2018
ANNUAL REPORT

Capitalbank
كابيتال بنك

His Majesty King Abdullah II Bin Al-Hussein

His Royal Highness Crown Prince Al-Hussein Bin Abdullah II

2017	2018
Chairman of the Board of Directors Bassem Khalil Salem AlSalem	Chairman of the Board of Directors Bassem Khalil Salem AlSalem
Vice Chairman of the Board of Directors Mazen Samih Taleb Darwazeh	Vice Chairman of the Board of Directors Mazen Samih Taleb Darwazeh

Board Members Names as of 2017	Board Members Names as of 2018
Social Security Corporation Represented By: Mr. Issam Abdallah Yousef AlKatib	Social Security Corporation Represented By: Mr.Fadi Khalid Mufleh Al Alawneh
Investments & Integrated Industries Co. Plc Represented By: Mr. Omar M. I. Shahrour	Investments & Integrated Industries Co. Plc Represented By: Mr. Omar M. I. Shahrour
Al Khalil Company for Investments Represented By: Mr. Khalil Hatem Khalil AlSalem	Al Khalil Company for Investments Represented By: Mr. Khalil Hatem Khalil AlSalem
Hitaf Investment Company Represented by: Mr. "Mohammed Ali" Khaldoun Sati Al-Husry	Hitaf Investment Company Represented by: Mr. Mohammed Ali Khaldoun Sati Al-Husry
Al Jadarah Company For Real Estate Investment Represented by: Mr. Sultan Mohammed M. Elseif	Al Jadarah Company For Real Estate Investment Represented by: Mr. Sultan Mohammed M. Elseif
Omar Akram Omran Bitar	Omar Akram Omran Bitar
Reem Haitham Jamil Goussous	Reem Haitham Jamil Goussous
Ahmad Qasem Deeb Al-Hanandah	Ahmad Qasem Deeb Al-Hanandah
Khalid Walid Hussni Nabilsi	Khalid Walid Hussni Nabilsi
Dawod M. D. Al Ghoul	Dawod M. D. Al Ghoul
Mohammad Hasan Subhi (AlHaj Hasan)	Mohammad Hasan Subhi (AlHaj Hasan)

Our Vision

To be a leading financial institution and the partner of choice for institutional and personal clients seeking innovative and holistic solutions in Jordan and Iraq.

Our Mission

- To create value for our shareholders by providing consistent and profitable growth across the group.
- To serve our business and personal banking clients by capitalizing on our unique platform in the region and the breadth of corporate, investment and personal banking services.
- To become the employer of choice by providing a positive and challenging work environment with clear career development.
- To support the communities we operate in by promoting economic growth and trade as well as providing direct support to educational and community development.

Message from the Chairman

Dear Shareholders,

The Jordanian economy continues to experience a growing array of challenges which, while a cause for concern, cannot prevent us from having a positive outlook toward the future. The year 2018 brought a marked improvement in the local tourism sector, which is expected to continue in 2019, and might also see less aggressive deflationary policies if the Federal Reserve Bank decides to freeze interest rates as has been indicated in recent reports. More importantly, Jordan continues to enjoy growing relations with Iraq, which have translated into a number of viable agreements that are expected to enter the implementation stage in the coming year.

Despite these challenges, Capital Bank was able to register positive results in 2018, culminating in a 11.12% increase in net revenues, which totaled JOD 30.3 million. The Board of Directors recommended the dissemination of dividends to shareholders at 10%, for total value of JOD 20 million, underscoring that the bank's strategy over the past years has placed shareholder dividends as a key priority.

Meanwhile, net interest revenues increased by 2.9% to reach JOD 52.2 million. This was accompanied by a notable improvement in the loan-to-deposit ratio, which enhanced from 81.9% in 2017 to 78.6% in 2018, a clear indication of Capital Bank's improved efficiency in managing its assets and liabilities. The bank has also managed to reduce its non-performing debt ratio from 9.8% in 2017 to 8.6% in 2018, in addition to recouping provisions earmarked for our investments in Iraq as well as USD 87 million in assets previously frozen in the Central Bank of Iraq's branches in Erbil and Sulaymaniyah. This leaves only USD 52 million in frozen assets from an original USD 210 million, which the Central Bank of Iraq has committed to releasing in the form of monthly installments over the coming 17 months.

The landscape in Iraq has witnessed a number of positive developments over the past two years, from the government's victory over extremist and terrorist groups and regaining what remained of non-controlled Iraqi territories, to the successful parliamentary elections, the election of a new President, the appointment of a new Prime Minister and the ambitious financial reforms undertaken by the government with the support of the international community and under the supervision of the International Monetary Fund.

With the re-opening of the border between Jordan and Iraq and the prospective free trade between the two countries that began to take shape at the end of this year, we at Capital Bank feel well-positioned to take advantage of these developments and to reap the benefits of healthy relations between the two countries. I applaud the tremendous efforts made by governments on both sides to realize the wealth of economic opportunities inherent in such a relationship, and I would like to emphasize that the ball is now in the private sector's court, which must make a concerted effort to secure a share of the growing Iraqi market.

As we look forward to a future of unbridled trade with Iraq, it is worth noting that the National Bank of Iraq has signed an international trade financing agreement with the International Finance Corporation (IFC) of the World Bank - the first agreement of its kind in Iraq - with a total value of USD 10 million, which will allow the bank's institutional customers more streamlined access to international markets. The bank also signed a memorandum of understanding that will see the IFC providing long-term support in the arena of corporate governance, which clearly reflects the confidence of international institutions in NBI and their interest in the Iraqi market as a whole.

It is becoming increasingly difficult to discuss the future of the banking sector without tackling the unrelenting march of technology, which has undoubtedly been a potent disruptive force for the industry as a whole. We at Capital Bank are well aware of these transformations and recognize the need to keep pace with them, which is why we have allocated significant investments in technology and information systems to upgrade our network infrastructure and improve the level of services provided to our customers.

I would like to underscore the important role played by the Central Bank of Jordan in encouraging banks to embrace digital financial platforms, be it in terms of developing the necessary legislation and banking systems or by supporting and empowering innovators and cultivating an environment that allows them to explore the depths of their ideas without the constraints of excessive legislative red tape.

In addition to investing in technology, Capital Bank will continue to invest in human resources by attracting and developing talents through rigorous training programs, providing a healthy work environment that welcomes creativity and innovation and providing a clear career path for employees of all grades.

In closing, I would like to express my sincere gratitude to our valued shareholders for their continued trust in us and to thank the Central Bank of Jordan for its continuous support of Jordan's banking sector. I would also like to extend my thanks to Capital Bank's management and team for their perseverance and dedication, not to mention their continued achievements on numerous levels.

