Arab Bank Group

Annual Report 2018

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Distinguished shareholders,

Global economic growth was robust in 2018, supported by a high economic growth rate in the United States. This growth was achieved despite weaker economic activity in some large economies, particularly Europe and China. The strong start of global economic growth in 2018 was adversely affected by rising tariffs among large economies, leading to a slowdown in global trade and investment toward the end of the year. Global economic activity was also affected by rising interest rates in the US, resulting in reduced financial flows to emerging markets. This reduction disproportionately affected some emerging markets, such as Argentina and Turkey. In addition, the majority of global financial markets declined and witnessed increased volatility during 2018. These conditions led to rising interest rates and depreciated currencies in most emerging economies.

The Arab world recovered modestly following a slowdown in the earlier year. Growth in oil-exporting Arab countries was driven by a recovery in oil production and revenues, which improved their fiscal position and allowed public spending to rise. Economic reforms and the improvement of tourist flows have contributed to rising growth rates in most Arab economies, despite reduced capital flows to oil-importing countries. The overall economic activity in the Arab world continued to be affected by various global and regional developments, including volatility in oil prices, particularly toward the end of the year.

These global and regional developments have had an impact on the performance of the Arab banking sector. Liquidity and credit conditions improved in some oil-exporting countries, while liquidity slowed down in others. There was continued pressure on the exchange rates of some countries. Interest rates rose in most Arab economies. These developments had an impact on the performance and balance sheets of Arab banks.

Against this background, Arab Bank Group continued to perform well in 2018, reporting a $1.1 billion net income before tax. This performance confirms the success of the Group in dealing with the challenging regional and global operating environment and reflects its prudent operating policies.

The year 2018 also saw the bank's legal victory in the cases filed against it in the US federal court of New York after 14 years of litigation. The US Court of Appeals overturned the verdict against the bank in relation to the American plaintiffs' cases. The US Supreme Court also affirmed the dismissal of all claims against the bank filed by non-US plaintiffs. The bank remains committed to following all regulatory requirements and international banking standards in all its operations and activities.

Arab Bank Group continued to carry out its corporate strategy across all business lines, reinforcing its leading position both locally and regionally on several fronts, including: financing developmental, strategic and infrastructure projects, providing loan facilities and banking services to vital sectors, extending trade finance, offering financing solutions for SMEs, and providing comprehensive consumer banking services.

The bank also supported sustainable development locally and regionally. Working closely with stakeholders, the bank focused on building and developing the capacities of local communities to help address social, economic, and environmental challenges. Arab Bank community investment has grown during 2018 and has taken several forms, including financial donations, in-kind support, knowledge transfer, and employee volunteering initiatives. The scope of this support covered critical community causes, including health, poverty alleviation, environmental protection, education, and orphan support. This support is in addition to the extensive programs and initiatives conducted through the Abdul Hameed Shoman Foundation, Arab Bank's social responsibility and cultural arm, which focused on supporting scientific research, spreading knowledge, cultural development, and stimulating innovation.

2018 was another milestone in Arab Bank's successful journey. Looking ahead, we remain confident in the bank's ability to achieve strong profitability levels and sustain the growth of revenues and operating income in a manner that will reinforce the Group's leading position and allow us to continue meet the expectations of our valued shareholders and customers.

To conclude, I would like 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 thank our shareholders for their loyalty and support and our valued customers for their continued trust. We extend a special thank you to all our employees for their efforts and dedication. As always, we are keen to continue to achieve the best results and to build a business that inspires pride in all our employees, shareholders, and customers.

Sabih Taher Masri

Chairman of the Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Distinguished shareholders,

Arab Bank Group ended 2018 with solid results, reporting a net income after tax of $820.5 million, as compared to $533 million in 2017, with net income before tax reaching $1.1 billion. The Group's equity grew to $8.7 billion, while the return on equity increased to 9.5%. Net operating income grew by 8%, through growth in net interest and commission income from the bank's core operations, with growth in net interest income reaching 9%. The Group also reported a 3% increase in credit facilities to reach $25.8 billion, compared to $25.1 billion on December 31, 2018, while customer deposits increased to $34.3 billion.

Sustainable growth in the underlying business, particularly operating income from the various markets in which the bank operates, helped to drive these strong results. The growth in net operating income came from growth in net interest, commission income and an increase in lending levels. This growth reflects the bank's efficiency in managing strong liquidity, solid financing, and its ability to leverage its presence in various markets. The Group was also able to maintain stable operating costs, reaching an efficiency ratio (expenses to income) of 40%, while maintaining its credit and asset quality. Credit provisions held against non-performing loans stand at above 100%, excluding the value of collaterals.

As the legal cases filed in the US in 2004 have been put to finality, the bank reversed $325 million of excess legal provisions into income. Also, as part of the bank's conservative policies, the bank booked $225 million in impairment against the value of its investment in Turkey, mostly as a result of currency depreciation.

As part of the efforts to reinforce its international footprint, the bank gained approval from the China Banking and Insurance Regulatory Commission to upgrade its representative office in Shanghai to a fully operational branch. This upgrade reinforces the bank's presence in the Chinese market and supports the financing of the growing trade operations between China and the Arab world.

During 2018, Arab Bank received several international awards and recognitions from prestigious organizations, most notably Best Bank in the Middle East for 2018 for the third consecutive year. The bank also received 14 international awards for its corporate digital banking services in the region from Global Finance in New York.

In the period ahead, Arab Bank will continue to leverage regional opportunities that help achieve strategic objectives. Our focus remains on stimulating investments, reinforcing risk management, deploying the latest digital and technological solutions, and expanding the base of our financing activities. We will continue to diversify our income streams to achieve sustainable levels of growth and focus on our strengths to reinforce the Group's solid financial position and continue to earn the trust of our valued customers and shareholders.

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

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 its clients with a distinct, added-value when it comes to their 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 clients' 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 also include 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 our 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 globally. 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 is well positioned to meet a wide range of both bank and customer needs.

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

- To manage and optimize 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 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 not only that the bank generates surplus liquidity, but also that this liquidity is invested 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 derivatives in protecting the income and interests of the bank and its clients and takes pride in its reputation as a leading source of foreign exchange and interest rate risk hedging expertise. A full-time team is always ready to advise on, and execute, deals throughout the region, with the objective of protecting our corporate clients from market volatility.

GEOGRAPHICAL COVERAGE

The following list contains basic information of Arab Bank plc's branch network and geographical coverage as of the end of 2018.

Country	Number of Branches	Operating Since	No. of Employees
Jordan	79 (Including HO)	1934	3133
Algeria	9	2001	239
Bahrain	6	1960	184
China	1	1985	11
Egypt	43	1944	1170
Lebanon	10	1944	314
Morocco	5	1962	116
Palestine	31	1930	912
Qatar	3	1957	125
South Korea (Representative Office)	1	1989	3
Singapore	1	1984	43
UAE	8	1963	289
USA (New York Agency)	1	1982	5
Yemen	7	1972	210
Kazakhstan (Representative Office)	--	2004	--
Total	**205**	**--**	**6754**

Branches & Staff Distribution According to Governorates

Governorate	Number of Branches	No. of Employees
Amman	54 (Including Head Office)	2929
Irbid	4	47
Zarqa	7	58
Aqaba	1	19
Balqa'a	5	27
Karak	1	10
Mafraq	1	8
Ma'adaba	1	9
Jarash	1	5
Ma'an	2	10
Tafeila	1	6
Ajloun	1	5
Total	**79**	**3133**

ADDRESSES OF ARAB BANK BRANCHES AND OFFICES ABROAD

Country	Operating Since	No. of Branches
Algeria	2001	9
Bahrain	1960	6
China	1985	1
Egypt	1944	43
Lebanon	1944	10
Morocco	1962	5
Palestine	1930	31

Address	No. of Employees
	239
15 Al-Sa'ada Street, Shabani Haidara Valley, Algeria Tel. 00213 (21) 608725 Fax. 00213 (21) 480001	
	184
P.O Box 813 Building No. 540 Road 1706 - Block 317 Diplomatic Area , Bahrain Tel. 00973 17549000 Fax. 00973 17541116	
	11
Shanghai Representative Office Unit 1803, Shanghai Trade Square, 188 Si Ping Road, Shanghai 200086 China Tel. 0086 (21) 65077737/38 Fax. 0086 (21) 65072776	
	1170
46 Gameit El Dowal Street, Al-Mohandesseen Giza Tel. 0020 (2) 33328500 Fax. 0020 (2) 33328618	
	314
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	
	116
P.O Box 13810 174 Mohamed V Street, Casablanca Tel. 00212 (5) 2222 3152 Fax. 00212 (5) 2220 0233	
	912
P.O Box 1476 - Grand Park Hotel Street Al Masyoon – Ramallah - Palestine Tel. 00970 (2) 2978100 Fax. 00970 (2) 2982444	

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
	125
P.O Box 172 Grand Hammed Area 119 Avenue Doha – Qatar Tel. 00974 44387777 Fax. 00974 44387677	
	3
Seoul Square Bldg., 5Fl. Hangangdaero 416 Jung-gu, Seoul 04637 South Korea Tel. 0082 (2) 775 4290 Fax.0082 (2) 775 4294	
	43
80 Raffles Place –UOB Plaza 2 # 32-20 Singapore 048624 Tel. 0065 65330055 Fax. 0065 65322150	
	289
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	
	210
P.O Box 475 & 1301 Zubairi Str. – Sana'a Tel. 00967 (1) 276585/93 Fax. 00967 (1) 276583	
	3621

TOTAL EMPLOYEES OF ARAB BANK GROUP

Entity	No. of Employees
Arab Bank plc	6754
Europe Arab Bank plc	133
Arab Bank (Switzerland) Limited	120
Arab Bank Australia Limited	99
Islamic International Arab Bank	956
Arab Sudanese Bank Limited	79
Arab Tunisian Bank	1401
Arab Bank – Syria	280
Al Arabi Investment Group (AB Invest)	41
Al Arabi Investment Group / Palestine	8
Al Nisr Al Arabi Insurance Company	257
Arab Company for Shared Services FZ	126
Arab Gulf Tech for IT Services FZ	40
Arab National Leasing Company	29
Total	**10323**

CAPITAL INVESTMENT OF ARAB BANK

The capital investment of Arab Bank plc amounted to JOD 224 million, representing net fixed assets of the Bank as of the end of year 2018 in comparison to JOD 217 million as of the end of year 2017.

The following is a brief description of Arab Bank subsidiaries and sister company and their results for 2018.

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 2018 compared to 2017:

In CHF (thousands)	2018	2017
Capital	26 700	26 700
Total shareholders' equity	555 009	535 835
Total assets	3 853 307	3 453 613
Cash and quasi cash	2 321 686	2 214 075
Direct credit facilities	1 370 219	1 145 311
Total external sources of funds (customers' & banks' deposits)	3 211 883	2 810 237
Total revenues	80 897	67 204
Net profit / (loss) before tax	30 025	22 802
Net profit / (loss) after tax	17 118	14 139

Arab Bank Australia Limited:

Arab Bank Australia Limited founded in Australia in 1994. The current paid capital of the bank is AUD 94.3 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 2018 compared to 2017:

In AUD (thousands)	2018	2017
Capital	94 314	94 314
Total shareholders' equity	147 630	151 398
Percentage ownership	100%	100%
Bank share of net income / (loss)	(3 754)	61
Total assets	934 544	973 195
Cash and quasi cash	263 801	351 360
Direct credit facilities	657 302	604 816
Total external sources of funds (customers' & banks' deposits)	781 464	815 192
Total revenues	23 531	23 834
Net profit / (loss) before tax	238	87
Net profit / (loss) after tax	(3 754)	61

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 2018 compared to 2017:

In EUR (thousands)	2018	2017
Capital	569 982	569 982
Total shareholders' equity	278 601	278 785
Percentage ownership	100%	100%
Bank share of net income / (loss)	3 398	7 784
Total assets	3 247 899	3 302 108
Cash and quasi cash	2 106 041	2 142 792
Direct credit facilities	1 074 649	1 101 055
Total external sources of funds (customers' & banks' deposits)	2 918 858	2 981 488
Total revenues	47 606	44 511
Net profit / (loss) before tax	1 040	6 149
Net profit / (loss) after tax	3 398	7 784

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 2018 compared to 2017:

In JOD (thousands)	2018	2017
Capital	100 000	100 000
Total shareholders' equity	194 072	174 810
Percentage ownership	100%	100%
Bank share of net income / (loss)	31 891	28 798
Total assets	2 135 053	2 025 095
Cash and quasi cash	631 094	654 267
Direct credit facilities *	1 452 798	1 322 816
Total external sources of funds (customers' & banks' deposits)	1 891 543	1 803 563
Total revenues	79 971	75 123
Net profit / (loss) before tax	46 763	43 525
Net profit / (loss) after tax	31 891	28 798

* 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 2018 compared to 2017:

In SDG (thousands)	2018	2017
Capital	117 515	117 515
Total shareholders' equity	600 379	276 901
Percentage ownership	100%	100%
Bank share of net income / (loss)	370 455	86 447
Total assets	7 495 184	1 945 830
Cash and quasi cash	6 586 085	1 357 939
Direct credit facilities	842 094	529 222
Total external sources of funds (customers' & banks' deposits)	6 719 911	1 454 732
Total revenues	525 378	158 193
Net profit / (loss) before tax	393 962	111 971
Net profit / (loss) after tax	370 455	86 447

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 2018 compared to 2017:

In TND (thousands)	2018	2017
Capital	100 000	100 000
Total shareholders' equity	516 719	598 593
Percentage ownership	64.24%	64.24%
Bank share of net income / (loss)	7 173	42 997
Total assets	6 407 206	6 462 346
Cash and quasi cash	1 965 567	2 113 692
Direct credit facilities	4 188 604	4 136 936
Total external sources of funds (customers' & banks' deposits)	5 784 062	5 712 184
Total revenues	237 090	237 221
Net profit / (loss) before tax	17 657	74 146
Net profit / (loss) after tax	11 166	66 932

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.

The following table lists the main financial highlights of 2018 compared to 2017:

In SYP (millions)	2018	2017
Capital	5 050	5 050
Total shareholders' equity	12 655	15 633
Percentage ownership	51.29%	51.29%
Bank share of net income / (loss)	(1 527)	(84)
Total assets	66 254	67 278
Cash and quasi cash	55 139	54 049
Direct credit facilities	7 200	8 547
Total external sources of funds (customers' & banks' deposits)	51 822	49 786
Total revenues	1 027	1 486
Net profit / (loss) before tax	(1 853)	(164)
Net profit / (loss) after tax	(2 978)	(164)

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 2018 compared to 2017:

In JOD (thousands)	2018	2017
Capital	14 000	14 000
Total shareholders' equity	19 177	18 314
Percentage ownership	100%	100%
Bank share of net income / (loss)	1 488	1 372
Total assets	22 899	21 176
Cash and quasi cash	21 862	20 306
Direct credit facilities	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	4 044	4 389
Net profit / (loss) before tax	1 843	1 982
Net profit / (loss) after tax	1 488	1 372

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 2018 compared to 2017:

In JOD (thousands)	2018	2017
Capital	50 000	35 000
Total shareholders' equity	73 183	73 576
Percentage ownership	100%	100%
Bank share of net income / (loss)	4 624	4 500
Total assets	92 231	95 593
Cash and quasi cash	-	-
Investment in leasing contracts	87 949	91 687
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	7 487	7 122
Net profit / (loss) before tax	5 717	5 909
Net profit / (loss) after tax	4 624	4 500

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 two branch 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 2018 compared to 2017:

In JOD (thousands)	2018	2017
Capital	10 000	10 000
Total shareholders' equity	21 058	20 933
Percentage ownership	50% + 2 Shares	50% + 2 Shares
Bank share of net income / (loss)	1 283	1 001
Total assets	93 935	83 502
Cash and quasi cash	23 509	22 433
Total Investments	65 203	56 159
Total external sources of funds (customers' & banks' deposits)	-	_
Total revenues	29 501	24 544
Net profit / (loss) before tax	3 288	2 583
Net profit / (loss) after tax	2 566	2 001

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 2018 compared to 2017:

In JOD (thousands)	2018	2017
Capital	1 700	1 700
Total shareholders' equity	1 678	1 639
Percentage ownership	100%	100%
Bank share of net income / (loss)	39	80
Total assets	2 518	3 464
Cash and quasi cash	2 345	3 045
Direct credit facilities	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	369	432
Net profit / (loss) before tax	39	85
Net profit / (loss) after tax	39	80

First : Jordanian Companies:

Entity	Type	Address	Type of Activity	Capital
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
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
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
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 5675914 www.iiabank.com.jo	Islamic banking	JOD 100 Million

Second : Arab & Foreign Companies:

Entity	Type	Address	Type of Activity	Capital
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
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
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

No. of Employees	No. of Branches	Major Shareholders (5% or more of capital)				
		Name	No. of Shares as of 31/12/2017	%	No. of Shares as of 31/12/2018	%
29	1	Arab Bank plc	35 000 000 JD/Share	100%	50 000 000 JD/Share	100%
41	1	Arab Bank plc	14 000 000 JD/Share	100%	14 000 000 JD/Share	100%
257	2	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	986 971	9.87%	993 252	9.93%
		Zaid Sabella	894 794	8.95%	894 794	8.95%
956	45	Arab Bank plc	100 000 000	100%	100 000 000	100%
8	1	Arab Bank plc	1 700 000	100%	1 700 000	100%
1401	133	Arab Bank plc	64 237 531	64.24%	64 237 531	64.24%
		Zarzari Complex	5 435 475	5.44%	5 386 479	5.39%
280	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
Arab Sudanese Bank Limited	Private Share-holding	Wahat El- Khartoum Towers, P.O Box 955, Khartoum, Sudan Tel. +2491 56550001 Fax. +2491 56550004	Islamic banking	USD 50 Million
Arab Gulf Tech for IT Services FZ	Limited Liability	Dubai Outsource Zone ACSS Building, Second Floor P.O. Box 500524 Dubai, UAE Tel. +971 4 4450555 Fax :+971 4 4495460	IT services for Arab Bank branches	USD 1.5 Million
Arab Company for Shared Services FZ	Limited Liability	Dubai Out Source Zone ACSS Building First Floor P.O. Box 11364 Dubai, UAE Tel. +971 4 4450555 Fax: +971 4 4495463	Financial services for Arab Bank branches	AED 40.37 Million
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 94.3 Million
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 569.9 Million

Third : Sister Company:

Entity	Type	Address	Type of Activity	Capital
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

No. of Employees	No. of Branches	Major Shareholders (5% or more of capital)				
		Name	No. of Shares as of 31/12/2017	%	No. of Shares as of 31/12/2018	%
79	3	Arab Bank plc	5 000 000	100%	5 000 000	100%
40	1	Arab Bank plc	5 509 Shares	100%	5 509 Shares	100%
126	1	Arab Bank plc	40 370 Shares	100%	40 370 Shares	100%
99	6	Arab Bank plc	94 314 274	100%	94 314 274	100%
133	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%
120	2	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 31/12/2018:

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 31/12/2018:

Name Of Company	Nature of Business	Ownership %	Ownership Type	Country
Turkland Bank	Commercial Banking	33.3*%	Affiliated	Turkey
Oman Arab Bank	Commercial Banking	49%	Affiliated	Oman
Arab National Bank	Commercial Banking	40%	Affiliated	Saudi Arabia
Arabia Insurance Co.	Insurance Services	42.02%	Affiliated	Lebanon
Commercial Building Co. S.A.L	Real Estate Leasing	35.24%	Affiliated	Lebanon

* Arab Bank Group retained 50% ownership of Turkland Bank as of 31/12/2018.

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	- Senior Vice President / The Public Investment Fund - Saudi Arabia (2016 - Present) - 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 Board of Directors of United Trading and Marketing Company - Saudi Arabia (2015 - 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, Equity's Support Department, Social Security Investment Fund, Jordan (Feb. 2018-Present)
- 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) - Vice Chairman of the Board of Directors of Ubhar Capital SAOC – Muscat, Oman (since February 2017) - 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) - Member of the Board of Directors of Consolidated Contractors Company (since September 2010) - Chairman of the Board of Directors / General Manager of ATFO SAL - Beirut, Lebanon (since January 2018) - Founder & Vice Chairman of W&P S.A. (previously Watamar & Partners S.A.), Geneva, Switzerland (since June 2017), previously Chairman of the Board of Directors (2003-2017) - Member of the Board of Directors of Sucafina S.A. Geneva, Switzerland (since August 1998) - Member of WPO/YPO - 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 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)

Name	**Dr. Musallam Bin Ali Bin Hussein Musallam**
Title	**Member of the Board of Directors / Non Executive / Independent**
Date of membership	8/5/2017
Date of birth	9/10/1956
Academic qualifications	- Ph.D. in International Relations / Georgetown University 1993 - M.A In Political Science / Georgetown University 1988 - B.A. In Political Science / West Liberty University 1982
Experiences	- Founder & Chairman of AYAN Holding – Saudi Arabia - Board Member of Okaz Organization for Press & Publications – Saudi Arabia (2015-present) - Board Member of Nearland Properties - Overseas - Member of the Board of Trustees of the Arab Thought Foundation – Lebanon (2005-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

- 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)

RESIGNED BOARD MEMBERS DURING THE YEAR 2018

None. The Board of Directors of Arab Bank plc was elected by the Ordinary General Assembly of the Bank in its meeting held on 29/3/2018 for its next term of four years ending on 28/3/2022.

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

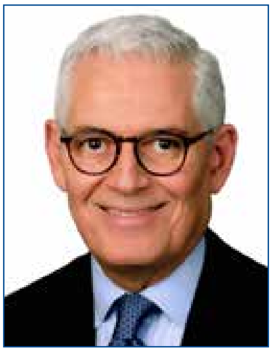
Academic Qualifications:

- 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

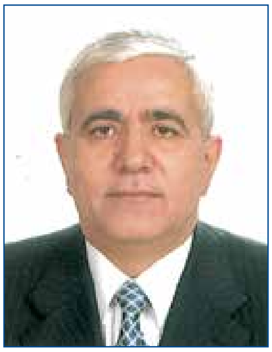
Academic Qualifications:

- 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

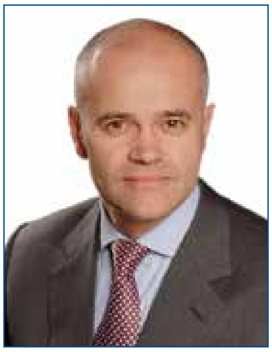
Date of Appointment	:	20/5/2018
Date of Birth	:	23/4/1972

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)
- Member of the Board of Directors of Oman Arab Bank (2015-2018)



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 2018

Name	Title	Resignation Date
Georges Fouad El-Hage	EVP - Chief Risk Officer	31/7/2018

Arab Bank's policies for performance management and incentives which are adopted by the Bank's Board of Directors are developed based on the Corporate Governance regulations issued by central banks. These policies have identified the link between performance bonus pool and other related factors including: overall performance of the Bank, performance of the country where Arab Bank operates, results of the respective division and the individual's performance.

These policies do not accept nor approve any achievements which may expose the Bank to unacceptable risks – short or long term – and do not reward poor performance. Consequently, the Bank applies tools in line with governance regulations that ensure optimal usage of the bonus pool based on achievement levels, whilst taking into consideration the possibility of deferring, reducing or clawing back the already approved or granted bonuses.

When determining performance bonuses, the policies take into account, wherever is applicable, all types of risks associated with the core activities of the Bank (liquidity risks, credit risks, general circumstances in the regions where the Bank operates, etc.). These risks are identified in order to achieve the balance between financial performance and risk levels that could be entailed in the banking activities and business deals.

Such policies aim at enhancing the Bank's long-term performance and making sure that revenues have materialized, while taking into account the future revenues that may be subject to changing circumstances. Therefore, granting the bonuses should not only be based on current year's performance, but also on the period it may take for such revenues to be attained. This applies to long-term objectives that cannot be achieved in the same year. Hence, the policy emphasizes the link between the bonus amount, the period it will be granted over, and the actual attainment of future results.

At the same time, the bank is keen to apply the best practices in measuring and evaluating performance by benchmarking against set Key Performance Indicators (KPIs) upon which bonus amounts are determined to reward high performance and achieve differentiation between various levels of performance and to ensure motivating and retaining outstanding performers at all management levels.

The policy of performance bonus ensures achieving objectivity and independence 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.

The Bank also believes that the performance bonus policy should be competitive so that salaries and bonuses are adequate to attract and retain people who possess high levels of knowledge, skill and expertise in their fields. The Bank also ensures that the bonuses cover all employees' categories and management levels, while reinforcing the efficiency of the risk management framework as well as the financial safety and stability of the Bank.

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 2018, 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 (for three consecutive years). The list of awards also included Best Bank in Jordan from Global Finance, Euromoney, Asiamoney and EMEA Finance magazines and Bank of the Year from The Banker magazine. 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, and Best Treasury and Cash Management Provider in Jordan, Morocco, and Bahrain.

The bank was awarded Best Bank for SMEs in the Middle East from Euromoney, Best FX Services in the Middle East, Best Transactional Bank for Financial Institutions in the Middle East and Best Trade Finance Services in the Middle East from EMEA Finance.

The bank was also awarded 14 global awards from Global Finance in recognition of its consumer and corporate digital banking services across the Middle East in 2018.

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	19.03%	19.15%	15.98%
Palestine	24.7%	25.6%	22.4%
Bahrain	4.06%	2.70%	3.63%
Egypt	1.24%	1.39%	1.89%
Lebanon	0.56%	0.59%	1.18%
Qatar	0.49%	0.69%	0.52%
UAE	0.61%	0.72%	0.75%

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.

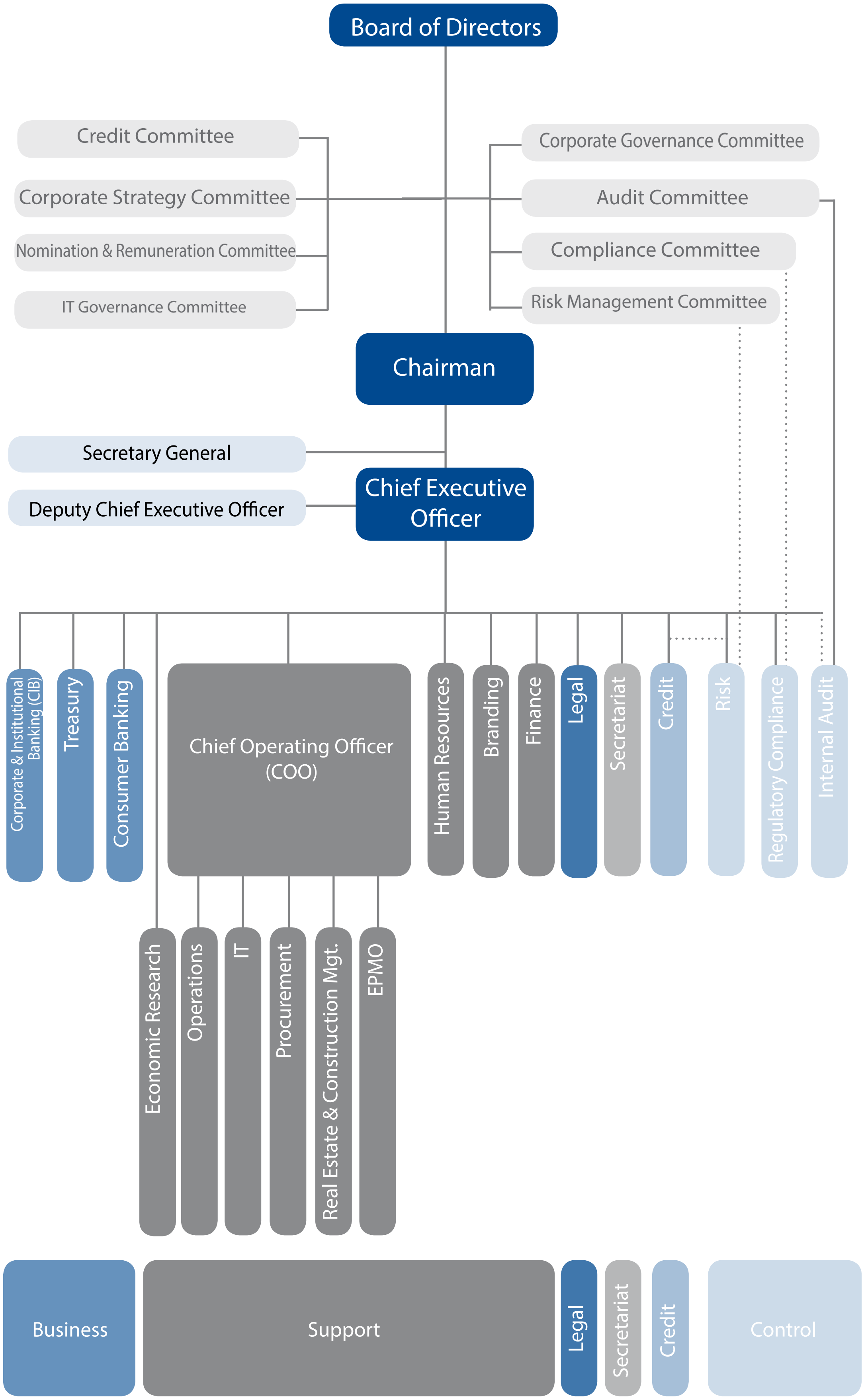
No decrees, laws or regulations were issued by any governmental bodies or international organizations that would have material impact on the Bank, its products or its competitive capabilities, noting that the international quality standards are not applicable to the Bank.

In 2018, 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 November 2018
- (Ba2) with (Stable) outlook from Moody's, in November 2018
- (B+) for Arab Bank plc with (Stable) outlook in July 2018, 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	2	2	11	1
Master's degree	628	23	32	12	98	25
Advanced diplomas	27	23	22	0	4	2
Bachelor's degree	4601	49	28	35	647	45
Junior college	503	8	24	40	118	1
High school	514	30	11	10	58	2
Sub high school	472	0	1	0	20	3
Total Employees	6754	133	120	99	956	79

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	8	2	0	0	0	0	0	35
8	257	19	12	16	6	5	1	1142
1	338	3	0	3	0	0	1	424
26	164	183	215	86	30	17	5	6131
1	74	44	16	13	3	4	0	849
1	164	17	6	6	1	2	1	823
4	396	12	8	2	0	1	0	919
41	1401	280	257	126	40	29	8	10 323

TRAINING COURSES VS. TRAINEES IN JORDAN & ARAB AREAS IN 2018

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	24	136	189	3398	8	162	37	1062	8
Palestine	19	283	25	321	4	56	9	92	14
Egypt	0	0	16	238	10	134	14	305	47
Morocco	0	0	1	1	0	0	0	0	0
Algeria	0	0	4	26	0	0	4	6	0
Lebanon	0	0	55	446	0	0	16	122	13
Yemen	0	0	1	13	0	0	0	0	0
Bahrain	0	0	0	0	0	0	0	0	0
UAE	0	0	1	8	0	0	0	0	0
Qatar	0	0	8	114	0	0	0	0	0
Total per Item	**43**	**419**	**300**	**4565**	**22**	**352**	**80**	**1587**	**82**

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
90	87	333	4	18	437	8312	8	10	802	13521
172	9	22	4	38	208	1497	4	16	296	2497
754	34	255	11	209	152	1969	1	1	285	3865
0	4	5	0	0	16	236	9	10	30	252
0	6	23	1	2	12	418	0	0	27	475
84	15	142	1	1	30	745	9	32	139	1572
0	21	43	0	0	5	311	5	12	32	379
0	56	124	42	63	30	519	0	0	128	706
0	80	143	40	219	25	649	0	0	146	1019
0	8	12	0	0	16	232	0	0	32	358
1100	**320**	**1102**	**103**	**550**	**931**	**14888**	**36**	**81**	**1917**	**24644**

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)
- Credit Committee. (Board of Directors)
- Compliance 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 liquidity and market risks. They operate within formally delegated risk limits and are responsible and accountable for identifying, assessing, controlling, mitigating 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 risk 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:

- Developing the Bank's Risk Management Framework and Risk Appetite Statement for ratification by the Board.
- Implementing the Risk Management Strategy and developing policies and procedures for all types of risks and monitoring their implementation.
- Developing appropriate risk measurement tools and models to measure, control and oversee all types of risk.
- Developing Internal Capital Adequacy Assessment Process (ICAAP) for the Group and locally according to requirements.
- Developing Recovery Plans for the Group and locally according to requirements.
- 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 both country and legal entity level.
- Conducting stress testing to measure the ability of the Bank to withstand shocks and elevated risks.

- Monitoring the level of compliance of executive divisions with defined acceptable risks.
- Developing and enhancing internal risk management practices in line with regulatory changes and industry best practices.
- 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.
- Providing recommendations to the Risk Committee of the Board on mitigating risk exposures and documenting and reporting any exception to policies and standards.
- Providing the necessary information for required risk reporting and disclosures.
- Improving and raising the level of risk awareness among all employees based on acceptable practices and standards especially those pertaining to the financial sector.
- 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, and the internal risk rating systems. These rating systems are designed to improve "probability of default" measurements and lead to the implementation of the Bank's risk-adjusted return-on-capital model. 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. It ensures 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 risk. The department is also responsible for setting and monitoring risk limits, the calculation of 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 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, mitigation, monitoring, and reporting of operational risks in all business activities. 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 Bank monitors operational risk exposures against the risk appetite on various levels across the Bank, the operational risk appetite is articulated in the Board approved Risk Appetite Statement.

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 through the use of 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.

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 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, in addition 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. Basle III) , and to deliver a comprehensive Internal Capital Adequacy Assessment (ICAAP), and a 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 and periodically reviewed and adjusted as appropriate.
- Credit Committee structure that ensures credit approvals are made by consensus by 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 performance at Arab Bank Head Office.
- Starting January 2018 Arab Bank has applied the International Financial Reporting Standard (IFRS 9). 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.
- On an ongoing basis the Bank enhances its processes and technology infrastructure 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. 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 liquidity and market 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 risk profile for the Bank.

The Global Treasurer and Group Risk Management receive daily information on actual, forecast and modeled liquidity. Such information is received at country level, legal entity 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. This reporting is supported by stress testing, which applies various stress scenarios to existing forecast results. The process of stress testing is owned and managed by the Head of Group Risk. The establishment of limits for Arab Bank's tolerance for liquidity risk, (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 modeling, inter-group borrowing and lending analysis, loan to deposit ratios, large depositor concentration monitoring, Basel III liquidity ratios, and stress testing.

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 new 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. 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.

Market Risk Management:

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. Our main tools used for measuring and managing market risk are the following:

1. PV01: PV01 measures the risk to economic value arising from changes in interest rates by 0.01%. This is measured at country, legal entity and Group level. 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, legal entity 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, legal entity 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 unit levels and covers both interest rate and foreign exchange risks.
5. Stress Testing: The Stress Testing model aims to complement the Group's Value at 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.

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.

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 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 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.

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 2018, 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.

Arab Bank continued to perform strongly in 2018, despite regional and global economic challenges. Arab Bank Group closed 2018 with solid results, reporting net income after tax of $820.5 million as compared to $533 million in 2017 with net income before tax reaching $ 1.1 billion. The Group's equity grew to reach$8.7 billion while the return on equity increased to reach 9.5%. The Group's net operating income grew by 8%, driven by growth in net interest and commission income. Credit facilities increased by 3% to reach 25.8 billion, while customer deposits increased to reach $34.3 billion.

The solid results of Arab Bank Group for 2018 were driven by sustainable growth in the underlying business, spread improvements, and well controlled expenses. Arab Bank Group enjoys strong liquidity and robust capitalization. The Group's loan-to-deposit ratio stood at 75% while capital adequacy ratio calculated in accordance with Basel III regulations improved to reach 15.6%. The asset quality of the Group remains high, with credit provisions held against non-performing loans standing above 100%, excluding the value of collaterals.

As the legal cases filed in the US were resolved in the bank's favor, the bank reversed $325 million of excess legal provisions into income. Also, and in line with the bank's conservative policies, the Bank booked $225 million impairment against the value of its investment in Turkey, most of which is the result of currency depreciation.

The Corporate and Institutional Banking (CIB) business demonstrated solid financial results in 2018. Despite volatile regional and global market conditions, it strengthened its activities in existing markets and built strong counterparty and institutional relationships, resulting in a healthy and well-diversified stream of revenue. CIB's achievements remain in line with prudent credit risk management policies, which are one of its cornerstones.

