax. 00 20 (2) 3332 8618
Yemen	PO Box 475 & 1301 Zubairi St. Sana'a	Tel. 00967 (1) 276585/93 Fax. 00967 (1) 276583
Morocco	PO Box 13810 174 Mohamed V St. Casablanca	Tel. 00212 (5) 2222 3152 Fax. 00 212 (5) 2220 0233
Qatar	PO Box 172, Grand Hammed Area Avenue no. 119 Doha – Qatar	Tel. 00974 44387777 Fax. 00 974 44387677
Algeria	15 Boulevard du bonheur residence Chaabani Val D'Hydra Alger - Algeria	Tel: 00 213 (21) 60 87 25 Fax: 00 213 (21) 48 00 01
Singapore	80 Raffles Place UOB Plaza 2 # 32-20 Singapore 048624	Tel. 0065 65330055 Fax. 0065 65322150
United States of America (New York Agency)	Federal Agency- New York 150 East 52nd St. New York , NY 10022 - 4213	Tel.: 001 (212) 7159700 Fax.: 001 (212) 5934632
China	Unit 1803, Shanghai Trade Square 188 Si Ping Road, Shanghai 200086, China	Tel. 0086 (21) 65077737/38 Fax. 0086 (21) 65072776
South Korea (Representative Office)	Seoul Square Bldg., 5Fl. Hangangdaero 416 Jung-gu, Seoul 04637 South Korea	Tel. 0082 (2) 775 4290 Fax. 0082 (2) 775 4294

Country	Address	
Europe Arab Bank plc United Kingdom	13-15 Moorgate London EC2R 6AD	Tel. 0044 (20) 73158500 Fax. 0044 (20) 76007620
France	Paris 41 Avenue de Friedland 75008 Paris (Entrance at the corner of rue Arsène Houssaye)	Tel. 0033 (1) 45616000 Fax. 0033 (1) 42890978
Italy	Corso Matteotti 1A 20121 Milan	Tel. 0039 (2) 76398521 Fax. 0039 (2) 782172
Germany	Niedenau 61-63 D-60325 Frankfurt am Main Germany	Tel. 0049 (69) 242590 Fax. 0049 (69) 235471
Arab Bank Australia Ltd.	Level 7, 20 Bridge Street Sydney NSW 2000 Australia	Tel. 0061 (2) 93778900 Fax. 0061 (2) 92215428
Arab Bank (Switzerland) Ltd.	Geneva Place de Longemalle 10-12 P.O. Box 3575 CH - 1211 Geneva 3	Tel. 0041 (22) 7151211 Fax. 0041 (22) 7151311
	Zurich Nüschelerstrasse 1 P.O. Box 1065 CH–8001 Zurich	Tel. 0041 (44) 2657111 Fax. 0041 (44) 2657268
Finance Accountancy Mohassaba	24 Rue Neuve du Molard P.O.Box 3155 CH – 1211 Geneva 3	Tel . 0041 (22) 9083000 Fax. 0041 (22) 7387229
Islamic International Arab Bank	Wasfi Al-Tal St., Bldg. no. 20 P.O.Box 925802 Amman 11190 Jordan	Tel. 00962 (6) 5694901 Fax. 00962 (6) 5694914
Arab National Leasing Co.	Madina Monawwara St., Bldg. no. 255 P.O.Box 940638 Amman 11194 Jordan	Tel. 00962 (6) 5531649 Fax. 00962 (6) 5529891

Country	Address	
Al- Arabi Investment Group Co.	Shmeisani, Esam Ajlouni St., Bldg. No. 3 P.O.Box 143156 Amman 11814 Jordan	Tel. 00962 (6) 5522239 Fax. 00962 (6) 5519064
Al Arabi Investment Group Co. / Palestine	Ramallah, Old Town P.O.Box 1476 Palestine	Tel. 00970 (2) 2980240 Fax. 00970 (2) 2980249
Arab Sudanese Bank Ltd.	Wahat El- Khartoum Towers P.O.Box 955 Khartoum - Sudan	Tel. 00249 (15) 6550001 Fax. 00249 (15) 6550004
Arab Tunisian Bank	9 Hedi Nouira Street, Tunis 1001	Tel. 00216 (71) 351155 Fax. 00216 (71) 342852
Al Nisr Al Arabi Insurance Co.	Esam Ajlouni St., Bldg. no. 21 Shmeisani P.O.Box 9194 Amman 11191	Tel. 00962 (6) 5685171 Fax. 00962 (6) 5685890
Arab Bank - Syria	Mahdi Bin Baraka St., Abu Rummana P.O.Box 38 Damascus- Syria	Tel. 00963 (11) 9421 Fax. 00963 (11) 3349844
Turkland Bank	19 Mayis Mah. 19 Mayis Cad. Sisli Plaza A Blok No. 7 34360 Sisli- Istanbul – Turkey	Tel. 0090 (212) 3683434 Fax. 0090 (212) 3683535
Oman Arab Bank	North Ghubra, P.O.Box 2010 Ruwi 112 Sultanate of Oman	Tel. 00968 (24) 754000 Tel. 00968 (24) 797736
Arab National Bank	P.O.Box 56921 Riyadh 11564 Saudi Arabia	Tel. 00966 (11) 4029000 Fax. 00966 (11) 4027747
Arabia Insurance Co.	Company's Bldg., Phoenicia St. P.O.Box 2172 - 11 Beirut – Lebanon	Tel. 00961 (1) 363610 Fax. 00961 (1) 363659
Commercial Building Co.	Riad El-Solh Sq., Banks St., P.O.Box 6498 - 11 Beirut - Lebanon	Tel. 00961 (1) 980750 00961 (1) 980751 Fax. 00961 (1) 980752