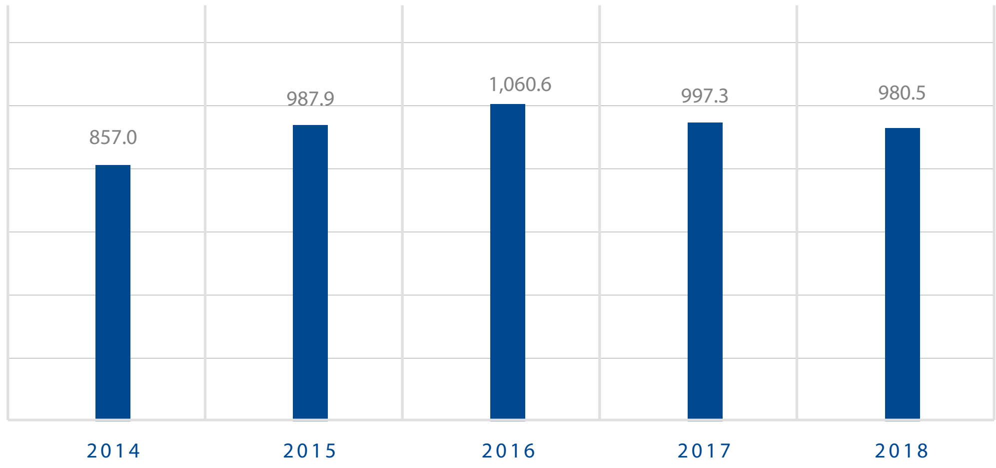
I am fully confident that Capital Bank will continue to build on its remarkable achievements, and I pray that Jordan will continue to enjoy the stability and prosperity it has retained against numerous odds under the leadership of His Majesty King Abdullah II.

Bassem Khalil AlSalem
Chairman of the Board of Directors

Financial Ratios

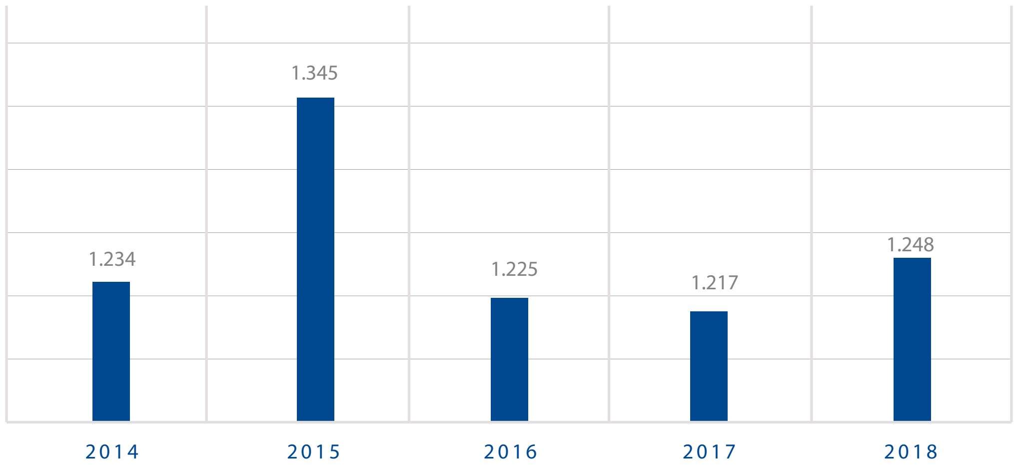
Direct Credit Facilities (Million JOD)

Credit facilities declined in 2018 due to the dissolution of a number of low-yield accounts.



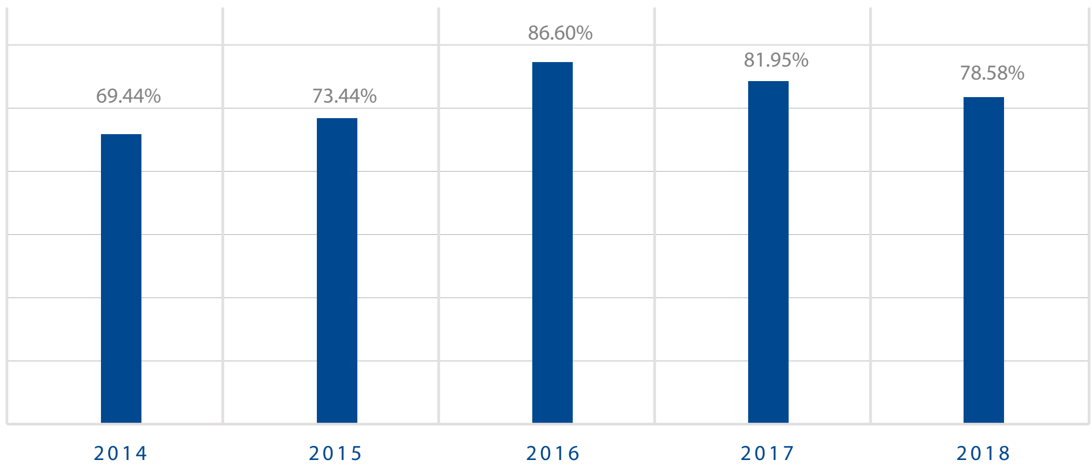
Customer Deposits (Million JOD)

At the same time, deposits grew by 2.5%, higher than the average growth rate within the local banking sector.



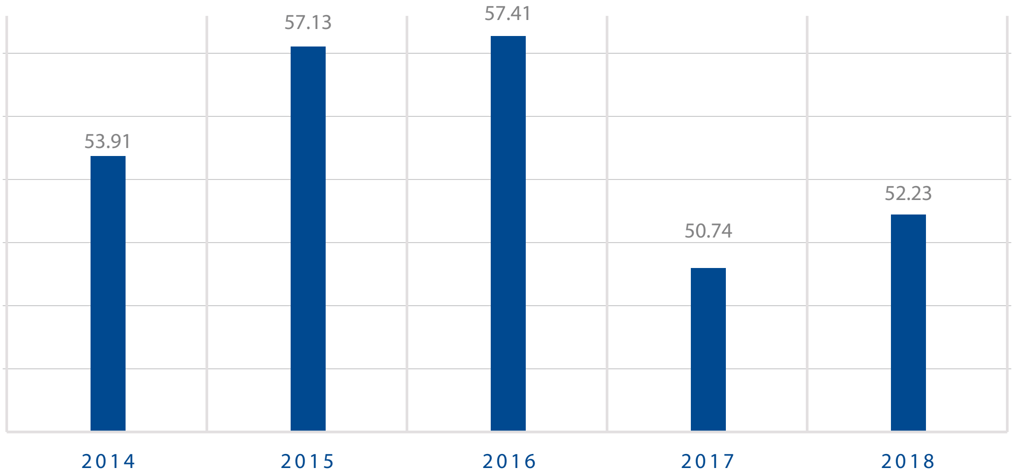
Loan-to-Deposit Ratio

As a result, the loan-to-deposit ratio has improved to reflect better liquidity levels.



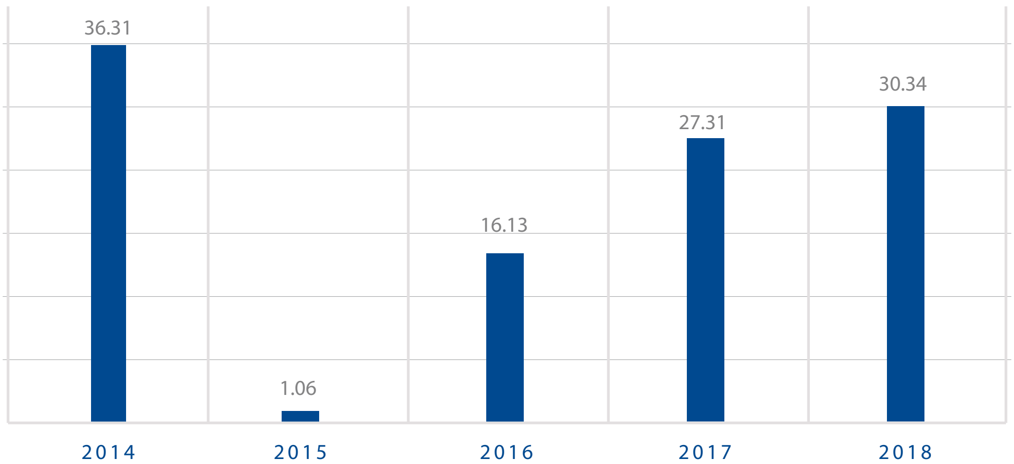
Net Interest Income (Million JOD)

This improvement was accompanied by a 2.9 % increase in net interest income, reflecting the bank's efficiency in managing its assets and liabilities.