Arab Bank continues to be a primary lender in key strategic projects across MENA, such as infrastructure and industrial projects involving well-established multinational and local corporations. These included corporate lending, complex structured finance facilities, financing commodities and general trade, and supporting regional and international contractors involved in large-scale government development projects.

CIB remains a strategic entry point for corporations aiming to expand their presence and business lines geographically, through lending, trade finance business, or financing various energy and infrastructure-related projects across MENA. CIB is able to recognize cross-country business development opportunities and the synergies required to make them work. Corporations rely on CIB's extensive local expertise and wealth of global knowledge and proficiency.

CIB continued to solidify its digital offering in line with corporate business needs and the latest developments in the banking industry. The year saw the successful roll-out of CIB's new corporate online platform, ArabiConnect, which includes an intuitive interface, a single entry point to cash management and trade finance functions, and comprehensive management across all group entities, both locally and across borders. CIB also launched a host-to-host solution, ArabiSync, which offers corporate-to-bank connectivity and seamless integration with clients' ERP systems for an optimized and centralized workflow. These end-to-end solutions offer the flexibility, operational efficiency, and streamlined processes that make corporate business dealings easier to undertake and faster to perform.

Service excellence guides and underpins CIB's way of working. Its specialized corporate services across the Arab Bank network ensures that clients' banking requirements are met with the most suitable suite of products and services. CIB also continued to focus on providing comprehensive products and services for small and medium-sized enterprises (SMEs), with dedicated teams across Arab Bank's network. Furthermore, the European Investment Bank (EIB) and Arab Bank have signed a financing agreement of EUR 300 million to support SMEs and midcaps in Jordan, Egypt, Lebanon, Morocco, and Palestine. The finance agreement is the first regional credit line for SMEs in the selected countries. Arab Bank will distribute EIB's financing at rates that are affordable to SMEs in the region, helping to boost economic growth by encouraging and accelerating private investment.

Arab Bank led the establishment of a JD 125 million private equity fund with 18 participating banks, including three Jordanian Islamic banks and three foreign banks operating in Jordan. Aimed at robust and growing SMEs in Jordan, this fund is intended to provide an impetus for economic growth and employment opportunities in the country.

Subscribing banks will be deploying capital through two private shareholding companies established in Jordan, one for the commercial banks (committed capital of JD 100 million), and a Sharia-compliant one for Islamic banks (committed capital of JD 25 million).

The initiative will provide smart equity growth capital and management support to SMEs in Jordan that have the potential for growth and expansion. The fund will help to enhance the value of each portfolio company by institutionalizing them and optimizing performance.

The fund's investment manager (AB Invest Group) moved ahead with investments in several companies in sectors such as logistics, healthcare, food manufacturing, IT solutions, and agriculture.

Consumer Banking has continued to work on different areas, including digital strategy implementation, process re-engineering, products and programs development, the enhancement of customer experience, and continued support for fast, affordable service.

Consumer Banking rolled out its new customer onboarding process in Jordan, which provides a state-of-the-art one-stop shop experience the moment a customer signs up. Additionally, several credit card services were automated at the Customer Care Center across different countries in Arab Bank PLC.

Consumer Banking also implemented a state-of-the art customer relationship management (CRM) system in Jordan. It will help with customer profiling and enable the bank to tailor its products and services to customer needs. It will also connect customers across different channels, giving the bank a more comprehensive understanding of customers.

Arab Bank introduced its first self-service branch during 2018. This is a new concept that combines the latest technologies with the human touch to give customers a convenient, flexible and enjoyable banking experience, using digital innovative tools and interactive screens. Customers enjoy a journey through four main areas:

- Self-service area – equipped with the latest machines, accessible 24 hours a day, enabling customers to print account statements, issue/renew their main and supplementary cards, and issue certificates. Arab Bank is the first bank in Jordan to introduce a self-service branch, making it a leader in digital services.
- Quick service desk – dedicated for a quick inquiry/help and custody delivery.
- Interactive discovery area – customers can explore and browse the bank's products and services and ask for any help, if needed, about products and services.
- A designated personal banking consultation area to fulfill customers' queries in a convenient atmosphere.

In line with our paperless initiative, the self-service branch offers a wide range of services based on fingerVein and electronic signature, giving customers a unique and flexible banking experience at the Um Uthaina branch or in the self-service areas within Al Abdali and Taj Mall branches.

The new Arabi Mobile service was successfully launched for Jordan customers during the year. It offers many new features, including self-registration, beneficiary full management, logging in via fingerprint and pattern, theme change (depending on customer program), and loans and deposit calculators, with the ability to apply for these products.

Our internet banking service, Arabi Online, underwent several enhancements last year, including a real-time view of credit card transactions in Palestine, Egypt, UAE, Qatar, Bahrain, and Lebanon. In addition, the range of available currencies for transfers between customers' own accounts were increased and preferential rates were offered to encourage customers to use digital channels without the need to visit the branch.

In line with Arab Bank's strategic direction to increase customer migration to self-service channels, we launched the interactive teller machine (ITM) service in Palestine and Egypt. Additionally, the ATM cheque deposit (CDM) service was offered in prime locations in Palestine to enhance our customer experience.

The new ATM Switch was introduced in UAE, Qatar, Bahrain, Yemen, and Lebanon so that debit cards can be issued instantly. The ATM system was also developed in Jordan to enable customers to withdraw cash in US dollars from Jordanian Dinar accounts.

Consumer Banking has continued to focus on enhancing communication with customers through social media platforms, seen as a key communication channel. Customer enquiries were handled by a dedicated team in the customer care center on a 24/7 basis and resulted in high response rates across our social media platforms. Such prompt service level positions Arab Bank as one of the leading institutions in social media communication in the financial services sector.

As part of our ongoing efforts to offer additional services through our Elite program, wealth management services were launched in Jordan and Palestine in partnership with AB Invest. Elite customers now benefit from a full suite of investment solutions, including brokerage services and asset management. Comprehensive certified training has been given to wealth relationship managers so that they have the skills to deliver those services.

The Shabab program has undergone a complete revamp in Jordan and Palestine. The program was positioned as the leading banking program for the youth segment, offering customers within the 18-25 age group a competitive and dynamic mix of lifestyle and financial benefits aimed at attracting, educating, and retaining the youth segment. The revamp included loans and credit cards to offer youth important lifestyle benefits, early banking experience, and day-to-day banking needs.

An additional feature was introduced to our life insurance product in Jordan to enable Arabi Premium customers to increase their life insurance coverage to suit their needs.

As part of our ongoing efforts to leverage the bank's extensive network to serve customers across borders, we continue to operate the Arabi Cross Borders program, which includes many exclusive features, including Arabic Access, which has been extended to include Egypt, Palestine, and Lebanon, in addition to Jordan, UAE, Qatar, and Bahrain. This feature complies with regulations frameworks and is available to Elite and Arabi Premium customers. Customers are able to transfer funds instantly to their accounts and other Arab Bank accounts where this service is available. Arab Bank is one of only a few financial institutions in the region to provide services such as Arabi Access, allowing customers to bank internationally with ease.

To meet the growing travel and purchasing needs of its programs' customers, Arab Bank launched two new Visa platinum credit cards in Jordan. The first is Travel Mate, a card that bundles multiple cross border-related benefits (financial and non-financial), including a preferential cross border/foreign exchange commission on transactions conducted abroad in multiple currencies covered by the card. The second is RJ Platinum, a co-branded affinity card that bundles multiple travel-related benefits (financial and non-financial) and offers the exclusive benefit of earning and redeeming miles with Royal Jordanian's loyalty program, "Royal Club", when using the card for purchases.

Arab Bank launched a FIFA 2018 World Cup campaign for Visa credit cards in Jordan, Palestine, Egypt, and the UAE. The campaign included the exclusive release of a new Visa credit card with a special 2018 FIFA World Cup design to promote credit card usage. It also included prize draws for fully paid trips to attend the World Cup games in Russia.

Arab Bank introduced a new relationship-based loyalty program in Jordan called Arabi Points. It aims to promote longstanding customer loyalty to the bank from the point of joining Arab Bank and upon using Arab Bank services or acquiring a suite of Arab Bank products. The Arabi Points program also enables customers to accumulate points and redeem them for cash/vouchers through Arabi Online and Arabi Mobile. Customers can also withdraw their points value in cash from any of the bank's ATMs. Several promotions have rewarded customers for spending more on credit and debit cards, giving them either double points or direct discounts at selected merchants.

As part of Arab Bank's efforts to encourage customers to use electronic channels for banking services, the consumer banking division launched several campaigns during 2018 to promote specific services, such as the new mobile banking In Jordan and electronic payments in Jordan, Palestine, and Egypt.

Arab Bank continues to measure customer satisfaction and feedback by promoting several activities and tools, such as "Voice- of- Customer" Automated /Traditional activities, customer complaint analysis, customer experience committe meeting, and mystery shopping. Information gathered through these tools continued to be the key source of information for product and service enhancements. The customer experience team set best service excellence standards and encouraged adherence to these standards through structured training and coaching activities, ongoing monitoring of customer touch points, implementing remedial action, and holding various customer care activities.

To boost knowledge levels and customer awareness among our frontline employees, assessments through the "I learn" platform and "Your Knowledge" emails were used extensively to encourage learning activities. The bank introduced a comprehensive training program in Jordan for all front-line employees and customer care center teams to increase their awareness of banking programs and products and enhance their selling skills.

In 2018, the market environment continued to be volatile, and the MENA markets in particular had to manage significant uncertainty. Arab Bank was able to maintain its conservative risk position throughout the year and was able to manage its 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 able to preserve net interest income and protect profits in the face of interest rate rises in 2018.

Treasury is already enjoying the benefits of its new trade flow and risk modelling tools, with the added benefit of straight through processing on 95% of Arab Bank treasury deals. Our integrated treasury systems, which are live across all Arab Bank plc countries, give the bank far better information and higher quality analysis, and are already delivering on the bank's promise to meet developing business needs and regulatory standards with increased earnings.

Arab Bank ended 2018 with a strong liquidity position as a result of prudent liquidity management strategies.

In light of the termination of the lawsuits filed against the Bank in New York Since 2004 its faver the Bank reversed provisions in the amount of USD 325 Million.

An amount of USD 225 Million wad booted by the bank ad a provision for its investment in T-Bank due the devalution of the Turkish lira.

Time Series Data for Major Financial Indicators (2014 - 2018):

Values in JOD Millions for the Bank & in USD Millions for the Group					
	2018	**2017**	**2016**	**2015**	**2014**
Arab Bank PLC : Net Profit after Tax	433.5	195.0	212.4	154.0	* 217.8
Arab Bank Group : Net Profit after tax	820.5	533.0	532.7	442.1	577.2
Arab Bank PLC : Shareholder's Equity	3 670.6	3 549.9	3 500.8	3 518.1	* 3 557.9
Arab Bank Group : Owner's Equity	8 664.6	8 409.3	8 164.5	8 015.6	7 888.7

* Represented

Distributed Dividends

Total Dividends (in JOD millions)	288.4	256.3	192.2	160.2	68.4
Dividends (%)	45%	40%	30%	25%	12%
Number of Issued Shares (in thousands)	640 800	640 800	640 800	640 800	569 600
Share price on Last Working Day (JOD)	6.21	5.60	6.17	6.45	7.10

This section of the Board of Directors report highlights relevant financial data wich is included in the consolidated financial statements of Arab Bank Group and Arab Bank Plc for the year 2018.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 of which the Group operates in 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 below subsidiaries:

	Percentage of ownership as of 31 December 2018
Arab Bank Australia Limited	%100.00
Europe Arab Bank Plc	%100.00
Islamic International Arab Bank Plc	%100.00
Arab national Company for Leasing of Equipments 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 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 financial statements.

Arab Bank Group

Consolidated Statement of Income

Arab Bank Group's net income for the year ended 31 December 2018 amounts to USD 820.5 million compared to USD 533 million in 2017, Total revenues of the Group stood at USD 2133 million compared to USD 1984 in 2017 recording an increase of 8% , Expected Credit Losses for financial assets amounts to USD 251.3 million

The following schedule compares the principal components of the Group's statement of Income:

In USD (Thousands)	2018	2017	Variance	%
Revenue				
Net interest income	1 290 937	1 186 562	104 375	9%
Net commission income	294 991	301 711	(6 720)	(2%)
Other	547 121	495 726	51 395	10%
Total Income	**2 133 049**	**1 983 999**	**149 050**	**8%**
Expenses				
Employees Expenses	513 166	459 957	53 209	12%
Other Expenses	349 580	327 012	22 568	7%
Credit loss expense on financial assets	251 331	250 377	954	0%
Total Expenses	**1 114 077**	**1 037 346**	**76 731**	**7%**
Recovery (expense) of legal provision	325 000	(150 000)	475 000	(317%)
Impairment of investment held for sale	(225 000)	-	(225 000)	100%
Profit For the year before Tax	**1 118 972**	**796 653**	**322 319**	**40%**
Income tax	298 428	263 690	34 738	13%
Profit for the year	**820 544**	**532 963**	**287 581**	**54%**

Consolidated Statement of Comprehensive Income

Arab Bank Group's comprehensive income for the year ended 31 December 2018 amounts to USD 880.2 million compared to USD 535.1 million in 2017, the following schedule shows the main components of the Group's consolidated statement of comprehensive income:

In USD (thousands)	2018	2017
Profit for the year	**820 544**	**532 963**
Add:		
Items that will be subsequently transferred to the consolidated statement of income		
Exchange differences arising on the translation of foreign operations	72 009	45 676
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	(12 332)	(43 585)
Total Comprehensive income for the year	**880 221**	**535 054**

Consolidated Statement of Financial Position

Arab Bank Group assets reached USD 49.2 billion as at 31 December 2018,Customer deposits reached USD 34.3 billion. Investment portfolio has reached USD 9.3 billion,Credit facilities amounted to USD 23.8 billion forming 48.4% of total assets while owner's equity reached USD 8.7 billion.

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

In USD (Thousands)	2018	2017	Variance	%
Assets				
Cash and due from Banks	11 495 100	11 749 717	(254 617)	(2%)
Investment Portfolio	9 318 686	8 626 240	692 446	8%
Direct credit facilities at amortized cost	23 785 542	23 488 575	296 967	1%
other	4 563 297	4 299 189	264 108	6%
Total Assets	**49 162 625**	**48 163 721**	**998 904**	**2%**
Liabilities				
due to banks	4 548 069	4 109 378	438 691	11%
due to customers	34 344 384	33 780 748	563 636	2%
other	1 605 583	1 864 323	(258 740)	(14%)
owner's equity	8 664 589	8 409 272	255 317	3%
Total Liabilities and owners equity	**49 162 625**	**48 163 721**	**998 904**	**2%**

Arab Bank plc

Statement of Income

Arab Bank plc's net income for the year ended 31 December 2018 amounts to JOD 433.5 million compared to JOD 195 million in 2017, total Income of the Bank stood at JOD 1082.7 million compared to JOD 976.2 million in 2017. Expected Credit Losses for financial assets amounts to JOD 157.1 million.

The below schedule compares the main components of the Plc's statement of income:

In JOD (Thousands)	2018	2017	Variance	%
Revenue				
Net Interest income	748 301	665 182	83 119	12%
Net commission income	154 715	154 172	543	0%
other	179 716	156 877	22 839	15%
Total Income	**1 082 732**	**976 231**	**106 501**	**11%**
Expenses				
Employees expenses	254 712	217 232	37 480	17%
Other expenses	199 500	180 466	19 034	11%
credit loss expense on financial assets	157 086	167 775	(10 689)	(6%)
Total Expenses	**611 298**	**565 473**	**45 825**	**8%**
Recovery (expense) of legal provision	230 496	(106 382)	336 878	(317%)
Impairment of investment held for sale	(147 691)	-	(147 691)	100%
Profit for the year before tax	**554 239**	**304 376**	**249 863**	**82%**
Income tax	120 725	109 351	11 374	10%
Profit for the year	**433 514**	**195 025**	**238 489**	**122%**

Statement of Comprehensive Income

Arab Bank Plc's comprehensive income for the year ended 31 December 2018 amounts to JOD 457.2 million compared to JOD 241.3 million for the year ended December 31, 2017.

The Following schedule shows the principal components of the bank's statement of comprehensive income:

In JOD (thousands)	2018	2017
Profit for the year	**433 514**	**195 025**
Add:		
Items that will be subsequently transferred to the statement of income		
Exchange differences arising on the translation of foreign operations	31 394	59 892
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	(7 722)	(13 625)
Total Comprehensive income for the year	**457 186**	**241 292**

Statement of Financial Position

Arab bank Plc assets reached JOD 25.5 billion as at 31 December 2018, Customer deposits reached JOD 18.7 billion. Investment portfolio has reached JOD 5.2 billion and Credit facilities amounted to JOD 12.2 billion forming 47.7% of total assets while shareholder's equity reached JOD 3.7 billion.

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

In JOD (Thousands)	2018	2017	Variance	%
Assets				
Cash and due from banks	6 598 843	6 400 899	197 944	3%
Investment Portfolio	5 235 341	4 517 658	717 683	16%
Direct credit facilities at amortized cost	12 173 355	11 947 106	226 249	2%
other	1 537 799	1 495 909	41 890	3%
Total Assets	**25 545 338**	**24 361 572**	**1 183 766**	**5%**
Liabilities				
Due to banks	2 311 227	1 856 766	454 461	24%
Due to Customers	18 735 296	17 940 690	794 606	4%
Other	828 192	1 014 207	(186 015)	(18%)
Shareholders' equity	3 670 623	3 549 909	120 714	3%
Total Liabilities and shareholders's equity	**25 545 338**	**24 361 572**	**1 183 766**	**5%**

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 2018 and 2017 in accordance with Basel III:

Arab Bank Group

In USD (thousands)

Capital Adequacy Ratio as at December 31, 2018 and 2017 in accordance with Basel III requirements

Risk-weighted assets (RWA)	**35 662 164**	**35 615 663**
Common Equity Tier 1	7 963 395	7 584 233
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(2 791 745)	(2 665 636)
Additional Tier 1	8 528	10 493
Supplementary Capital	398 172	416 673
Regulatory Adjustments (Deductions from Supplementary Capital)	-	-
Regulatory Capital	**5 578 350**	**5 345 763**
Common Equity Tier 1 Ratio	**14.50%**	**13.81%**
Tier 1 Capital Ratio	**14.53%**	**13.84%**
Capital Adequacy Ratio	**15.64%**	**15.01%**

Capital Adequacy

Arab Bank PLC

In JOD (thousands)

Capital Adequacy Ratio as at December 31, 2018 and 2017 in accordance with Basel III requirements

Risk-weighted assets (RWA)	**19 373 817**	**19 053 000**
Common Equity Tier 1	3 271 504	3 071 156
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(659 854)	(613 298)
Additional Tier 1	-	-
Supplementary Capital	177 286	213 777
Regulatory Adjustments (Deductions from Supplementary Capital)	(133 914)	(213 810)
Regulatory Capital	**2 655 022**	**2 457 825**
Common Equity Tier 1 Ratio	**13.48%**	**12.90%**
Tier 1 Capital Ratio	**13.48%**	**12.90%**
Capital Adequacy Ratio	**13.70%**	**12.90%**

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 45% of the shares par value , or JOD 288.4 million for the year 2018 Compared to 40% of the shares par value or JOD 256.3 million in 2017 as shown in the table below:

In JOD (Millions)	2018	2017
Income available for appropriation	433.5	195.0
Staturory Reserve	55.4	30.4
Voluntary Reseve	-	-
General Reserve	-	-
General banking risk reserve	-	20.0
Proposed Cash dividends	288.4	256.3
Retained earnings	89.7	(111.7)
Total Appropriation	**433.5**	**195.0**

Financial Ratios related to Arab Bank Group:

	2018	2017
Owners' equity / Total Assets	17.6%	17.5%
Loans / Deposits	69.3%	69.5%
Liquidity Ratio (cash and quasi cash)	42.5%	42.4%
Cost / Income	49.9%	59.8%
Cost / Income (excluding provision for impairment)	40.7%	39.5%
Common Equity Tier 1 Ratio - Basel III	14.50%	13.81%
Tier 1 Capital Ratio - Basel III	14.53%	13.84%
Capital Adequacy Ratio - Basel III	15.64%	15.01%
Return on Equity	9.5%	6.3%
Return on Assets	1.7%	1.1%
Net interest and commission income / total Assets	3.2%	3.1%
EPS (USD)	1.28	0.81

Financial Ratios related to Arab bank Plc :

	2018	2017
Owners' equity / Total Assets	14.4%	14.6%
Loans / Deposits	65.0%	66.6%
Liquidity Ratio (cash and quasi cash)	46.4%	44.9%
Cost / Income	52.4%	68.8%
Cost / Income (excluding provision for impairment)	41.6%	39.8%
Common Equity Tier 1 Ratio - Basel III	13.48%	12.90%
Tier 1 Capital Ratio - Basel III	13.48%	12.90%
Capital Adequacy Ratio - Basel III	13.70%	12.90%
Return on Equity	11.8%	5.5%
Return on Assets	1.7%	0.8%
Net interest and commission income / total Assets	3.5%	3.4%

Our plans for 2019 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 where 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, at all times.

- **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 2019 focus 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 also take 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 drives the development and delivery of the CIB products and services, guided by market requirements and client business needs. Client relationship management covers clients' engagement with Arab Bank locally and across borders, ensuring superior performance and service quality across all channels.

CIB aims to elevate client experiences by deploying its resources to best align digital evolution with that of the requirements of its clients. This is through providing customized solutions to clients across the different stages of their business cycle, size, business model, and industry specialization.

As part of the bank's commitment to providing customers with the best services and to meeting their evolving needs and expectations, the Consumer Banking Division will continue to develop and diversify its banking services in line with the needs of each market and its diverse customer base.

Consumer Banking will introduce digital customer onboarding to enable new customers to submit most of the account opening requirements through the bank's website and mobile application. They will only need to visit the branch to complete the process and satisfy regulatory requirements. Consumer Banking will develop a new outdoor digital customer onboarding capability that will enable our staff to reach new customers seamlessly.

The customer relationship management platform will be improved by connecting more channels to the same platform and launching new functionalities. The platform will be rolled out to Palestine.

The Consumer Banking division is also working to upgrade the current loan management platform to make it more flexible in terms of both product offerings and the efficiency by which the loan portfolio is managed. The platform will include automated credit scoring and loan and collections management.

After the successful implementation of a self-service branch in Jordan, Consumer Banking will continue to roll out self-service branches in the UAE, Egypt, and Palestine during 2019. We will introduce one self-service plug-in in the UAE and stand-alone branches in Egypt, Palestine, and Jordan. In line with our global strategy to provide the best services through a flexible and easy banking experience, we will continue to enhance our services in this branch and upgrade the digital experience our customers enjoy.

Following the successful rollout in Jordan this year, the new Arabi Mobile application will be introduced to Palestine, Egypt, UAE, Qatar, Bahrain, and Lebanon in 2019. All the features available in Jordan will be available in other countries. Additional services, such as national bill payments, will be implemented specifically for each country.

As part of Arab Bank's strategy to keep up with the latest trends, a new method of logging into Arabi Mobile – Face-ID – will become available to customers. This log-in method will also cover popular mobile handsets.

Arabi Mobile will provide customers with a range of new services, including Arabi Points. Customers can view their points balance and redeem their points against vouchers and cash rewards, in addition to setting Arabi Points account as the primary account for executing payment orders and/or standing instructions to customer accounts.

A new feature on Arabi Mobile will enable customers to open e-deposit accounts. Customers will benefit from higher interest rates and the ability to set saving plans with specific targets. Customer communication will be further enhanced with push notifications that are sent to the Arabi Mobile app, informing customers of transactions and the latest offers. Electronic deposit capabilities will soon be launched to help customers plan for their financial needs.

Transactional kiosk machines will soon offer new services, including the instant issuance of loyalty vouchers (Arabi Points), Know Your Customer (KYC) information filling with document scanning, and instant issuance of credit cards. Transactional kiosk machines will also be rolled out in Egypt, Palestine, and the UAE.

As part of the ongoing Know Your Customer initiative, the Arabi Online service will be enhanced to cover the uploading of documents within the existing online KYC service. This will reduce the need for customers to visit the branch to submit the required documents. In addition, the eFawateercom service will be improved to cover direct debit orders and the introduction of a Reminder Zone module that will remind customers when their credit card payments are due.

To comply with the central bank of UAE's regulations, online and mobile channels will connect with the local switch to offer instant domestic transfers between banks in the UAE. Another service will enable UAE customers to make payments to other UAE bank credit cards.

To enhance communication with customers, Arab Bank will offer a new Chat Bot service. An intelligent "assistant" will answer general enquiries and respond to customer-specific enquiries about customers' own accounts.

After the successful launch of the new loyalty program in Jordan, the Bank will roll out the program in Palestine, Egypt, UAE and Lebanon.

In order to improve Arab Bank's digital image and increase migration to the new self-service channels, we are rolling out an Interactive Teller Machine (ITM) in UAE and the new ATM Switch in Morocco and Algeria.

Consumer Banking will enrich its business programs with key advantages and benefits relevant to our targeted segments. The Elite program will remain focused on enforcing our strong franchise and leadership position and our wealth management services will be expanded beyond AB Invest with competitive services offered through other Arab Bank group affiliates.

During 2019, the profitable medical segment will be targeted with special packages bundled within the Elite and Arabi Premium programs.

Following the success of the Shabab program relaunch that took place in 2018 in Jordan and Palestine, we will continue to develop the program so that it meets the evolving needs of our targeted customers.

Our current saving accounts menu will be enriched with new products and features to encourage customers to save. New bancassurance products will be introduced to provide additional financial planning activities to our preferred customer base.

To help our staff become effective financial advisors, staff training and empowerment will be one of the key initiatives for 2019.

In the area of cards and future payment options, Arab Bank will strive to offer an enhanced technological setup through the introduction of contactless secure technology. Our aim is that our cards will be the preferred choice for our customers. We will also continue to enhance our product lineup by introducing new products and adding additional benefits to existing products.

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 2019, the bank will continue to develop its products and services and leverage technology to enhance operational efficiency and customer service.

In JOD Thousands	2018	2017
Fees for quarterly and annual audits and reviews	1,043	1,178

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

Service	External Auditor	Fees In JOD Thousands
Review Report for IT governance (COBIT 5) for 3 years	Ernst & Young	82

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
1.	**Mr. Sabih Taher D. Masri**	Chairman
2.	**H. E. Dr. Basem Ibrahim Yousef Awadallah**	Deputy Chairman
3.	**Ministry of Finance, Saudi Arabia** Represented by Mr. Hisham Mohammad M. Attar	Member of the Board
4.	**Social Security Corporation** Represented by Dr. Hamzeh Ahmad Kh. Jaradat	Member of the Board
5.	**Mr. Wahbe Abdallah Tamari**	Member of the Board
6.	**Abdul Hameed Shoman Foundation** Represented by H. E. Mr. Khaled Anis Mohammad "Zand Irani"	Member of the Board
7.	**Mr. Bassam Wael Roshdi Kanaan**	Member of the Board
8.	**Mr. Abbas Farouq Ahmad Zuaiter**	Member of the Board
9.	**H.E. Mr. Alaa Arif Saad AL Batayneh**	Member of the Board
10.	**H.E. Mr. Sulaiman Hafeth Sulaiman ALMasri**	Member of the Board
11.	**Dr. Musalam Bin Ali Bin Hussein Musalam**	Member of the Board
12.	**Mr. Osama Ramez Mikdashi**	Member of the Board

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Jordanian	29007360	29007360	39273498	35766270
Jordanian	11016	11016	- - -	- - -
Saudi	28800000	28800000	- - -	- - -
Jordanian	102548682	102528000	- - -	- - -
Lebanese	18000	18000	8168256	8168256
Jordanian	32023026	32023026	- - -	- - -
Jordanian	110394	80370	- - -	- - -
Jordanian	125964	54558	- - -	- - -
Jordanian	43038	12258	- - -	- - -
Jordanian	10008	10008	- - -	- - -
Saudi	22705758	22705758	- - -	- - -
Lebanese	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 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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Lebanese	12006	12006	------	------
Jordanian	34020	34020	-------	-------
Jordanian	------	------	-------	-------
Jordanian	------	25002	-------	-------
Jordanian	53244	50004	-------	-------
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	Relation-ship
1.	Mr. Sabih Taher D. Masri Chairman	
		Spouse
		Moinors
2.	H. E. Dr. Basem Ibrahim Yousef Awadallah Deputy Chairman	
		Spouse
		Moinors
3.	Ministry of Finance, Saudi Arabia Member of the Board Represented by Mr. Hisham Mohammad M. Attar	
4.	Social Security Corporation Member of the Board Represented by Dr. Hamzeh Ahmad Kh. Jaradat	
5.	Mr. Wahbe Abdallah Tamari Member of the Board	
		Spouse
		Moinors
6.	Abdul Hameed Shoman Foundation Member of the Board Represented by H. E. Mr. Khaled Anis Mohammad "Zand Irani"	
7.	Mr. Bassam Wael Roshdi Kanaan Member of the Board	
		Spouse
		Moinors

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
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No.	Name	Relation-ship
8.	Mr. Abbas Farouq Ahmad Zuaiter Member of the Board	
		Spouse
		Moinors
9.	H.E. Mr. Alaa Arif Saad AL Batayneh Member of the Board	
		Spouse
	A'YESHAH A'LA AREF AL-BATAYNEH AREF ALAA' AREF AL BATAINEH	Moinors
10.	H.E. Mr. Sulaiman Hafeth Sulaiman ALMasri Member of the Board	
	Mrs. Rusaila Mohamad Lutfe Mohamad Hasan Bayazidi	Spouse
		Moinors
11.	Dr. Musalam Bin Ali Bin Hussein Musalam Member of the Board	
		Spouse
		Moinors
12.	Mr. Osama Ramiz Mikdashi Member of the Board	
		Spouse
		Moinors

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
------	------	------	------	------
------	------	------	------	------
	------	------	------	------
Jordanian	2070	1008	------	------
Jordanian	2088	1008	------	------
Jordanian	2214	2214	------	------
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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
1.	MR NEMEH ELYAS SABBAGH	
		Spouse Moinors
2.	MISS RANDA MOHAMMAD TAWFEEQ ALSADEQ	
3.	MR. GHASSAN HANNA SULEIMAN TARAZI	
	MRS. NAWAL WAFA NAJIB TARAZI	Spouse Moinors
4.	MR. MOHAMAD AHMED KHALED AL-MASRI	
		Spouse Moinors
5.	MR. MOHAMED ABDUL FATTAH HAMAD GHANAME	
		Spouse Moinors
6.	MR. MICHAEL MATOSSIAN	
		Spouse Moinors
7.	MR. NAEM RASEM KAMEL AL HUSSEINI	
		Spouse Moinors
8.	MR. ZIYAD ANWAR ABDUL RAHMAN AKROUK	
	MRS. JUMANA SHUJA' MOHAMMAD AL-ASAD	Spouse Moinors

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Lebanese	-------	-------	-------	-------
-------	--------	--------	--------	--------
Jordanian	1206	1206	--------	--------
Jordanian	-------	-------	--------	--------
Jordanian	-------	-------	--------	--------
American	-------	-------	--------	--------
Saudi	-------	-------	--------	--------
Jordanian	9612	9612	--------	--------

NUMBER OF ARAB BANK SHARES OWNED BY THE RELATIVES OF THE SENIOR EXECUTIVES

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

Nationality	Number of shares		No of shares owned by companies controlled by them	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Lebanese	-------	-------	--------	--------
Jordanian	-------	-------	--------	--------
British	-------	-------	--------	--------
Belgian	-------	-------	--------	--------
Jordanian	90 --------	90 -------	--------	--------
--------	-------	-------	--------	--------
Jordanian	-------	-------	--------	--------

Board of Directors Remuneration and Benefits paid in 2018

No.	Member Name	Title
1	Mr. Sabih Taher Darwish Al-Masri	Chairman
2	Dr. Bassem Ibrahim Yousef Awadallah	Deputy Chairman
3	Messrs Mininstry of Finance, Saudi Arabia Represented by Mr. Hisham Mohammad M. Attar (since 29/3/2018)	Member
4	Messrs Social Security Corporation	Member
5	Mr. Wahbe Abdallah Wahbe Tamari	Member
6	Messrs Abdul Hameed Shoman Foundation Represented by Mr. Khaled Anis Moh'd (Zand Irani)	Member
7	Mr. Bassam Wael Rushdi Kana'an	Member
8	Mr. Abbas Farouq Ahmad Zuaiter	Member
9	Mr. Alaa Arif Saad Batayneh	Member
10	Mr. Suleiman Hafez Suleiman Al Masri	Member
11	Dr. Musallam Ali H. Musallam	Member
12	Mr. Usama Ramez Mikdashi (since 29/3/2018)	Member

Annual Salary	Annual Transportation Allowance	Annual Remuneration for attendence Board & Committees Meetings	Annual Remuneration	(Amounts in Jordanian Dinar) Total
-	33,000	55,000	4,167	92,167
-	33,000	30,000	4,167	67,167
-	33,000	20,000	5,000	58,000
-	33,000	40,000	5,000	78,000
-	33,000	42,500	5,000	80,500
-	33,000	52,500	5,000	90,500
-	33,000	40,000	4,167	77,167
-	33,000	42,500	4,167	79,667
-	33,000	60,000	4,167	97,167
-	33,000	52,500	5,000	90,500
-	33,000	5,000	2,500	40,500
-	18,000	35,000	0	53,000

Names of Major Shareholders of 5% and more

Shareholder's Name	Number of shares 31.12.2017
Social Security Corporation	102528000

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 31/12/2018	Percentage %
Social Security Corporation	Jordanian	102548682	16.003%
Abdul Hameed Shoman Foundation	Jordanian	32023026	4.997%
Sabih Taher Darwish Masri	Jordanian	29007360	4.527%
Ministry of Finance, Saudi Arabia	Saudi	28800000	4.494%
Musallam Ali Hussein Musallam	Saudi	22705758	3.543%
Palestinian Telecommunications Co.	Palestinian	19140750	2.987%
AlMaseera International Co. E.C.	Bahraini	17442846	2.722%
Dar Al Handasa (Shair and Partners) Co.	Emirate	13608972	2.124%
Al Sharq Holding Co.	Kuwaiti	11519982	1.798%
Ministry of Economy and Finance / Qatar	Qatari	10564164	1.649%
Nasser Ibrahim R. Al Rashid	Saudi	8952462	1.397%
BANKMED SUISSE SA	Swiss	7014744	1.095%
Mary Issa A. Alousi	Jordanian	6544656	1.021%

Ownership % 31.12.2017	Number of shares 31.12.2018	Ownership % 31.12.2018
16.000%	102548682	16.003%

Ultimate Beneficiary Owner	No. of pledged Shares	Percentage %	pledgee
Same	-	-	-
Abdul Hameed Shoman Foundation, Panama/ Private Interest Foundation, Foundation Council	-	-	-
Same	20426184	3.188%	Housing Bank
Same/ Government			
Same	22695750	3.542%	Housing Bank
* Palestine Development & Investmant LTD (PADICO) 31.41% (Palestinian Telecommunications Co.16.91%, Sabih Taher Masri 12.63, Siraj Fund Management Company (Cayman) LTD 12.57%, Massar International Limited 8.63%, Munib Rashid Masri 5.25%)			
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 8.60% (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			
Closed Joint company owned by :	-	-	-
Al Sheikha Al Anoud Athbi Salem Al Subah 21.359%			
Al Sheikha Wasmiah Athbi Salem Al Subah 21.359%			
H.E. Sheikh Salim Al Ali Al Subah 18.531%			
Petel Real Estate Company 11.537% (A coalition of Kuwaiti and UAE real estate companies)			
Al Sheikha Al Anoud Ahmad Al Jaber Al Subah 10.142%			
Al Shaikh Fahed Salem AL Ali Al Subah 7.473%			
Al Sheikha Muneera Athbi Salem Al Subah 5.685%			
Same/ Government	-	-	-
Same	-	-	-
Bankmed Customers / Switzerland	-	-	-
Same	-	-	-

Executive Management Compensation and Benefits in 2018:

	Name	Position
1	Nemeh Elias Sabbagh	Chief Executive Officer
2	Randa Muhammad El 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
7	Michael Matossian	EVP - Chief Compliance Officer
8	Rabab Jamil Said Abbadi	EVP - Head of HR
9	Naim Rasim K. Al-Hussaini	EVP - Consumer Banking Head
10	Fadi Joseph Zouein	EVP - Head of Internal Audit
11	Basem Ali Abdallah Al Imam	Head of Legal Affairs / Board Secretary
12	Antonio Mancuso Marcello	EVP - Head of Treasury
13	Mohammed Ahmed Khaled Masri	EVP - Head of CIB
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 2018	Total
736460	-	-	209934	946394
512176	-	-	125261	637437
274005	-	-	15000	289005
329374	-	-	35267	364641
361980	-	-	74717	436697
242856	-	-	-	242856
463386	-	-	65290	528676
122949	-	-	-	122949
352511	-	-	56728	409239
315111	-	-	52008	367119
313380	-	-	58608	371988
395177	-	-	91920	487097
267814	-	-	-	267814
246371	-	-	42259	288630

Project / Entity	JOD
Abdul Hameed Shoman Foundation	13 407 647
AL-Nashama Fund	1 150 000
The Queen Rania Foundation for Education and Development	861 730
King Hussein Cancer Foundation	511 566
King's Academy	413 153
Support fund for Martrs' families	200 000
Scholarships for Employees' Children	169 121
The project of spreading the community's financial culture	135 300
9th international conference of the royal medical services	100 000
Jordan River Foundation	72 345
The Jordanian Hashemite Fund for Human Development	70 000
Tkiyet Um Ali	34 914
SOS Children Villages	7 500
Others	125 274
	17 258 550

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, 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**

JD '000

	December 31, 2017			
	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	1 336 811	11 890	146 541	112 168
Associates companies	78 167	-	61 050	28 723
Major shareholders and members of the Board of Directors	-	190 012	221 772	72 658
Total	**1 414 978**	**201 902**	**429 363**	**213 549**

The details of transactions with related parties are as follows:

JD '000

	2018		2017	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Subsidiaries and sister companies	22 715	2 122	9 151	1 623
Associated companies	1 293	952	1 273	830
Total	**24 008**	**3 074**	**10 424**	**2 453**

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

JD '000

	December 31, 2018								
	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	137 796	63 375	201 171	137 796	63 376	201 172
Mr. Wahbeh Tamari	-	-	-	74 331	21	74 352	74 331	21	74 352
Mr.Khaled Irani	1	-	1	-	-	-	1	-	1
Mr.Bassam Kanaan	1	-	1	-	-	-	1	-	1
Mr. Alaa Batayneh	1	-	1	-	-	-	1	-	1
Abdul Hamid Foundation	-	1	1	-	-	-	-	1	1
Total	**3**	**2**	**5**	**212 127**	**63 396**	**275 523**	**212 130**	**63 398**	**275 528**

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 replaced all lighting units used in buildings with LED fixtures, contributing significantly to the reduction in energy consumption in the head office and COU buildings. Additionally, the UPS systems of HQ 20 branches were replaced to reduce the amount of electricity loss and energy consumption.