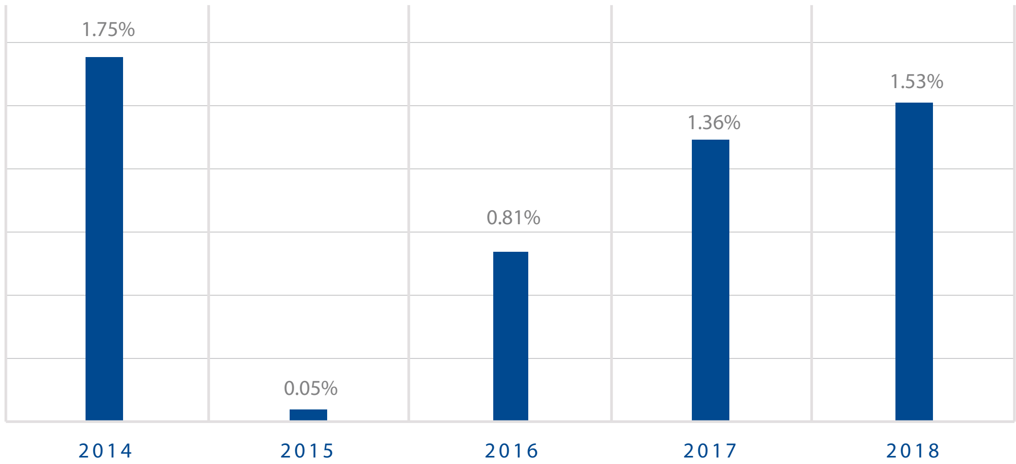
Net Income After Tax (Million JOD)

Which in turn reflected positively on net income.



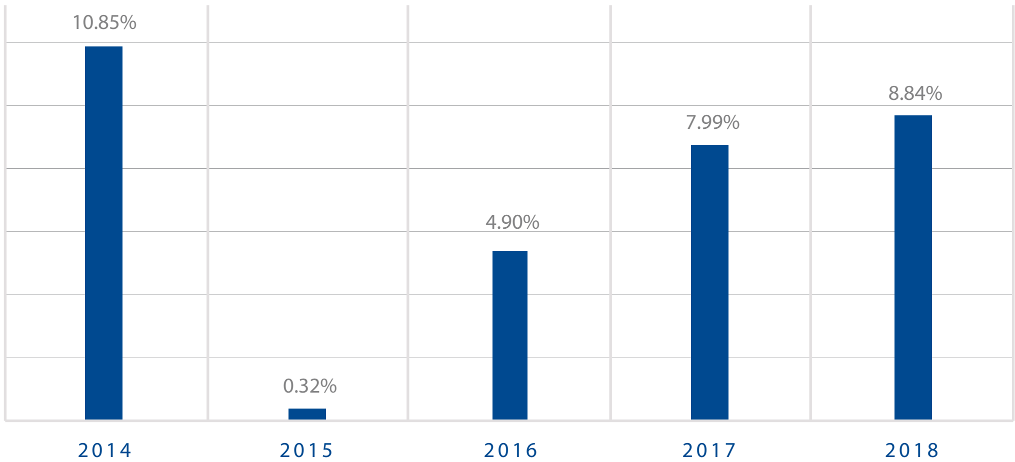
Return on Average Total Shareholder's Assets

As a result of the increase in net income and the measurable growth in the asset base, the return-on-assets ratio increased to 1.53 % compared to 1.36 %.



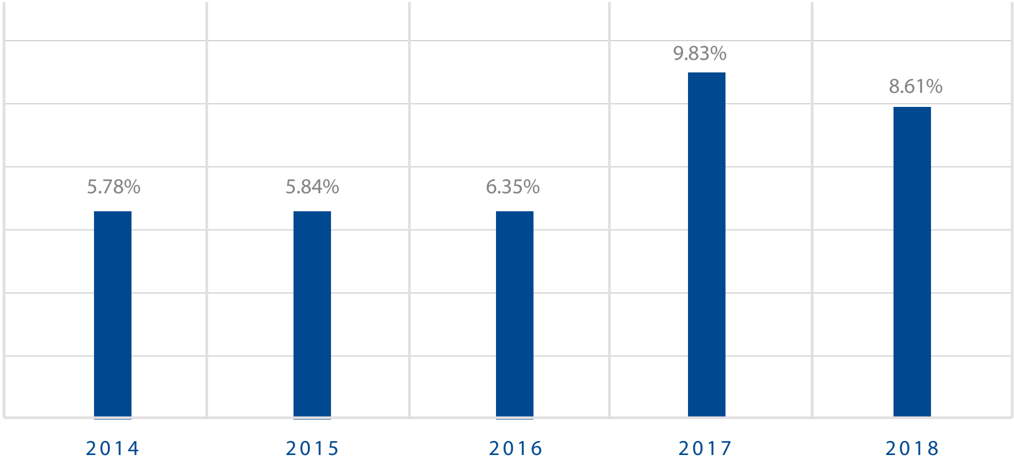
Return on Average Equity

This reflected positively on shareholder returns.



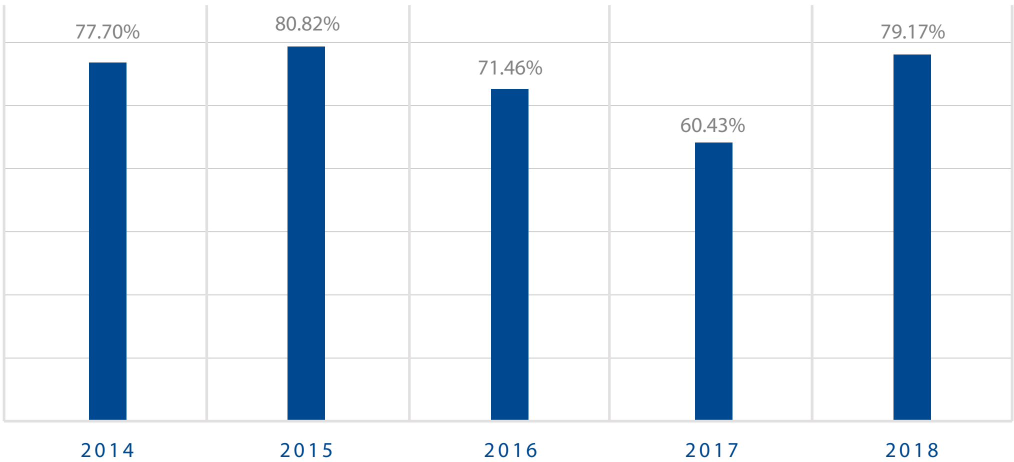
Net Non-performing Loans Ratio

Despite ongoing economic challenges and the slight decline in the credit facilities portfolio, Capital Bank was able to reduce the ratio of non-performing debts to 8.61 %, compared to 9.83 % in 2017.



Non-performing Loans Coverage Ratio

During the year, the Bank continued to build credit facilities with the objective of strengthening its credit core, which led to a rise in the coverage of non-performing loans to 79.17 %.



Board of Directors Report

Ladies and Gentlemen, the Shareholders,

The Board of Directors of Capital Bank is pleased to present its 2018 Annual Report, which provides an overview of key financial indicators, achievements, activities, services and innovative products delivered by the Bank in 2018. Due to its forward-thinking and efficiency-focused strategy, Capital Bank has been able to achieve its strategic objectives and register positive financial results that have strengthened its position on both local and regional levels, delivering a clear competitive edge due to the ever-growing line-up of exceptional products and services offered to its clients.
Herewith is the detailed report of the Board of Directors on the results and achievements of the bank during 2018.

Institutional Banking

Capital Bank continues to pay the utmost attention to its institutional clients and is always keen on developing unique banking services and solutions that meet all of their needs and requirements. The Institutional Banking Department comprises both the Corporate Banking Department and the Medium and Small Enterprises Department.

Corporate Banking

For decades, Capital Bank has remained a steady and reliable ally to the corporate sector, be it through our constantly-evolving and forward-thinking corporate finance policies or through our unwavering commitment to funding vital sectors. This was truer than ever in 2018 - a year that brought increasingly more complex geopolitical and economic conditions to the entire region.

Since its inception, Capital Bank has been driven by an uncompromising vision; to strengthen its competitive position as a key provider of cutting-edge financial services to the corporate sector. This vision has defined the trajectory of our credit policy over the years, building on an unparalleled understanding of the changes in the business environment and making appropriate changes when necessary.

Significant reduction in the risks associated with currency exchange rates, interest rates and cost of goods.

Introducing new credit rating mechanisms to further improve the quality of the credit portfolio.

Continually supporting vital sectors, with a focus on renewable energy.

SME

It is often said that small businesses are the backbone of the local economy, and yet this vital sector remains by far the most neglected and underfunded, particularly in Jordan. While SMEs account for nearly 95 percent of businesses operating in the Kingdom, the sector continues to receive inadequate funding that accounts for no more than 10 percent of total facilities granted by Jordanian banks.

Capital Bank believes that bridging this unhealthy gap is among the most effective means for promoting economic growth, accelerating innovation and providing the much-needed livelihood opportunities for the kingdom's youth. This is why we have always endeavored to introduce products specifically designed for emerging projects, which often face difficulty acquiring financing as they are unable to meet some of the stringent requirements set by banks due to their nascent status. In 2018, we continued to make notable progress in this effort.

Achieved a 21 percent year-on-year growth in the SME portfolio.

Funding emerging projects at an unprecedented 85 percent based on their economic feasibility.

Launching new programs exclusively geared toward SMEs, with transparent and streamlined processing times that never exceed 72 hours.

Working with the Jordan Loan Guarantee Corporation and OPIC to provide guarantees via an objective and streamlined process that guarantees 70 to 85 percent of granted loans.

Working with global institutions, such as the Arab Fund for Economic and Social Development and the European Bank for Reconstruction and Development to provide low-cost loans at preferential interest rates.

Signed an MOU with the European Bank for Reconstruction and Development to allow SMEs to benefit from a global network of experts.

Helping SMEs traverse the geopolitical and economic difficulties impacting the region through forward-thinking policies.

Signed an agreement with the Arab Fund for Economic and Social Development to provide a JOD 6.1 million loan to accelerate SME development.

Transaction Banking

In June 2018, the Transaction Banking Department was established with the main objective of developing & managing Cash Management and Trade Finance solutions for institutional clients, aiming to build and maintain strong long-term relationships with clients and position Capital Bank as a core bank and trusted partner to its clients.

The Transaction Banking Department follows a client-centric delivery model which ensures value creation for its clients throughout every step. The client delivery model entails:

- Understanding the clients' needs and looking for opportunities to add value to them.
- Finding alternative sources of revenue to maximize shareholder wealth while bringing new innovative products and services to clients.
- Ensuring a seamless experience to clients through state-of-the-art channels and superior client service.
- Focusing on client satisfaction and adapting to client needs.

The main responsibilities of the department include product development, sales, client servicing and implementation; while the main focus is to maximize client value through transparency, fair pricing and innovative solutions.

Consumer Banking

Today, the retail banking landscape is experiencing an unprecedented revolution. The modern digital era has presented an array of possibilities that are increasingly democratizing cutting-edge banking services, with more customers than ever expecting seamless, cross-platform and instantaneous services from the convenience of their homes and on the move.

This is why the year 2018 saw Capital Bank completely reimagining its Consumer Banking Department by merging several departments into a single, holistically-driven department that compasses branches network, Capital Select, Direct Sales, Follow-up and Collection, e-channels, Product Development and Business Excellence and Customer Experience. The modern and harmonious structure will ensure more agile development of products and services that leverage the latest and greatest in the world of consumer banking, tailored to meet the specific needs of different consumer segments.

Continued to garner high caliber experts and invest in capacity building to support the bank's objectives and future vision.

Launched Capital Rewards, a loyalty program that provides instant redemption of loyalty points for Capital Bank card holders.

Launched an additional VIP branch in Amman together with Capital Select, a program that provides specialized financial services and an array of benefits to VIP customers.

Launched a housing loan campaign that offers 100% financing at a fixed interest rate for the first five years.

Opened the Taj Mall branch, equipped with state-of-the-art technologies and unique design.

Expanded our ever-growing network of ATM services with seven additional locations, for a total of 51 machines nationwide.

Launched the Go Green initiative, which works to reduce overall paper waste throughout the bank's facilities.

Undertook a series of studies on client behavior and satisfaction to inform the bank's strategy for 2019.

Treasury and Investments

Capital Bank's Treasury and Investments Department was able to effectively manage the bank's assets, liabilities, monetary costs and the risks associated with interest rates, thereby maintaining acceptable interest margins. The department was also able to minimize the portfolio risks in light of the extenuating circumstances facing the region.

Moreover, revenues from commissions were reinforced by providing solutions via financial derivatives for companies facing operational risks due to fluctuations in interest and exchange rates as well as the

prices of goods and services. These solutions are provided by the bank's Financial Markets Sales Unit. Meanwhile, the department is currently in the process of selecting an automated system to manage the treasury, which will boost productivity and limit operational risks in line with the bank's overarching digital transformation strategy.
Below are some of the main activities of the department:

- Investment in Jordanian treasury bills and bonds and securities guaranteed by the Jordanian government.
- Investment in debt instruments issued by Jordanian or regional companies with high financial and credit worthiness.
- Acquiring shares in local, regional and international companies with high growth opportunities and good investment returns.
- Investment in funds with outstanding performance history within acceptable risk rates.
- Investment in structured securities tailored to meet the bank's needs.
- Management of foreign currency positions in a way that achieves the best possible returns within the ratios determined by the Central Bank of Jordan.