As part of the bank's commitment to environmental sustainability, it continued to inspire its employees, business partners, and customers to think about their environmental footprint when conducting their transactions. As a result, the bank has taken further steps to establish a paperless working environment and integrate it into daily business practice at its operations. The paperless campaign is one of the bank's key commitments to reducing the environmental impact of its operations. Building on this success, Arab Bank continued to work to reduce paper consumption further by expanding the mail statements re-engineering project, which made a significant reduction in paper consumption (and its associated costs) for the printing of bank statements. Additionally, a suite of new sustainable and operational goals has been mapped to all our related projects, such as ECM, ITM, Finger vein, and ARIS.

Arab Bank continues to collaborate with multilateral financial institutions on several renewable energy projects in Jordan with the objective of supporting the national strategic direction to reduce dependency on heavy fuel. Arab Bank is collaborating with the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and other international financial institutions to finance Jordan's round one and two photovoltaic solar and wind program.

During 2018, Arab Bank Group succeeded in closing the financing for the Jordan Cement Factories (Lafarge Jordan) 15.64 MW Rashadiya photovoltaic solar power project. The project financing arrangements were structured on the basis of electricity net-metering for self consumption under Jordan's Renewable Energy and Energy Efficiency Law No. 13 of 2012. This law allows private sector companies to establish and own their solar facilities for electricity self-consumption. The solar facilities are expected to begin operation in the second half of 2019.

The bank continued to support renewable energy projects in Jordan, increasing its onshore agency portfolio with a new 50MW solar project directly awarded by the Ministry of Energy and Mineral Resources (MEMR) to AM Solar (a subsidiary of AES, one of main IPPs operators in Jordan). The project is expected to be in operation by the end of 2019.

Arab Bank is currently looking into the specific financing needs for the third round of Jordan's energy program. The bank is also following up on the corporate financing needs of privately-owned solar projects after the successful financing of the Rashadiya project. It is anticipated that certain financing deals will be concluded for large private sector electricity consumers during 2019.

To meet the increased demand for wastewater treatment, Arab Bank is supporting the third phase (second expansion) of the As-Samra Wastewater Treatment Plant. The successful execution of the phase two expansion in October 2015 which added 100,000 cubic meters to the plant capacity, bringing the daily total of wastewater treated at the plant to 367,000 cubic meters per day. Arab Bank led a syndicate of local banks in the creation of a structured finance package for this phase of the project. The Samra treatment plant is regarded as one of the landmark wastewater treatment plants in the MENA region for its positive impact on the environment and its capacity to provide additional raw water suitable for agricultural purposes.

Arab Bank supported several initiatives to protect the environment in Jordan, mainly in collaboration with the Royal Society for the Conservation of Nature (RSCN). The bank supported the maintenance and development of Ajloun Natural Reserve with the participation of 82 employees and their families.

Sustainability at Arab Bank

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, that supports the community's fundamental causes, and the Abdul Hameed Shoman Foundation.

The bank issued its eighth sustainability report in 2018, based on the first international sustainability reporting standards of the Global Reporting Initiative (GRI). By doing so, 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.

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 implement 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 fully-fledged system that drives and monitors its performance and deliverables. In 2018, our employees and their families volunteered more than 1,001 times, contributing around 3,410 hours through 61 community programs, and reaching over 209,000 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 2018, the bank implemented several courses that used our employees' knowledge and experience, benefiting 119 employees at our partner NGOs through 682 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, phone 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 2018, customer donations reached more than 500,000 JODs.

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 (KHCF), supporting around 466 young patients and giving them a chance to continue their education while undergoing treatment at the King Hussein Cancer Center. Twenty-one 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 (RHAS) to support eight schools 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. Thirty Arab Bank employees participated in health awareness programs that benefited more than 890 students.

The bank supported the Jordan Air Ambulance Center (JAAC) in providing emergency air transportation services to patients. It also participated in the "Goal for Life" tournament organized by KHCF. During 2018, the bank organized six blood donation drives in collaboration with Jordan Blood Bank, during which the bank's employees donated 353 blood units. The bank also collaborated with the KHCF and the Jordan Breast Cancer Program (JBCP) to organize a breast cancer early detection awareness campaign.

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 (since 2011), and the Amman Marathon. The bank also covered the participation cost of 1,354 of the bank's employees and their families and friends in the Amman and Dead Sea Marathons.

In Palestine, the bank supported the Palestine Ramallah Medical Complex by buying a surgical microscope. The bank also sponsored doctor training sessions held by the Palestinian Medical Council, aimed at enhancing their efficiency and educational level. The bank held several blood donation drives in Ramallah and Bethlehem, adding 86 blood units from employees to the National Blood Bank.

Poverty Alleviation

In collaboration with Tkiyet Um Ali (TUA), 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 319 employees volunteered in poverty alleviation programs during 2018.

In Palestine, the bank supported the Princess Basma Foundation in Jerusalem to provide comprehensive rehabilitation services for disabled children who are receiving treatment in the Rehabilitation Department of the Foundation. The bank also collaborated with the Ministry of Social Development to distribute 600 school bags for underprivileged students all around Palestine. The bank also supported the Blind Rehabilitation and Care Society by providing 10 Perkins printers for the center and holding a charity Iftar for them during Ramadan.

Environmental Protection

Arab Bank supported several initiatives to protect the environment in Jordan, mainly by collaborating with the Royal Society for the Conservation of Nature (RSCN). The bank supported the maintenance and development of Ajloun Natural Reserve with the participation of 82 employees and their families.

Education

Arab Bank collaborated with several organizations to empower youth through education and training. Bank employees volunteered with INJAZ to deliver courses in schools, universities, and vocational training centers. The bank also sponsored the King Abdullah Fund for Development (KAFD), the LOYAC internship program, collaborated with the Traffic Department to sponsor the Back to School awareness campaign, and supported the Arts for All program with the Haya Cultural Center.

Under the umbrella of the Queen Rania Foundation, the bank contributed to the "Karim and Jana" application that supports the socio-emotional development of children. The app will help children aged 3-6 and their parents to increase their personal, social and emotional, and physical development.

The bank supported the Madrasati initiative by renovating the facilities and infrastructure of three schools to provide a better educational environment. The bank also supported the Teach Like a Champion program under the Queen Rania Teacher Academy. Several Children's Museum programs were also supported, including Earth Month, Back to School Month, Arabic Child Month, and Persons with Disabilities Month. The bank collaborated with the Talal Abu-Ghazaleh Organization to donate computer equipment to be refurbished and used at schools and youth centers in the most underprivileged areas in the Kingdom.

Arab Bank Palestine supported the Schools Renovation project in cooperation with INJAZ for a fifth year. This year the bank added five schools from different areas. The program aims to improve the school environment to provide a better quality of education for the students. The bank also participated in Banking Week by visiting 100 schools and delivering awareness sessions for more than 5,000 students.

The bank continued to host Palestinian senior university students through internships in its offices. The aim is to enhance their skills in the financial sector under its Osool program. The bank was the exclusive sponsor of the Women in Data Science conference that was held in An-Najah National University, in collaboration with Stanford College, to present the best practices and latest advances in the field of data science.

Orphan Support

The bank supported 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 supported Al Aman Fund for the Future of Orphans by providing university education to 35 older orphans who have aged out of care and by sponsoring one of the SOS houses in Amman. It also supported the Charity Clothing Bank by sponsoring the Orphans' Day program, which provides new clothes for 1,200 orphans for one year. Bank employees and their family members participated by sorting and packing more than 135 boxes (3.4 tons) of donated items to be displayed at their show room.

Other initiatives

Arab Bank was involved in many initiatives during the year, aimed at supporting economic growth and development in the region and helping to give youth new opportunities. These include:

Arab Bank was the official Senior Lead Sponsor of the fifth Euromoney Jordan Conference, “Delivering Growth, and Maintaining Stability”. The conference focused on exploring Jordan’s macroeconomic outlook for 2018 and beyond, and the country’s plans to support inclusive growth and job creation. There were also discussions about global economic and geopolitical events and their impact on Jordan.

As part of its strategic partnership with Union of Arab Banks, the bank sponsored a number of conferences and forums held by the Union in Jordan, including: “Small & Medium Enterprises and their Effect on Women Empowerment” forum, “The Road to Basel IV – Finalizing Post Crisis Reforms” forum, the Cyber Security Forum and the “The Palestinian Banking Sector in its Arab Environment” conference. The bank also sponsored several conferences, including MENA Banking and Finance week in Lebanon, the International Arab Banking Summit 2018, “Mediterranean Banking Dialogue,” in France, and the Arab Banking Conference, “FINTECH innovations and the future of banking services”, in Egypt.

Arab Bank was the Golden Sponsor of the fourth Jordan International Energy Summit 2018, held in Amman. The summit was attended by delegations of local and international professionals and industry experts in the energy and mineral resources sector. The summit covered many topics concerning the Kingdom’s energy and minerals sector.

Arab Bank sponsored the activities of the First Jordanian International Agricultural Forum and Exhibition, which was organized by the Agriculture Ministry with the participation of many Arab and foreign countries. The forum included several topics on the agricultural sector, including the regional and international challenges it faces, agricultural and economic policies, and the promotion of agricultural and food products and industries.

Arab Bank sponsored the accounting professional day, “Last updates on International Financial Reporting Standards”, which was held in Amman and organized by the Jordanian Association of Certified Public Accountants. The forum was attended by many businessmen, bankers, and certified accountants from Jordan, Arab professional associations, and participants from the regulatory authorities in Jordan. The forum covered several topics of interest to the business sector in the Kingdom, primarily the latest amendments to the International Financial Reporting Standards (IFRS). Additionally, the bank sponsored «Reviewing the Taxation Matrix in Jordan» conference, held at the Amman Chamber of Commerce and attended by representatives from the public, private, and civil society sectors. The conference focused on reviewing the taxation matrix in Jordan and it raised the issue of direct and indirect taxes and their impact on the national economy.

The bank was the Platinum Sponsor of the Middle East 6th Regional Conference organized by IMA® (Institute of Management Accountants) and co-hosted by the Jordanian Association of Management Accountants. The conference is considered one of the most important annual events organized specifically to help accounting and finance professionals navigate the trends, threats, and opportunities of their profession.

Arab Bank has participated in several initiatives and activities that are of interest to youth, including the sponsorship of several career days at the University of Jordan Job Fair and career days at Princess Sumaya University for Technology, the University of Petra, and Middle East University.

In Palestine, Arab Bank was the main sponsor of "Global Entrepreneurship Week", which coincided with the global initiatives of nearly 10 million participants in 170 countries and more than 39,000 events, activities, and competitions. The bank's participation was part of its efforts to support entrepreneurs and start-up enterprises that promote entrepreneurship, innovation, and investment aimed at achieving sustainable economic development.

In Lebanon, Arab Bank sponsored the 26th Arab Economic Forum, which witnessed wide Arab and international participation, including ministers, central bank governors, bank leaders, and investors from the Arab world, Europe, and Africa. The agenda of the forum covered several key economic and financial themes of interest to the region.

In the UAE, Arab Bank sponsored the Global Finance Digital Bank Conference in the Middle East, which was held in Dubai. The conference brought together an elite group of digital banking leaders, technology pioneers, and new market entrants from around the region to learn and share best practices and strategies. It featured a mixture of fintech companies, financial institutions, government, and media. The full-day conference covered themes relating to the collaboration between financial institutions and fintechs in the region, serving the unbanked through digitization, and the challenges and success stories that domestic, regional, and global digital banks are experiencing. The event provided a comprehensive view of the successful digital bank and presented the tools needed to achieve that success. Arab Bank sponsored the 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 opportunities and innovative solutions in banking in light of compliance requirements and other challenges.

Abdul Hameed Shoman Foundation

Arab Bank established the Abdul Hameed Shoman Foundation (AHSF) in 1978, in what was then an innovative move by the private sector to create a beacon of knowledge and innovation in Jordan and the Arab world. Since then, the foundation has played a positive role in enriching Jordanian and Arab culture and promoting science through knowledge, research, and dialogue.

In 2018, the foundation celebrated its 40-year anniversary by launching several initiatives, projects, and awards with the aim of supporting creativity, education, innovation, and the culture of reading to ensure cultural and scientific equity. During 2018, the foundation established the Abdul Hameed Shoman Public Library in East Amman, a milestone achievement. It provides its services in a densely populated area with low knowledge-sharing resources. The foundation hosted its first AHSF Innovation Award, which seeks new models for innovation and social research with practical applications, up to the point of launching those models. Another award was launched under the name Abde' to discover talented children and youth in in a wide range of cultural and science fields inside Jordan. The foundation also launched the Shoman Science Teachers' Camp to promote a non-formal learning culture.

In recognition of its role in supporting culture, science, and arts, the foundation was honored with the King Abdullah II Award for Excellence First Degree.

Abdul Hameed Shoman Public Library in East Amman

The AHSF believes that knowledge should not be a privilege, so it supports reading and cultural equity for all community members. True to this belief, and in collaboration with Arab Bank, the foundation established its second public library in East Amman, Ashrafiya, inside the Al Basheer Hospital campus.

The library has come to serve the people of this densely populated area inside Amman, which lacks cultural centers and thriving libraries. In Alashrafieh, the schools cater to students of different genders and ages and one of the largest medical facilities sits at the heart of it, so the library is called upon to serve large number of community members in this area. Like the Public Library of Jabal Amman, which has seen an annual increase in its number of visitors, the East Amman Public Library was designed as a destination for knowledge and culture seekers.

The library contains a wide collection of books alongside cultural, literary, art, and poetic works. Magazines and books in both Arabic and English are available, in addition to audiobooks and tablets, to enable visitors to adapt to modern reading tools. The library also provides lending services, access to the internet, and electronic databases. In addition, the library holds different cultural activities, such as book readings for children, book clubs, and workshops.

The Abdul Hameed Shoman Foundation 2018 Award for Innovation

The foundation launched the Abdul Hameed Shoman Award for Innovation in 2018 with the aim of fostering an environment that supports creativity, innovation, and productivity in Jordan. Covering both science and social innovation, the foundation created this award to strengthen the knowledge community and drive economic growth by promoting the fourth industrial revolution.

The award covers the following fields:

- Green technology and environmental sustainability
- Food security and agriculture technology
- Healthcare and biomedical technology
- Labor market and economic productivity solutions
- Educational solutions

In its first round, the foundation received more than 1,000 letters of interest, of which 165 completed their applications. Over 55 evaluators selected 46 applications for the first phase, which included involving the participants in several capacity building and training workshops. Based on the final presentation after the workshops, nine projects were nominated for the next phase, which included three stages support: research and development (prototype design), product usability, and expansion and marketing.

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

The AHSF relaunched this award in 2018 with the objective of encouraging creativity and innovation in Jordan among children and youth (aged 8-18) within seven fields: drawing, Arabic calligraphy, essay-writing, poetry, music, dance, and scientific innovation. The award attracted 1,090 Arab and Jordanian students from Jordan, with several applicants enrolled in specialized workshops in preparation for the Winners Selection phase.

The award philosophy stems from the foundation's mission to support the younger generation's role in shaping the future and give them the opportunity to express themselves and be exposed to knowledge. The award has been created to help foster an interest in a culture of knowledge and creativity that focuses on life, humans, and the future. These goals are in harmony with AHSF's knowledge and enlightenment role in the service of future generations.

The award aims to support the creative endeavors of children and youth in the literary, artistic, performance, and scientific innovation fields. The objective is to promote the development of children's minds and help establish a generation that is aware of the common issues it faces. The award seeks to create a spirit of positive competition among children and youth to highlight their talents and knowledge while developing their capacities, thus contributing to the promotion of their skills in the fields of literature, art, and science. Ultimately, the award will contribute to raising a generation that is aware of the various types of knowledge and literary skills, with a specific focus on the Arabic language and the culture of creativity through the discovery of talented and distinguished children and youth at an early stage.

The award is supervised by a committee composed of members who have experience and competence in the subject of the award and are responsible for annually appointing judging committees with experience and competence in the specific fields.

Scientific Research

The 36th Abdul Hameed Shoman Arab Researchers' Award went to seven winners in the fields of medical and health sciences; engineering sciences; basic sciences; literature and humanities; social and educational sciences; economics and administration sciences, and agriculture and technology. Many prominent Arab researchers, scientists, specialists, and Arab award winners attended the award ceremony. Since its launch, the award has been given to 419 researchers from all over the Arab Region.

The foundation also organized the Second Science Forum for the members of the Shoman Society for Research and Innovation. Two sessions were conducted on the role of research and innovation in industrial localization in the Arab Region, big data, and smart infrastructure. Speakers in those sessions included the award winners, with the participation of more than 120 researchers from the Arab Region, several Arab awards' representatives, university presidents, deans of scientific research, university students, and those who have shown interest in scientific research. The foundation announced the creation of the society in the previous year to establish an organized networking platform for Arab researchers and innovators who have won the Abdul Hameed Shoman Award for Arab Researchers, those who have benefited from AHSF scientific research support fund, and scientific committee members who participated in the foundation's various programs from around the Arab Region. The forum also seeks to integrate Arab researchers living elsewhere to provide a regional and international perspective to research and innovation.

As the first fund established by the private sector, the Abdul Hameed Shoman Scientific Research Fund supports applications of scientific research in Jordanian universities, organizations, and scientific bodies. This year, the foundation signed 10 agreements to support 10 researchers, of which 50% are females, from six research institutions, for an approximate value of 140 thousand Jordanian Dinars. Five other research projects have been completed and scientific articles were published in international and Arab peer-reviewed journals for previously supported research.

This year also marked the publishing of the first guide that lists all published research funded by the AHSF scientific research fund since the fund was created in 2000.

In December 2018, the foundation held its first annual meeting to discuss mechanisms to support the interconnectedness of research and industry, the impact of supported research in industrial and social development, and priorities and challenges that the fund can address in the following year.

The Abdul Hameed Shoman Award for Children's Literature

The award recognizes the importance of enriching children's literature as a means of stimulating creative thinking. Its 12th cycle was exceptional, with more than 1,121 unpublished stories from 34 countries (Arab countries and non-Arab). The award aims to improve literature produced for children aged 8-12. The award was granted to three literary works for writers from Tunisia, Jordan, and Saudi Arabia. During the award ceremony, the theme of the 2019 award was announced, which is science fiction for young boys and girls.

The Science and Education Program

The foundation launched the Science and Education Program in 2014 to promote a culture of scientific research among youth and to enrich education in Jordan by stimulating critical and analytical thinking. Another objective is to work in partnership with the Ministry of Education to build the capacity of science teachers and students through a variety of initiatives, such as supporting the participation of Jordanian students in the Intel International Engineering and Science Fair, the Young Innovators Laboratory, and the Shoman Science Teachers' Camp.

In 2018, the foundation supported Jordan's participation in Intel ISEF for the fourth time, including providing the judges to select winning projects. It also helped 20 winning students across 12 different projects to participate in the Intel ISEF in the United States, where they competed against thousands of projects from 70 countries. Financial support for travel and accommodation for the winning children was provided. There was also capacity building for the participants, including an introduction to critical thinking that 90 participating students attended, a session on presentation skills for students who qualified to represent Jordan at the international level in the United States, and sessions with expert supervisors to guide students in their projects, funding prototypes, and presentation board preparation. The foundation also held 13 workshops across the Kingdom to introduce Intel ISEF and the importance of participating in this competition.

Our students excelled, with one team scoring third globally in the field of behavioral sciences, and two other projects received special awards from the Mawhiba and Qatar Foundation.

Young Innovators' Lab

In collaboration with the Young Scientists' Program, the foundation held the third Young Innovators' Lab in Amman. The same program was implemented in Irbid in cooperation with Irbid's municipality. The aim of the program is to promote critical thinking and innovation and to develop the skills of children and adolescents between the ages of 10 to 13 years who are passionate about science. Through the program, students can conduct experiments and work on scientific projects in specialized workshops aimed at stimulating their critical and analytical thinking. Twenty-two students from Amman and 21 students from Irbid participated in several phases, including critical thinking, experiments, teamwork, and electrical circuits. The participating students were then asked to complete 11 innovative scientific projects.

The Shoman Science Teachers' Camp

In collaboration with the Ministry of Education, the foundation held the second Science Teachers' Camp. The camp aims to introduce teachers to non-formal learning and critical thinking concepts, teaching them how to build students' learning skills. Through the camp, the teachers developed their skills in managing an interactive classroom, which promotes thinking and creativity. They were also given new educational tools by which to explain concepts in the school curriculum in a way that students can understand more easily.

Since the launch of the camp, the foundation has received more than 280 applications, out of which 38 teachers from all over Jordan undertook intensive modern workshops in the fields of physics, chemistry, biology, geology, and mathematics. A number of teachers will be selected to participate in training on how to run intelligence clubs in schools and conduct activities promoting students to think.

At the end of the camp, the non-formal education tools competition was announced to encourage teachers to create new tools that can be used in the non-formal education process.

Knowledge Path Library for Children and Youth

The Knowledge Path Library is dedicated to restoring books as the leading components in the upbringing of children and creating a generation of knowledge and creativity. It promotes reading as a necessary part of every child's path to knowledge and works to foster it through a friendly environment in which literacy and creative activities take place.

Introduced in 2013, the Knowledge Path Library for Children and Youth marked the creation of a free and vital space in which children of all ages and backgrounds could meet and discover creative thinking through reading activities. During 2018, the library hosted over 42,000 children who read more than 41,000 books on various topics. The library also received 150 school visits during which students were offered several programs and activities, including storytelling, creative activities, summer and winter clubs, and monthly children's film screenings. The library provides workshops to build children's capabilities, and seven workshops for parents on parenting (children's critical thinking, how to grow your child's talent, how to discover your child's passion, how to improve your child's social intelligence, behavior modification, dealing with teenagers, and protecting children from the problems of this age). Other events included book signings with Jordanian children's book writers, a musical night for children and youth, and basic training for creative writing, which culminated in a play, "Le Kollen Menna Hekaya - Each of Us Has a Story", performed by the library's visitors.

The library team conducted field visits to 54 schools in the Al-Karak, Salt, Irbid, Zerqa, Jerash, Aqaba, and Mafraq governorates, where they provided literary activities and storytelling. In collaboration with the Goethe-Jordan Institute, the Knowledge Path Library organized its fifth international film festival.

The Abdul Hameed Shoman Cultural Forum

Cultural events took place during the year involving 37 Arab and 106 local researchers. More than 10,415 individuals attended these events.

As the foundation's guest of honor, the forum welcomed Philip Yeo, chair of Economic Development Innovations Singapore, to several events. The last meeting was attended by more than 800 participants, who came to share the Singaporean developmental experience, and hear how Singapore was able to overcome them and achieve a comprehensive development in less than half a century.

Through the forum, Dr. Omar Al-Hatamleh, chief innovation officer at NASA, shared some of the world's advances in digital sciences and identified what Jordan needs to create a leap in creativity, research, and innovation.

To further benefit from international experiences in education, the forum welcomed Dr. Lauri Tuomi, director of programs at the Finnish National Agency of Education, and the mathematician Arran Fernandez.

To tackle political, economic, social, and cultural challenges in the Arab Region, the forum organized many lectures and seminars, most importantly "Cultural Security", held in collaboration with Sultan Bin Ali Al Owais Cultural Foundation, and a seminar on innovation in the Arab world in collaboration with the Arab Thought Foundation. In addition, there were many other collaborations with Arab entities and Jordanian academic organizations, such as the University of Jordan, Hashemite University, Al Hussein Technical University, Yarmouk University, and the American University in Madaba.

The results of the lectures and seminars of the Cultural Forum were published in four books in 2018.

Cinema

The foundation's Cinema Program continued to offer weekly selected films from the Arab and international cinema. It also hosted discussions around films, wrote film analyses (for the weekly program), and hosted specialized workshops on cinema. The program included events dedicated to Arabic, Asian, and European cinema.

Children's movies are screened monthly for free to promote the cinema culture among children, build the ability to critique films, and introduce youth to different cinematic schools.

Abdul Hameed Shoman Foundation Cultural Days

As part of its ongoing efforts to connect with Jordanian society in Amman, the capital, and other governorates through cultural activities, the Abdul Hameed Shoman Foundation continues to organize the "Shoman Cultural Days", which feature activities that reflect the foundation's diverse programs, in cooperation with various, relevant cultural and national entities.

In celebration of Jabal Amman, a cultural hub and cradle in the heart of Amman, the Abdul Hameed Shoman Foundation held, for the fifth consecutive time, Jabal Amman Cultural Week, in partnership with Jabal Amman Residents Association (JARA), under the auspices of 20 cultural entities. Jabal Amman Cultural Week features several cultural activities and events for different ages and tastes, including Jordanian films, a book exhibition with book signing events, art exhibitions in the galleries of Jabal Amman, and creative children's events throughout the week at JARA and the Knowledge Path Library. This year saw the participation of more than 29 publishing houses at 40 events, with 22,000 visitors.

The Abdul Hameed Shoman Public Library

As a social cultural center, the library continues to grow its collection by providing more modern and popular books, and books with an international outlook, such as the fourth industrial revolution and best-selling books, as well as electronic databases such as those for university theses. The library added 3,157 physical books and 79 audiobooks to its collection during the year.

With the aim of entering the digital era of reading, the library provided access to electronic books through 600 free subscriptions to important databases for library members. Among the databases is Abjjad, which is the first Arabic social network dedicated to readers. It allows readers, writers, and bloggers to subscribe and build a virtual library in which they share their books and current or future reads.

As a social hub, the library held 14 workshops for members of the community on critical thinking, the basics of scientific research, and the use of electronic databases. Ten books were launched and signed through the library's reading program, 35 books were discussed by various reading clubs, and four introductory sessions were held for 3D printing, magnetic fields, and artificial intelligence.

The library also contributed to the creation of 16 libraries at correctional facilities, and equipped them with all the library materials needed, including books. The staff have been trained on how to manage the inmates so as to provide them with a positive experience.

In 2018, the third library seminar, "The Library as an Engine of Change", was held with the participation of three experts from Australia, Finland, and India. Over 140 librarians representing 73 libraries and institutes from Jordan and Palestine attended. The seminar was held to enable librarians to share experiences, benefit from international models of leading libraries, and talk about the changing role of libraries as social hubs. A visit to libraries in Singapore was conducted to learn about their experiences and the successes of the services and programs they offer.

The library continues to support libraries in governorates in Jordan and Palestine through the "Family Library". AHSF Library conducted workshops for library staff in Irbid, Aqaba, the public library of Faqqu in Al-Karak, and correctional facilities' libraries in Jordan. It also held a scientific research workshop in Al-Karak.

By the end of 2018, around 341,086 visitors visited the library, a 10% increase compared to the previous year. The number of members reached 46,681, with 2,332 new members, for a 9% increase. Also, as many as 47,573 books were borrowed – an increase of 12% in comparison to 2017, while 67,681 books were used inside the library, an increase of 5%. Furthermore, 2,770 visitors used the electronic databases, an increase of 21% over the previous year.

Abdul Hameed Shoman Foundation Musical Evenings

The foundation launched the musical evenings program in early 2014 with the aim of providing a way to highlight promising Jordanian and international performers, enhance the exchange of musical experiences, and celebrate Arab and international music of all kinds and offer it to a wider audience. The musical evenings are hosted on the last Thursday of each month.

Musical evenings celebrate prominent Jordanian, Arab, and international musicians and draw visitors to Amman's downtown. Over 6,000 people attended events during 2018.

The Grants and Support Program

As part of its strategy to contribute to the advancement of society, the foundation launched the Grants and Support Programs "to achieve a cultured and creative community".

In 2018, the foundation received 523 applications and provided support for 25 projects and activities in Jordan and Palestine. Those projects accomplished 224 cultural and educational activities across Jordan and benefited more than 40,000 people.

The projects cover the following areas:

- To celebrate talents and to provide creative spaces that promote art, culture, and cultural heritage preservation. The foundation supported the "Bayt Al Nay" from "Thekra" initiative, "Hekayat Shalebeya", Shalabeya the story teller, and the Royal Film Commission's "Med Film Factory". It also supported many festivals and music projects, such as the Friends of Jordan festival, the Amman Opera Festival, the Amman Arabian festival, and the independent music platform "The Closet Session".
- Theatrical arts, such as "Zarqa' Al Yamama", aimed at children and youth, "Tayki Takhtar Hamelat Al Ser", and the children's play "Rain Singer" in Jordan and Palestine.
- To support the Arabic language and to promote reading and the enrichment of Arabic literary content on digital media, the foundation supported Abjjad. It also helped many library initiatives to promote reading, such as supporting 16 libraries in Palestine, the Yousef Ahmed Alghanim Library at Birzeit University, the mobile library for Haya Cultural Center, the Family Library for the Ministry of Culture, and the library of the Corridor JO Association.
- In the education field, the foundation supported many educational and scientific areas and activities, such as the children's cartoon, "Adam Wa Mishmish", the platform "For9a", and enabled students to participate in the International Conference on Fractional Differentiation and its Applications '18, held at the University of Jordan. It also supported the activities of the Arab Thought Forum.
- As for social innovation and projects tackling social problems, the foundation supported many organizations and programs that play a role in leading innovative thought among the youth, such as the projects "Carers", "Awn", and the "Kalemati" educational program in Jordan, and the "Narjess" project to create productive gardens in Palestine for the Beita Women Development Society.

Arab Bank Group

Arab Bank plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD '000

		December 31	
	Note	2018	2017
ASSETS			
Cash and balances with central banks	7	7 974 014	7 607 064
Balances with banks and financial institutions	8	3 197 643	3 992 234
Deposits with banks and financial institutions	9	323 443	150 419
Financial assets at fair value through profit or loss	10	439 829	470 654
Financial derivatives - positive fair value	41	63 963	35 420
Direct credit facilities at amortized cost	12	23 785 542	23 488 575
Financial assets at fair value through other comprehensive income	11	371 010	395 563
Other financial assets at amortized cost	13	8 507 847	7 760 023
Investments in associates	14	3 298 251	3 226 231
Fixed assets	15	455 719	459 141
Other assets	16	613 418	491 174
Deferred tax assets	17	131 946	87 223
Total Assets		**49 162 625**	**48 163 721**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Banks' and financial institutions' deposits	18	4 266 590	3 927 288
Customers' deposits	19	31 430 913	31 080 459
Cash margin	20	2 913 471	2 700 289
Financial derivatives - negative fair value	41	51 523	42 154
Borrowed funds	21	281 479	182 090
Provision for income tax	22	321 490	272 205
Other provisions	23	210 303	326 040
Other liabilities	24	1 014 057	1 220 231
Deferred tax liabilities	25	8 210	3 693
Total Liabilities		**40 498 036**	**39 754 449**
Share capital	26	926 615	926 615
Share premium	26	1 225 747	1 225 747
Statutory reserve	27	919 507	841 359
Voluntary reserve	28	977 315	977 315
General reserve	29	1 141 824	1 141 824
General banking risks reserve	30	237 124	395 828
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve	31	(264 651)	(350 550)
Investments revaluation reserve	32	(322 831)	(313 438)
Retained earnings	33	2 192 006	1 904 663
Total Equity Attributable to the Shareholders of the Bank		**8 573 552**	**8 290 259**
Non-controlling interests	33	91 037	119 013
Total Shareholders' Equity		**8 664 589**	**8 409 272**
Total Liabilities and Shareholders' Equity		**49 162 625**	**48 163 721**

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

		Note	2018	2017
REVENUE	Interest income	34	2 206 996	1 984 069
	Less: interest expense	35	916 059	797 507
	Net Interest Income		**1 290 937**	**1 186 562**
	Net commissions income	36	294 991	301 711
	Net Interest and Commissions Income		**1 585 928**	**1 488 273**
	Foreign exchange differences		115 713	84 665
	Gain from financial assets at fair value through profit or loss	37	3 153	5 380
	Dividends on financial assets at fair value through other comprehensive income	11	7 515	6 995
	Group's share of profits of associates	14	370 903	350 278
	Other revenue	38	49 837	48 408
	Total Income		**2 133 049**	**1 983 999**
EXPENSES	Employees' expenses	39	513 166	459 957
	Other expenses	40	297 554	267 445
	Depreciation and amortization	15/16	57 263	56 546
	Credit loss expense on financial assets	6	251 331	250 377
	Other provisions	23	(5 237)	3 021
	Total Expenses		**1 114 077**	**1 037 346**
	Recovery (expense) of legal provision		325 000	(150 000)
	Impairment of investment held for sale	14	(225 000)	-
PROFIT FOR THE YEAR	**Profit for the Year Before Income Tax**		**1 118 972**	**796 653**
	Less: Income tax expense	22	298 428	263 690
	Profit for the Year		**820 544**	**532 963**
	Attributable to:			
	Bank's shareholders		820 649	521 961
	Non-controlling interests	33	(105)	11 002
	Total		**820 544**	**532 963**
	Earnings per share attributable to the Bank's shareholders			
	- Basic and diluted (US Dollars)	55	1.28	0.81

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

USD '000

	2018	2017
Profit for the year	**820 544**	**532 963**
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	72 009	45 676
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	**(12 332)**	**(43 585)**
Change in investment revaluation reserve	(10 374)	(46 209)
(Loss) gain from sale of financial assets at fair value through other comprehensive income	(1 958)	2 624
Total other comprehensive income items - after tax	**59 677**	**2 091**
Total comprehensive income for the year	**880 221**	**535 054**
Attributable to:		
- Bank's shareholders	895 196	530 935
- Non-controlling interests	(14 975)	4 119
Total	**880 221**	**535 054**

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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
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		-	-	-	-	-	-
	Amended 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)
	Investments revaluation reserve transferred 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**
2017	**Balance at the beginning of the year**		**926 615**	**1 225 747**	**798 443**	**977 315**	**1 141 824**	**363 458**
	Profit for the year		-	-	-	-	-	-
	Other comprehensive income for the year		-	-	-	-	-	-
	Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
	Transferred to statutory reserve		-	-	42 916	-	-	-
	Transferred to general banking risk reserve		-	-	-	-	-	32 370
	Investment revaluation reserve transferred to retained earnings		-	-	-	-	-	-
	Investment revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-
	Dividends paid	33	-	-	-	-	-	-
	Adjustments during the year		-	-	-	-	-	-
	Balance at the end of the year		**926 615**	**1 225 747**	**841 359**	**977 315**	**1 141 824**	**395 828**

- The retained earnings include restricted deferred tax assets in the amount of USD 131.9 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances as a result of the adoption of certain Accounting Standards amounted to USD 2.8 million as of 31 December 2018.
- The Bank cannot use a restricted amount of USD 322.8 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 2018.