The department also continued to provide exceptional services in the spot and forward foreign currency markets, in addition to offering its usual services that span:

- Issuance of Certificates of Deposit in Jordanian dinars and in other principal currencies for various terms at competitive rates.
- Offering competitive rates of exchange for spot and forward foreign currencies against the Jordanian dinar and the US dollar, at various terms and for all customer segments, including individuals, institutions and money exchange companies.
- Dealing on cash and margin basis in the spot and forward foreign exchange markets.
- Performing foreign currency and interest rate swap exchanges.
- Offering consultancy and guidance to individual and corporate clients with regards to hedging against interest and exchange rate fluctuations, in addition to proposing appropriate hedging tools using conventional or derivative market tools.
- Offering subscription services in the primary issues of government securities or those guaranteed by the government for individuals and corporations, in addition to providing safe keeping services at competitive prices.

Moreover, the Money Exchange Department, which operates under the Treasury and Investments Department, maintained its efforts to manage operations and services offered to foreign currency exchange companies, including currency exchanges and deposits and withdrawals, in line with the bank's expansion strategy. The department also continued to provide services to all sectors under the guidelines of the Central Bank of Jordan, focusing on the objectives below:

- Ensuring sufficient liquidity and growing the bank's cash reserves.
- Providing foreign currencies to the local market.
- Growing outgoing and incoming transfers.
- Facilitating the operations of foreign currency exchange companies by centralizing services, which contributes to the bank's profitability.
- Monitoring the cash flow of currency exchange companies in cooperation with the Compliance Department to combat money laundering.
- Buying and selling foreign currencies and completing deposits and withdrawals in coordination with the Compliance Department.

Meanwhile, the department is committed to continue providing customers with superior products and services through derivative instruments tailored to their needs to hedge their risks against fluctuating exchange rates, interest rates and commodity prices. Capital Bank continues to implement Fund Transfer Pricing to improve the cost-benefit management and returns on investment.

Efforts are ongoing to form partnerships with major financial institutions to provide an electronic trading platform and margin services to customers, in addition to expanding the investments in various investment instruments, in accordance with market conditions and in line with the bank's overall strategy, investment policy and the guidelines outlined by the Central Bank. The department also seeks to continue broadening the scope of services offered by the National Bank of Iraq, providing its team with the necessary expertise to keep pace with the evolution of the banking landscape in Iraq.

The Financial Institutions Department of the bank played a crucial role in creating new partnership channels with other banks and financial institutions, which has further broadened the bank's affiliate network of correspondent banks. This has significantly improved the bank's ability to perform its operations, both in terms of foreign trade, treasury operations and credit facilities, adding greater flexibility when it comes to targeting the global market.

Moreover, despite the geopolitical challenges facing Iraq, Capital Bank's management has played an active role in meeting the foreign trade operations of the National Bank of Iraq.
In 2018, Capital Bank signed several agreements with international institutions, including an agreement with the European Bank for Reconstruction and Development, under which the bank was granted a credit limit of USD 10 million to enhance its commercial operations and another USD 10 million as a financing facility to support small and medium enterprises. The bank also broadened its portfolio of strategic partnerships with international institutions, such as the International Finance Corporation (IFC), a partnership that granted Capital Bank a credit line of USD 15 million to improve its commercial operations.

Strategy

The Strategy Department works toward translating Capital Bank's vision and objectives into group-wide strategic plans and to oversee the implementation of these plans, in addition to participating in a number of projects and initiatives on the group level. The department encompasses two additional departments: Marketing, and Corporate Communications and Corporate Social Responsibility.

Marketing

The Marketing Department implements Capital Bank's overarching marketing strategy and campaigns to promote the various products and services on offer. During 2018, a variety of core marketing campaigns were launched to promote new products and services, including:

- Capital Select.
- Capital Rewards Program.
- Online Cashback.
- A refresher campaign for the «VIP Today» program.
- Announcing the winners of the « VIP Today» program.
- Launching Taj Mall branch.

The department also launched a number of internal events for the bank's employees, which were geared toward maintaining a harmonious work environment and bolster employee morale and loyalty.

Corporate Communications and Corporate Social Responsibility

The Corporate Communications and Corporate Social Responsibility Department is responsible for supervising the various internal and external communication channels of the bank to ensure access to all target groups, in a manner that enhances the visibility of the bank's brand and corporate identity. In 2018, the department marked several notable achievements:

- Maintaining continuous communication with employees to keep them abreast of the bank's ongoing developments and plans.
- Effectively managing the bank's social networking platforms to increase reach.
- Preparing and publishing news and press reports.
- Organizing interviews and press conferences with the media.

In the area of Corporate social responsibility, the department operates within a long-term strategy aimed at enhancing the bank's contribution to the local community and its support to key development sectors, including education, health and entrepreneurship. In 2018, Capital Bank implemented and supported a wide array of initiatives within these vital sectors:

Education and Innovation

- Funding the education of students with special needs in partnership with the Young Muslim Women's Association.
- Covering tuition fees for university students in cooperation with the Elia Nuqul Foundation.
- Supporting a number of initiatives launched by Queen Rania Foundation.
- Providing financial aid to a number of students to complete their graduate studies.
- Sponsoring a number of students at the King's Academy.
- Partnering with "Mihnati" association to provide professional and academic scholarships to exceptional students living in remote areas.
- Supporting the efforts of the Central Bank of Jordan to raise financial awareness among public school students.
- Supporting the "1000 Entrepreneurs" initiative launched by the Information and Communications Technology Association of Jordan (int@j).

Humanitarian

- Providing financial aid to the Jordanian Hashemite Fund for Human Development.
- Supporting a number of local agencies to assist orphans and underprivileged communities, including sponsoring one of the homes of the SOS Children's Village.
- Supporting the King Hussein Cancer Center.
- Sponsoring a group of children of the Orphan Care Society in Mafraq.
- Distributing parcels and meals during the holy month of Ramadan to orphans in Mafraq, an initiative that also garnered volunteers from the bank's staff.
- Distributing charity packages in cooperation with Tkiyet Um Ali, which was also supported by volunteers from the bank's staff.
- Launching Iftar banquets to 1,500 individuals during Ramadan in cooperation with Tkiyet Um Ali.
- Raising funds to support underprivileged children in cooperation with Our Children Association.
- Donating to the Holy Land Charity for the Deaf in cooperation with InterContinental Hotel.
- Partnering with Loyac Association to support a number of youths through life skills and professional training programs, effectively preparing them for the job market.

Operations

Operations Department

In line with Capital Bank's strategy to continually improve the level of services offered to customers, consistent efforts were made in 2018 to enhance the efficiency of the operations within key departments at the bank, including the Corporate, Small and Medium Enterprises (SME) and Consumer Banking departments. The Operations Department is also in the process of automating processes that take up considerable time by leveraging the power of modern technologies, or by reorganizing the essential structure of these processes in order to better serve the bank's customers.

Information Technology

In 2018, the Information Technology Department at the bank sought to make fundamental changes in the overall quality of services provided to customers by making use of the latest technologies in the field of digital transformation and relying on international best practices to tackle bottlenecks. Moreover, the department also focused on recruiting qualified personnel who are capable of rethinking existing models and providing innovative solutions. One of the most impactful results of these efforts was updating the bank's core Technology Department to provide a unified and stable digital ecosystem that enables the seamless connectivity throughout the bank, thereby harmonizing operations and allowing for future scalability. Moreover, in an effort to push forward business development, many of the bank's systems, including the SigCap signature system and VM Ware's virtual machine solutions, have been updated to the latest certified version. Operations have also migrated to a cloud-based platform in partnership with leading service providers in the industry, accounting for all the risks associated with such a transition and mitigating them with a series of contingencies prior to implementation. It is also worth noting that Capital Bank has complied with all guidelines established by the Central Bank of Jordan regarding information systems, the most important of which is the introduction of the COBIT5 standards and the updating of the SWIFT system in accordance with the latest rubrics. Meanwhile, the requirements for obtaining the PCI DSS Compliance Certification have also been completed for the fourth year in a row.