* 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 IFRS 9.

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 Shareholders' Equity
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**
1 540 896	**(402 682)**	**(267 672)**	**1 738 225**	**8 042 169**	**122 367**	**8 164 536**
-	-	-	521 961	521 961	11 002	532 963
-	52 132	(43 158)	-	8 974	(6 883)	2 091
-	**52 132**	**(43 158)**	**521 961**	**530 935**	**4 119**	**535 054**
-	-	-	(42 916)	-	-	-
-	-	-	(32 370)	-	-	-
-	-	(2 608)	2 608	-	-	-
-	-			-	(16)	(16)
-	-	-	(278 182)	(278 182)	(5 105)	(283 287)
-	-	-	(4 663)	(4 663)	(2 352)	(7 015)
1 540 896	(350 550)	(313 438)	1 904 663	8 290 259	119 013	8 409 272

USD '000

		Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	Profit for the year before income tax		1 118 972	796 653
	Adjustments for:			
	Depreciation	15	48 153	48 962
	Credit loss expense on financial assets	6	251 331	250 377
	Net accrued interest		656	36 578
	Gain from sale of fixed assets		(645)	(1 324)
	Amortization of intangible assets	16	9 110	7 584
	Loss (gain) from revaluation of financial assets at fair value through profit or loss	37	46	(1 477)
	Dividends from financial assets at fair value through other comprehensive income	11	(7 515)	(6 995)
	Group's share of profits of associates	14	(370 903)	(350 278)
	(Recovery) expense of legal provision		(325 000)	150 000
	Impairment of investment held for sale		225 000	-
	Other provisions		(5 237)	3 021
	Total		**943 968**	**933 101**
	(Increase) decrease in assets:			
	Balances with central banks (maturing after 3 months)		(13 755)	(25 000)
	Deposits with banks and financial institutions (maturing after 3 months)		624 450	25 699
	Direct credit facilities at amortized cost		(650 374)	(1 840 831)
	Financial assets at fair value through profit and loss		30 779	229 339
	Other assets and financial derivatives		(9 317)	(9 395)
	Increase (decrease) in liabilities:			
	Bank and financial institutions deposits (maturing after 3 months)		(10 268)	36 632
	Customers' deposits		350 454	(1 693)
	Cash margin		213 182	138 863
	Other liabilities and financial derivatives		(390 315)	46 327
	Net cash from (used in) operating activities before income tax		**1 088 804**	**(466 958)**
	Income tax paid	22	(265 372)	**(240 453)**
	Net cash from (used in) operating activities		**823 432**	**(707 411)**
CASH FLOWS FROM INVESTING ACTIVITIES	Sale of financial assets at fair value through other comprehensive income		13 200	32 191
	(Purchase) maturity of other financial assets at amortized cost		(770 512)	(119 068)
	Investments in associates	14	(2 165)	(2 724)
	Dividends received from associates	14	192 170	169 470
	Dividends from financial assets at fair value through other comprehensive income	11	7 515	6 995
	(Purchase) of fixed assets	15	(62 118)	(51 168)
	Proceeds from selling fixed assets - net		6 584	11 018
	(Purchase) of intangible assets		(9 220)	(11 982)
	Net cash (used in) from investing activities		**(624 546)**	**34 732**
CASH FLOWS FROM FINANCING ACTIVITIES	Borrowed funds		99 389	(89 095)
	Dividends paid to shareholders		(366 940)	(280 136)
	Dividends paid to non-controlling interests		(4 759)	(5 105)
	Net cash used in financing activities		**(272 310)**	**(374 336)**
	Net decrease in cash and cash equivalents		(73 424)	(1 047 015)
	Exchange differences - change in foreign exchange rates		85 899	52 132
	Cash and cash equivalent at the beginning of the year		7 354 955	8 349 838
	Cash and Cash Equivalent at the end of the year	57	**7 367 430**	**7 354 955**
	Operational cash flows from interest			
	Interest paid		889 608	765 116
	Interest received		2 181 201	1 988 256

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 78 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 31 January 2019 and are subject to the approval of the General Assembly and the Central Bank of Jordan.

2. (a) Basis of Preparation

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Interpretations issued by the International Financial Reporting Interpretations Committee, the prevailing rules in the countries where the Group operates and the instructions of the Central Bank of Jordan.

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 have been presented in US Dollars (USD) being the functional and presentation currency of the Group.

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
	2018	**2017**				
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 94.3m
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

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

The financial statements of subsidiaries are prepared using the same accounting policies used by the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The results of operations of subsidiaries are included in the consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary by the Group. The results of operations of subsidiaries disposed are included in the consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.

Upon consolidation, inter-group transactions and balances between Arab Bank plc, Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within shareholders' equity in the consolidated statement of financial position.

The acquisition method is used for all adjustments completed on the business combinations, the costs of these business combination are measured at total fair value of assets of which were waived, either being cash paid or other assets and the obligations incurred at the date of exchange. All costs associated with the business combinations must be expensed in the consolidated statement of income and are not considered as a part of the acquisition cost.

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those adopted for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018:

IFRS 9 Financial Instruments

The Group has not restated comparative information for 2017 for consolidated financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortized cost) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The impact of this change in accounting policies as at 1 January 2018 has been to decrease shareholders' equity by USD 172 million as follows:

Effect of implementing the new expected credit loss model:	**Retained earnings**
	USD '000
Due from banks and central banks	6 096
Financial assets at amortized cost	25 000
Direct credit facilities at amortized cost	121 539
Indirect credit facilities	42 855
Deferred taxes	(23 044)
Total	**172 446**
Attributable to:	
Bank's Shareholders	164 205
Non-controlling interests	8 241
	172 446

Changes in financial assets balances are as follows:

Item	Amount as of 31 December 2017	Reclassified amount	Expected Credit Losses *	Amount as of 1 January 2018 after effect of IFRS (9) adoption
	USD '000	USD '000	USD '000	USD '000
Cash and balances with central banks	7 607 064	-	(2 560)	7 604 504
Balances and deposits with banks and financial institutions	4 142 653	-	(3 536)	4 139 117
Financial assets at fair value through profit or loss	470 654	17 693	-	488 347
Financial assets at fair value through other comprehensive income	395 563	-	-	395 563
Direct credit facilities at amortized cost	23 488 573		(121 539)	23 367 036
Debt instruments included in financial assets at amortized cost	7 760 023	(17 693)	(25 000)	7 717 330
Transferred to financial assets at fair value through profit or loss	-	(17 693)	-	-
Total indirect facilities	18 892 135	-	(42 855)	18 849 280

* The expected credit losses are calculated for each item after stage classification at year-end.

The beginning balance for the provisions amount after the effect of IFRS (9) adoption:

Item	Current provision amount as of 31 December 2017	Differences resulting from recalculation	Balance in accordance with IFRS (9)
	USD '000	USD '000	USD '000
Balances with central banks	-	2 560	2 560
Balances and deposits with banks and financial institutions	-	3 536	3 536
Direct credit facilities at amortized cost	1 271 375	121 539	1 392 914
Debt instruments included in financial assets at amortized cost	28 028	25 000	53 028
Total indirect facilities	-	42 855	42 855

Expected credit losses as of 1 January 2018 per stage is as follows:

	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	2 560	-	-	-	-	2 560
Balances and deposits with banks and financial institutions	3 536	-	-	-	-	3 536
Direct credit facilities at amortized cost	65 636	20 025	294 530	2 673	1 010 050	1 392 914
Debt instruments included in financial assets at amortized cost	17 763	-	21 026	-	14 239	53 028
Total indirect facilities	27 330	-	14 641	-	884	42 855

Expected credit losses as of 31 December 2018 per stage is as follows:

	Stage 1		Stage 2		Stage 3	Total
	Individual	Collective	Individual	Collective		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	1 746	-	-	-	-	1 746
Balances and deposits with banks and financial institutions	4 067	-	-	-	-	4 067
Direct credit facilities at amortized cost	72 310	14 125	296 195	6 354	1 184 949	1 573 933
Debt instruments included in financial assets at amortized cost	18 175	-	17 565	-	4 776	40 516
Total indirect facilities	35 481	-	30 398	-	11 479	77 358

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

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

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

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

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

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

The details of these conditions are outlined below:

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 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 in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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

Or

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

Or

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

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

Financial guarantees, letters of credit and 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 – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision.

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

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

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

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification

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

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

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

Or

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

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

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

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

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

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

The 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 ECLs

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
- Oil price indices
- Financial market performance indices

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

Collateral valuation

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

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

Collateral repossessed

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

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

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their 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.

Leasing contracts

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

1. The 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.

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

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

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

Upon consolidation, the financial assets and financial liabilities of the branches, Arab Bank Switzerland and subsidiaries abroad are translated from the local currency to the reporting currency at the average rates prevailing at the date of the consolidated financial statements. Exchange differences arising from the revaluation of the net investment in the branches and subsidiaries abroad are recorded in a separate item in consolidated other comprehensive income items.

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.

- 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 consolidated 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.

The Group computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs).

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.
3. Instruments which are 30 days past due have experienced a significant increase in credit risk as per the standard. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank Group applies 45 days past due in this regard.

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 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as 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 Loss Expense On Financial Assets

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

	December 31					
	2018					2017
	Note	Stage 1	Stage 2	Stage 3	Total	
		USD '000	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	250 377
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**	**250 377**

7. Cash and Balances with Central Banks

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Cash in vaults	452 637	522 167
Balances with central banks:		
- Current accounts	2 484 344	2 264 604
- Time and notice	2 879 087	2 903 838
- Mandatory cash reserve	1 543 327	1 554 444
- Certificates of deposit	616 365	362 011
Less: Net ECL charges	(1 746)	-
Total	**7 974 014**	**7 607 064**

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.
- Balances and certificates of deposits maturing after three months amounted to USD 38.6 million as of 31 December 2018 (USD 25 million as of 31 December 2017).

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

	December 31				
	2018				**2017**
	Stage 1 individual	Stage 2 individual	Stage 3	Total	
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	7 523 123	-	-	7 523 123	7 084 897

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

	December 31			
	2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018	7 084 897	-	-	7 084 897
New balances (Additions)	1 023 659	-	-	1 023 659
Repaid balances (excluding write offs)	(396 069)	-	-	(396 069)
Translation Adjustments	(189 364)	-	-	(189 364)
Total	**7 523 123**	**-**	**-**	**7 523 123**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	2 560	-	-	2 560
Net ECL charges for new balances during the year	375	-	-	375
Recoveries (excluding write offs)	(1 044)	-	-	(1 044)
Adjustments during the year	245	-	-	245
Translation adjustments	(390)	-	-	(390)
Balance at the end of the year	**1 746**	**-**	**-**	**1 746**

8. Balances with Banks and Financial Institutions

The details of this item are as follows:

Local Banks and Financial Institutions

	December 31	
	2018	**2017**
	USD '000	USD '000
Current accounts	1 171	2 466
Time deposits maturing within 3 months	167 598	142 797
Total	**168 769**	**145 263**

Abroad Banks and Financial Institutions

	December 31	
	2018	**2017**
	USD '000	USD '000
Current accounts	1 511 127	2 226 600
Time deposits maturing within 3 months	1 519 297	1 595 380
Certificates of deposit	-	24 991
Total	3 030 424	3 846 971
Less: Net ECL charges	(1 550)	-
Total balances with banks and financial institutions Local and Abroad	**3 197 643**	**3 992 234**

There are no non interest bearing balances as of 31 December 2018 and 2017.

There are no restricted balances as of 31 December 2018 (USD 800 million as of 31 December 2017).

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.

	December 31				
	2018				2017
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk/ performing	2 334 965	-	-	2 334 965	2 679 146
Acceptable risk/ performing	864 228	-	-	864 228	1 313 088
Total	**3 199 193**	**-**	**-**	**3 199 193**	**3 992 234**

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

	December 31			
	2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	3 992 234	-	-	3 992 234
New balances (additions)	620 724	-	-	620 724
Repaid balances (excluding write offs)	(1 373 519)	-	-	(1 373 519)
Translation adjustments	(40 246)	-	-	(40 246)
Balance at 31 December 2018	3 199 193	-	-	3 199 193

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	1 810	-	-	1 810
ECL charges during the year	491	-	-	491
Recoveries (excluding write offs)	(732)	-	-	(732)
Adjustments during the year	37	-	-	37
Translation adjustments	(56)	-	-	(56)
Balance at the end of the year	**1 550**	**-**	**-**	**1 550**

9. Deposits with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions	December 31	
	2018	**2017**
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	6 090	9 415
Time deposits maturing after one year	167 726	21 150
Total	**173 816**	**30 565**

	December 31	
Abroad banks and financial institutions	**2018**	**2017**
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	148 817	98 214
Time deposits maturing after 6 months and before 9 months	-	15 009
Time deposits maturing after 9 months and before a year	3 327	-
Time deposits maturing after one year	-	6 631
Total	152 144	119 854
Less: Net ECL charges	(2 517)	-
Total deposits with banks and financial institutions Local and Abroad	**323 443**	**150 419**

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

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.

	December 31				
	2018				**2017**
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk/ performing	179 193	-	-	179 193	29 264
Acceptable risk/ performing	146 767	-	-	146 767	121 155
Total	**325 960**	**-**	**-**	**325 960**	**150 419**

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

	December 31			
	2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018	150 419	-	-	150 419
New balances (additions)	223 793	-	-	223 793
Repaid balances (excluding write offs)	(45 755)	-	-	(45 755)
Translation adjustments	(2 497)	-	-	(2 497)
Balance as at 31 December 2018	**325 960**	**-**	**-**	**325 960**

The movement of ECL charges on deposits with banks & financial institutions is as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	1 726	-	-	1 726
ECL charges during the year	1 245	-	-	1 245
Recoveries (excluding write offs)	(464)	-	-	(464)
Adjustments during the year	47	-	-	47
Translation adjustments	(37)	-	-	(37)
Balance at the end of the year	**2 517**	**-**	**-**	**2 517**

10. Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Treasury bills and Government bonds	96 878	104 620
Corporate bonds	289 808	293 963
Loans and advances	29 624	29 624
Corporate shares	1 845	14 360
Mutual funds	21 674	28 087
Total	**439 829**	**470 654**

	December 31		
	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**

	December 31		
	2017		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	104 620	-	104 620
Corporate bonds	293 963	-	293 963
Loans and advances	29 624	-	29 624
Corporate shares	-	14 360	14 360
Mutual funds	-	28 087	28 087
Total	**428 207**	**42 447**	**470 654**

11. Financial Assets at Fair Value Through Other Comprehensive Income

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Quoted shares	194 134	189 573
Unquoted shares	176 876	205 990
Total	**371 010**	**395 563**

Cash dividends from investments above amounted to USD 7.5 million for the year ended 31 December 2018 (USD 7 million as of 31 December 2017).

	December 31		
	2018		
	Designated as FV	Carried Manda torily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	194 134	194 134
Unquoted shares	-	176 876	176 876
Total	**-**	**371 010**	**371 010**

	December 31		
	2017		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	189 573	189 573
Unquoted shares	-	205 990	205 990
Total	**-**	**395 563**	**395 563**

Realized losses transferred from investment revaluation reserve to retained earnings amounted to USD 2 million and the non-controlling interests share from these realized gains was USD 1 thousand as of 31 December 2018. (Realized gains transferred from investment revaluation reserve to retained earnings amounted to USD 2.6 million and the non-controlling interests share was USD 16 thousand as of 31 December 2017).

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

	December 31					
	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
Net ECL charges	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 1,742.1 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 1,302.9 million, or 5.1% of direct credit facilities, after deducting interest and commission in suspense.

	December 31					
	2017					
	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 *	82 995	156 324	504 971	82 872	2 559	829 721
Overdrafts *	88 990	1 097 629	3 291 990	5 804	376 104	4 860 517
Loans and advances *	3 090 804	1 738 544	11 162 138	47 755	883 293	16 922 534
Real-estate loans	2 155 079	143 555	79 825	-	-	2 378 459
Credit cards	146 980	-	-	-	-	146 980
Total	**5 564 848**	**3 136 052**	**15 038 924**	**136 431**	**1 261 956**	**25 138 211**
Less: Interest and commission in suspense	64 406	94 150	213 160	6 545	-	378 261
Provision for impairment - direct credit facilities at amortized cost	141 121	137 884	989 535	411	2 424	1 271 375
Total	**205 527**	**232 034**	**1 202 695**	**6 956**	**2 424**	**1 649 636**
Net direct credit facilities at amortized cost	**5 359 321**	**2 904 018**	**13 836 229**	**129 475**	**1 259 532**	**23 488 575**

* Net of interest and commission received in advance, which amounted to USD 126.9 million as of 31 December 2017.

- Rescheduled loans during the year ended 31 December 2017 amounted to USD 303 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2017 amounted to USD 4.5 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2017 amounted to USD 89.8 million, or 0.4% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2017 amounted to USD 1,640.9 million, or 6.5% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2017 amounted to USD 1,277.6 million, or 5.2% 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 2018 are as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	85 661	297 203	1 010 050	1 392 914
ECL charges on new balances during the year	26 103	37 624	195 437	259 164
Recoveries	(25 793)	(39 367)	(21 615)	(86 775)
Transferred to Stage 1	5 092	(4 632)	(460)	-
Transferred to Stage 2	(10 392)	12 531	(2 139)	-
Transferred to Stage 3	(330)	(13 206)	13 536	-
Impact on year-end ECL caused by transfers between stages during the year	6 261	20 917	32 301	59 479
Used from provision (written off or transferred to off consolidated statement of financial position)	-	-	(35 182)	(35 182)
Adjustments during the year	3 001	(6 513)	8 905	5 393
Translation adjustments	(3 168)	(2 008)	(15 884)	(21 060)
Balance at the end of the year	**86 435**	**302 549**	**1 184 949**	**1 573 933**

	December 31						
	2018						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institu-tions	Govern-ment and Public Sector	Total	Total includes movement on the real-estate loans provision as follows
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	158 583	157 613	1 071 575	507	4 636	1 392 914	11 782
New ECL charges on new bal-ances 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 con-solidated statement of financial position)	(392)	(4 300)	(30 490)	-	-	(35 182)	(32)
Adjustments 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**

	December 31						
	2017						
	Con-sumer Banking	Corporates		Banks and Financial Institu-tions	Govern-ment and Public Sector	Total	Total includes movement on the real - estates loans provision as follows:
		Small and Me-dium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	157 567	129 123	1 019 270	398	2 141	1 308 499	12 374
Impairment losses charged to income	17 844	26 612	252 211	-	814	297 481	2 175
Used from provision (written off or transferred to off consolidated statement of finan-cial position) *	(23 175)	(7 400)	(278 901)	-	-	(309 476)	(614)
Surplus in provision transferred to statement of income	(9 357)	(10 963)	(26 214)	-	(570)	(47 104)	(2 873)
Adjustments during the year	(202)	1 914	11 119	-	-	12 831	120
Translation adjustments	(1 556)	(1 402)	12 050	13	39	9 144	79
Balance at the end of the Year	**141 121**	**137 884**	**989 535**	**411**	**2 424**	**1 271 375**	**11 261**

- 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 2018 and 31 December 2017.
- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 5 million as of 31 December 2018 (USD 399.3 million as of 31 December 2017) 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						
	2018						
	Consumer Banking	Corporates		Banks and Financial Institutions	Govern-ment and Public Sector	Total	Total includes interest and commission in suspense move-ment on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	64 406	94 150	213 160	6 545	-	378 261	12 273
Interest and commission sus-pended 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**

	December 31						
	2017						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Govern-ment and Public Sector	Total	Total includes interest and commission in suspense move-ment on real - estates loans as follows:
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	80 012	93 649	283 236	5 460	-	462 357	11 196
Interest and commission suspended during the year	15 427	14 376	58 100	1 085	-	88 988	3 016
Interest and commission in suspense settled (written off or transferred to off consoli-dated statement of financial position)	(26 887)	(11 318)	(129 914)	-	-	(168 119)	(943)
Recoveries	(3 007)	(2 690)	(2 687)	-	-	(8 384)	(1 003)
Adjustments during the year	(588)	468	120	-	-	-	-
Translation adjustments	(551)	(335)	4 305	-	-	3 419	7
Balance at the end of the Year	**64 406**	**94 150**	**213 160**	**6 545**	**-**	**378 261**	**12 273**

Large Corporate Lending

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.

	December 31				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	2 242 420	-	-	2 242 420	2 260 526
Acceptable risk / performing	10 126 494	2 182 300	-	12 308 794	11 648 899
Non- performing					
Substandard	-	-	11 227	11 227	366 439
Doubtful	-	-	264 733	264 733	175 838
Problematic	-	-	857 877	857 877	587 222
Total	**12 368 914**	**2 182 300**	**1 133 837**	**15 685 051**	**15 038 924**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	12 507 097	1 402 328	1 129 499	15 038 924
New balances (additions)	3 629 776	730 360	115 161	4 475 297
Repaid balances (excluding write offs)	(2 627 551)	(732 620)	(211 199)	(3 571 370)
Transfers to stage 1	252 905	(251 165)	(1 740)	-
Transfers to stage 2	(1 147 819)	1 148 058	(239)	-
Transfers to stage 3	(65 482)	(81 367)	146 849	-
Amounts written off	-	-	(34 864)	(34 864)
Translations adjustments	(180 012)	(33 294)	(9 630)	(222 936)
Balance at 31 December 2018	**12 368 914**	**2 182 300**	**1 133 837**	**15 685 051**

The details of movement on the provision for impairment – ECL as of 31 December 2018 for large corporates are as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	52 204	278 151	741 220	1 071 575
New ECL charges for new balances during the year	21 369	30 551	161 995	213 915
Recoveries (excluding write offs)	(17 387)	(37 583)	(9 987)	(64 957)
Transfers to stage 1	2 090	(1 630)	(460)	-
Transfers to stage 2	(9 680)	11 319	(1 639)	-
Transfers to stage 3	(110)	(1 703)	1 813	-
Impact on year end ECL caused by transfers between stages during the year	3 920	19 677	24 167	47 764
Used from provision (written off or transferred to off statement of financial position)	-	-	(30 490)	(30 490)
Adjustments during the year	1 773	(9 192)	9 180	1 761
Translation Adjustments	(1 195)	(902)	(4 712)	(6 809)
Total	**52 984**	**288 688**	**891 087**	**1 232 759**

Small and Medium Enterprise (SMEs) Lending

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.

	December 31				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 207 214	-	-	1 207 214	1 227 615
Acceptable risk / performing	1 493 647	256 300	-	1 749 947	1 645 015
Non- performing					
Substandard	-	-	23 150	23 150	6 625
Doubtful	-	-	31 013	31 013	21 324
Problematic	-	-	276 683	276 683	235 473
Total	**2 700 861**	**256 300**	**330 846**	**3 288 007**	**3 136 052**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	2 671 716	200 914	263 422	3 136 052
New balances (additions)	610 045	101 738	57 680	769 463
Repaid balances (excluding write offs)	(383 789)	(106 335)	(22 019)	(512 143)
Transfers to stage 1	28 782	(28 742)	(40)	-
Transfers to stage 2	(132 196)	132 708	(512)	-
Transfers to stage 3	(22 812)	(29 131)	51 943	-
Amounts written off	-	-	(9 170)	(9 170)
Translations adjustments	(70 885)	(14 852)	(10 458)	(96 195)
Balance at 31 December 2018	**2 700 861**	**256 300**	**330 846**	**3 288 007**

The details of movement on the provision for the impairment – ECL as of 31 December 2018 for corporates – small and medium are as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	10 398	15 401	131 814	157 613
New ECL charges for new balances during the year	3 357	1 708	17 492	22 557
Recoveries (excluding write offs)	(1 220)	(1 038)	(5 246)	(7 504)
Transfers to stage 1	1 610	(1 610)	-	-
Transfers to stage 2	(569)	577	(8)	-
Transfers to stage 3	(33)	(10 951)	10 984	-
Impact on year end ECL caused by transfers between stages during the year	1 535	1 409	6 314	9 258
Used from provision (written off or transferred to off statement of financial position)	-	-	(4 300)	(4 300)
Adjustments during the year	806	2 647	(1 400)	2 053
Translation Adjustments	(966)	(901)	(5 877)	(7 744)
Total	**14 918**	**7 242**	**149 773**	**171 933**

Consumer lending

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.

	December 31				
	2018				2017
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	966 673	-	-	966 673	1 072 697
Acceptable risk / performing	4 395 061	66 519	-	4 461 580	4 277 015
Non-performing					
Substandard	-	-	23 165	23 165	19 598
Doubtful	-	-	20 523	20 523	18 324
Problematic	-	-	195 895	195 895	177 214
Total	**5 361 734**	**66 519**	**239 583**	**5 667 836**	**5 564 848**

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

	December 31			
	2018			
	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	5 258 849	90 863	215 136	5 564 848
New balances (additions)	797 232	18 412	39 492	855 136
Repaid balances (excluding write offs)	(573 640)	(34 821)	(17 719)	(626 180)
Transfers to stage 1	23 666	(29 664)	5 998	-
Transfers to stage 2	(27 321)	28 026	(705)	-
Transfers to stage 3	(5 905)	(2 757)	8 662	-
Amounts written off	-	-	(2 750)	(2 750)
Translations adjustments	(111 147)	(3 540)	(8 531)	(123 218)
Balance at 31 December 2018	**5 361 734**	**66 519**	**239 583**	**5 667 836**

The details of movement on the provision for impairment – ECL as of 31 December 2018 for consumer lending is as follows:

	December 31			
	2018			
	Stage 1 (Collective)	Stage 2 (Collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	20 025	2 673	135 885	158 583
New ECL charges for new balances during the year	926	5 365	15 950	22 241
Recoveries (excluding write offs)	(6 624)	(363)	(6 356)	(13 343)
Transfers to stage 1	1 290	(1 290)	-	-
Transfers to stage 2	(143)	635	(492)	-
Transfers to stage 3	(187)	(552)	739	-
Impact on year end ECL caused by transfers between stages during the year	125	45	1 820	1 990
Used from provision (written off or transferred to off statement of financial position)	-	-	(392)	(392)
Adjustments during the year	(365)	32	1 147	814
Translation Adjustments	(922)	(191)	(5 285)	(6 398)
Total	**14 125**	**6 354**	**143 016**	**163 495**

Banks and financial institutions lending

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.

	December 31				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	10 897	-	-	10 897	14 593
Acceptable risk / performing	68 760	-	-	68 760	89 703
Non-performing					
Doubtful	-	-	33 192	33 192	31 723
Problematic	-	-	4 015	4 015	412
Total	**79 657**	**-**	**37 207**	**116 864**	**136 431**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	104 296	-	32 135	136 431
New balances (additions)	76 912	-	4 569	81 481
Repaid balances (excluding write offs)	(96 305)	-	(135)	(96 440)
Transfers to stage 3	(642)	-	642	-
Translations adjustments	(4 604)	-	(4)	(4 608)
Balance at 31 December 2018	**79 657**	**-**	**37 207**	**116 864**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	70	-	437	507
New ECL charges for new balances during the year	42	-	-	42
Recoveries (excluding write offs)	(19)	-	-	(19)
Adjustments during the year	9	-	(22)	(13)
Translation Adjustments	(2)		(10)	(12)
Total	**100**	**-**	**405**	**505**

Government and Public-Sector Lending

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.

	December 31				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	573 213	-	-	573 213	874 494
Acceptable risk / performing	437 182	44 590	-	481 772	386 768
Non-performing					
Problematic	-	-	668	668	694
Total	**1 010 395**	**44 590**	**668**	**1 055 653**	**1 261 956**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Gross carrying amount as at 1 January 2018	1 183 658	77 604	694	1 261 956
New balances (additions)	203 477	11 524	-	215 001
Repaid balances (excluding write offs)	(390 739)	(8 458)	(26)	(399 223)
Transfers to stage 1	35 234	(35 234)	-	-
Translations adjustments	(21 235)	(846)	-	(22 081)
Balance at 31 December 2018	**1 010 395**	**44 590**	**668**	**1 055 653**

The details of movement on the provision for impairment – ECL as of 31 December 2018 for Government and public-sector lending are as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	2 964	978	694	4 636
New ECL charges for new balances during the year	409	-	-	409
Recoveries (excluding write offs)	(543)	(383)	(26)	(952)
Transfers to stage 1	102	(102)	-	-
Impact on year end ECL caused by transfers between stages during the year	681	(214)	-	467
Adjustments during the year	778	-	-	778
Translation Adjustments	(83)	(14)	-	(97)
Total	**4 308**	**265**	**668**	**5 241**

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

	December 31			
	Inside Jordan	Outside Jordan	**2018**	**2017**
Economic Sector	USD '000	USD '000	USD '000	USD '000
Consumer Banking	2 831 111	2 600 102	5 431 213	5 359 321
Industry and mining	1 674 218	3 122 058	4 796 276	4 532 099
Constructions	433 207	1 614 318	2 047 525	2 340 996
Real - Estates	351 349	1 509 231	1 860 580	1 828 221
Trade	1 215 665	3 028 896	4 244 561	4 063 192
Agriculture	178 498	150 978	329 476	277 207
Tourism and Hotels	204 371	441 288	645 659	517 303
Transportations	125 285	236 503	361 788	569 783
Shares	-	11 985	11 985	14 663
General Services	805 752	2 091 911	2 897 663	2 596 783
Banks and Financial Institutions	24 813	83 591	108 404	129 475
Government and Public Sector	115 064	935 348	1 050 412	1 259 532
Net direct credit facilities at amortized cost	**7 959 333**	**15 826 209**	**23 785 542**	**23 488 575**

13. Other financial Assets At Amortized Cost

	December 31	
	2018	**2017**
	USD '000	USD '000
Treasury bills	2 619 749	2 023 661
Government bonds and bonds guaranteed by the government	4 513 903	4 149 590
Corporate bonds	1 414 711	1 614 800
Net ECL charges/ provision for impairment	(40 516)	(28 028)
Total	**8 507 847**	**7 760 023**

Analysis of bonds based on interest nature:

	December 31	
	2018	**2017**
	USD '000	USD '000
Floating interest rate	524 708	733 333
Fixed interest rate	8 023 655	7 054 718
Net ECL Charges / Provision for impairment	(40 516)	(28 028)
Total	**8 507 847**	**7 760 023**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:

	December 31	
	2018	**2017**
	USD '000	USD '000
Treasury bills	789 039	489 288
Government bonds and bonds guaranteed by the government	832 774	1 105 520
Corporate bonds	1 315 893	1 387 040
Total	**2 937 706**	**2 981 848**

Financial assets unquoted in the market:

	December 31	
	2018	**2017**
	USD '000	USD '000
Treasury bills	1 830 710	1 534 373
Government bonds and bonds guaranteed by the government	3 681 129	3 044 070
Corporate bonds	98 818	227 760
Total	5 610 657	4 806 203
Less: Net ECL charges/ provision for impairment	(40 516)	(28 028)
Grand Total	**8 507 847**	**7 760 023**

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.

	December 31				
	2018				**2017**
	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	8 233 424	-	-	8 233 424	7 610 727
Acceptable risk / performing	126 430	183 733	-	310 163	153 086
Non- performing					
Substandard	-	-	-	-	18 976
Doubtful	-	-	-	-	486
Problematic	-	-	4 776	4 776	4 776
Total	**8 359 854**	**183 733**	**4 776**	**8 548 363**	**7 788 051**

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

	December 31			
	2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as at 1 January 2018	7 463 496	300 317	24 238	7 788 051
New investments (additions)	3 994 315	14 359	-	4 008 674
Matured investments	(2 986 200)	(109 127)	-	(3 095 327)
Transfers to stage 1	5 157	(5 157)	-	-
Transfers to stage 2	(9 839)	9 839	-	-
Adjustments during the year	-	(7 327)	(18 528)	(25 855)
Translation adjustments	(107 075)	(19 171)	(934)	(127 180)
Balance at 31 December 2018	**8 359 854**	**183 733**	**4 776**	**8 548 363**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	17 763	21 026	14 239	53 028
New ECL charges for new investments	1 534	63	-	1 597
Recoveries from matured investments (excluding write offs)	(1 219)	(2 690)	-	(3 909)
Transfers to stage 1	266	(266)	-	-
Adjustments during the year	(62)	(68)	(9 009)	(9 139)
Translation Adjustments	(107)	(500)	(454)	(1 061)
Total	**18 175**	**17 565**	**4 776**	**40 516**

The details of movement on the provision for impairment of other financial assets at amortized cost are as follows:

	December 31
	2017
	USD '000
Balance at the beginning of the year	27 142
Translation adjustment	886
Balance at the end of the year	**28 028**

During 2018' certain other financial assets at amortized cost amounted to USD 183.2 million were sold (USD 49.8 million during the year ended 31 December 2017).

14. Investments in Associates

The details of this item are as follows:

	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
	%	USD '000					
31 December 2018							
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**					
31 December 2017							
Turkland Bank A.Ş.**	50.00	137 732	Turkey	Unquoted	2017	Banking	2006
Oman Arab Bank S.A.O.	49.00	347 708	Oman	Unquoted	2017	Banking	1984
Arab National Bank	40.00	2 675 627	Saudi Arabia	2,634,667	2017	Banking	1979
Arabia Insurance Company	40.34	32 035	Lebanon	Unquoted	2016	Insurance	1972
Commercial buildings	35.39	8 837	Lebanon	Unquoted	2016	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	11 547	Oman	Unquoted	2017	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	12 745	Various			Various	
Total		**3 226 231**					

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

	December 31	
	2018	**2017**
	USD '000	USD '000
Balance at the beginning of the year	3 226 231	3 077 008
Purchase of investments in associates	2 165	2 724
Group's share of profits for the year	370 903	350 278
Dividends received	(192 170)	(169 470)
Translation adjustment	(41 236)	(11 059)
Group's share of other changes in equity	(67 642)	(23 250)
Balance at the end of the year	3 298 251	3 226 231
Group's share of taxes	**86 579**	**76 754**

The closing price of the Arab National Bank's share as of 31 December 2018 was Saudi Riyal 31.9 as quoted on Saudi Arabia Stock Exchange (Saudi Riyal 24.7 as of 31 December 2017). However, due to matters relating to the ownership of Arab National Bank, the closing price of the share may not necessarily represent its fair value.

* This account mostly represents investments in Arab Tunisian Lease Company, Arabia Sicaf and Arab Tunisian Invest Company amounting to USD 5.9 million, USD 1.7 million and USD 1 million, respectively, as of 31 December 2018 (USD 7.1 million, USD 2 million and USD 1.3 million respectively, as of 31 December 2017).

** Investment held for sale - Turkland Bank A.S.

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:

	December 31
	2018
	USD '000
Share of loss of Turkland Bank A.S.	(23 371)
Impairment relating to measurement at fair value less cost to sell	(13 587)
	(36 958)

The Group's share of Turkland Bank A.S. statement of financial position:

	December 31
	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	
	2018	**2017**
	USD '000	USD '000
Turkland Bank A.S.	(23 371)	(7 474)
Oman Arab Bank S.A.O.	38 522	35 905
Arab National Bank	353 272	322 689
Arabia Insurance Company	1 144	(790)
Other	1 336	(52)
Total	**370 903**	**350 278**

The Group's share of the associates are as follows:

	December 31							
	2018				**2017**			
	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	**19 017 654**	**2 971 587**	**243 915**	**22 233 156**	**18 331 733**	**2 717 195**	**876 737**	**21 925 665**
Total Liabilities	**16 147 216**	**2 609 699**	**177 990**	**18 934 905**	**15 656 106**	**2 371 665**	**671 663**	**18 699 434**
Total revenue	**698 393**	**111 709**	**20 162**	**830 264**	**682 880**	**98 939**	**33 527**	**815 346**
Total expenses	**345 121**	**73 187**	**41 053**	**459 361**	**360 191**	**63 034**	**41 843**	**465 068**
Net profit / (loss)	353 272	38 522	(20 891)	370 903	322 689	35 905	(8 316)	350 278

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
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Historical Cost:							
Balance as of 1 January 2017	73 894	391 882	210 664	146 833	14 309	80 481	918 063
Additions	9	8 380	12 664	17 003	1 875	11 237	51 168
Disposals	(442)	(3 593)	(4 396)	(13 207)	(793)	(9 027)	(31 458)
Adjustments during the year	(1)	-	-	8	-	(18)	(11)
Translation Adjustments	(1 270)	6 080	211	1 310	(242)	(450)	5 639
Balance as of 31 December 2017	**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 at 31 December 2018	**69 968**	**414 895**	**210 321**	**162 773**	**14 468**	**89 498**	**961 923**
Accumulated Depreciation:							
Balance as of 1 January 2017	-	127 190	158 059	109 330	11 096	48 755	454 430
Depreciation charge for the year	-	9 849	14 260	16 237	1 282	7 334	48 962
Disposals	-	(744)	(4 304)	(13 158)	(769)	(2 789)	(21 764)
Adjustments during the year	-	5	(6)	7	(28)	(16)	(38)
Translation adjustments	-	1 273	410	1 296	(160)	(149)	2 670
Balance as of 31 December 2017	**-**	**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 at 31 December 2018	**-**	**145 518**	**167 605**	**123 019**	**10 641**	**59 421**	**506 204**
Net Book Value as of 31 December 2018	**69 968**	**269 377**	**42 716**	**39 754**	**3 827**	**30 077**	**455 719**
Net Book Value as of 31 December 2017	**72 190**	**265 176**	**50 724**	**38 235**	**3 728**	**29 088**	**459 141**

The cost of fully depreciated fixed assets amounted to USD 256.7 million as of 31 December 2018 (USD 242.7 million as of 31 December 2017).

16. Other Assets

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Accrued interest receivable	206 176	180 381
Prepaid expenses	116 949	111 444
Foreclosed assets *	88 344	59 372
Intangible assets **	22 587	23 675
Other miscellaneous assets	179 362	116 302
Total	**613 418**	**491 174**

* 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:

	December 31			
	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 impairment losses	188	(398)	-	(210)
Translation adjustments	-	(99)	-	(99)
Balance at the end of the year	**50 377**	**37 967**	**-**	**88 344**

	December 31			
	2017			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	14 040	35 646	355	50 041
Additions	11 698	4 565	-	16 263
Disposals	(589)	(2 721)	-	(3 310)
Provision for impairment and impairment losses	(1 459)	(2 194)	-	(3 653)
Translation adjustments	7	24	-	31
Balance at end of the year	**23 697**	**35 320**	**355**	**59 372**

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

	December 31	
	2018	2017
	USD '000	USD '000
Balance at the beginning of the year	23,675	20,442
Additions	9,220	12,048
Disposals	-	(66)
Amortization charge for the year	(9,110)	(7,584)
Adjustment during the year and translation adjustments	(1,198)	(1,165)
Balance at end of the year	**22,587**	**23,675**

17. Deferred Tax Assets

The details of this item are as follows:

Items attributable to deferred tax assets are as follows:

	December 31					
	2018					
	Balance at the beginning of the year (restated)	Amounts added	Amounts released	Adjustments during the year and translation adjustments	Balance at the end of the year	Deferred tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Provision for impairment – 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**

	December 31					
	2017					
	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
Provision for impairment - direct credit facilities at amortized cost	116 286	62 345	(34 572)	1 905	145 964	33 176
End-of-Service indemnity	57 191	15 328	(7 047)	-	65 472	19 154
Interest in suspense	17 878	12 830	(12 171)	-	18 537	4 039
Other	90 380	23 227	(8 317)	2 531	107 821	30 854
Total	**281 735**	**113 730**	**(62 107)**	**4 436**	**337 794**	**87 223**

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:

	December 31	
	2018	2017
	USD '000	USD '000
Balance at the beginning of the year (restated)	110 267	73 390
Additions during the year	42 557	27 389
Amortized during the year	(20 460)	(14 649)
Adjustments during the year and translation adjustments	(418)	1 093
Balance at the end of the year	**131 946**	**87 223**

18. Banks' and Financial Institutions' Deposits

The details of this item are as follows:

	December 31					
	2018			2017		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	-	472 139	472 139	-	584 476	584 476
Time deposits	124 475	3 669 976	3 794 451	105 609	3 237 203	3 342 812
Total	**124 475**	**4 142 115**	**4 266 590**	**105 609**	**3 821 679**	**3 927 288**

19. Customers' Deposits

The details of this item are as follows:

	December 31				
	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 769.3 million, or 2.5% of total customer deposits as of 31 December 2018 (USD 395 million, or 1.3% of total customer deposits as of 31 December 2017).
- Non-interest bearing deposits amounted to USD 10,677.8 million, or 34% of total customer deposits as of 31 December 2018 (USD 11,076.3 million or 35.6% of total customer deposits as of 31 December 2017).
- Blocked deposits amounted to USD 162.8 million, or 0.5% of total customer deposits as of 31 December 2018 (USD 146.8 million or 0.5% of total customer deposit as of 31 December 2017).
- Dormant deposits amounted to USD 371.3 million, or 1.2% of total customer deposits as of 31 December 2018 (USD 395.5 million, or 1.3% of total customer deposits as of 31 December 2017).

	December 31				
	2017				
	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	7 791 158	2 069 817	2 158 229	345 585	12 364 789
Savings	3 069 379	162 800	17 935	132	3 250 246
Time and notice	8 196 262	937 523	3 849 366	2 101 530	15 084 681
Certificates of deposit	207 117	13 161	66 419	94 046	380 743
Total	**19 263 916**	**3 183 301**	**6 091 949**	**2 541 293**	**31 080 459**

20. Cash Margin

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Against direct credit facilities at amortized cost	1 943 583	1 890 745
Against indirect credit facilities	964 456	802 988
Against margin trading	1 792	2 468
Other cash margins	3 640	4 088
Total	**2 913 471**	**2 700 289**

21. Borrowed Funds

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
From Central Banks *	78 341	66 331
From banks and financial institutions **	203 138	115 759
Total	**281 479**	**182 090**

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

	December 31	
	2018	**2017**
	USD '000	USD '000
Floating interest rate	141 987	27 895
Fixed interest rate	139 492	154 195
Total	**281 479**	**182 090**

* 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 amounted to USD 5.1 million as of 31 December 2018 (USD 5.6 million as of 31 December 2017).

* 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 2018 amounted to USD 3.1 million (USD 3.7 Million as of 31 December 2017).
* 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 2019 and ends on September 2028, these advances amounted USD 62.6 million as of 31 December 2018 (USD 49.5 million as of 31 December 2017)

* 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 2018 amounted to USD 5.1 million (USD 5.1 million as of 31 December 2017).
* 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 2018 amounted to USD 2.4 million (USD 2.4 million as of 31 December 2017.

** During 2017, Arab Bank (Jordan Branches) signed loans agreements with Sumitomo Mitsui Banking Corporation in Dubai with fixed interest rate ranging between (0.85% - 0.892%), the balance as of 31 December 2018 amounted to USD 21.7 million and the first contract matures in 4 January 2019 and the last one matures in 7 May 2019 (USD 23.5 million as of 31 December 2017).

** During 2018, Arab Bank (Jordan Branches) signed a loan agreement 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 2018 amounted to USD 100 million.

* Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 81.5 million as of 31 December 2018 (USD 92.2 million as of 31 December 2017) 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:

	December 31	
	2018	**2017**
	USD '000	USD '000
Loans maturing within one year	10 266	12 062
Loans maturing after 1 year and less than 3 years	18 934	17 732
Loans maturing after 3 years	52 331	62 422
Total	**81 531**	**92 216**

22. Provision for Income Tax

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Balance at the beginning of the year	272 205	242 377
Income tax charge	314 657	270 281
Income tax paid	(265 372)	(240 453)
Balance at the end of the year	**321 490**	**272 205**

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

	December 31	
	2018	**2017**
	USD '000	USD '000
Income tax charge for the year	314 657	270 281
Deferred tax benefit for the year	(40 622)	(25 251)
Amortization of deferred tax assets	19 834	16 234
Deferred tax liabilities for the year	4 671	2 429
Amortization of deferred tax liabilities	(112)	(3)
Total	**298 428**	**263 690**

- 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 Group has investments and branches ranges from zero to 37% as of 31 December 2018 and 2017. Arab Bank Group effective tax rate was 26.7% as of 31 December 2018 and 33.1% as of 31 December 2017.

- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2017 such as Arab Bank United Arab Emirates and 2012 such as Arab Bank Qatar and Arab Bank Syria.

23. Other Provisions

The details of this item are as follows:

	December 31					
	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
	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**

	December 31					
	2017					
	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
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	113 418	15 823	(11 331)	(440)	98	117 568
Legal cases	18 363	1 651	(31)	(2 920)	404	17 467
Other	128 014	3 921	(3 037)	(15 014)	77 121	191 005
Total	**259 795**	**21 395**	**(14 399)**	**(18 374)**	**77 623**	**326 040**

24. Other Liabilities

The details of this item are as follows:

	December 31	
	2018	2017
	USD '000	USD '000
Accrued interest payable	181 648	155 197
Notes payable	127 704	181 282
Interest and commission received in advance	101 512	62 780
Accrued expenses	68 017	63 920
Dividends payable to shareholders	17 268	15 297
Provision for impairment – ECL on indirect facilities*	77 358	-
Other miscellaneous liabilities *	440 550	741 755
Total	**1 014 057**	**1 220 231**

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.

	December 31				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	980 692	-	-	980 692	741 030
Acceptable risk / performing	16 488 576	601 611	-	17 090 187	18 125 689
Non-performing	-	-	26 777	26 777	25 416
Total	**17 469 268**	**601 611**	**26 777**	**18 097 656**	**18 892 135**

The movement on total indirect credit facilities is as follows:

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018	18 538 342	328 377	25 416	18 892 135
New balances (Additions)	5 693 175	322 385	4 736	6 020 296
Matured balances	(6 425 407)	(169 779)	(3 607)	(6 598 793)
Transfers to stage 1	30 376	(30 270)	(106)	-
Transfers to stage 2	(154 391)	154 391	-	-
Transfers to stage 3	(486)	(14)	500	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(212 341)	(3 479)	(162)	(215 982)
Total	**17 469 268**	**601 611**	**26 777**	**18 097 656**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2018 (restated)	27 330	14 641	884	42 855
New ECL charges for new balances during the year	12 027	16 755	2 125	30 907
Recoveries (excluding write offs)	(5 011)	(5 439)	(481)	(10 931)
Transfers to stage 1	1 166	(1 166)	-	-
Transfers to stage 2	(243)	243	-	-
Transfers to stage 3	(1)	-	1	-
Impact on year end ECL caused by transfers between stages during the year	-	1 928	-	1 928
Adjustments during the year	360	3 477	8 347	12 184
Translation Adjustments	(147)	(41)	603	415
Total	**35 481**	**30 398**	**11 479**	**77 358**

25. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	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
	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

	December 31					
	2017					
	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
Investments revaluation reserve	6,255	-	(6,255)	-	-	-
Other	8 202	14 554	(10)	(214)	22 532	3 693
Total	**14 457**	**14 554**	**(6 265)**	**(214)**	**22 532**	**3 693**

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

	December 31	
	2018	2017
	USD '000	USD '000
Balance at the beginning of the year	3 693	1 276
Additions during the year	4 728	2 429
Amortized during the year	(112)	(3)
Adjustments during the year and translation adjustments	(99)	(9)
Balance at the end of the year	**8 210**	**3 693**

26. Share Capital & Premium

A. Share capital amounted to USD 926.6 million distributed to 640.8 million shares as of 31 December 2018 and 2017 with an authorized capital of 640.8 million shares (at a par value of USD 1.41 per share).
B. Share premium amounted to USD 1,225.7 million as of 31 December 2018 and 2017.

27. Statutory Reserve

Statutory reserve amounted to USD 919.5 million as of 31 December 2018 (USD 841.4 million as of 31 December 2017) according to the regulations of the Central Bank of Jordan and Companies Law and it cannot be distributed to the shareholders of the bank.

28. Voluntary Reserve

The voluntary reserve amounted to USD 977.3 million as of 31 December 2018 and 2017. 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 1,141.8 million as of 31 December 2018 and 2017. 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 237.1 million as of 31 December 2018 (USD 395.8 million as of 31 December 2017).

31. Foreign Currency Translation Reserve

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Balance at the beginning of the year	(350 550)	(402 682)
Changes during the year	85 899	52 132
Balance at the end of the year	**(264 651)**	**(350 550)**

32. Investments Revaluation Reserve

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Balance at the beginning of the year	(313 438)	(267 672)
Change in fair value during the year	(11 352)	(43 158)
Net realized loss (Gains) transferred to retained earnings	1 959	(2 608)
Balance at the end of the year	**(322 831)**	**(313 438)**

33. Retained Earnings and Non-controlling Interests

The movement of retained earnings are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Balance at the beginning of the year	1 904 663	1 738 225
Profit for the year attributable to shareholders of the Bank	820 649	521 961
Investments revaluation reserve transferred to retained earnings	(1 959)	2 608
Dividends paid *	(368 911)	(278 182)
Transferred to statutory reserve	(78 148)	(42 916)
Transferred to general banking risk reserve	-	(32 370)
Transferred from general banking risk reserve**	158 704	-
Changes in associates equity	(82 038)	-
Adjustments during the year	3 251	(4 663)
Effect of IFRS (9) adoption	(164 205)	-
Balance at the end of the year	**2 192 006**	**1 904 663**

* Arab Bank PLC Board of Directors recommended a 45% of USD 1.41 of par value as cash dividend, equivalent to USD 406.6 million, for the year 2018. 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 29 March 2018 approved the recommendation of the Bank's Board of Directors to distribute 40% of par value as cash dividends for the year 2017 equivalent to USD 361.4 million). Dividends paid to non-controlling interests amounted to USD 4.8 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:

	December 31					
	2018			**2017**		
	Non-controlling interests	Share of non-controlling interests of net assets	Share of non-controlling interests of net profit / (loss)	Non-controlling interests	Share of non-controlling interests of net assets	Share of non-controlling interests of net profit/ (loss)
	%	USD '000	USD '000	%	USD '000	USD '000
Arab Tunisian Bank	35.76	62 091	1 342	35.76	87 147	9 744
Arab Bank Syria	48.71	14 096	(3 317)	48.71	17 414	(182)
Al Nisr Al Arabi Insurance Company plc	50.00	14 850	1 870	50.00	14 452	1 440
Total		**91 037**	**(105)**		**119 013**	**11 002**

The following are selected financial information for subsidiaries with material non-controlling interests:

	December 31					
	2018			2017		
	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	2 153 015	151 959	132 101	2 630 969	154 308	112 901
Total Liabilities	1 979 382	122 933	102 401	2 387 268	118 453	83 997
Net assets	**173 633**	**29 026**	**29 700**	**243 701**	**35 855**	**28 904**
Total income	79 669	2 355	12 513	96 579	3 409	11 046
Total expenses	75 917	9 184	8 773	69 330	3 783	8 167
Net profit / (loss)	**3 752**	**(6 829)**	**3 740**	**27 249**	**(374)**	**2 879**

34. Interest Income

The details of this item are as follows:

	December 31	
	2018	2017
	USD '000	USD '000
Direct credit facilities at amortized cost *	1 608 944	1 450 604
Central banks	65 798	56 876
Banks and financial institutions	59 192	39 716
Financial assets at fair value through profit or loss	30 218	15 838
Other financial assets at amortized cost	442 844	421 035
Total	**2 206 996**	**1 984 069**

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

	December 31					
	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**

	December 31 2017					
	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	4 305	13 714	26 593	3 672	59	48 343
Overdrafts	7 385	81 136	242 934	411	19 901	351 767
Loans and advances	228 966	94 746	516 762	3 055	49 118	892 647
Real estate loans	130 866	7 255	5 047	-	-	143 168
Credit cards	14 679	-	-	-	-	14 679
Total	**386 201**	**196 851**	**791 336**	**7 138**	**69 078**	**1 450 604**

35. Interest Expense

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Customer deposits *	744 792	659 070
Banks' and financial institutions' deposits	89 907	65 697
Cash margins	45 725	39 661
Borrowed funds	6 127	6 605
Deposit insurance fees	29 508	26 474
Total	**916 059**	**797 507**

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

	December 31 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**

	December 31 2017				
	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	10 846	1 876	19 340	7 571	39 633
Savings	33 547	3 160	183	-	36 890
Time and notice	285 024	30 629	157 719	75 341	548 713
Certificates of deposit	23 233	1 067	4 204	5 330	33 834
Total	**352 650**	**36 732**	**181 446**	**88 242**	**659 070**

36. Net Commission Income

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Commission income:		
- Direct credit facilities at amortized cost	92 276	89 197
- Indirect credit facilities	121 054	135 179
- Assets under management	14 774	13 612
- Other	107 218	98 690
Commission expense	(40 331)	(34 967)
Net Commission Income	**294 991**	**301 711**

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

The details of this item are as follows:

	December 31			
	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**

	December 31			
	2017			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	2 669	2 095	-	4 764
Companies shares	-	(1 386)	1 234	(152)
Mutual funds	-	768	-	768
Total	**2 669**	**1 477**	**1 234**	**5 380**

38. Other Revenue

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Revenue from customer services	15 290	17 339
Safe box and other rentals	3 657	3 909
(Loss) gain from derivatives	(245)	348
Miscellaneous revenue	31 135	26 812
Total	**49 837**	**48 408**

39. Employees' Expenses

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Salaries and other benefits	368 235	335 618
Social security	33 547	33 420
Savings fund	4 853	4 706
Indemnity compensation	3 649	1 896
Medical	13 869	12 939
Training	2 918	3 050
Allowances	74 116	58 550
Other	11 979	9 778
Total	**513 166**	**459 957**

40. Other Expenses

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Rent and utilities	73 961	72 729
Office	66 867	61 003
Services	41 017	46 719
Fees	13 617	12 855
Information technology	41 278	40 244
Other administrative expenses	60 814	33 895
Total	**297 554**	**267 445**

41. Financial Derivatives

The details of financial derivatives are as follows:

	December 31						
	2018						
				Notional amounts by maturity			
(Held At FVTPL)	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Year	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**

(Held At FVTPL)	December 31						
	2017						
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Notional amounts by maturity			
				Within 3 Months	From 3 months to 1 Year	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	381	696	123 032	66 947	49 115	6 970	-
Interest rate swaps	7 359	5 409	1 154 807	106 281	48 768	315 290	684 468
Foreign currency forward contracts	13 831	25 257	7 625 249	6 553 516	1 061 664	10 069	-
Derivatives held for trading	21 571	31 362	8 903 088	6 726 744	1 159 547	332 329	684 468
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	13 849	10 639	1 432 317	145 985	265 840	198 445	822 047
Foreign currency forward contracts	-	-	264 159	264 159	-	-	-
Derivatives held for fair value hedge	13 849	10 639	1 696 476	410 144	265 840	198 445	822 047
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	153	11 864	7 806	-	4 058	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	153	11 864	7 806	-	4 058	-
Total	**35 420**	**42 154**	**10 611 428**	**7 144 694**	**1 425 387**	**534 832**	**1 506 515**

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

42. Concentration of Revenues, Assets 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 revenues, assets and capital expenditures inside and outside Jordan:

	December 31					
	Inside Jordan		Outside Jordan		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Revenues	631 000	548 266	1 502 049	1 435 733	2 133 049	1 983 999
Assets	14 387 764	13 167 964	34 774 861	34 995 757	49 162 625	48 163 721
Capital Expenditures	24 140	22 990	47 198	40 226	71 338	63 216

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

	December 31					
	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	-	-
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**
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**
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	-
Investments 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**

	December 31					
	2017					
	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	945 311	512 987	(84 906)	221 515	389 092	1 983 999
Net inter-segment interest income	(180 140)	(183 812)	229 305	134 647	-	-
Credit loss expense on financial assets	(241 890)	-	(388)	(8 099)	-	(250 377)
Other provisions	(1 925)	2 065	2 963	(6 124)	-	(3 021)
Direct administrative expenses	(144 203)	(17 974)	(30 093)	(150 163)	(7 385)	(349 818)
Result of operations of segments	377 153	313 266	116 881	191 776	381 707	1 380 783
Indirect expenses on segments	(182 624)	(63 413)	(42 806)	(142 796)	(2 491)	(434 130)
Expense of legal provision	-	-	-	-	(150 000)	(150 000)
Profit for the year before income tax	**194 529**	**249 853**	**74 075**	**48 980**	**229 216**	**796 653**
Income tax expense	(72 189)	(62 713)	(20 374)	(16 307)	(92 107)	(263 690)
Profit for the year	**122 340**	**187 140**	**53 701**	**32 673**	**137 109**	**532 963**
Depreciation and amortization	17 351	4 800	4 728	29 667	-	56 546
Other Information						
Segment assets	18 484 173	17 691 712	3 012 083	4 477 937	1 271 585	44 937 490
Inter-segment assets	-	-	10 756 307	3 022 490	5 381 954	-
Investments in associates	-	-	-	-	3 226 231	3 226 231
Total Assets	**18 484 173**	**17 691 712**	**13 768 390**	**7 500 427**	**9 879 770**	**48 163 721**
Segment liabilities	14 663 828	2 351 306	13 768 390	7 500 427	1 470 498	39 754 449
Shareholders' equity	-	-	-	-	8 409 272	8 409 272
Inter-segment liabilities	3 820 345	15 340 406	-	-	-	-
Total Liabilities and Shareholders' Equity	**18 484 173**	**17 691 712**	**13 768 390**	**7 500 427**	**9 879 770**	**48 163 721**

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- C) 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 High ALCO.

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

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

	December 31	
	2018	**2017**
	USD '000	USD '000
Credit risk exposures relating to items on the consolidated statement of financial position:		
Balances with central banks	7 521 377	7 084 897
Balances with banks and financial institutions	3 197 643	3 992 234
Deposits with banks and financial institutions	323 443	150 419
Financial assets at fair value through profit or loss	416 310	428 207
Direct credit facilities at amortized cost	**23 785 542**	**23 488 575**
Consumer Banking	5 431 213	5 359 321
Small and Medium Corporate	3 017 160	2 904 018
Large Corporate	14 178 353	13 836 229
Banks and financial institutions	108 404	129 475
Government and public sector	1 050 412	1 259 532
Other financial assets at amortized cost	8 507 847	7 760 023
Financial derivatives - positive fair value:	63 963	35 420
Other assets	323 125	291 825
Total	**44 139 250**	**43 231 600**

Credit risk exposures relating to items off the consolidated statement of financial position:

Total of indirect facilities	**18 020 298**	**18 892 135**
Grand total for credit exposure	**62 159 548**	**62 123 735**

The table above shows the maximum limit of the bank credit risk as of 31 December 2018 and 2017 excluding collaterals and risks mitigations.

A. Credit exposure categorized by economic sector:

	Consumer Banking	Corporates			
		Industry and Mining	Constructions	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	-	-	-	-	-
Direct credit facilities at amortized cost	5 431 213	4 796 276	2 047 525	1 860 580	4 244 561
Other financial assets at amortized cost	-	89 892	-	-	19 962
Financial derivatives - positive fair value	-	-	-	-	420
Other assets	15 943	27 437	11 192	7 546	35 149
Total	**5 447 156**	**4 913 605**	**2 058 717**	**1 868 126**	**4 300 092**
Total as of 31 December 2017	**5 375 016**	**4 649 487**	**2 350 142**	**1 837 011**	**4 132 087**

								31 December 2018
	Corporates					Banks and Financial Institutions	Government and Public Sector	Total
	Agricul-ture	Tour-ism and Hotels	Transporta-tion	Shares	General Services			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	-	-	-	-	-	-	7 521 377	7 521 377
	-	-	-	-	-	3 521 086	-	3 521 086
	-	-	29 624	-	-	289 808	96 878	416 310
	329 476	645 659	361 788	11 985	2 897 663	108 404	1 050 412	23 785 542
	-	-	-	-	140 289	1 157 105	7 100 599	8 507 847
	-	-	1 501	-	1 310	54 961	5 771	63 963
	1 373	2 922	3 199	-	54 216	18 927	145 221	323 125
	330 849	**648 581**	**396 112**	**11 985**	**3 093 478**	**5 150 291**	**15 920 258**	**44 139 250**
	278 698	**522 803**	**603 723**	**14 663**	**2 768 790**	**5 941 323**	**14 757 857**	**43 231 600**

B. Credit exposure categorized by economic sector and stages according to IFRS 9:

	December 31					
	2018					
	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	15 943	5 346 584	-	59 477	25 152	5 447 156
Industry and Mining	4 129 729	-	783 876	-	-	4 913 605
Constructions	1 799 260	-	254 698	-	4 759	2 058 717
Real Estate	1 595 708	-	259 573	-	12 845	1 868 126
Trade	3 943 054	-	349 827	-	7 211	4 300 092
Agriculture	282 331	-	42 814	-	5 704	330 849
Tourism and Hotels	379 335	-	249 744	-	19 502	648 581
Transportation	317 123	-	75 367	-	3 622	396 112
Shares	11 073	-	912	-	-	11 985
General Services	2 958 531	-	122 720	-	12 227	3 093 478
Banks and Financial Institutions	5 097 964	-	23 480	-	28 847	5 150 291
Government and Public Sector	15 743 125	-	177 133	-	-	15 920 258
Total	**36 273 176**	**5 346 584**	**2 340 144**	**59 477**	**119 869**	**44 139 250**

C. Credit exposure categorized by geographical distribution:

	December 31						
	2018						
	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	2 714 628	2 474 337	227	2 317 431	-	14 754	7 521 377
Balances and deposits with banks and financial institutions	341 126	1 188 106	350 093	900 956	621 389	119 416	3 521 086
Financial assets at fair value through profit or loss	-	161 672	29 848	217 600	-	7 190	416 310
Direct credit facilities at amortized cost	**7 959 333**	**13 559 563**	**437 618**	**1 103 733**	**67 407**	**657 888**	**23 785 542**
Consumer Banking	2 831 111	2 218 630	28	109 285	73	272 086	5 431 213
Small and Medium Corporates	917 337	1 487 602	49 153	407 843	26 626	128 599	3 017 160
Large Corporates	4 071 008	8 915 926	388 089	505 419	40 708	257 203	14 178 353
Banks and Financial Institutions	24 813	83 243	348	-	-	-	108 404
Government and public Sector	115 064	854 162	-	81 186	-	-	1 050 412
Other financial assets at amortized cost	3 387 241	4 054 446	117 129	572 678	145 085	231 268	8 507 847
Financial derivatives - positive fair value	8 646	22 952	5	26 150	-	6 210	63 963
Other assets	67 090	187 269	2 212	63 266	619	2 669	323 125
Total	**14 478 064**	**21 648 345**	**937 132**	**5 201 814**	**834 500**	**1 039 395**	**44 139 250**
Total - as of 31 December 2017	**13 226 685**	**22 090 839**	**779 247**	**4 827 844**	**1 289 787**	**1 017 198**	**43 231 600**

*** Excluding Arab Countries**

D. Credit exposure categorized by geographical distribution and stages in accordance to IFRS 9:

	December 31					
	2018					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Jordan	10 485 671	2 795 281	1 148 870	22 049	26 193	14 478 064
Other Arab Countries	18 194 713	2 181 405	1 154 089	27 939	90 199	21 648 345
Asia*	937 104	28	-	-	-	937 132
Europe	5 073 295	109 284	18 323	-	912	5 201 814
America	834 428	72	-	-	-	834 500
Rest of the World	747 965	260 514	18 862	9 489	2 565	1 039 395
Total	**36 273 176**	**5 346 584**	**2 340 144**	**59 477**	**119 869**	**44 139 250**

* Excluding Arab countries.

E. Fair value of collaterals obtained against total credit exposures

	December 31									
	2018									
		Fair value of collaterals								
	Total Credit Risk Exposure	Cash	Banks Accepted Letters off Guarantees	Real Estate Properties	Listed Securities	Vehicles and Equipment	Other	Total	Net Exposure	Expected Credit Loss
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:										
Balances with central banks	7 523 123	-	-	-	-	-	-	-	7 523 123	1 746
Balances with banks and financial institutions	3 199 193	-	-	-	-	-	-	-	3 199 193	1 550
Deposits with banks and financial institutions	325 960	-	-	-	-	-	-	-	325 960	2 517
Financial assets at fair value through profit or loss	416 310	-	-	-	-	-	-	-	416 310	-
Direct credit facilities at amortized cost	25 813 411	1 767 993	380 705	3 409 549	646 833	448 997	4 684 174	11 338 251	14 475 160	1 573 933
Consumer banking	5 667 836	374 827	8 261	250 201	2 229	89 215	1 398 648	2 123 381	3 544 455	163 495
Small and medium corporates	3 288 007	290 426	48 902	636 269	215 041	28 505	502 311	1 721 454	1 566 553	171 933
Large corporates	15 685 051	1 099 364	323 444	2 516 974	429 563	331 277	2 659 000	7 359 622	8 325 429	1 232 759
Banks and financial institutions	116 864	-	98	-	-	-	712	810	116 054	505
Government and public sector	1 055 653	3 376	-	6 105	-	-	123 503	132 984	922 669	5 241
Other financial assets at amortized cost	8 548 363	-	-	-	-	-	-	-	8 548 363	40 516
Financial derivatives- positive fair value	63 963	-	-	-	-	-	-	-	63 963	-
Other assets	323 125	-	-	-	-	-	-	-	323 125	-
Total	**46 213 448**	**1 767 993**	**380 705**	**3 409 549**	**646 833**	**448 997**	**4 684 174**	**11 338 251**	**34 875 197**	**1 620 262**
Credit exposures relating to items off consolidated statement of financial position:										
Total indirect facilities	**18 097 656**	**981 423**	**69 564**	**207 641**	**20 583**	**17 670**	**2 146 309**	**3 443 190**	**14 654 466**	**77 358**
Grand total	**64 311 104**	**2 749 416**	**450 269**	**3 617 190**	**667 416**	**466 667**	**6 830 483**	**14 781 441**	**49 529 663**	**1 697 620**

F. Fair value of collaterals obtained against Stage 3 credit exposures

	December 31									
	2018									
		Fair value of collaterals								
	Total Credit Risk Exposure	Cash	Banks Accepted Letters off Guaran-tees	Real Estate Properties	Listed Securities	Vehicles and Equip-ment	Other	Total	Net Expo-sure	Expected Credit Loss
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:										
Balances with central banks	-	-	-	-	-	-	-	-	-	-
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	1 742 141	16 952	2 209	241 330	3 946	14 333	25 948	304 718	1 437 423	1 184 949
Consumer banking	239 583	257	-	15 585	139	79	21 069	37 129	202 454	143 016
Small and medium corporates	330 846	2 749	2 209	70 272	-	1 692	4 574	81 496	249 350	149 773
Large corporates	1 133 837	13 946	-	155 473	3 807	12 562	305	186 093	947 744	891 087
Banks and financial institutions	37 207	-	-	-	-	-	-	-	37 207	405
Government and public sector	668	-	-	-	-	-	-	-	668	668
Other financial assets at amortized cost	4 776	-	-	-	-	-	-	-	4 776	4 776
Total	**1 746 917**	**16 952**	**2 209**	**241 330**	**3 946**	**14 333**	**25 948**	**304 718**	**1 442 199**	**1 189 725**
Credit exposures relating to items off consolidated statement of financial position:										
Total indirect facilities	**26 777**	**731**	**-**	**110**	**-**	**-**	**5 137**	**5 978**	**20 799**	**11 479**
Grand total	**1 773 694**	**17 683**	**2 209**	**241 440**	**3 946**	**14 333**	**31 085**	**310 696**	**1 462 998**	**1 201 204**

G. 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.

Item	December 31 2018					
	Stage 2		Stage 3		Total reclassified exposures	Percentage of reclassified exposures
	Total exposure amounts	Reclassified exposures	Total exposure amounts	Reclassified exposures		
	USD '000	USD '000	USD '000	USD '000	USD '000	(%)
Direct credit facilities at amortized cost	2 549 709	850 732	1 742 141	210 858	1 061 590	24.7%
Other financial assets at amortized cost	183 733	4 682	4 776	-	4 682	2.5%
Total	**2 733 442**	**855 414**	**1 746 917**	**210 858**	**1 066 272**	**23.8%**
Total of indirect facilities	**601 611**	**124 107**	**26 777**	**394**	**124 501**	**19.8%**
Total as of 31 December 2018	**3 335 053**	**979 521**	**1 773 694**	**211 252**	**1 190 773**	**23.3%**

Item	December 31 2018					
	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	(%)
Direct credit facilities at amortized cost	302 549	(5 307)	1 184 949	10 937	5 630	0.4%
Other financial assets at amortized cost	17 565	(266)	4 776	-	(266)	(1)%
Total	**320 114**	**(5 573)**	**1 189 725**	**10 937**	**5 364**	**0.4%**
Total of indirect facilities	**30 398**	**(923)**	**11 479**	**1**	**(922)**	**(2.2)%**
Total as of 31 December 2018	**350 512**	**(6 496)**	**1 201 204**	**10 938**	**4 442**	**0.3%**

H. Reclassified expected credit loss exposure:

Item	December 31						
	2018						
	Reclassified exposure			Reclassified expected credit loss exposure			
	Reclassified exposure to stage 2	Reclassified exposure to stage 3	Total reclassified exposure	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Total
	USD "000	USD "000	USD "000	USD "000	USD "000	USD "000	USD "000
Direct credit facilities at amortized cost	850 732	210 858	1 061 590	(1 162)	16 772	43 238	58 848
Other financial assets at amortized cost	4 682	-	4 682	(266)	-	-	(266)
Total	**855 414**	**210 858**	**1 066 272**	**(1 428)**	**16 772**	**43 238**	**58 582**
Total of indirect facilities	**124 107**	**394**	**124 501**	**1 005**	**-**	**1**	**1 006**
Total as of 31 December 2018	**979 521**	**211 252**	**1 190 773**	**(423)**	**16 772**	**43 239**	**59 588**

I. 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:

	December 31		
	2018		
	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-	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
Government and public sector	96 878	7 103 982	7 200 860
Total	**416 310**	**8 507 847**	**8 924 157**

	December 31		
	2017		
	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-	291 797	1 166 117	1 457 914
BBB+ to B-	-	330 615	330 615
Below B-	-	9 462	9 462
Unrated	31 790	80 578	112 368
Government and public sector	104 620	6 173 251	6 277 871
Total	**428 207**	**7 760 023**	**8 188 230**

46. Market Risk

Market Risk Sensitivity

Assuming market prices as of 31 December 2018 and 2017 change by 5%, the impact on the consolidated statement of income and shareholders equity will be as follows:

	December 31					
	2018			2017		
	Consolidated statement of income	Shareholders equity	Total	Consolidated statement of income	Shareholders equity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Interest rate sensitivity	47 989	-	47 989	40 365	-	40 365
Foreign exchange rate sensitivity	2 447	6 811	9 258	13 394	4 120	17 514
Equity instruments prices sensitivity	1 176	18 551	19 727	2 122	19 778	21 900
Total	**51 612**	**25 362**	**76 974**	**55 881**	**23 898**	**79 779**

47. Interest Rate Risk

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

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ASSETS								
Cash at vaults	-	-	-	-	-	-	452 637	452 637
Mandatory cash reserve	-	-	-	-	-	-	1 543 327	1 543 327
Balances with central banks	3 390 329	66 515	13 610	-	-	24 287	2 483 309	5 978 050
Balances and deposits with banks and financial institutions	2 685 357	512 283	153 772	3 327	166 347	-	-	3 521 086
Financial assets at fair value through profit or loss	86 279	72 029	14 917	22 875	65 844	154 366	23 519	439 829
Direct credit facilities at amortized cost	8 027 652	3 825 207	2 294 684	2 766 203	2 131 677	4 740 119	-	23 785 542
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	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**

Below is the Group Exposure to interest rate volatility as of 31 December 2017 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ASSETS								
Cash at vaults	-	-	-	-	-	-	522 167	522 167
Mandatory cash reserve	-	-	-	-	-	-	1 554 444	1 554 444
Balances with central banks	3 237 543	3 306	-	-	-	25 000	2 264 604	5 530 453
Balances and deposits with banks and financial institutions	3 504 389	487 845	107 629	15 009	27 781	-	-	4 142 653
Financial assets at fair value through profit or loss	76 452	100 980	57 083	22 993	87 200	83 499	42 447	470 654
Direct credit facilities at amortized cost	8 650 090	4 146 175	2 049 309	1 693 993	1 926 330	5 022 678	-	23 488 575
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	395 563	395 563
Other financial assets at amortized cost	996 789	1 470 969	878 934	918 381	1 668 543	1 826 407	-	7 760 023
Investments in associates	-	-	-	-	-	-	3 226 231	3 226 231
Fixed assets	-	-	-	-	-	-	459 141	459 141
Other assets and financial derivatives - positive fair value	28 876	32 547	32 572	2 370	15 203	4 417	410 609	526 594
Deferred tax assets	-	-	-	-	-	-	87 223	87 223
Total assets	**16 494 139**	**6 241 822**	**3 125 527**	**2 652 746**	**3 725 057**	**6 962 001**	**8 962 429**	**48 163 721**
LIABILITIES								
Banks' and financial institutions' deposits	1 335 511	1 503 084	314 289	141 546	13 867	34 515	584 476	3 927 288
Customers deposits	10 083 077	3 787 678	2 433 659	3 079 344	474 021	146 417	11 076 263	31 080 459
Cash margin	1 178 263	516 161	401 153	136 962	21 096	8 389	438 265	2 700 289
Borrowed funds	35 313	22 599	9 957	3 832	25 856	84 533	-	182 090
Provision for income tax	-	-	-	-	-	-	272 205	272 205
Other provisions	-	-	-	-	-	-	326 040	326 040
Other liabilities and financial derivatives - negative fair value	77 996	34 166	36 311	8 697	1 199	257	1 103 759	1 262 385
Deferred tax liabilities	-	-	-	-	-	-	3 693	3 693
Total liabilities	**12 710 160**	**5 863 688**	**3 195 369**	**3 370 381**	**536 039**	**274 111**	**13 804 701**	**39 754 449**
Gap	**3 783 979**	**378 134**	**(69 842)**	**(717 635)**	**3 189 018**	**6 687 890**	**(4 842 272)**	**8 409 272**

48. Liquidity Risk

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

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

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2017:

	Within 1 Month	After 1 Months and till 3 Months	After 3 Months and till 6 Months	After 6 Months and till One Year	After One Year and till 3 Years	After 3 Years	Not Tied to a Specific Maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Liabilities								
Banks and financial institutions' deposits	1 234 217	1 419 158	304 965	336 678	13 886	37 454	584 476	3 930 834
Customer deposits	8 499 569	3 819 020	2 447 196	3 419 127	541 979	209 953	12 364 789	31 301 633
Cash margin	1 068 178	188 159	819 408	153 518	29 149	344	446 431	2 705 187
Borrowed funds	6 121	12 025	12 781	3 832	27 013	120 630	-	182 402
Provision for income tax	-	-	-	-	-	-	272 205	272 205
Other provisions	-	-	-	-	-	-	326 040	326 040
Financial derivatives - negative fair value	14 946	8 756	949	880	426	5 687	10 517	42 161
Other liabilities	59 921	20 383	38 191	23 110	481 226	257	597 143	1 220 231
Deferred tax liabilities	-	-	-	-	-	-	3 693	3 693
Total Liabilities	**10 882 952**	**5 467 501**	**3 623 490**	**3 937 145**	**1 093 679**	**374 325**	**14 605 294**	**39 984 386**
Total Assets according to expected maturities	**8 033 159**	**5 587 866**	**2 641 516**	**3 491 112**	**5 329 388**	**9 625 743**	**13 454 937**	**48 163 721**

49. Net Foreign Currency Positions

The details of this item are as follows:

	December 31			
	2018		2017	
	Base currency in thousands	Equivalent in USD '000	Base currency in thousands	Equivalent in USD '000
USD	90 344	90 344	129 701	129 701
GBP	29 957	37 999	5 249	7 091
EUR	(8 763)	(10 013)	17 123	20 550
JPY	(148 183)	(1 342)	306 724	2 721
CHF	3 978	4 036	1 924	1 974
Other currencies *		(72 093)		105 834
		48 931		**267 871**

* 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 a recurring basis.