Project Management

Capital Bank's Project Management Department was able to register significant achievements during 2018, The department has also set the technical foundations for launching other projects, in addition to developing a new proprietary working methodology based on best practices and standards.
One of the most important strategic projects launched in 2018 is OMNI Channel, implemented in partnership with one of the leading global companies.

Administrative Affairs and Engineering

During the year 2018, the AdministrativeAffairs and Engineering Department at Capital Bank completed several strategic projects, including:

- Completion and delivery of Capital Select branch in Abdoun.
- Completion and delivery of Taj Mall branch in accordance with the bank's new brand identity, which focuses on customer-centricity and seamless experience.
- Connecting security systems for a more harmonized and centralized approach. This included theft, fire and surveillance systems, all of which have been connected to the Control Room of the General Security Department in accordance with the guidelines of the Central Bank of Jordan.

The department has also launched a specialized request system for the bank's staff, who are now able to easily submit any administrative and technical requests with ease. This will allow for a more robust experience for personnel, in addition to providing an ideal platform for gauging employee satisfaction.

Operations Control

Now fully operational with a designated team of high-caliber specialists, the Operations Control Department celebrated several milestones in 2018. An electronic matching system was established to reconcile bank accounts with other banks, electronic transfer protocols, ATMs and transactions for prepaid cards , credit and debit cards. Moreover, a mechanism for calculating risks and classifying procedures was also developed to ensure cohesive operations throughout the bank's departments.

Policies and Procedures

In 2018, the Policies and Procedures Department maintained its efforts to update the manuals of policies and procedures, as part of a comprehensive strategy to continually revise Capital Bank's policies in line with the latest developments in the industry. Moreover, procedural pathways are consistently being updated and digitized to be incorporated into Capital Bank's website with the objective of streamlining processes and improving the overall experience for customers.

Corporate Customer Service

The Corporate Customer Service Department serves as the primary point of contact for customers in terms of inquiries, complaints or other customer-related issues. The department also supervises the execution of various customer requests related to products and services, including commercial services, wire transfers, account services and others. As such, the department constitutes a key component of the overall experience at Capital Bank.

Marketing products and services continues to be a key area of focus for Capital Bank, which is why the department continually works toward informing current and prospective customers of the many services on offer at the bank, adopting a transparent and informative communication strategy that highlights the key differentiators of products and services on offer. The department also prepares regular surveys to gauge customer satisfaction and follows up with relevant departments on potential areas of improvement based on regularly updated data.

Finance

During 2018, the Finance Department continued to implement its administrative and supervisory functions in accordance with best practices and in line with the bank's approved policies. The department operated via the following divisions:

- Financial Control Department (Group).
- Financial Control Department (subsidiaries).
- Regulatory and MIS Department.
- Financial and Strategic Planning Department.

During the year 2019, the functions of the Financial and Strategic Planning Department will be incorporated into the bank's Finance Department to provide the foundation for the bank's strategy and ensure its seamless translation into future financial statements, in addition to formulating plans for following up on the implementation of this strategy, providing justifications for any deviations.

The department and its relevant divisions have played an active role in the implementation of the information technology plan approved in 2018. The executive management of Capital Bank has also continued to invest in recruiting qualified personnel and investing in cutting-edge financial systems to preserve the positive impact the department has had on operations as a whole.

Risk Management

Capital Bank adopts a holistic strategy that incorporates best practices in credit management and risk management in order to reinforce neutrality and credit independence. By leveraging the core principles of risk-adjusted return on capital (RAROC), this strategy operates under clear credit terms and principles and works toward controlling all the risks to which the bank may be susceptible with regards to client affairs or credit portfolios. The Risk Management Department is an independent department headed by the Chief Risk Officer and connected to the Risk Management Committee emanating from the Board of Directors, with a line of communication between the Chief Risk Officer and the Chief Executive Officer. The Risk Management Department consists of the following departments:

- Financial Risk.
- Market and Liquidity Risk.
- Operational Risk.
- Information Security.
- Enterprise Credit Review.
- Individual Credit Review.
- Credit Control.

Financial Risk Department

The Financial Risk Department is responsible for the management of credit risk, credit concentration risks at all levels, the management and planning of the bank's capital to ensure efficient utilization through the implementation of ICAAP, and measuring the impact of stress testing on the bank to ensure that it is within acceptable limits. The department also supervises the calculation of expected credit losses (ECL) in accordance with the requirements of IFRS 9, in addition to adopting and applying the guidelines of the Basel Committee and the Central Bank of Jordan.

Market and Liquidity Risk Department

The Market and Liquidity Risk Department is responsible for the management of risks associated with market fluctuations, liquidity and interest rates. The department works to identity and control these risks in line with the bank's continually evolving risk management policies, consistently adopting and implementing the guidelines of the Basel Committee and the Central Bank of Jordan.

Operational Risk Department

The Operational Risk Department is responsible for managing the internal and external operational risks to which the bank may be exposed, establishing the necessary measures to control and mitigate their impact in accordance with evolving risk management policies. The department also works continuously to ensure the adoption of the guidelines of the Basel Committee and the Central Bank of Jordan.

Information Security Department

The Information Security Department is responsible for maintaining the confidentiality, availability and accuracy of information in the bank, and establishing the measures and modalities to mitigate and control these risks in accordance with international best practices. The department also conducts periodic awareness workshops to ensure compliance with information security programs.

Credit Review Department (Corporate, SMEs, Consumer)

These departments are responsible for evaluating credit studies, including financial and credit analyses of customers, identifying risks and making appropriate recommendations independently based on a balanced credit risk assessment. The department bases its decisions on the overall financial status of clients, relying on financial and non-financial statements to classify customers in accordance with Moody's standards. The department also assumes an advisory role with regards to strengthening the bank's credit culture based on the extensive experience of its high-caliber team.

Credit Control Department

The Credit Control Department undertakes periodic inspections to verify the adequate processing of supporting documents and conditions associated with the decisions of credit committees. The department supervises the documentation of guarantees issued to customers, monitoring ceilings and ensuring compliance with the bank's credit policy and the guidelines of the Central Bank of Jordan before approving execution. Moreover, the department supervises the application of IFRS 9 to customer affairs and prepares internal and external monitoring reports for the Central Bank of Jordan.

Compliance

During 2018, the Compliance Department continued to independently monitor the compliance of the bank and its subsidiaries with the guidelines, laws, and instructions issued by monitoring agencies, and with best practices set by international financial institutions. The department also deals with updates in changing markets in which the bank and its subsidiaries operate in order to mitigate any control or reputation risks the bank might be susceptible to.

The Compliance Department took a number of steps in 2018 to reinforce compliance levels:

- Reinforcing measures to combat money laundering and the financing of terrorism, both of which constitute the largest threats to the local economy and national security.
- Updating the policies of procedures to align with the latest developments in the industry and the global geopolitical landscape.
- Appointing a Head for the department and a number of trained and qualified personnel in the area of anti-money laundering and financing of terrorism.
- Automating a number of processes within the workflow of the department with the objective of boosting productivity and accuracy.
- Making further investments in capacity building, which resulted in a series of training programs focusing on emerging challenges.