Some financial assets and financial liabilities are measured at fair value at the end of each reporting period, the following note illustrates how the fair value is 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
	2018	2017				
Financial assets at fair value	USD '000	USD '000				
Financial assets at fair value through profit or loss						
Government Bonds and bills	96 878	104 620	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds and bills	289 808	293 963	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	23 519	42 447	Level 1	Quoted and observable inputs from the market.	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	**439 829**	**470 654**				
Financial derivatives - positive fair value.	63 963	35 420	Level 2	Through comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	194 134	189 573	Level 1	Quoted shares	Not Applicable	Not Applicable
Unquoted shares	176 876	205 990	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at fair value through other comprehensive income	**371 010**	**395 563**				
Total Financial Assets at Fair Value	**874 802**	**901 637**				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	51 523	42 154	Level 2	Through comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	**51 523**	**42 154**				

There were no transfers between Level 1 and 2 during 2018 & 2017.

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:

	December 31				
	2018		2017		
	Book value	Fair value	Book value	Fair value	Fair value Hierarchy
	USD '000	USD '000	USD '000	USD '000	
Financial assets not calculated at fair value					
Mandatory reserve, time, notice and certificates of deposit at Central Banks	5 037 033	5 038 895	4 820 293	4 821 857	Level 2
Balances and Deposits with banks and Financial institutions	3 521 086	3 525 427	4 142 653	4 146 766	Level 2
Direct credit facilities at amortized cost	23 785 542	23 871 686	23 488 575	23 567 812	Level 2
Other Financial assets at amortized cost	8 507 847	8 596 806	7 760 023	7 842 704	Level 1 & 2
Total financial assets not calculated at fair value	**40 851 508**	**41 032 814**	**40 211 544**	**40 379 139**	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	4 266 590	4 284 245	3 927 288	3 942 741	Level 2
Customer deposits	31 430 913	31 553 011	31 080 459	31 193 569	Level 2
Cash margin	2 913 471	2 925 635	2 700 289	2 709 764	Level 2
Borrowed funds	281 479	284 080	182 090	183 878	Level 2
Total financial liabilities not calculated at fair value	**38 892 453**	**39 046 971**	**37 890 126**	**38 029 952**	

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 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
Investments in associates	-	3 298 251	3 298 251
Fixed assets	-	455 719	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	**29 066 047**	**20 096 578**	**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	**(10 091 232)**	**18 755 821**	**8 664 589**

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2017:

	Up to One Year	More than One Year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	522 167	-	522 167
Mandatory cash reserve	1 554 444	-	1 554 444
Balances with central banks	5 505 453	25 000	5 530 453
Balances and deposits with banks and financial institutions	4 114 872	27 781	4 142 653
Financial assets at fair value through profit or loss	176 039	294 615	470 654
Direct credit facilities at amortized cost	12 835 183	10 653 392	23 488 575
Financial assets at fair value through other comprehensive income	-	395 563	395 563
Other financial assets at amortized cost	3 842 356	3 917 667	7 760 023
Investments in associates	-	3 226 231	3 226 231
Fixed assets	-	459 141	459 141
Other assets and financial derivatives - positive fair value	489 918	36 676	526 594
Deferred tax assets	87 223	-	87 223
Total assets	**29 127 655**	**19 036 066**	**48 163 721**
Liabilities			
Banks' and financial institutions' deposits	3 878 906	48 382	3 927 288
Customers deposits	30 458 795	621 664	31 080 459
Cash margin	2 670 796	29 493	2 700 289
Borrowed funds	34 450	147 640	182 090
Other provisions	326 040	-	326 040
Provision for income tax	272 205	-	272 205
Other liabilities and financial derivatives - negative fair value	774 798	487 587	1 262 385
Deferred tax liabilities	3 693	-	3 693
Total liabilities	**38 419 683**	**1 334 766**	**39 754 449**
Net	**(9 292 028)**	**17 701 300**	**8 409 272**

52. Contractual Maturity of the Contingent Accounts

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

	December 31			
	2018			
	Within 1 Year	From 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**

	December 31			
	2017			
	Within 1 Year	From 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 983 811	37 088	-	2 020 899
Acceptances	615 031	12 560	-	627 591
Letters of guarantee:				
- Payment guarantees	692 877	178 387	17 696	888 960
- Performance guarantees	4 225 259	1 647 532	373 879	6 246 670
- Other guarantees	2 739 482	923 654	106 783	3 769 919
Unutilized credit facilities	4 675 784	485 107	177 205	5 338 096
Total	**14 932 244**	**3 284 328**	**675 563**	**18 892 135**
Constructions projects contracts	2 827	10 724	-	13 551
Procurement contracts	6 036	1 964	-	8 000
Operating lease contracts	5 538	20 187	20 686	46 411
Total	**14 401**	**32 875**	**20 686**	**67 962**

53. Capital Management

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

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

	December 31	
	2018	**2017**
	USD '000	USD '000
Common Equity Tier 1	7 963 395	7 584 233
Deductions from Common Equity Tier 1	(2 791 745)	(2 665 636)
Additional Tier 1	8 528	10 493
Supplementary Capital	398 172	416 673
Regulatory Capital	**5 578 350**	**5 345 763**
Risk-weighted assets (RWA)	**35 662 164**	**35 615 663**
Common Equity Tier 1 Ratio	**14.50%**	**13.81%**
Tier 1 Capital Ratio	**14.53%**	**13.84%**
Capital Adequacy Ratio	**15.64%**	**15.01%**

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.

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

- Compliance with the Central Bank capital related requirements.
- Having a strong capital base for supporting the Bank's expansion and development.

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

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

54. Transactions with Related Parties

The details of this item are as follows:

	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
	USD '000	USD '000	USD '000	USD '000
Associated companies	138 980	-	96 987	90 118
Major Shareholders and Members of the Board of Directors	-	299 103	668 829	89 388
	138 980	**299 103**	**765 816**	**179 506**

	December 31			
	2017			
	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	135 864	-	112 094	96 837
Major Shareholders and Members of the Board of Directors	-	267 917	361 567	102 448
	135 864	**267 917**	**473 661**	**199 285**

- 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:

	December 31	
	2018	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 974	1 439

	December 31	
	2017	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 906	1 252

- Direct credit facilitates granted to key management personnel amounted to USD 1.6 million and indirect credit facilities amounted to USD 14.1 thousand as of 31 December 2018 (USD 1.5 million direct credit facilities and USD 8.5 thousand indirect credit facilities as of 31 December 2017).
- Deposits of key management personnel amounted to USD 3.1 million as of 31 December 2018 (USD 2.8 million as of 31 December 2017).
- 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 65.2 million for the year ended on 31 December 2018 (USD 60.4 million for the year ended on 31 December 2017).

55. Earnings Per Share

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Profit for the year attributable to the Bank's shareholders	820 649	521 961
	Thousand Shares	
Average number of shares	640 800	640 800
	USD / Share	
Earnings per share (basic and diluted)	1.28	0.81

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 2018 amounted to USD 3,803 million (USD 3,502 million as of 31 December 2017). These assets under management are not included in the Group consolidated financial statements.

57. Cash and Cash Equivalents

The details of this item are as follows:

	December 31	
	2018	**2017**
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	7 937 150	7 582 064
Add: balances with banks and financial institutions maturing within 3 months	3 199 193	3 192 234
Less: balances with banks and financial institutions deposits maturing within 3 months	3 768 913	3 419 343
Total	**7 367 430**	**7 354 955**

58. Legal Cases

In relation to the claims filed by the U.S. plaintiffs pursuant to the Anti-Terrorism Act (ATA) since 2004, and in light of the Court of Appeals for the Second Circuit's decision issued on 9 February 2018 in favor of the Bank, these cases have been dismissed and closed. In relation to the claims filed by non-U.S. plaintiffs pursuant to the Alien Tort Statute (ATS), the U.S. Supreme Court issued its decision on 24 April 2018 dismissing these claims, thus, they have been closed.

There are other lawsuits filed against the Group totaling USD 117.5 million as of 31 December 2018 (USD 164.1 million as of 31 December 2017). In the opinion of the management and the lawyers representing the Group in the litigation at issue, the Group will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling USD 5.2 million as of 31 December 2018 (USD 17 million as of 31 December 2017).

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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16. The Group expect the effect of adopting IFRS 16 to be USD 4 million on the opening retained earnings.

IFRS 17 Insurance Contracts

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

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

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

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

60. Comparative Figures

Some of the comparative figures in the consolidated financial statements for the year 2017 have been reclassified to be consistent with the year 2018 presentation, with no effect on profit and equity for the year 2017.

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

Report on the Audit of the Consolidated Financial Statements

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 2018, 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 2018, 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 2018. 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 2018, the Group's gross credit facilities amounted to USD 25.8 billion and the related impairment provisions amounted to USD 1.57 billion. The impairment provision policy is presented in the accounting policies in (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, LGD and EIR used for different exposures at different stages.
o Appropriateness of the internal rating and the objectivity,</td></tr>
</table>

	o competence 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 2018, the unquoted equities, positive and negative fair value of derivatives amounted to USD 177 million, USD 64 million and USD 52 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 2018 annual report.

Other information consists of the information included in the Bank's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2018 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 Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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
6 February 2019

ERNST & YOUNG
Amman - Jordan

ARAB BANK Plc

JD '000

		December 31	
	Note	**2018**	**2017**
ASSETS			
Cash and balances with central banks	7	3 258 485	3 270 576
Balances with banks and financial institutions	8	3 209 371	3 063 256
Deposits with banks and financial institutions	9	130 987	67 067
Financial assets at fair value through profit or loss	10	83 521	66 482
Financial derivatives - positive fair value	42	18 270	10 330
Direct credit facilities at amortized cost	12	12 173 355	11 947 106
Financial assets at fair value through other comprehensive income	11	156 164	164 912
Other financial assets at amortized cost	13	4 995 656	4 286 264
Investments in subsidiaries and associates	14	912 182	965 933
Fixed assets	15	224 280	216 816
Other assets	16	304 939	257 678
Deferred tax assets	17	78 128	45 152
Total Assets		**25 545 338**	**24 361 572**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Banks' and financial institutions' deposits	18	2 169 420	1 793 025
Customers' deposits	19	16 785 476	16 178 826
Cash margin	20	1 949 820	1 761 864
Financial derivatives - negative fair value	42	15 164	9 517
Borrowed funds	21	141 807	63 741
Provision for income tax	22	140 408	122 264
Other provisions	23	137 640	199 586
Other liabilities	24	534 032	681 898
Deferred tax liabilities	25	948	942
Total Liabilities		**21 874 715**	**20 811 663**
Share capital	26	640 800	640 800
Share premium	26	859 626	859 626
Statutory reserve	27	617 235	561 811
Voluntary reserve	28	614 920	614 920
General reserve	29	583 695	583 695
General banking risks reserve	30	108 795	220 468
Foreign currency translation reserve	31	(190 206)	(221 600)
Investment revaluation reserve	32	(215 187)	(207 437)
Retained earnings	33	650 945	497 626
Total Shareholders' Equity		**3 670 623**	**3 549 909**
Total Liabilities and Shareholders' Equity		**25 545 338**	**24 361 572**

The attached notes from 1 to 60 form part of these financial statements

ARAB BANK Plc

JD '000

		Note	2018	2017
REVENUE	Interest income	34	1 264 383	1 120 039
	Less: interest expense	35	516 082	454 857
	Net Interest Income		**748 301**	**665 182**
	Net commissions income	36	154 715	154 172
	Net Interest and Commissions Income		**903 016**	**819 354**
	Foreign exchange differences		43 708	35 328
	Gain from financial assets at fair value through profit or loss	37	3 298	1 765
	Dividends from financial assets at fair value through other comprehensive income	11	4 393	4 838
	Dividends from subsidiaries and associates	38	108 914	97 043
	Other revenue	39	19 403	17 903
	Total Income		**1 082 732**	**976 231**
EXPENSES	Employees expenses	40	254 712	217 232
	Other expenses	41	167 017	143 152
	Depreciation and amortization	15&16	29 204	28 203
	Provision for impairment - ECL	6	157 086	167 775
	Other provisions	23	3 279	9 111
	Total Expenses		**611 298**	**565 473**
	Recovery (expense) of legal provision		230 496	(106 382)
PROFIT FOR THE YEAR	Impairment of investment held for sale	14	(147 691)	-
	Profit for the year before Income Tax		**554 239**	**304 376**
	Less: Income tax expense	22	120 725	109 351
	Profit for the Period		**433 514**	**195 025**

The attached notes from 1 to 60 form part of these financial statements

ARAB BANK Plc

JD '000

	Note	2018	2017
Profit for the year		**433 514**	**195 025**
Add: Other comprehensive income items - after tax			
Items that will be subsequently transferred to the Statement of Income			
Exchange differences arising from the translation of foreign operations	31	31 394	59 892
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	32	(7 722)	(13 625)
Change in investment revaluation reserve		(7 750)	(15 368)
Gain from sale of financial assets at fair value through the statement of comprehensive income		28	1 743
Total Other Comprehensive Income Items – after Tax		**23 672**	**46 267**
Total Comprehensive Income for the year		**457 186**	**241 292**

The attached notes from 1 to 60 form part of these financial statements

ARAB BANK Plc

		Note	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve
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		-	-	-	-
	Dividends paid	33	-	-	-	-
	Balance at the End of the year		**640 800**	**859 626**	**617 235**	**614 920**
2017	**Balance at the beginning of the year**		**640 800**	**859 626**	**531 374**	**614 920**
	Profit for the year		-	-	-	-
	Other comprehensive income for the year		-	-	-	-
	Total Comprehensive Income for the Period		**-**	**-**	**-**	**-**
	Transferred to statutory reserve		-	-	30 437	-
	Transferred to General Bank Reserve		-	-	-	-
	Investment revaluation reserve transferred to retained earnings		-	-	-	-
	Dividends paid	33	-	-	-	-
	Adjustment during the year		-	-	-	-
	Balance at the End of the year		**640 800**	**859 626**	**561 811**	**614 920**

* Retained earnings include restricted deferred tax assets in the amount of JD 78 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 31 December 2018.

* 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 instruct 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 (215.2) million as of 31 December 2018 is restricted according to the Jordan Securities Commission instructions and Central Bank of Jordan.

The attached notes from 1 to 60 form part of these financial statements

JD ‘000

General Reserve	General Banking Risks Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders Equity
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**
583 695	**200 468**	**(281 492)**	**(192 069)**	**543 433**	**3 500 755**
-	-	-	-	195 025	195 025
-	-	59 892	(13 625)	-	46 267
-	**-**	**59 892**	**(13 625)**	**195 025**	**241 292**
-	-	-	-	(30 437)	-
-	20 000	-	-	(20 000)	-
-	-	-	(1 743)	1 743	-
-	-	-	-	(192 240)	(192 240)
-	-	-	-	102	102
583 695	**220 468**	**(221 600)**	**(207 437)**	**497 626**	**3 549 909**

JD ‘000

ARAB BANK Plc

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		554 239	304 376
Adjustments for:			
Depreciation	15	24 437	24 410
Amortization of intangible assets	16	4 767	3 793
Provision for impairment	6	157 086	167 775
Net accrued interest		(1 864)	22 068
(Gain) from sale of fixed assets		(243)	(896)
(Gain) from revaluation of financial assets at fair value through profit or loss	37	(480)	(574)
Dividends from financial assets at fair value through other comprehensive income	11	(4 393)	(4 838)
Dividends from subsidiaries and associates	38	(108 914)	(97 043)
(Recovery) expense of legal provision		(230 496)	106 382
Impairment of investment held for sale		147 691	-
Other provisions	23	3 279	9 111
Total		**545 109**	**534 564**
(Increase) Decrease in Assets:			
Balances with central banks (maturing after 3 months)		(9 481)	(17 730)
Deposits with banks and financial institutions (maturing after 3 months)		502 481	(16 617)
Direct credit facilities at amortized cost		(441 696)	(942 551)
Financial assets at fair value through profit or loss		(16 559)	36 623
Other assets and financial derivatives		14 063	(11 195)
Increase (Decrease) in Liabilities:			
Banks' and financial institutions' deposits (maturing after 3 months)		37 576	47 088
Customers’ deposits		606 650	(71 786)
Cash margin		187 956	98 848
Other liabilities and financial derivatives		(226 124)	(18 231)
Net Cash Flows from (Used in) Operating Activities before Income Tax		**1 199 975**	**(360 987)**
Income tax paid		(118 282)	(105 655)
Net Cash Flows from (Used in) from Operating Activities		**1 081 693**	**(466 642)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of financial assets at fair value through other comprehensive income		1 026	43 926
(Purchase) maturity of other financial assets at amortized cost		(721 847)	111 587
Proceeds from (paid for) of investments in subsidiaries and associates - net		(1 457)	30 928
Dividends from subsidiaries and associates	38	108 914	97 043
Dividends from financial assets at fair value through other comprehensive income	11	4 393	4 838
(Purchase) of fixed assets - net	15	(36 766)	(25 051)
Proceeds from selling fixed assets		4 549	6 526
(Purchase) of intangible assets - net		(4 132)	(6 257)
Net Cash Flows (Used in) from Investing Activities		**(645 320)**	**263 540**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in borrowed funds		**78 066**	**(83 823)**
Dividends paid to shareholders		(254 922)	(190 854)
Net Cash Flows (Used in) Financing Activities		**(176 856)**	**(274 677)**
Net increase (decrease) in cash and cash equivalent		259 517	(477 779)
Exchange differences - change in foreign exchange rates		94 646	3 010
Cash and cash equivalents at the beginning of the year		4 293 457	4 768 226
Cash and Cash Equivalents at the End of the year		**4 647 620**	**4 293 457**
Operational Cash flows from interest:			
Interset paid		**498 041**	**434 483**
Interest recieved		**1,244,478**	**1,121,733**

The attached notes from 1 to 60 form part of these financial statements

(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 78 branches in Jordan and 126 abroad. Also, the bank operats 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 31 January 2019 and are subject to the approval of the General Assembly and Central Bank of Jordan.

(2) Basis Of Preperation Of The Financial Statements

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Interpretations issued by the International Financial Reporting Interpretations Committee, the prevailing rules in the countries where the Bank operates and the instructions of the Central Bank of Jordan.

The financial statements of Arab Bank PLC are presented in conjunction with the financial statements of Arab Bank 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 2017, except for the adoption of new standards and amendments mentiond in note (3).

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 subsidieries 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 adopted for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018:

IFRS 9 Financial Instruments

The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortized cost) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The impact of this change in accounting policies as at 1 January 2018 has been to decrease shareholders' equity by JOD 80 million as follows:

Effect of implementing the new expected credit loss model:	Retained earnings
	JD '000
Due from banks and central banks	1,792
Financial assets at amortized cost	14,241
Direct credit facilities at amortized cost	71,650
Indirect credit facilities	8,559
Deferred taxes	(16,090)
Total	**80,152**

Changes in financial asset balances as as follows:

Item	Amount as of 31 December 2017	Reclassified amount	Expected Credit Losses *	Amount as of 1 January 2018 after effect of IFRS (9) adoption	Effect of adoption resulting from reclassification	Items on the statement of financial position impacted by the adoption
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Cash and balances with central banks	3 270 576	-	1 278	3 269 298	-	-
Balances and deposits with banks and financial institutions	3 130 323	-	514	3 129 809	-	-
Financial assets at fair value through profit or loss	66 482	-	-	66 482	-	-
Direct credit facilities at amortized cost	11 947 106	-	71 650	11 875 456	-	-
Financial assets at fair value through other comprehensive income	164 912	-	-	164 912	-	-
Debt instruments included in financial assets at amortized cost	4 286 264	-	14 241	4 272 023	-	-
Transferred to financial assets at fair value through profit or loss	-	-	-	-	-	-
Indirect credit facilities	11 716 778	-	8 559	11 708 219	-	-

* The expected credit losses are calculated for each item after stage classification at year-end.

The beginning balance for the provisions amount after the effect of IFRS (9) adoption:

Item	Current provisions amount	Differences resulting from recalculation	Balance in accordance with IFRS (9)
	JD '000	JD '000	JD '000
Balances with central banks	-	1 278	1 278
Balances and deposits with banks and financial institutions	-	514	514
Direct credit facilities at amortized cost	677 048	71 650	748 698
Debt instruments included in financial assets at fair value through other comprehensive income	-	-	-
Debt instruments included in financial assets at amortized cost	2 832	14 241	17 073
Indirect credit facilities	-	8 559	8 559

Expected credit losses as of 1 January 2018 per stage is as follows:

	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balances with central banks	1 278	-	-	-	-	1 278
Balances and deposits with banks and financial institutions	514	-	-	-	-	514
Direct credit facilities at amortized cost	34 014	10 103	198 410	743	505 428	748 698
Debt instruments included in financial assets at amortized cost	11 373	-	2 868	-	2 832	17 073
Indirect credit facilities	6 081	-	1 851	-	627	8 559

Expected credit losses as of 31 December 2018 per stage is as follows:

	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Balances with central banks	856	-	-	-	-	856
Balances and deposits with banks and financial Institutions	1 409	-	-	-	-	1 409
Direct credit facilities at amortized cost	36 212	6 539	202 933	3 602	620 889	870 175
Debt instruments included in financial assets at amortized cost	11 449	-	968	-	2 832	15 249
Indirect credit facilities	12 026	-	13 871	-	519	26 416

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.
This Interpretation does not have any impact on the Bank's financial statements.

Amendments to IAS 40 Transfers of Investment Property

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

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

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 bank 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.

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the 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 in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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

Or

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

Or

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

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 Provisions) 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 – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision.

The premium received is recognized in the statement of income in net 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, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The 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.

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

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the 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 adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

Based on the above process, the Bank Banks its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans 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 loan 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: Loans 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 ECLs

The Bank calculates ECLs based on a four 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 mechanics 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, if the facility has not been previously derecognised and is still in the portfolio.

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 four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). 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 mechanics 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 loan 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 loans 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%.

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 Provisions.

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, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

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
- House price indices
- Oil prices indices
- Financial market performance indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the 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. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the 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 on a quarterly basis. 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 accounting policy under IFRS 9 remains the same as it was under IAS 39. 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
The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their 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.

When the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3.

Leasing contracts

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

1. The Bank as a lessor:

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

2. The Bank as a lessee:

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

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

Foreign currencies

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

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

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

Upon consolidation, the financial assets and financial liabilities of the branches, Arab Bank Switzerland and subsidiaries abroad are translated from the local currency to the reporting currency at the average rates prevailing at the date of the financial statements. Exchange differences arising from the revaluation of the net investment in the branches and subsidiaries abroad are recorded in a separate item in other comprehensive income items.

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 Banks 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.

The Bank computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs).

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

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 at least quarterly 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 PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. Instruments which are 45 days past due have experienced a significant increase in credit risk. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank Bank applies 45 days past due in this regard.

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 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as 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.

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. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

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 Loss Expense On Financial Assets

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

	December 31					
	2018					2017
	Note	Stage 1	Stage 2	Stage 3	Total	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	167 775
Financial assets at amortized cost	13	114	(1 900)	-	(1 786)	-
Indirect credit facilities	24	5 243	9 926	(340)	14 829	-
Total		**8 806**	**21 615**	**126 665**	**157 086**	**167 775**

(7) Cash And Balances With Central Banks

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Cash in vaults	271 797	318 171
Balances with central banks:		
Current accounts	344 962	367 228
Time and notice	1 246 947	1 373 584
Mandatory cash reserve	958 497	954 848
Certificates of deposit	437 138	256 745
Less: net ECL charges	(856)	-
Total	**3 258 485**	**3 270 576**

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

The balances and certificates of deposit maturing after three months amounted to JD 27.4 million as of 31 December 2018 (17.7 mollion as of 31 December 2017).

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				
	2018				**2017**
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	2 987 544	-	-	2 987 544	2 952 405
Acceptable risk / performing	-	-	-	-	-
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**2 987 544**	**-**	**-**	**2 987 544**	**2 952 405**

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

	31 December 2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	2 952 405	-	-	2 952 405
New balances	301 232	-	-	301 232
Repaid balances	(261 888)	-	-	(261 888)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Change due to modifications	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(4 205)	-	-	(4 205)
Total	**2 987 544**	**-**	**-**	**2 987 544**

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

	31 December 2018			
	Stage 1 individual	Stage individual	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	1 278	-	-	1 278
New ECL charges for new balances during the year	71	-	-	71
Recoveries (excluding write offs)	(665)	-	-	(665)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	174	-	-	174
Translation Adjustments	(2)	-	-	(2)
Balance at the end of the year	**856**	**-**	**-**	**856**

(8) Balances With Banks And Financial Institutions

The details of this item are as follows:

Local banks and financial institutions	December 31	
	2018	**2017**
	JD '000	JD '000
Current accounts	1 011	772
Time deposits maturing within 3 months	97 090	90 897
Total	**98 101**	**91 669**

Banks and financial institutions abroad	December 31	
	2018	**2017**
	JD '000	JD '000
Current accounts	982 391	1 501 759
Time deposits maturing within 3 months	2 129 258	1 452 104
Certificates of deposit	-	17 724
Total	3 111 649	2 971 587
Less: net ECL charges	(379)	-
Total balances with banks and financial institutions Local and Abroad	**3 209 371**	**3 063 256**

There are no non-interest bearing balances as of 31 December 2018 and 31 December 2017.

There are no restricted balances as of 31 December 2018 (JD 567.4 million as of 31 December 2017).

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				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	2 872 762	-	-	2 872 762	2 727 346
Acceptable risk / performing	336 988	-	-	336 988	335 910
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**3 209 750**	**-**	**-**	**3 209 750**	**3 063 256**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	3 063 256	-	-	3 063 256
New balances	842 956	-	-	842 956
Repaid balances	(695 788)	-	-	(695 788)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(674)	-	-	(674)
Total	**3 209 750**	**-**	**-**	**3 209 750**

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

	December 31			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	276	-	-	276
New ECL charges for new balances during the year	343	-	-	343
Recoveries (excluding write offs)	(262)	-	-	(262)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	22	-	-	22
Translation Adjustments	-	-	-	-
Balance at the end of the year	**379**	**-**	**-**	**379**

(9) Deposits With Banks And Financial Institutions

The details of this item are as follows:

Deposits with Local banks and financial institutions:	December 31 2018	December 31 2017
	JD '000	JD '000
Time deposits maturing after one year	118 955	15 000
Total	**118 955**	**15 000**

Deposits with abroad banks and financial institutions:	December 31 2018	December 31 2017
	JD '000	JD '000
Time deposits maturing after 3 months and before 6 months	13 062	41 422
Time deposits maturing after 6 months and before 9 months	-	10 645
Total	**13 062**	**52 067**
Less: net ECL charges	(1 030)	
Total deposits with banks and financial institutions local and abroad	**130 987**	**67 067**

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

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				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	124 982	-	-	124 982	45 032
Acceptable risk / performing	7 035	-	-	7 035	22 035
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**132 017**	**-**	**-**	**132 017**	**67 067**

The movement on total balances of deposits with banks and financial institutions is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as for the beginning of the year	67 067	-	-	67 067
New balances	125 990	-	-	125 990
Repaid balances	(60 776)	-	-	(60 776)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(264)			(264)
Total	**132 017**	**-**	**-**	**132 017**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	238	-	-	238
New ECL charges for new balances during the year	863	-	-	863
Recoveries (excluding write offs)	(104)	-	-	(104)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	33	-	-	33
Translation Adjustments	-	-	-	-
Total	**1 030**	**-**	**-**	**1 030**

(10) Financial Assets At Fair Value Through Profit Or Loss

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Treasury bills and Government bonds	61 567	44 457
Loans and advances	21 010	21 010
Corporate Shares	944	1 015
Total	**83 521**	**66 482**

	December 31		
	2018		
	Designated as FV	Carried Mandatorily at FV	Total
	JOD '000	JOD '000	JOD '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**

	December 31		
	2017		
	Designated as FV	Carried Mandatorily at FV	Total
	JOD '000	JOD '000	JOD '000
Treasury bills and Government bonds	44 457	-	44 457
Loans and advances	21 010	-	21 010
Corporate shares	-	1 015	1 015
Total	**65 467**	**1 015**	**66 482**

(11) Financial Assets At Fair Value Through Other Comprehensive Income

The details of this item are as follows:

	December 31	
	2018	2017
	JD '000	JD '000
Quoted shares	117 420	121 699
Unquoted shares	38 744	43 213
Total	**156 164**	**164 912**

	December 31		
	2018		
	Designated as FV	Carried Mandatorily at FV	Total
	JOD '000	JOD '000	JOD '000
Quoted shares	-	117 420	117 420
Unquoted shares	-	38 744	38 744
Total	**-**	**156 164**	**156 164**

	December 31		
	2017		
	Designated as FV	Carried Mandatorily at FV	Total
	JOD '000	JOD '000	JOD '000
Quoted shares	-	121 699	121 699
Unquoted shares	-	43 213	43 213
Total	**-**	**164 912**	**164 912**

- Cash dividends from investments above for the year ended 31 December 2018 amounted to JD 4.4 million (JD 4.8 million as of 31 December 2017).
- Realized gains that have been transferred from investment revaluation reserve to retained earnings for the year ended 31 December 2018 amounted to JD 28 thousand (Realized gains that have been transferred from investment revaluation reserve to retained earnings amounted to JD 1.7 million as of 31 December 2017)

(12) Direct Credit Facilities At Amortized Cost

The details of this item are as follows:

	31 December 2018					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	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 – ECL	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 of 31 December 2018.

- Rescheduled loans during the year ended 31 December 2018 amounted to JD 253.9 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2018 amounted to JD 0.1 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan amounted to JD 22.6 million, or 0.2% of total direct credit facilities as of 31 December 2018.
- Non-performing direct credit facilities amounted to JD 932.9 million, or 7.0% of total direct credit facilities as of 31 December 2018.
- Non-performing direct credit facilities, net of interest and commission in suspense amounted to JD 685.4 million, or 5.3% of direct credit facilities after deducting interest and commission in suspense as of 31 December 2018.

The details of this item are as follows:

	31 December 2017					
	Consumer Banking	Corporates		Banks and Financial Institu-tions	Govern-ment and Public Sector	Total
		Small & Medium	Large			
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Discounted bills *	55 467	70 224	280 135	16 745	-	422 571
Overdrafts *	30 016	562 373	2 144 696	-	235 530	2 972 615
Loans and advances*	1 181 803	594 363	6 045 953	53 807	520 842	8 396 768
Real-estate loans	969 126	1 279	-	-	-	970 405
Credit cards	79 171	-	-	-	-	79 171
Total	**2 315 583**	**1 228 239**	**8 470 784**	**70 552**	**756 372**	**12 841 530**
Less: Interest and commission in suspense	36 765	57 552	118 420	4 639	-	217 376
Provision for impairment - direct credit facilities at amortized cost	71 612	57 014	547 229	-	1 193	677 048
Total	**108 377**	**114 566**	**665 649**	**4 639**	**1 193**	**894 424**
Net Direct Credit Facilities at Amortized Cost	**2 207 206**	**1 113 673**	**7 805 135**	**65 913**	**755 179**	**11 947 106**

* Net of interest and commission received in advance, which amounted to JD 19.9 million as of 31 December 2017.

- Rescheduled loans during the year ended 31 December 2017 amounted to JD 181.2 million.
- Restructured loans (transferred from non performing to watch list loans) for the year ended 31 December 2017 amounted to JD 1.1 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan amounted to JD 63.7 million, or 0.5 % of total direct credit facilities as of 31 December 2017.
- Non-performing direct credit facilities amounted to JD 928.9 million, or 7.2% of total direct credit facilities as of 31 December 2017.
- Non-performing direct credit facilities, net of interest and commission in suspense, amounted to JD 721.3 million, or 5.7% of direct credit facilities after deducting interest and commission in suspense as of 31 December 2017.

The details of movement on the provision for impairment the ECL as of 31 December 2018 are as follows:

	31 December 2018						
	Con-sumer Banking	Corporates		Banks and financial institu-tions	Government and Public Sector	Total	Total includes movement on the real-estate loans provision as follows
		Small and Medium	Large				
	JD”000”	JD”000”	JD”000”	JD”000”	JD”000”		
Balance as of 1 January 2018 (Restated)	**81 251**	**64 866**	**600 177**	**18**	**2 386**	**748 698**	**6 299**
New ECL charges on new balances 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 transfers between three 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)
Adjustments during the period	(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**

	31 December 2018					
	Con-sumer Banking	Corporates		Govern-ment and Public Sector	Total	Total includes movement on the real-estate loans provision as follows
		Small and Medium	Large			
	JD”000”	JD”000”	JD”000”	JD”000”	JD”000”	JD”000”
Balance at the beginning of the year	**83 762**	**53 407**	**575 333**	**958**	**713 460**	**6 802**
Impairment losses charged to income	9 872	16 225	164 817	575	191 489	1 317
Used from provision (written off or transferred to off condensed interim statement of financial position)	(16 414)	(5 248)	(187 871)	-	(209 533)	(414)
Surplus in provision transferred to statement of income	(5 800)	(7 261)	(10 287)	(366)	(23 714)	(1 688)
Adjustments during the period	6	(293)	287	-	-	-
Translation adjustments	186	184	4 950	26	5 346	56
Balance at the End of the year	**71 612**	**57 014**	**547 229**	**1 193**	**677 048**	**6 073**

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 2018 and 31 December 2017.

Impairment is assessed based on individual customer accounts.

Non-performing loans transferred to off statement of financial position amounted to JD 4 million as of 31 December 2018 (JD 283.2 million as of 31 December 2017) noting that these loans are fully covered by provisions and suspended interests.

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

	31 December 2018						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real-estate loans as follows
	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)
Interest and commission settled (transferred 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**

	31 December 2017					
		Corporates				
	Consumer Banking	Small & Medium	Large	Banks and Financial Institutions	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
Balance at the beginning of the year	**48 060**	**58 024**	**176 351**	**3 870**	**286 305**	**7 072**
Interest and commission suspended during the year	9 505	8 612	32 101	769	50 987	1 944
Interest and commission in suspense settled / written off or transferred to off statement of financial position	(19 068)	(8 024)	(90 252)	-	(117 344)	(669)
Intrest and commission settled (transferd to revenues)	(1 766)	(1 227)	(562)	-	(3 555)	(652)
Adjustments during the year	-	-	-	-	-	-
Translation adjustments	34	167	782	-	983	5
Balance at the End of the Year	**36 765**	**57 552**	**118 420**	**4 639**	**217 376**	**7 700**

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

	Inside Jordan	Outside Jordan	31 December 2018	31 December 2017
Economic Sector	JD '000	JD '000	JD '000	JD '000
Consumer Banking	1 025 450	1 279 982	2 305 432	2 207 206
Industry & Mining	982 784	1 708 351	2 691 135	2 363 870
Constructions	253 958	977 266	1 231 224	1 386 594
Real Estate	122 100	797 671	919 771	812 212
Trade	730 798	1 621 000	2 351 798	2 254 047
Agriculture	99 034	35 743	134 777	117 289
Tourism & Hotels	142 943	86 309	229 252	165 082
Transportation	36 384	104 159	140 543	278 255
Shares	-	8 500	8 500	8 500
General Service	557 022	959 462	1 516 484	1 532 959
Banks and Financial Institutions	11 520	49 252	60 772	65 913
Government and public sector	**81 606**	**502 061**	**583 667**	**755 179**
Net Direct Credit direct facilities at amortized cost	**4 043 599**	**8 129 756**	**12 173 355**	**11 947 106**

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				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	1 200 052	-	-	1 200 052	1 525 526
Acceptable risk / performing	9 651 525	1 516 941	-	11 168 466	10 387 085
Non-performing:					
- Substandard	-	-	22 471	22 471	266 527
- Doubtful	-	-	163 947	163 947	120 398
- Problematic	-	-	746 473	746 473	541 994
Total	**10 851 577**	**1 516 941**	**932 891**	**13 301 409**	**12 841 530**

The movement on total balances of direct credit facilities at amortized cost is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	10 990 186	922 425	928 919	12 841 530
New balances (Additions)	2 647 426	581 912	74 223	3 303 561
Repaid balances (excluding write offs)	(2 133 357)	(498 983)	(167 875)	(2 800 215)
Transfers to stage 1	197 981	(202 586)	4 605	-
Transfers to stage 2	(790 588)	791 390	(802)	-
Transfers to stage 3	(51 290)	(76 197)	127 487	-
Written off balances	-	-	(32 809)	(32 809)
Adjustments during the year	-	-	-	-
Translation Adjustments	(8 781)	(1 020)	(857)	(10 658)
Total	**10 851 577**	**1 516 941**	**932 891**	**13 301 409**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	44 117	199 153	505 428	748 698
New ECL charges for new balances during the year	16 405	26 122	119 565	162 092
Recoveries (excluding write offs)	(17 985)	(27 470)	(6 630)	(52 085)
Transfers to stage 1	534	(226)	(308)	-
Transfers to stage 2	(6 770)	8 281	(1 511)	-
Transfers to stage 3	(88)	(9 263)	9 351	-
Impact on year end ECL caused by transfers between three stages during the year	4 783	14 937	14 070	33 790
Used from provision (written off or transferred to off statement of financial position)	-	-	(24 727)	(24 727)
Adjustments during the year	1 845	(5 074)	6 164	2 935
Translation Adjustments	(90)	75	(513)	(528)
Balance at the end of the year	**42 751**	**206 535**	**620 889**	**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				
	2018				2017
	Stage 1 Collective	Stage 2 Collective	Stage 3	**Total**	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	215 533	-	-	215 533	209 914
Acceptable risk / performing	2 061 527	30 950	-	2 092 477	1 995 756
Non-performing:					
- Substandard	-	-	13 352	13 352	11 816
- Doubtful	-	-	10 316	10 316	9 499
- Problematic	-	-	105 864	105 864	88 598
Total	**2 277 060**	**30 950**	**129 532**	**2 437 542**	**2 315 583**

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

	31 December 2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	2 181 049	24 621	109 913	2 315 583
New balances (Additions)	218 421	6 338	23 474	248 233
Repaid balances (excluding write offs)	(112 946)	(977)	(10 336)	(124 259)
Transfers to stage 1	1	(4 634)	4 633	-
Transfers to stage 2	(6 721)	7 045	(324)	-
Transfers to stage 3	(2 607)	(1 441)	4 048	-
Written off balances	-	-	(1 927)	(1 927)
Adjustments during the year	-	-	-	-
Translation Adjustments	(137)	(2)	51	(88)
Total	**2 277 060**	**30 950**	**129 532**	**2 437 542**

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

	31 December 2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (re-stated)	10 103	743	70 405	81 251
New ECL charges for new balances during the year	506	3 700	10 181	14 387
Recoveries (excluding write offs)	(4 574)	(206)	(3 242)	(8 022)
Transfers to stage 1	837	(837)	-	-
Transfers to stage 2	(92)	441	(349)	-
Transfers to stage 3	(72)	(343)	415	-
Impact on year end ECL caused by transfers between three stages during the year	6	97	788	891
Used from provision (written off or transferred to off statement of financial position)	-	-	(255)	(255)
Adjustments during the year	(175)	7	142	(26)
Translation Adjustments	-	-	65	65
Total	**6 539**	**3 602**	**78 150**	**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				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	150 689	-	-	150 689	178 802
Acceptable risk / performing	869 881	133 389	-	1 003 270	923 762
Non-performing:					
- Substandard	-	-	8 325	8 325	722
- Doubtful	-	-	10 102	10 102	4 243
- Problematic	-	-	134 835	134 835	120 710
Total	**1 020 570**	**133 389**	**153 262**	**1 307 221**	**1 228 239**

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

	31 December 2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	1 026 821	75 743	125 675	1 228 239
New balances (Additions)	270 054	70 530	11 837	352 421
Repaid balances (excluding write offs)	(209 865)	(46 736)	(9 081)	(265 682)
Transfers to stage 1	19 326	(19 298)	(28)	-
Transfers to stage 2	(71 359)	71 722	(363)	-
Transfers to stage 3	(13 475)	(18 284)	31 759	-
Written off balances	-	-	(6 504)	(6 504)
Adjustments during the year	-	-	-	-
Translation Adjustments	(932)	(288)	(33)	(1 253)
Total	**1 020 570**	**133 389**	**153 262**	**1 307 221**

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

	31 December 2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	2 257	7 750	54 859	64 866
New ECL charges for new balances during the year	1 457	1 186	10 391	13 034
Recoveries (excluding write offs)	(861)	(743)	(1 897)	(3 501)
Transfers to stage 1	95	(95)	-	-
Transfers to stage 2	(352)	357	(5)	-
Transfers to stage 3	(13)	(7 733)	7 746	-
Impact on year end ECL caused by transfers between three stages during the year	921	999	4 406	6 326
Used from provision (written off or transferred to off statement of financial position)*	-	-	(3 049)	(3 049)
Adjustments during the year	636	1 793	(584)	1 845
Translation Adjustments	(9)	(93)	(129)	(231)
Balance at the end of the year	**4 131**	**3 421**	**71 738**	**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				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	566 044	-	-	566 044	596 082
Acceptable risk / performing	6 383 647	1 330 018		7 713 665	7 203 869
Non-performing:					
- Substandard	-	-	794	794	253 989
- Doubtful	-	-	119 988	119 988	84 158
- Problematic	-	-	503 216	503 216	332 686
Total	**6 949 691**	**1 330 018**	**623 998**	**8 903 707**	**8 470 784**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	7 029 485	770 466	670 833	8 470 784
New balances (Additions)	2 032 310	503 069	35 671	2 571 050
Repaid balances (excluding write offs)	(1 510 917)	(445 272)	(148 362)	(2 104 551)
Transfers to stage 1	153 666	(153 666)	-	-
Transfers to stage 2	(712 508)	712 623	(115)	-
Transfers to stage 3	(34 752)	(56 472)	91 224	-
Written off balances	-	-	(24 378)	(24 378)
Adjustments during the year	-	-	-	-
Translation Adjustments	(7 593)	(730)	(875)	(9 198)
Total	**6 949 691**	**1 330 018**	**623 998**	**8 903 707**

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

	31 December 2018			
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	29 991	190 022	380 164	600 177
New ECL charges for new balances during the year	14 203	21 236	98 993	134 432
Recoveries (excluding write offs)	(12 151)	(26 249)	(1 491)	(39 891)
Transfers to stage 1	(471)	779	(308)	-
Transfers to stage 2	(6 326)	7 483	(1 157)	-
Transfers to stage 3	(3)	(1 187)	1 190	-
Impact on year end ECL caused by transfers between three stages during the year	3 373	13 993	8 876	26 242
Used from provision (written off or transferred to off statement of financial position)*	-	-	(21 423)	(21 423)
Adjustments during the year	826	(6 874)	6 606	558
Translation Adjustments	(81)	168	(449)	(362)
Total	**29 361**	**199 371**	**471 001**	**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				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	20 021	-	-	20 021	22 562
Acceptable risk / performing	20 306	-	-	20 306	25 492
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	23 541	23 541	22 498
- Problematic	-	-	2 558	2 558	-
Total	**40 327**	**-**	**26 099**	**66 426**	**70 552**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	48 054	-	22 498	70 552
New balances (Additions)	19 219	-	3 241	22 460
Repaid balances (excluding write offs)	(26 490)	-	(96)	(26 586)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	(456)	-	456	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	-	-	-	-
Total	**40 327**	**-**	**26 099**	**66 426**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	18	-	-	18
New ECL charges for new balances during the year	5	-	-	5
Recoveries (excluding write offs)	(14)	-	-	(14)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	-	-	-	-
Used from provision (written off or transferred to off statement of financial position)	-	-	-	-
Adjustments during the year	6	-	-	6
Translation Adjustments	-	-	-	-
Total	**15**	**-**	**-**	**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				
	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	247 765	-	-	247 765	518 166
Acceptable risk / performing	316 164	22 584	-	338 748	238 206
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	-
Total	**563 929**	**22 584**	**-**	**586 513**	**756 372**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	704 777	51 595	-	756 372
New balances (Additions)	107 422	1 975	-	109 397
Repaid balances (excluding write offs)	(273 139)	(5 998)	-	(279 137)
Transfers to stage 1	24 988	(24 988)	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(119)	-	-	(119)
Total	**563 929**	**22 584**	**-**	**586 513**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	1 748	638	-	2 386
New ECL charges for new balances during the year	234	-	-	234
Recoveries (excluding write offs)	(385)	(272)	-	(657)
Transfers to stage 1	73	(73)	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	483	(152)	-	331
Used from provision (written off or transferred to off statement of financial position)*	-	-	-	-
Adjustments during the year	552	-	-	552
Translation Adjustments	-	-	-	-
Total	**2 705**	**141**	**-**	**2 846**

(13) Other Financial Assets At Amortized Cost

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Treasury bills	1 816 165	1 394 317
Government bonds and bonds guaranteed by the government	2 777 264	2 418 799
Corporate bonds	417 476	475 980
Less: Net ECL Charges / Provision for impairment	(15 249)	(2 832)
Total	**4 995 656**	**4 286 264**

Analysis of bonds based on interest nature:	December 31	
	2018	**2017**
	JD '000	JD '000
Floating interest rate	125 792	160 135
Fixed interest rate	4 885 113	4 128 961
Total	**5 010 905**	**4 289 096**
Less: Net ECL Charges / Provision for impairment	(15 249)	(2 832)
Grand Total	**4 995 656**	**4 286 264**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:

	December 31	
	2018	**2017**
	JD '000	JD '000
Treasury bills	559 602	347 012
Government bonds and bonds guaranteed by the government	413 063	562 039
Corporate bond	370 653	378 815
Total	**1 343 318**	**1 287 866**

Financial assets not quoted in the market:

	December 31	
	2018	**2017**
	JD '000	JD '000
Treasury bills	1 256 563	1 047 305
Government bonds and bonds guaranteed by the government	2 364 201	1 856 760
Corporate bonds	46 823	97 165
Total	**3 667 587**	**3 001 230**
Less: Net ECL Charges / Provision for impairment	(15 249)	(2 832)
Grand Total	**4 995 656**	**4 286 264**

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				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	4 925 429	-	-	4 925 429	4 235 206
Acceptable risk / performing	40 154	42 490	-	82 644	51 058
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	2 832	2 832	2 832
Total	**4 965 583**	**42 490**	**2 832**	**5 010 905**	**4 289 096**

The movement on total balances of other financial assets at amortized cost is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018	4 173 618	112 646	2 832	4 289 096
New investments (Additions)	2 637 111	13	-	2 637 124
Matured investments	(1 843 328)	(70 169)	-	(1 913 497)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Written off investments	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(1 818)	-	-	(1 818)
Total	**4 965 583**	**42 490**	**2 832**	**5 010 905**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (re-stated)	11 373	2 868	2 832	17 073
New ECL charges on new investments during the year	976	10	-	986
Recoveries from matured investments	(862)	(1 910)	-	(2 772)
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 investments	-	-	-	-
Adjustments during the year	(36)	-	-	(36)
Translation Adjustments	(2)	-	-	(2)
Total	**11 449**	**968**	**2 832**	**15 249**

* The opening balances for the ECL according to IFRS (9).

The details of movement on the provision for the impairment of other financial assets at amortized cost are as follows:

	31 December 2018
	JD '000
Balance at the beginning of the year	2 832
Impairment losses charged to income	-
Used from provision	-
Balance at the End of Year	**2 832**

During the year ended 31 December 2018 certain other financial assets at amortized cost with total amount of JD 46,8 million were sold (There were no sold other financial assets at amortized cost during the year ended 31 December 2017).

(14) Investment in Subsidiaries and Associates

The details of this item are as follows:

	31 December 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 Bank Ltd	100	8 900	Jordan	Financial services	1996
Arab Sudanese Bank Limited	100	1 750	Sudan	Banking	2008
Al Arabi Investment Bank 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	11 250	Jordan	Insurance	2006
Others		9 317			
Total		**669 569**			
The Bank's investments in associates :					
Oman Arab Bank	49	75 800	Oman	Banking	1984
Arab National Bank	40	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**			

	31 December 2017				
	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	485 159	U.K.	Banking	2006
Arab Bank Australia Limited	100	52 216	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 Bank Ltd	100	8 900	Jordan	Financial services	1996
Arab Sudanese Bank Limited	100	9 329	Sudan	Banking	2008
Al Arabi Investment Bank Limited - Palestine	100	1 600	Palestine	Financial services	2009
Arab Tunisian Bank	64.24	41 711	Tunisia	Banking	1982
Arab Bank Syria	51.29	4 718	Syria	Banking	2005
Al-Nisr Al Arabi plc	50	11 250	Jordan	Insurance	2006
Others*		9 317			
Total		**712 700**			
The Bank's investments in associates:					
Turkland Bank A.S	33.33	70 742	Turkey	Banking	2006
Oman Arab Bank	49	75 800	Oman	Banking	1984
Arab National Bank	40	102 870	Saudi Arabia	Banking	1979
Arabia Insurance Company S.A.L	40.34	3 441	Lebanon	Insurance	1972
Commercial Building Company S.A.L	35.24	380	Lebanon	Real estate operating leasing	1966
Total		**253 233**			
Grand Total		**965 933**			

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

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	965 933	925 837
Purchase (Sale) of additional investments	9 501	(16 786)
Translation adjustment	(63 252)	56 882
Balance at the End of the Year	**912 182**	**965 933**

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 Equipment	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 1 January 2017	**39 938**	**193 686**	**129 908**	**66 361**	**6 326**	**19 491**	**455 710**
Additions	6	5 329	7 453	6 773	739	4 751	25 051
Disposals	(313)	(2 529)	(2 335)	(7 893)	(320)	(4 323)	(17 713)
Adjustments during the year	-	-	-	-	-	(7)	(7)
Translation adjustments	(70)	97	169	345	2	1	544
Balance as of 31 December 2017	**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 31 December 2018	**39 738**	**207 834**	**130 489**	**73 663**	**6 859**	**27 558**	**486 141**
Accumulated Depreciation :							
Balance as of 1 January 2017	**-**	**70 910**	**99 205**	**46 770**	**5 226**	**11 626**	**233 737**
Depreciation charge for the year	-	4 891	8 570	8 445	403	2 101	24 410
Disposals	-	(432)	(2 312)	(7 890)	(301)	(1 148)	(12 083)
Adjustments during the year	-	4	(4)	-	(20)	(7)	(27)
Translation adjustments	-	320	138	271	2	1	732
Balance as of 31 December 2017	**-**	**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 31 December 2018	**-**	**80 047**	**105 456**	**54 335**	**5 067**	**16 956**	**261 861**
Net Book Value as of 31 December 2018	**39 738**	**127 787**	**25 033**	**19 328**	**1 792**	**10 602**	**224 280**
Net Book Value as of 31 December 2017	**39 561**	**120 890**	**29 598**	**17 990**	**1 437**	**7 340**	**216 816**

The cost of the fully depreciated fixed assets amounted to JD 131,4 million as of 31 December 2018 (JD121.6 million as of 31 December 2017).

(16) Other Assets

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Accrued interest receivable	114 517	94 612
Prepaid expenses	72 631	71 248
Foreclosed assets *	57 660	37 724
Intangible Assets **	10 175	10 810
Other miscellaneous assets	49 956	43 284
Total	**304 939**	**257 678**

* The Central Bank of Jordan instructions require 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:

	31 December 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 and impairment loss	165	(264)	-	(99)
Translation Adjustment	-	(26)	-	(26)
Balance at the End of the Year	**32 268**	**25 392**	**-**	**57 660**

	31 December 2017			
	Land	Buildings	Others	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	9 008	23 728	251	32 987
Additions	6 515	2 992	-	9 507
Disposals	(418)	(1 778)	-	(2 196)
Provision and impairment loss	(1 035)	(1 559)	-	(2 594)
Translation Adjustment	-	20	-	20
Balance at the End of the Year	**14 070**	**23 403**	**251**	**37 724**

** The movement on intangible assets was as follows:

	December 31	
	2018	2017
	JD '000	JD '000
Balance at the beginning of the year	10 810	8 346
Additions	4 132	6 991
Disposals and adjustments during the year	-	(734)
Amortization during the year	(4 767)	(3 793)
Balance at the End of the Year	**10 175**	**10 810**

(17) Deferred Tax Assets

Items attributable to deferred tax assets are as follows:

	31 December 2018					
	Balance at the Beginning of the Year Adjusted	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**

	31 December 2017					
	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
Provision for impairment	66 701	35 477	(23 180)	5	79 003	17 726
End-of-Service indemnity	38 132	5 856	(4 904)	-	39 084	11 756
Interest in suspense (paid tax)	11 658	8 912	(8 564)	-	12 006	2 591
Others	27 075	9 261	(2 123)	408	34 621	13 079
Total	**143 566**	**59 506**	**(38 771)**	**413**	**164 714**	**45 152**

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

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year (restated)	61 242	39 023
Additions during the year	26 773	15 621
Amortized during the year	(9 825)	(9 649)
Adjustments during the year and translation adjustments	(62)	157
Balance at the End of the Year	**78 128**	**45 152**

(18) Banks and Financial Institutions Deposits

The details of the item is as follows:

	December 31					
	2018			**2017**		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Current and demand	22 332	89 213	111 545	21 805	64 412	86 217
Time deposits	88 280	1 969 595	2 057 875	74 901	1 631 907	1 706 808
Total	**110 612**	**2 058 808**	**2 169 420**	**96 706**	**1 696 319**	**1 793 025**

(19) Customer Deposits

	31 December 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**

	31 December 2017				
	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	3 916 715	1 025 322	1 190 636	202 146	6 334 819
Savings	1 581 362	10 702	5 272	46	1 597 382
Time and notice	4 319 504	431 776	2 389 668	958 651	8 099 599
Certificates of deposit	146 314	527	185	-	147 026
Total	**9 963 895**	**1 468 327**	**3 585 761**	**1 160 843**	**16 178 826**

- Government of Jordan and Jordanian Public Sector deposits amounted to JD 450 million, or 2.7% of total customer deposits as of 31 December 2018 (JD 235.7 million, or 1.5 % of total customer deposits as of 31 December 2017).
- Non-interest bearing deposits amounted to JD 5475.4 million, or 32.6% of total customer deposits as of 31 December 2018 (JD 5625.9 million, or 34.8% of total customer deposits as of 31 December 2017).
- Blocked deposits amounted to JD 46.6 million, or 0.28 % of total customer deposits as of 31 December 2018 (JD 57.7 million, or 0.36% of total customer deposits as of 31 December 2017).
- Dormant deposits amounted to JD 156.1 million, or 0.93% of total customer deposits as of 31 December 2018 (JD 156 million, or 0.96% of total customer deposits as of 31 December 2017).

(20) Cash Margin

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Against direct credit facilities at amortized cost	1 039 275	1 063 763
Against indirect credit facilities	908 134	694 987
Against margin trading	1 271	1 750
Other cash margins	1 140	1 364
Total	**1 949 820**	**1 761 864**

(21) Borrowed Funds

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
From Central Banks	55 560	47 044
From local banks and financial institutions	86 247	16 697
Total	**141 807**	**63 741**

Analysis of borrowed funds according to interest nature:

	December 31	
	2018	**2017**
	JD '000	JD '000
Floating interest rate	79 799	9 299
Fixed interest rate	62 008	54 442
Total	**141 807**	**63 741**

* 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 31 December 2018 amounted to JD 3.6 million (JD 4 million as of 31 December 2017).

* 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 31 December 2018 amounted to JD 2.2 million (JD 2.6 Million as of 31 December 2017).

* 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 2019 and ends on September 2028, these advances amounted JD 44.4 million as of 31 December 2018 (JD 35.1 million as of 31 December 2017).

* 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 31 December 2018 amounted to JD 3.6 million (JD 3.6 million as of 31 December 2017).

* 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 31 December 2018 amounted to JD 1.7 million (JD 1.7 million as of 2017).

** During 2017, Arab Bank (Jordan Branches) signed a loan agreement with Sumitomo Mitsui Banking Corporation in Dubai with fixed interest rate ranging between (0.85% - 0.856%), the balance as of 31 December 2018 amounted to JD 15.4 million and the first contract matures in 4 January 2019 and the last one matures in 7 May 2019 (JD 16.7 million as of 31 December 2017).

** During 2018, Arab Bank (Jordan branches) signed a loan agreement 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 intrest 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 installement is on 15 September 2020 and end of installements on 15 September 2025. The balance of the loan as of 31 December 2018 amounted to JD 70.9 million.

(22) Provisions For Income Tax

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	122 264	115 248
Income tax charge	136 426	112 671
Income tax paid	(118 282)	(105 655)
Balance at the End of the Year	**140 408**	**122 264**

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

	December 31	
	2018	**2017**
	JD '000	JD '000
Income tax expense for the year	136 426	112 671
Deferred tax assets for the year	(25 086)	(13 118)
Amortization of deferred tax assets	9 379	9 649
Deferred tax liabilities for the year	6	149
Amortization of deferred tax liabilities	-	-
Total	**120 725**	**109 351**

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 Group has investments and branches ranges from zero to 37% as of 31 December 2018 and 2017. Arab Bank Group effective tax rate was 26.7% as of 31 December 2018 and 33.1% as of 31 December 2017.
The branches of Arab Bank plc have reached recent tax settlements ranging between 2017 for Arab Bank United Arab Emirates and 2012 for Arab Bank Qatar.

(23) Other Provisions

	31 December 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**

	31 December 2017					
	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	75 941	10 382	(7 778)	(295)	20	78 270
Legal cases	12 418	742	(7)	(1 971)	6	11 188
Other	56 656	53 454	-	(10)	28	110 128
Total	**145 015**	**64 578**	**(7 785)**	**(2 276)**	**54**	**199 586**

(24) Other Liabilities

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Accrued interest payable	104 987	86 946
Notes payable	81 263	96 814
Interest and commission received in advance	69 550	41 401
Accrued expenses	25 590	20 444
Dividend payable to shareholders	12 247	10 849
Other miscellaneous liabilities	213 979	425 444
provision for impairment - ECL of the indirect credit facilities*	26 416	-
Total	**534 032**	**681 898**

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				
	2018				**2017**
	Stage 1	Stage 2	Stage 3	Total	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
Low risk / performing	948 818	-	-	948 818	635 748
Acceptable risk / performing	10 190 794	323 592	-	10 514 386	11 071 650
Non-performing	-	-	9 968	9 968	9 380
Total	**11 139 612**	**323 592**	**9 968**	**11 473 172**	**11 716 778**

The movement on total balances of indirect credit facilities is as follows:

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance at the beginning of the year	11 564 764	142 634	9 380	11 716 778
New balances (Additions)	3 739 713	223 556	3 181	3 966 450
Matured balances	(4 063 212)	(120 393)	(2 568)	(4 186 173)
Transfers to stage 1	29 097	(29 022)	(75)	-
Transfers to stage 2	(107 482)	107 482	-	-
Transfers to stage 3	(48)	(10)	58	-
Written off balances	-	-	-	-
Adjustments during the year	-	-	-	-
Translation Adjustments	(23 220)	(655)	(8)	(23 883)
Total	**11 139 612**	**323 592**	**9 968**	**11 473 172**

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

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	JD '000	JD '000	JD '000	JD '000
Balance as of 1 January 2018 (restated)	6 081	1 851	627	8 559
New ECL charges for new balances during the year	8 797	11 879	1	20 677
Recoveries (excluding write offs)	(3 554)	(3 320)	(341)	(7 215)
Transfers to stage 1	413	(413)	-	-
Transfers to stage 2	(168)	168	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL caused by transfers between three stages during the year	-	1 367	-	1 367
Written off balances	-	-	-	-
Adjustments during the year	457	2 338	230	3 025
Translation Adjustments	-	1	2	3
Total	**12 026**	**13 871**	**519**	**26 416**

(25) Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	31 December 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**

	31 December 2017					
	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
Investment revaluation reserve	4 438	-	(4 438)	-	-	-
Other	3 155	660	-	-	3 815	942
Total	**7 593**	**660**	**(4 438)**	**-**	**3 815**	**942**

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

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	942	793
Additions during the year	6	149
Amortized during the year	-	-
Balance at the End of the Year	**948**	**942**

(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 2018 and 2017 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 31 December 2018 and 2017.

(27) Statutory Reserve

The statutory reserve amounted to JD 617.2 million as at 31 December 2018 (JD 561.8 million as at 31 December 2017) 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 31 December 2018 and 2017. 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 31 December 2018 and 2017. 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 31 December 2018 (JD 220.5 million as of 31 December 2017).

(31) Foreign Currency Translation Reserve

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	(221 600)	(281 492)
Additions (disposals) during the year transferred to other comprehensive income	31 394	59 892
Balance at the End of the Year	**(190 206)**	**(221 600)**

(32) Investment Revaluation Reserve

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	(207 437)	(192 069)
Change in fair value during the year	(7 722)	(13 625)
Net realized losses (gains) transferred to retained earnings	(28)	(1 743)
Balance at the End of the Year	**(215 187)**	**(207 437)**

(33) Retained Earnings

The details of the movement on the Retained Earnings are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Balance at the beginning of the year	497 626	543 433
Profit for the year	433 514	195 025
Investments revaluation reserve transferred to retained earnings	28	1 743
Dividends paid **	(256 320)	(192 240)
Transferred to statutory reserve	(55 424)	(30 437)
Transferred to (from) general banking risk reserve	111 673	(20 000)
The Effect of IFRS (9) adoption	(80 152)	-
Adjustment during the year	-	102
Balance at the End of the year*	**650 945**	**497 626**

* Arab Bank plc Board of Directors recommended a 45% of par value as cash dividend, equivalent to JD 288.4 million, for the year 2018, 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 29, 2018 approved the recommendation of the Bank's Board of Directors to distribute 40% of par value as cash dividends for the year 2017 equivalent to JD 256.3 million).

** Retained earnings include restricted deferred tax assets in the amount of JD 78 million, as well as unrealized gain from financial assets at fair value through profit or loss in the amount of JD 0.5 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 31 December 2018.

** 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 (215.2) million as of 31 December 2018 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:

	December 31 2018	December 31 2017
	JD '000	JD '000
Direct credit facilities at amortized cost*	869 156	775 093
Central banks	51 286	44 808
Banks and financial institutions deposits	47 882	30 136
Financial assets at fair value through profit or loss	14 731	7 269
Other financial assets at amortized cost	281 328	262 733
Total	**1 264 383**	**1 120 039**

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

	31 December 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**

	31 December 2017					
	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	2 838	7 590	14 884	1 754	-	27 066
Overdrafts	2 275	47 356	163 265	8	13 182	226 086
Loans and advances	94 102	36 903	287 739	2 166	31 510	452 420
Real estate loans	58 814	313	-	-	-	59 127
Credit cards	10 394	-	-	-	-	10 394
Total	**168 423**	**92 162**	**465 888**	**3 928**	**44 692**	**775 093**

(35) Interest Expense

The details of this item are as follows:

	December 31	
	2018	2017
	JD '000	JD '000
Customer deposits*	423 757	375 714
Banks and financial institutions deposits	41 430	30 460
Cash margins	31 897	27 453
Borrowed funds	1 352	2 606
Deposit insurance fees	17 646	18 624
Total	**516 082**	**454 857**

The details of movement on customer deposits are as follows:

	31 December 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**

	31 December 2017				
	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	7 452	873	11 853	2 756	22 934
Savings	10 101	216	3	-	10 320
Time and notice	164 470	14 427	103 087	44 050	326 034
Certificates of deposit	16 399	21	6	-	16 426
Total	**198 422**	**15 537**	**114 949**	**46 806**	**375 714**

(36) Net Commission Income

The details of this item are as follows:

	December 31	
	2018	2017
	JD '000	JD '000
Commission income:		
Direct credit facilities at amortized cost	58 479	55 024
Indirect credit facilities	66 461	70 282
Other	51 529	48 526
Less: commission expense	(21 754)	(19 660)
Net Commission Income	**154 715**	**154 172**

(37) Gains From Financial Assets At Fair Value Through Profit Or Loss

The details of this item are as follows:

	31 December 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**

	31 December 2017			
	Realized Gains	Unrealized Gains (Loss)	Dividends	Total
	JD '000	JD '000	JD '000	JD '000
Treasury bills and bonds	1 116	757	-	1 873
Corporate shares	-	(183)	75	(108)
Total	**1 116**	**574**	**75**	**1 765**

(38) Dividends from Subsidiares and Associates

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Arab Tunisian Bank	3 709	4 083
Arab Sudanese Bank Limited	1 035	3 100
Al-Nisr Al Arabi Insurance Company plc	1 000	1 100
Al-Arabi Investment Bank Company L.L.C	260	-
Islamic International Arab Bank plc	12 000	10 000
Arab National Leasing Company L.L.C	5 000	5 000
Others	-	2 548
Total Dividends from Subsidiaries	**23 004**	**25 831**
Arab National Bank	73 700	71 018
Oman Arab Bank	12 026	-
Commercial Building Company S.A.L	184	194
Total Dividends from Associates	85 910	71 212
Total Dividends from Subsidiaries and Associates	**108 914**	**97 043**

(39) Other Revenue

The details of this item are as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Revenue from customer services	7 586	7 772
Safe box rent	724	758
(Loss) gains from derivatives	14	764
Miscellaneous revenue	11 079	8 609
Total	**19 403**	**17 903**

(40) Employees' Expenses

	December 31	
	2018	**2017**
	JD '000	JD '000
Salaries and benefits	179 691	155 171
Social security	12 307	11 789
Savings fund	1 461	1 336
Indemnity compensation	1 854	1 345
Medical	7 538	6 917
Training	1 354	1 231
Allowances	44 730	34 732
Other	5 777	4 711
Total	**254 712**	**217 232**

(41) Other Expenses

	December 31	
	2018	**2017**
	JD '000	JD '000
Occupancy	38 348	36 332
Office	37 906	33 674
Services	28 421	29 632
Fees	7 701	7 095
Information technology	21 240	19 240
Other administrative expenses	33 401	17 179
Total	**167 017**	**143 152**

(42) Financial Derivatives

The details of movement on financial derivatives are as follows:

FVTPL	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
	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**

FVTPL	31 December 2017						
				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	1 055	408	463 275	31 485	34 587	91 681	305 522
Foreign currency forward contracts	2 798	2 364	3 574 839	2 917 411	650 287	7 141	-
Derivatives held for trading	**3 853**	**2 772**	**4 038 114**	**2 948 896**	**684 874**	**98 822**	**305 522**
Interest rate swaps	6 477	6 745	726 691	88 648	183 006	28 362	426 675
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for fair value hedge	**6 477**	**6 745**	**726 691**	**88 648**	**183 006**	**28 362**	**426 675**
Interest rate swaps	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10 330**	**9 517**	**4 764 805**	**3 037 544**	**867 880**	**127 184**	**732 197**

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	
	2018	2017	2018	2017	2018	2017
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Revenue	365 402	310 472	717 330	665 759	1 082 732	976 231
Assets	8 065 834	7 313 539	17 479 504	17 048 033	25 545 338	24 361 572
Capital expenditures	**14 864**	**14 056**	**26 034**	**17 986**	**40 898**	**32 042**

(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:

	31 December 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 segments	238 255	202 316	93 220	91 696	117 760	743 247
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
Income tax expense	33 502	40 244	18 661	1 280	27 038	120 725
Profit (loss) 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**

	31 December 2017					
	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	535 090	325 573	(79 450)	88 686	106 332	976 231
Net inter-segment interest income	(95 859)	(130 480)	146 451	79 888	-	-
Less:						
Provision for impairment - direct credit facilities at amortized cost	163 703	-	275	3 797	-	167 775
Other provisions	3 568	1 217	463	3 863	-	9 111
Direct administrative expenses	65 678	8 688	9 911	78 417	-	162 694
Result of operations of segments	206 282	185 188	56 352	82 497	106 332	636 651
Less:						
Indirect expenses on segments	104 299	28 583	13 373	77 871	1 767	225 893
Recovery (expense) of Legal Provision	-	-	-	-	(106 382)	(106 382)
Impairment of investment held for sale	-	-	-	-	-	-
Profit for the year before income tax	101 983	156 605	42 979	4 626	(1 817)	304 376
Income tax expense	45 636	38 807	11 644	2 372	10 892	109 351
Profit (loss) for the Year	56 347	117 798	31 335	2 254	(12 709)	195 025
Depreciation and amortization	9 676	2 427	1 069	15 031	-	28 203
Other Information						
Segment assets	10 191 605	10 235 146	541 687	1 981 213	445 988	23 395 639
Inter-segment assets	-	-	6 576 873	1 221 692	2 850 436	-
Investments in associates and subsidiaries	-	-	-	-	965 933	965 933
Total Assets	10 191 605	10 235 146	7 118 560	3 202 905	4 262 357	24 361 572
Segment liabilities	7 821 476	1 956 274	7 118 560	3 202 905	712 448	20 811 663
Shareholders' equity	-	-	-	-	3 549 909	3 549 909
Inter-segment liabilities	2 370 129	8 278 872	-	-	-	-
Total Liabilities and Shareholders' Equity	**10 191 605**	**10 235 146**	**7 118 560**	**3 202 905**	**4 262 357**	**24 361 572**

(45) Banking Risk Management

Arab Bank 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

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.

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-I) shows the details of the geographical distribution of assets.