Internal Audit

For Capital Bank, ensuring optimum efficiency and control is among the key priorities outlined in its business strategy, which is why internal auditing is an area that receives considerable focus and investment by the bank's executive management. The Internal Audit Department at Capital Bank consistently works to provide the Board of Directors and the Audit Committee with reasonable assurance about the effectiveness of the internal control systems, the extent to which internal policies and procedures are applied, and the overall level of their effectiveness.

The Internal Audit Department works in accordance with the Internal Audit Charter adopted by the Board of Directors of the Bank, prioritizing integrity, objectivity, confidentiality and competence of the auditor. Assessments are based on the the internal audit standards issued by the Institute of Internal Auditors (IIA) and the guidelines established by the Central Bank of Jordan.

Internal auditing operations at the bank, which include internal control, risk management and corporate governance systems, is also designed to run independently. Activities are directly reported to the Board of Director's Audit Committee and cover all operations within the bank and its subsidiaries. These activities are also based on the risk-based audit plan, which has also been reviewed and approved by the Audit Committee.

In 2018, the department also initiated a concerted effort to automate its audit activities, leveraging the versatility of the TeamMate platform. Moreover, the department lends great attention to the training, qualification and capacity building of auditors, partnering with the most prolific training institutions in the Middle East.

Human Resources

Since its inception, Capital Bank has had an unwavering belief in the central role played by its people in its long-term success. As an institution, it operates on the principle that the human resource forms the cornerstones of its strategic objectives, which is why the bank continually invests in maximizing the strengths of team members through consistent capacity building and professional development.

- Acknowledging employees' exceptional performance through launching the Mukafati Stars program, and circulating the Employee Engagement Survey to measure the level of their satisfaction and design action plans based on their feedback.
- Developing basic and leaderships skills and competencies, with a clear mechanism for documentation that links required competencies with ongoing capacity building programs.
- Developing and updating the policies, procedures and rules of procedure, in line with the Labor Law and the guidelines of the Central Bank of Jordan.
- Organize the Bake for Hope fund-raising activity in collaboration with the King Hussein Cancer Center to raise awareness about the disease.
- Developing fully digitized recruitment system to streamline the process identifying, interviewing and hiring new staff members.
- Launching an e-learning campaign for employees in partnership with leading experts in the field.
- Maintaining the bank's partnership with the Frankfurt School of Finance and Management to provide a range of training programs for middle management.

Subsidiaries

Capital Investments

Capital Investments has maintained its lead among local investment firms, in addition to expanding its regional presence in 2018. The firm's client portfolio has grown considerably over the course of the year, spanning large-scale enterprises, government institutions, and high net worth individuals.

- Expanding the lineup of services to include cutting-edge electronic services leveraging the latest technologies in the field.
- Unifying the company name to encompass Capital Bank Corporate Advisory, whose regional operations are based at the Dubai International Financial Centre (DIFC).
- Developing a strategy for expansion in the Iraqi market during 2019 through operations managed by the National Bank of Iraq.
- Establishing a research and development unit to publish specialized studies on the financial market and economic conditions in Jordan and Iraq.

Financial Brokerage in the Local, Regional, and International Markets

The Local Brokerage Department maintained its progress by achieving third place in terms of trading volume in the Amman Stock Exchange for the year 2018, with a market share of %6.4 compared to seventh place in 2017.

The Regional Brokerage Department continued to expand its trading operations throughout the region, operating online and via mobile through its CapInvest Trader app, which offers clients the ability to sell and buy shares and securities worldwide using smart devices. The application also provides investors with various relevant information, direct prices, charts and stock trading through a unified electronic platform. The department grew significantly in 2018, with a turnover of more than USD 400 million in various international markets, most of which are concentrated in the United States and the United Kingdom. The department currently offers a wide range of modern investment services, including the trading of stocks, options, and exchange-traded fund (ETFs) in more than 19 markets worldwide. In 2019, the department will start offering currency, commodity, and purchase contract services for its customers through a sophisticated and secure trading platform.

Asset Management

The Asset Management team seeks to cultivate long-term partnerships with both individual and institutional investors through the establishment and management of portfolios and investment funds specifically designed to suit their objectives and investment needs, using clear-cut evidence-based methodologies that combine basic and technical analyses. The activities of the Asset Management Department are divided into four main sections:

- Portfolio management: The objectives and determinants of investment for individual and institutional customers are taken into consideration and the optimal distribution of their portfolios is implemented in line with the expected return and acceptable levels of risk.
- Investment funds: Managing specific funds in different MENA markets, in addition to managing the existing Horizon Fund.
- Structured products: Designing and managing various types of investment products, including capital guaranteed portfolios.
- Advisory services: Providing financial advisory services to clients to help them define their objectives and how to meet their needs, in addition to restructuring their current investment portfolios.

Corporate Finance

The Corporate Finance Department at Capital Investments provides a wide array of advisory and investment services, drawing on the extensive knowledge and expertise of its high-caliber team. The department has established a solid track record of successfully executed operations and an ever-growing portfolio of clients. The Corporate Finance Department strives to build long-term relationships with its clients and to meet the financial requirements and strategic objectives of each client in order to achieve the best results that ensure sustainable business growth, all the while maintaining rigid quality control over the services it delivers.

The activities of the department include:

- Equity instruments in the capital market: Advising companies and investors on public and private placements and subscription to securities, including primary and secondary IPO instruments.
- Debt instruments in the capital market: Structuring and arranging long and short-term financing instruments, including issuance of Islamic loans, Sukuks, commercial paper programs and bank loan management.
- Financial advisory: These include operations that are related to mergers, ownership, operations of restructuring and evaluating enterprises, and privatization operations, in addition to advice related to structuring capital and distributing it between debt and owner's equity.
- Government Advisory: Advising governmental bodies on a wide range of operations including privatization and public private partnerships (PPPs).
- Project Financing: Includes developing and implementing financial solutions for projects related to infrastructure, power, water and utilities.

Capital Investments (DIFC) Ltd.

In 2018, in an effort to unify its operations under a cohesive brand and reinforce its standing in the regional market, the group renamed Capital Bank Corporate Advisory to become Capital Investments, positioning the firm as the group's gateway into the GCC while offering clients regionwide the ideal platform in Jordan and Iraq.

Today, the firm operates through two prime departments: Corporate Finance and Business Development and Marketing. The firm will maintain its streak of expansion in 2019 to further strengthen Capital Bank's position in the UAE and the GCC, in line with the group's ambitious strategic plan.

Corporate Finance

In order to support its clients in achieving their strategic objectives, the Corporate Finance Department at Capital Investments in Dubai has provided customized and innovative corporate financing solutions, spanning merger and acquisition, project finance and strategic finance services, in addition to providing an array of comprehensive financial solutions related to capital structure to assist clients in obtaining strategic financing by leveraging or selling equity.

Since its inception, Capital Investments has carefully cultivated a reputation that has enabled it to build a broad network of investors, private equity funds, sovereign wealth funds and strategic investors. In 2018, the Corporate Finance Department focused on vital sectors that have the potential for solid performance in unfavorable economic and market conditions, such as the health, education and food sectors. Currently, the department is in the process of finalizing a significant number of agreements in these sectors, in addition to other agreements within the oil, gas and retail sectors.