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 (52) shows the maturities of the assets and liabilities of the Bank and Note (49) shows the distribution of the liabilities (undiscounted) according to residual maturity.

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 High ALCO.

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	
	2018	**2017**
	JD '000	JD '000
Credit risk exposures relating to items on statement of financial position:		
Balances with central banks	2 986 688	2 952 405
Balances with banks and financial institutions	3 209 371	3 063 256
Deposits with banks and financial institutions	130 987	67 067
Financial assets at fair value through profit or loss	82 577	65 467
Direct credit facilities at amortized cost	**12 173 355**	**11 947 106**
Consumer banking	2 305 432	2 207 206
Small and medium corporate	1 166 848	1 113 673
Large corporate	8 056 636	7 805 135
Banks and financial institutions	60 772	65 913
Government and public sector	583 667	755 179
Other financial assets at amortized cost	4 995 656	4 286 264
Financial derivatives – positive fair value	18 270	10 330
Other assets	187 148	165 860
Total credit exposure related to items on statement of financial position	**23 784 052**	**22 557 755**
Total items off the statement of financial position	**11 446 756**	**11 716 778**
Grand Total	**35 230 808**	**34 274 533**

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	2 987 544	-	-	-
Balances with banks and financial institutions	3 209 750	-	-	-
Deposits with banks and financial institutions	132 017	-	-	-
Financial assets at fair value through profit or loss	82 577	-	-	-
Direct credit facilities at amortized cost	**13 301 409**	**777 483**	**181 160**	**1 782 491**
Consumer Banking	2 437 542	208 403	19	56 822
Small and Medium Corporates	1 307 221	120 645	31 995	346 937
Large Corporates	8 903 707	446 292	149 146	1 374 482
Banks and Financial Institutions	66 426	-	-	-
Government and Public Sector	586 513	2 143	-	4 250
Other financial assets at amortized cost	5 010 905	-	-	-
Financial derivatives - positive fair value	18 270	-	-	-
Other assets	187 148	-	-	-
Total Credit exposures relating to items on statement of financial position	**24 929 620**	**777 483**	**181 160**	**1 782 491**
Credit exposures relating to items off statement of financial position:				
Total Credit exposures relating to items off statement of financial position	**11 473 172**	**902 247**	**47 048**	**91 720**
Grand Total	**36 402 792**	**1 679 730**	**228 208**	**1 874 211**

31 December 2018					
Fair Value of Collaterals					
Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
-	-	-	-	2 987 544	856
-	-	-	-	3 209 750	379
-	-	-	-	132 017	1 030
-	-	-	-	82 577	-
255 442	**243 276**	**2 626 730**	**5 866 582**	**7 434 827**	**870 175**
1 357	1 397	687 051	955 049	1 482 493	88 291
1 289	17 025	277 504	795 395	511 826	79 290
252 796	224 854	1 574 974	4 022 544	4 881 163	699 733
-	-	-	-	66 426	15
-	-	87 201	93 594	492 919	2 846
-	-	-	-	5 010 905	15 249
-	-	-	-	18 270	-
-	-	-	-	187 148	-
255 442	**243 276**	**2 626 730**	**5 866 582**	**19 044 768**	**887 689**
4 247	**12 483**	**1 446 493**	**2 504 238**	**8 968 934**	**26 416**
259 689	**255 759**	**4 073 223**	**8 370 820**	**28 013 702**	**914 105**

C. Fair value of collaterals obtained against Stage 3 Credit Exposures as of 31 December 2018:

	Total Credit Risk Exposure	Fa		
		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	**932 891**	**9 933**	**310**	**82 606**
Consumer Banking	129 532	116	-	445
Small and Medium Corporates	153 262	667	310	27 417
Large Corporates	623 998	9 150	-	54 744
Banks and Financial Institutions	26 099	-	-	-
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	**935 723**	**9 933**	**310**	**82 606**
Credit exposures relating to items off statement of financial position:				
Total Credit exposures relating to items off statement of financial position	**9 968**	**240**	**-**	**-**
Grand Total	**945 691**	**10 173**	**310**	**82 606**

31 December 2018					
air Value of Collaterals					
Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
68	**8 910**	**9 660**	**111 487**	**821 404**	**620 889**
-	-	9 284	9 845	119 687	78 150
-	268	160	28 822	124 440	71 738
68	8 642	216	72 820	551 178	471 001
-	-	-	-	26 099	-
-	-	-	-	-	-
-	-	-	-	2 832	2 832
-	-	-	-	-	-
-	-	-	-	-	-
68	**8 910**	**9 660**	**111 487**	**824 236**	**623 721**
-	**-**	**3 644**	**3 884**	**6 084**	**519**
68	**8 910**	**13 304**	**115 371**	**830 320**	**624 240**

D. Reclassified Credit Exposures as of 31 December 2018:

	31 December 2018					
	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		
	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	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Direct credit facilities at amortized cost	1 516 941	512 607	932 891	131 290	643 897	26.3%
Other financial assets at amortized cost	42 490	-	2 832	-	-	-
Total Credit exposures relating to items on statement of financial position	**1 559 431**	**512 607**	**935 723**	**131 290**	**643 897**	**25.8%**
Total Credit exposures relating to items off statement of financial position	**323 592**	**78 450**	**9 968**	**(17)**	**78 433**	**23.5%**
Grand Total	**1 883 023**	**591 057**	**945 691**	**131 273**	**722 330**	**25.5%**

E. Reclassified Expected Credit Losses as of 31 December 2018:

	31 December 2018					
	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		
	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	-	-	-	-	-	
Balances with banks and financial institutions	-	-	-	-	-	
Deposits with banks and financial institutions	-	-	-	-	-	
Direct credit facilities at amortized cost	206 535	(1 208)	620 889	7 532	6 324	0.8%
Other financial assets at amortized cost	968	-	2 832	-	-	0.0%
Total Credit exposures relating to items on statement of financial position	**207 503**	**(1 208)**	**623 721**	**7 532**	**6 324**	**0.8%**
Credit exposures relating to items off statement of financial position:						
Total Credit exposures relating to items off statement of financial position	**13 871**	**(245)**	**519**	**-**	**(245)**	**(1.7%)**
Grand Total	**221 374**	**(1 453)**	**624 240**	**7 532**	**6 079**	**0.7%**

F. Expected Credit Losses for Reclassified Credit Exposures as of 31 December 2018:

	31 December 2018						
	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	-	-	-	-	-	-	-
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	512 607	131 290	643 897	14 371	(642)	21 602	35 331
Other financial assets at amortized cost	-	-	-	-	-	-	-
Other assets and financial derivatives - positive fair value	-	-	-	-	-	-	-
Total Credit exposures relating to items on statement of financial position	**512 607**	**131 290**	**643 897**	**14 371**	**(642)**	**21 602**	**35 331**
Credit exposures relating to items off statement of financial position:							
Total Credit exposures relating to items off statement of financial position	**78 450**	**(17)**	**78 433**	**1 122**	**-**	**-**	**1 122**
Grand Total	**591 057**	**131 273**	**722 330**	**15 493**	**(642)**	**21 602**	**36 453**

G. Credit exposure categorized by economic sector:

	Consumer Banking	Corporates			
		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	2 305 432	2 691 135	1 231 224	919 771	2 351 798
Other financial assets at amortized cost	-	35 952	-	-	14 157
Financial derivatives – positive fair value	-	-	-	-	208
Other assets	7 861	10 344	6 716	3 828	21 204
Total	**2 313 293**	**2 737 431**	**1 237 940**	**923 599**	**2 387 457**
Total as of 31 December 2017	**2 214 499**	**2 409 006**	**1 391 667**	**815 571**	**2 298 449**

							31 December 2018
Corporates					Banks and Financial Institutions	Government and Public Sector	Total
Agricul-ture	Tour-ism and Hotels	Transpor-tation	Shares	General Services			
JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
-	-	-	-	-	-	2 986 688	2 986 688
-	-	-	-	-	3 340 358	-	3 340 358
-	-	21 010	-	-	-	61 567	82 577
134 777	229 252	140 543	8 500	1 516 484	60 772	583 667	12 173 355
-	-	-	-	7 471	355 911	4 582 165	4 995 656
-	-	-	-	929	12 950	4 093	18 270
363	638	449	-	25 837	9 860	100 048	187 148
135 140	**229 890**	**162 002**	**8 500**	**1 550 721**	**3 779 851**	**8 318 228**	**23 784 052**
117 551	**165 441**	**299 887**	**8 500**	**1 569 449**	**3 608 844**	**7 658 891**	**22 557 755**

H. Credit exposure categorized by economic sector and stagings according to IFRS 9 as of 31 December 2018:

	31 December 2018					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collec-tive)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Consumer Banking	7 861	2 269 810	-	26 861	8 761	2 313 293
Industry and Mining	2 240 695	-	494 619	-	2 117	2 737 431
Constructions	1 055 316	-	171 106	-	11 518	1 237 940
Real Estate	779 179	-	142 994	-	1 426	923 599
Trade	2 176 017	-	194 192	-	17 248	2 387 457
Agriculture	113 328	-	21 103	-	709	135 140
Tourism and Hotels	107 589	-	121 334	-	967	229 890
Transportation	116 695	-	45 307	-	-	162 002
Shares	7 854	-	646	-	-	8 500
General Service	1 481 023	-	67 121	-	2 577	1 550 721
Banks and Financial Institutions	3 759 391	-	-	-	20 460	3 779 851
Government and Public Sector	8 261 270	-	56 958	-	-	8 318 228
Total	**20 106 218**	**2 269 810**	**1 315 380**	**26 861**	**65 783**	**23 784 052**

I. Credit exposure categorized by geographical distribution:

	31 December 2018						
	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	1 384 904	1 601 623	161	-	-	-	2 986 688
Balances and deposits with banks and financial institutions	216 067	751 084	229 232	1 835 294	263 621	45 060	3 340 358
Financial assets at fair value through profit or loss	-	82 577	-	-	-	-	82 577
Direct credit facilities at amortized cost	4 043 599	7 881 227	215 265	2 092	18 660	12 512	12 173 355
Consumer Banking	1 025 450	1 279 938	20	24	-	-	2 305 432
Small and Medium Corporates	484 912	681 448	308	180	-	-	1 166 848
Large Corporates	2 440 111	5 381 287	214 690	1 888	18 660	-	8 056 636
Banks and Financial Institutions	11 520	36 493	247	-	-	12 512	60 772
Government and Public Sector	81 606	502 061	-	-	-	-	583 667
Other financial assets at amortized cost	2 316 810	2 438 579	71 527	101 952	49 305	17 483	4 995 656
Financial derivatives - positive fair value	5 024	13 246	-	-	-	-	18 270
Other assets	43 593	141 781	1 408	280	86	-	187 148
Total	**8 009 997**	**12 910 117**	**517 593**	**1 939 618**	**331 672**	**75 055**	**23 784 052**
Total - as of 31 December 2017	**7 235 628**	**12 606 705**	**376 511**	**1 680 653**	**636 825**	**21 433**	**22 557 755**

* Excluding Arab Countries.

J. Credit exposure categorized by geographical distribution and stagings according to IFRS 9 as of 31 December 2018:

	31 December 2018					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	JD '000	JD '000	JD '000	JD '000	JD '000	JD '000
Jordan	6 222 602	1 005 191	737 032	11 824	33 348	8 009 997
Other Arab Countries	11 019 722	1 264 575	578 348	15 037	32 435	12 910 117
Asia*	517 573	20	-	-	-	517 593
Europe	1 939 594	24	-	-	-	1 939 618
America	331 672	-	-	-	-	331 672
Rest of the World	75 055	-	-	-	-	75 055
Total	**20 106 218**	**2 269 810**	**1 315 380**	**26 861**	**65 783**	**23 784 052**

* Excluding Arab Countries.

K. 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.

	31 December 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**

	31 December 2017		
	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-	-	311 093	311 093
BBB+ to B-	-	118 096	118 096
Below B-	-	-	-
Unrated	21 010	43 959	64 969
Government and public sector	44 457	3 813 116	3 857 573
Total	**65 467**	**4 286 264**	**4 351 731**

(47) Market Risk

Assuming market prices as at 31 December 2017 and 2018 change by 5%, the impact on statement of income and shareholders equity will be as follows:

	December 31					
	2018			2017		
	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	29 435	-	29 435	21 681	-	21 681
Foreign exchange rate sensitivity	1 117	27 802	28 919	5 607	28 296	33 903
Equity instruments price sensitivity	47	7 808	7 855	51	8 246	8 297
Total	**30 599**	**35 610**	**66 209**	**27 339**	**36 542**	**63 881**

(48) Interest Rate Risk

Exposure to interest rate volatility as of 31 December 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**

Exposure to interest rate volatility as of 31 December 2017 (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	-	-	-	-	-	-	318 171	318 171
Mandatory cash reserve	-	-	-	-	-	-	954 848	954 848
Balances with central banks	1 610 254	2 345	-	-	-	17 730	367 228	1 997 557
Balances and deposits with banks and financial institutions	2 527 436	535 820	41 422	10 645	15 000	-	-	3 130 323
Financial assets at fair value through profit or loss	2 056	15 902	29 884	14 771	1 422	1 432	1 015	66 482
Direct credit facilities at amortized cost	4 154 031	1 909 932	1 012 178	961 230	843 693	3 066 042	-	11 947 106
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	164 912	164 912
Other financial assets at amortized cost	563 392	842 394	577 344	573 812	899 629	829 693	-	4 286 264
Investment in subsidiaries and associates	-	-	-	-	-	-	965 933	965 933
Fixed assets	-	-	-		-	-	216 816	216 816
Other assets and financial derivatives - positive fair value	9 591	12 545	21 216		6 237		218 419	268 008
Deferred tax assets	-	-	-	-	-	-	45 152	45 152
Total assets	**8 866 760**	**3 318 938**	**1 682 044**	**1 560 458**	**1 765 981**	**3 914 897**	**3 252 494**	**24 361 572**
Liabilities								
Banks' and financial institutions' deposits	413 941	955 111	213 242	76 264	23 771	24 479	86 217	1 793 025
Customer deposits	5 849 023	1 860 167	1 058 295	1 472 475	209 706	103 289	5 625 871	16 178 826
Cash margin	817 729	361 279	280 768	86 010	14 614	5 950	195 514	1 761 864
Borrowed funds	4 197	15 994	5 284	31	5 414	32 821	-	63 741
Provision for income tax	-	-	-	-	-	-	122 264	122 264
Other Provisions	-	-	-	-	-	-	199 586	199 586
Other liabilities and financial derivatives - negative fair value	21 751	9 157	13 807	2 302	-	-	644 398	691 415
Deferred tax liabilities	-	-	-	-	-	-	942	942
Total liabilities	**7 106 641**	**3 201 708**	**1 571 396**	**1 637 082**	**253 505**	**166 539**	**6 874 792**	**20 811 663**
Gap	**1 760 119**	**117 230**	**110 648**	**(76 624)**	**1 512 476**	**3 748 358**	**(3 622 298)**	**3 549 909**

(49) Liquidity Risk

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

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2017:

	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	414 052	955 299	74 957	214 761	24 533	26 563	86 217	1 796 382
Customer deposits	4 935 030	1 873 843	1 063 726	1 709 365	257 375	148 170	6 334 819	16 322 328
Cash margin	739 601	128 596	577 351	97 728	20 326	244	201 306	1 765 152
Borrowed funds	4 231	8 495	5 368	31	3 715	42 121	-	63 961
Provision for income tax	-	-	-	-	-	-	122 264	122 264
Other provisions	-	-	-	-	-	-	199 586	199 586
Financial derivatives - negative fair value	1 639	208	262	177	-	-	7 236	9 522
Other liabilities	20 112	8 949	13 545	12 974	340 552	-	285 766	681 898
Deferred tax liabilities	-	-	-	-	-	-	942	942
Total Liabilities	**6 114 665**	**2 975 390**	**1 735 209**	**2 035 036**	**646 501**	**217 098**	**7 238 136**	**20 962 035**
Total assets according to expected maturities	**4 595 289**	**3 342 225**	**1 455 289**	**1 954 728**	**2 366 406**	**4 788 882**	**5 858 753**	**24 361 572**

(50) Net Foreign Currency Positions

The details of this item are as follows:

	December 31			
	2018		2017	
	Base Currency in Thousand	Equivalent in JD '000	Base Currency in Thousand	Equivalent in JD '000
USD	101 387	71 906	69 671	49 412
GBP	262	236	56	54
EUR	1 299	1 053	2 208	1 879
JPY	10 898	70	345 381	2 173
Other currencies *	-	(55 934)	-	58 620
Total		**17 331**		**112 138**

* 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 measured at fair value on a recurring basis.

Some financial assets and financial liabilities are measured at fair value at the end of each reporting period, the following note illustrates how the fair value is determined (Valuation techniques and key inputs).

Financial Assets /Financial Liabilities	Fair Value at 31 December 2018	2017	Fair Value Hierarchy	Valuation technique-sand key inputs	Significant unobserv-ableinputs	Relationship of unobserv-able inputs to fair value
	JD '000	JD '000				
Financial Assets at Fair Value						
Financial assets at fair value through profit or loss:						
Treasuring bills and Bonds	61 567	44 457	Level 1	Quoted Shares	Not Appli-cable	Not Appli-cable
Loans and advances	21 010	21 010	Level 2	Through Com-parison of similar financial instruments	Not Appli-cable	Not Appli-cable
Shares and mutual funds	944	1 015	Level 1	Quoted Shares	Not Appli-cable	Not Appli-cable
Total Financial Assets at Fair Value through Profit or Loss	**83 521**	**66 482**				
Financial derivatives - positive fair value	18 270	10 330	Level 2	Through Com-parison of similar financial instruments	Not Appli-cable	Not Appli-cable
Financial assets at fair value through other comprehensive income:						
Quoted shares	117 420	121 699	Level 1	Quoted Shares	Not Appli-cable	Not Appli-cable
Unquoted shares	38 744	43 213	Level 2	Through using the index sector in the market	Not Appli-cable	Not Appli-cable
Total financial assets at fair value through other comprehensive income	**156 164**	**164 912**				
Total Financial Assets at Fair Value	**257 955**	**241 724**				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	15 164	9 517	Level 2	Through Com-parison of similar financial instruments	Not Appli-cable	Not Appli-cable
Total Financial Liabilities at Fair Value	**15 164**	**9 517**				

There were no transfers between Level 1 and 2,during the year ended 31 December 2018 and 31 December 2017

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				
	2018		2017		
	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 balances and Certificates of deposit with Central Banks	2 641 726	2 643 035	2 585 177	2 586 297	Level 2
Balances and Deposits with banks and financial institutions	3 340 358	3 343 427	3 130 323	3 133 973	Level 2
Direct credit facilities at amortized cost	12 173 355	12 216 925	11 947 106	11 985 973	Level 2
Other Financial assets at amortized cost	4 995 656	5 044 554	4 286 264	4 325 843	Level 1 & 2
Total financial assets not calculated at fair value	**23 151 095**	**23 247 941**	**21 948 870**	**22 032 086**	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	2 169 420	2 180 231	1 793 025	1 800 194	Level 2
Customer deposits	16 785 476	16 851 651	16 178 826	16 241 002	Level 2
Cash margin	1 949 820	1 958 270	1 761 864	1 768 395	Level 2
Borrowed funds	141 807	142 117	63 741	63 911	Level 2
Total financial liabilities not calculated at fair value	**21 046 523**	**21 132 269**	**19 797 456**	**19 873 502**	

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 31 December 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	-	224 280	224 280
Other assets and financial derivatives - positive fair value	322 340	869	323 209
Deferred tax assets	78 128	-	78 128
Total Assets	**16 199 963**	**9 345 375**	**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	**(4 868 002)**	**8 538 625**	**3 670 623**

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2017:

	UP to One Year	More than One Year	Total
	JD '000	JD '000	JD '000
Assets			
Cash at vaults	318 171	-	318 171
Mandatory cash reserve	954 848	-	954 848
Balances with central banks	1 979 827	17 730	1 997 557
Balances and deposits with banks and financial institutions	3 115 323	15 000	3 130 323
Financial assets at fair value through profit or loss	42 618	23 864	66 482
Direct credit facilities at amortized cost	6 663 484	5 283 622	11 947 106
Financial assets at fair value through other comprehensive income	-	164 912	164 912
Other financial assets at amortized cost	2 477 429	1 808 835	4 286 264
Investment in subsidiaries and associates	-	965 933	965 933
Fixed assets	-	216 816	216 816
Other assets and financial derivatives - positive fair value	261 771	6 237	268 008
Deferred tax assets	45 152	-	45 152
Total Assets	**15 858 623**	**8 502 949**	**24 361 572**
Liabilities			
Banks' and financial institutions' deposits	1 744 775	48 250	1 793 025
Customer deposits	15 865 146	313 680	16 178 826
Cash margin	1 741 294	20 570	1 761 864
Borrowed funds	17 905	45 836	63 741
Provision for income tax	122 264	-	122 264
Other provisions	199 586	-	199 586
Other liabilities and financial derivatives - negative fair value	350 863	340 552	691 415
Deferred tax liabilities	942	-	942
Total Liabilities	**20 042 775**	**768 888**	**20 811 663**
Net	**(4 184 152)**	**7 734 061**	**3 549 909**

(53) Contractual Maturity Of The Contingent Commitments and Liabilties

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

	31 December 2018			
	Within 1 Year	From 1 Year and up to 5 Years	More than 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 guarantees:				
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**

	31 December 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**

	31 December 2017			
	Within 1 Year	From 1 Year and up to 5 Years	More than 5 Years	Total
	JD '000	JD '000	JD '000	JD '000
Letters of credit	1 098 353	14 929	-	1 113 282
Acceptances	392 146	8 908	-	401 054
Letters of guarantees:				
Payment guarantees	573 511	101 139	-	674 650
Performance guarantees	2 511 946	994 956	87 421	3 594 323
Other guarantees	1 956 058	623 166	53 961	2 633 185
Unutilized credit facilities	3 018 427	267 453	14 404	3 300 284
Total	**9 550 441**	**2 010 551**	**155 786**	**11 716 778**

	31 December 2017			
	JD '000	JD '000	JD '000	JD '000
Constructions projects contracts	602	7 605	-	8 207
Procurement contracts	4 281	1 393	-	5 674
Operating lease contracts	189	2 379	13 474	16 042
Total	**5 072**	**11 377**	**13 474**	**29 923**

(54) Capital Management

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

The bank manages it's capital to safeguard it's ability to continue it's operating activities while maximizing the return to sherholders,the composition of the regulatory capital as defined by Basel III committee is as follows:

	December 31	
	2018	**2017**
	JD '000	JD '000
Common Equity Tier 1	3 271 504	3 071 156
Regulatory Adjustments (Deductions from Common Equity Tier1)	(659 854)	(613 298)
Additional Tier 1	-	-
Supplementary Capital	177 286	213 977
Regulatory Adjustments (Deductions from supplemantry Capital)	(133 914)	(213 810)
Regulatory Capital	**2 655 022**	**2 457 825**
Risk Weighted Assets (RWA)	**19 373 817**	**19 053 000**
Common Equity Tier 1 Ratio	**13.48%**	**12.90%**
Tier 1 Capital Ratio	**13.48%**	**12.90%**
Capital adequecy Ratio	**13.70%**	**12.90%**

The Board of Directors performs an overall review of the capital structure quarterly basis. As part of such 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.

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

- Compliance with the Central Bank capital related requirements.
- Having a strong capital base for supporting the Bank's expansion and development.

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

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

(55) Transactions With Related Parties

The details for this items are as follows:

	31 December 2018			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Un-utilized 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
Associated 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**

	31 December 2017			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Un-utilized Credit Facilities and Acceptances
	JD '000	JD '000	JD '000	JD '000
Sister and subsidiary companies	1 336 811	11 890	146 541	112 168
Associated Companies	78 167	-	61 050	28 723
Major shareholders and Members of the Board of Directors	-	190 012	221 772	72 658
Total	**1 414 978**	**201 902**	**429 363**	**213 549**

- Direct credit facilities granted to top management amounted to JD 1,2 million and indirect credit facilities JD 10 thousands as of 31 December 2018 (direct credit facilities JD 1.1 million and indirect credit facilities JD 6 thousand as of 31 December 2017).
- Top management deposits amounted to JD 2.2 million as of 31 December 2018 (JD 2 million as of 31 December 2017).
- All facilities granted to related parties are performing loans in accordance with the credit rating of the Bank. No provisions has been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	31 December 2018	
	Interest Income	Interest Expense
	JD '000	JD '000
Sister and subsidiary companies	22 715	2 122
Associated Companies	1 293	952
Total	**24 008**	**3 074**

	31 December 2017	
	Interest Income	Interest Expense
	JD '000	JD '000
Sister and subsidiary companies	9 151	1 623
Associated Companies	1 273	830
Total	**10 424**	**2 453**

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 32.6 million for the year ended 31 December 2018 (JD 27.7 million for the year ended 31 December 2017) .

(56) Assets under Management

There are no assets under management as of 31 December 2018 and 2017.

(57) Cash and Cash Equivalent

	December 31	
	2018	**2017**
	JD '000	JD '000
Cash and balances with central banks maturing within 3 months	3 231 958	3 252 846
Add: Balances with banks and financial institutions maturing within 3 months	3 209 750	2 495 880
Less: Banks and financial institutions deposits maturing within 3 months	1 794 088	1 455 269
Total	**4 647 620**	**4 293 457**

(58) Legal Cases

In relation to the claims filed by the U.S. plaintiffs pursuant to the Anti-Terrorism Act (ATA) since 2004, and in light of the Court of Appeals for the Second Circuit's decision issued on 9 February 2018 in favor of the Bank, these cases have been dismissed and closed. In relation to the claims filed by non-U.S. plaintiffs pursuant to the Alien Tort Statute (ATS), the U.S. Supreme Court issued its decision on 24 April 2018 dismissing these claims, thus, they have been closed.

There are other lawsuits filed against the Bank totaling JD 65,3 million as of 31 December 2018 (JD 98 million as of 31 December 2017). In the opinion of the management and the lawyers representing the Bank in the litigation at issue, the Bank will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling JD 2.4 million as of 31 December 2018 (JD 11 million as of 31 December 2017).

As the legal cases filed in the U.S in 2004 have been put into finality, the Bank reversed JD 230 million of excess legal provision into income (an expense of JD 1.6 million for the year 2017).

(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 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Bank has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Bank will adopt IFRS 16 using the modified retrospective approach. During 2018, the Bank has performed a detailed impact assessment of IFRS 16. The Bank expect the effect of adopting IFRS 16 to be JD 1,4 million on the opening retained earnings.

IFRS 17 Insurance Contracts

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

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

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

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

(60) Comparative Figures

Some of the comparative figures in the financial statements for the year 2017 have been reclassified to be consistent with the year 2018 presentation, with no effect on profit and total equity for the year 2017.

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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 2018, 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 2018, 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 2018. 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.

1. Inadequate allowances (ECL) for credit facilities Refer to note (12) on the financial statements	
Key audit matter:	**How the key audit matter was addressed in the audit:**
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 and bonds 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 and bonds 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 2018, the Bank's gross credit facilities amounted to JD 13,301 million and the related impairment provisions amounted to JD 870 million. The impairment provision policy is presented in the accounting policies in note 4 to the financial statements.	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,

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<table>
<tr><td></td><td>competence and independence of the experts involved in this exercise.
◦ Soundness and mathematical integrity of the ECL Model.
◦ 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.
◦ 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 (11) and (42) 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 2018, the unquoted equities, positive and negative fair value derivatives amounted to JOD 39 million, JOD 18 million and JOD 15 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 2018 annual report.

Other information consists of the information included in The Bank's 2018 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2018 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.

Amman – Jordan
6 February 2019

ERNST & YOUNG
Amman - Jordan

The Board of Directors confirms that there are no significant issues that may affect the continued operations of the Bank during the financial 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

Abbas F. Zuaiter

Suleiman H. Al-Masri

Usama R. Mikdashi

Musallam A. Musallam

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
Representing
The Social Security Corporation

Wahbe A. Tamari

Khaled A. (Zand Irani)
Representing
Abdul Hamid Shoman Foundation

Bassam W. Kanaan

Alaa A. Batayneh

Abbas F. Zuaiter

Suleiman H. Al-Masri

Usama R. Mikdashi

Musallam A. Musallam

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 2018.

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 2018.

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. Bataynch

Abbas F. Zuaiter

Suleiman H. Al-Masri

Usama R. Mikdashi

Musallam A. Musallam

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 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 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 (5%) or more of the Bank's share capital whether directly or indirectly.

f- **An Executive Director:** a member of the Board who is paid in consideration for his/her employment at the Bank.

g- **An Independent Director:** a member of the Board who is not subject to any influences that may restrict his 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:** Include 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 a minimum of four independent 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 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 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 must attend the meetings in person, and if unable to attend, the member can give his/her views through video or telephone after the approval of the Chairman in which case such member will not be entitled to vote or sign the minutes of the meeting.

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 meeting.

d) Deliberations and proceedings of the meetings of the Board and its Committees shall be fully and accurately minuted 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) 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.

g) 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 resignation or termination of employment of the Chief Executive Officer, and the audit, compliance and risk management directors.

h) 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.

i) Ensure the constant independence of the external auditor.

j) 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.

k) Ensure an adequate and reliable information management system covering all the activities of the Bank.

l) 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.

m) Ensure that the Bank adopts social initiatives in the field of environment, health and education.

n) 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.

o) Approve the organizational structure of the Bank that shows the administrative hierarchy including Board Committees and executive management.

p) Approve the strategies and policies at the Group level (including the sister company), 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.

q) 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

r) Determine the responsibilities of the Secretary of the Board which shall include: -

   1. Attending all meetings of the Board and recording all deliberations, suggestions, objections, 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 in this regard.
8. submit the suitability attestations signed by each of the Board members to the Central Bank.

s) 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 its 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 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 fourth 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 report 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:**

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.

b) **The Audit Committee:**

1. The Audit Committee shall be comprised of at least three Board members provided that the majority of the members, including the Chairman of the Committee, shall be independent members and provided also 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 (4) times per year and whenever necessary.
4. 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.
5. 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.
6. Provided that such authority is granted to the Audit Committee in its chart, the Committee may obtain any information from executive management, and summon any executive or Director to attend its meetings.
7. 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 executive management.
8. 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.
9. 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 whenever necessary.
3. 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) Recommending to the Board qualified candidates for appointment to 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 and the Chief Executive Officer objectively.
   f) 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.
   g) 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.
   h) 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 at least 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. Duties and responsibilities of The Risk Management committee shall include:
   a) Review the Bank's risk management framework.
   b) Review the Bank's risk management strategy prior to being approved by the Board.

c) Ongoing monitoring of risk factors that might affect the risk profile of the Bank and submitting regular reports to the Board.

d) Identify any variance between the actual risk taken by the Bank and tolerable risk as approved by the Board.

e) Identify and regularly report to the Board any risk factors with major effect on the Bank or any other activities that might put the Bank at a risk level higher than the tolerable risk approved by the Bank and follow up on the identified issues.

e) The Corporate Strategy Committee:

1. The Corporate Strategy Committee shall be comprised of three Board members in addition to the Chairman of the Board, Chief Executive Officer and Deputy Chief Executive Officer.
2. The Committee shall meet whenever necessary.
3. 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.
   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.

f) The Credit Committee:

1. The Credit Committee shall be comprised of the Chairman of the Board and four Board members, one of whom may be an Independent member provided that he is not also 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 Board Credit committee shall approve granting loans and credit which amounts exceed those within the authority of the higher Credit Committee upon the recommendation of the Higher Credit Committee and in accordance with to the credit policy and credit limitations approved by the Board of Directors.
4. The Credit Committee shall regularly submit to the Board details of the credit facilities approved thereby.

g) The IT Corporate Governance Committee:

1. The Information Technology Governance Committee shall be comprised of at least three members of the Board.
2. The Committee shall meet at least quarterly.
3. The ITCG shall regularly submit reports to the Board of Directors.
4. The ITCG 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 Committee shall submit its reports to the Board of Directors.
4. 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.
5. 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 of 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 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 Executive Management and 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 its direct report to the Compliance Committee and continuous recruiting of an adequate number of well trained staff.
b) The Board of Directors shall ensure that adequate and well trained recruits are being employed at the Compliance Department.
c) The Board shall approve the compliance policy, ensure its annual review and implementation .
d) The Board of Directors shall approve roles and responsibilities of the compliance management.
e) Compliance management shall report 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 stakeholders 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.

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 AL-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	Member	Non Independent	Non Executive
Represented by Mr. Hisham Mohammed Attar Since 29/3/2018		Non Independent	Non Executive
Social Security Corp. Since 20/9/2001	Member	Non Independent	Non Executive
Represented by Dr. Hamzeh Ahmad Jaradat Since 15/11/2017		Non Independent	Non Executive
Mr. Wahbe Abdallah Tamari Since 31/3/2006	Member	Non Independent	Non Executive
Abdul Hameed Shoman Foundation Since 31/3/2006	Member	Non Independent	Non Executive
Represented by H.E. Mr. Khaled Anis (Zand Irani) Since 27/12/2010		Non Independent	Non Executive
Mr. Bassam Wa'el 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	Member	Independent	Non Executive
Mr. Usama Ramez Mikdashi Since 29/3/2018	Member	Independent	Non Executive

* The Board of Directors of Arab Bank plc was elected by the Ordinary General Assembly of the Bank in its meeting held on 29/3/2018.

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 AL-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 Wa'el 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	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, Equity's Support Department, Social Security Investment Fund (February 2018-Present) - 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 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 Al-Masri / Chairman - Mr. Alaa Batayneh / Member - Mr. Suleiman Hafez / Member
Nomination and Remuneration Committee	- Dr. Bassem Awadallah / Chairman - Mr. Sabih Al-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 2018 *

	Audit Committee **						Nomination & Remuneration Committee						Corporate Governance Committee			Strategy Committee ***
	First	Second	Third	Forth	Fifth	Sixth	First	Second	Third	Forth	Fifth	Sixth	First	Second	Third	First
Mr. Sabih Masri							✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Bassem Awadallah	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓				✓
Ministry of Finance, Saudi Arabia/ Represented by Mr. Hisham Attar Since 29/3/2018																
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-Masr													✓	✓	✓	
Dr. Musallam Musallam																
Mr. Usama Mikdashi																

* Roles and responsibilities of the committees are in compliance with the Corporate Governance Code.

** The Bank's external auditors attended all the 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 the meeting of the Committee;

noting that eleven members of the Board of Directors attended The Corporate Strategy Committee Meeting.

**** 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.

	Risk Committee ****				IT Governance Committee				Compliance Com-mittee			Credit Committee								
	First	Second	Third	Forth	First	Second	Third	Forth	First	Second	Third	First	Second	Third	Forth	Fifth	Sixth	Seventh	Eighth	Ninth
												✓	✓	✓	✓	✓	✓	✓	✓	✓
									✓	✓										
	✓	✓	✓	✓																
						✓	✓	✓				✓		✓	✓		✓		✓	✓
	✓	✓	✓	✓	✓		✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
									✓	✓	✓									
	✓	✓	✓	✓																
					✓	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
									✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓												✓		✓		

Number of Board meetings during the year 2018

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 (Since 29/3/2018)	✓	✓	✓		✓	✓	✓
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		✓	✓			✓	
Mr. Usama Mikdashi / Member (Since 29/3/2018)			✓	✓	✓	✓	✓

Sabih T. Masri
Chairman

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.

1. Reciting the minutes of the previous General Assembly Ordinary Meeting of the 88th General Assembly.

2. Discussion and approval of the report of the Board of Directors for the fiscal year 2018 and the future business plan of the Bank for 2019.

3. Presentation of the auditors' report on the financial statements of the Bank for the fiscal year 2018.

4. Discussion and approval of the financial statements and balance sheet of the Bank for the fiscal year 2018, and approval of the recommendation of the Board of Directors to pay dividends to shareholders at the rate of JOD 0.450 per share, i.e. 45% 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 2018.

7. Election of the Bank's auditors for the fiscal year 2019 and the determination of their remuneration.

8. 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.

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	26 Avenue des Champs Elysées 75008 Paris P.O.Box 319, 75365 Paris Cedex 08	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 (Switzer-land) Ltd.	Geneva Place de Longemalle 10-12 P.O. Box 3575 CH - 1211 Geneva	Tel. 0041 (22) 7151211 Fax.0041 (22) 7151311
	Zurich Claridenstrasse 26, P.O. Box 6003 8022 Zurich	Tel. (44) 0041 2657111 Fax. (44) 0041 2657330
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 24754000 Tel. 00968 24797736
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