Due to the consistent harmonization between the corporate finance teams in Capital Investments in Jordan and the UAE, the department has been able to enhance its competitive advantage as the only Jordanian company providing consultancy services with a full team located in Jordan, Iraq and the Gulf.

The department has also succeeded in attracting a number of major projects currently under way in Iraq within the oil, gas, power, ports, health and other sectors, reinforcing the company's standing in Jordan and the UAE, leading local and international investors to opportunities and investment projects in Iraq.

In addition, the department actively provides its services to the clients of both Capital Bank and the National Bank of Iraq in order to meet their investment needs and help them expand through partnerships, acquisitions or securing financing for their current and future projects.

Business Development and Marketing

The Business Development Department works toward creating opportunities by attracting clients in the UAE and the Gulf States and providing banking services through Capital Bank, Capital Investments and the National Bank of Iraq. The company enjoys a unique position in the market through which it has been able to serve international companies operating in the UAE, Jordan and Iraq.

The department focuses on building and developing relationships with local and international companies operating in Iraq through communication with its existing office and representatives in the UAE. The department's operations are based on corporate finance services and trade finance primarily in the Iraqi market by linking customers with the National Bank of Iraq, and marketing services provided by Capital Bank Group in the GCC.

The department has successfully attracted a large number of clients and cultivated a broad network of local and international companies located in the GCC and whose operations extend to Iraq and Jordan by providing exceptional services and facilitating transactions through its office in Dubai.

In 2018, the department succeeded in securing opportunities to the group and completing a considerable number of banking operations with regional and international companies operating in Iraq, significantly bolstering the group's revenues. The department operates based on a strategy that focuses on marketing the integrated banking platform of Capital Bank Group and building strong confidence in Jordan's banking sector as a way of broadening its customer base. To date, the strategy has proven its effectiveness and has helped attract more business from companies that have benefited from working with Capital Bank and the National Bank of Iraq.

National Bank of Iraq (NBI)

The National Bank of Iraq maintained its unwavering efforts to accelerate the development of the Iraqi banking landscape by providing best-in-class banking products and services, which also spanned an integrated array of electronic services designed to meet the needs of both corporate and individual customers. The achievements made by the National Bank of Iraq are a direct reflection of the harmonious strategy outlined by Capital Bank Group and continue to conform to the guidelines set by the Central Bank of Iraq.

The services provided by the bank span the following:

- Customer accounts of all types (current accounts, savings accounts and fixed deposits in Iraqi dinar, US dollar or any other major currency).
- Salary transfer service for employees of both public and private sectors.
- Credit facilities for individuals, including personal loans and credit cards.
- Specialized services provided to major companies, such as commercial services that span letters of credit issued and received, letters of guarantee, bank transfers, banking facilities and currency trade, in addition to services provided to small and medium enterprises.
- Brokerage services through the bank's brokerage arm, Palm Oasis, which include the sale and purchase of securities.
- Card and ATM services, online banking, and a call center for fast and efficient customer service.

NBI in 2018
A Year of Continued Growth

Garnering a diverse array of clients, particularly in the field of credit and letters of guarantee.

Making considerable upgrades to internal systems, including the establishment of a special unit to manage ATMs, an independent system for the national operator and upgrading the SWIFT system, integrating the bank's ACH and RTGS systems, among others, all of which are being implemented as part of an integrated long-term strategy.

Expanding the bank's network of ATMs, which now total 28 locations nationwide, and establishing a Data Center at the Mansour branch.

Signing a Credit Financing Agreement with IFC, which lays the foundation for the continued expansion of the bank's credit facilities services.

Bolstering efforts to combat money laundering and the financing of terrorism, including the adoption of anti-money laundering profiling.

Outlook for 2019

Given NBI's commitment to long-term development, 2019 promises to be a year filled with unbridled achievements. The plan for 2019 includes a number of core objectives, spanning:

- Activating the second phase of the Western Union transfer service.
- Launching prepaid cards as part of the strategy to make banking services more accessible to various consumer segments.
- Launching a number of digital-centric services, including online credit card access, Zain Cash mobile payment services, and broadening online banking services to further streamline the customer experience.
- Continuing to expand the bank's network of ATMs to reach more communities nationwide.
- Implementing a compliance management system in order to further improve transparency and ensure adherence to international best practices.
- Upgrading the bank's financial system (ICBS).
- Opening Baghdad Mall and Kathemiyeh branches.
- Activating the Cash Center at the bank.

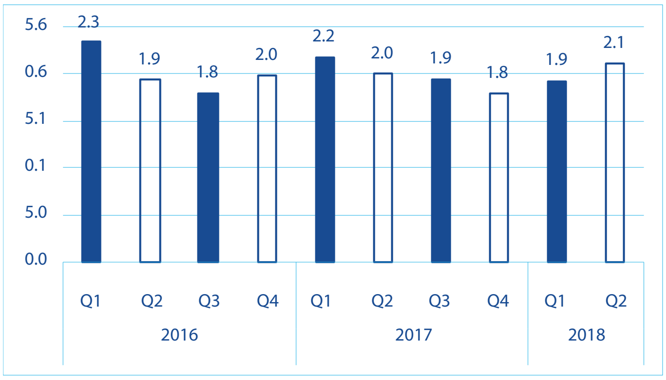
Analytical Overview of Domestic and Global Economic Performance

The National Economy Grows by 2.1 Percent

During Q2 2018, the national economy grew by 2.1 percent compared to 1.9 percent in Q1, the highest growth recorded since the first quarter of 2017. On the sectoral level, the personal and social services sector recorded the largest growth at 4.0 percent, followed by transport and communications at 3.3 percent and agriculture at 3.2 percent.

Construction came last among economic sectors, posting a slight 0.1 percent growth after two consecutive quarters of negative growth. The non-profit sector came in second place with 0.1 percent growth followed by trade, restaurants and hotels that collectively grew by 0.9 percent. The mining and quarrying sector was one of the least developing sectors during the second quarter with a growth rate of 0.9 percent.

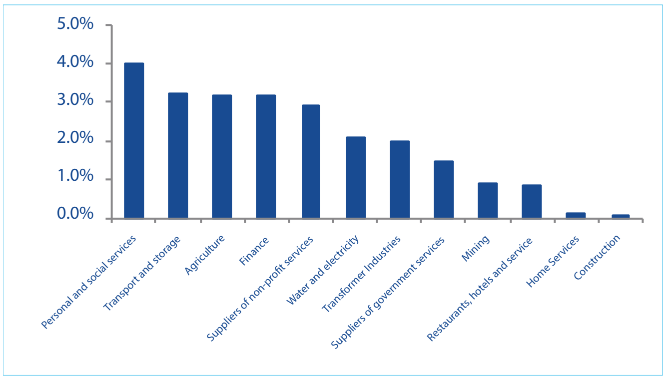
Real Economic Growth (%)



Source: Department of Statistics

It is expected that the mining sector will continue to perform poorly during the rest of the year. Industrial manufacturing data indicates that the quantities of phosphate and potash produced during the first 10 months of 2018 decreased by 6.2 percent compared to the same period last year. The same data shows that the fertilizer sector continued to record excellent growth rates. Fertilizer production grew by 31 percent during the same period, after registering a significant growth of 27 percent in 2017.

Real Economic Growth by Sector (Q2 2018)



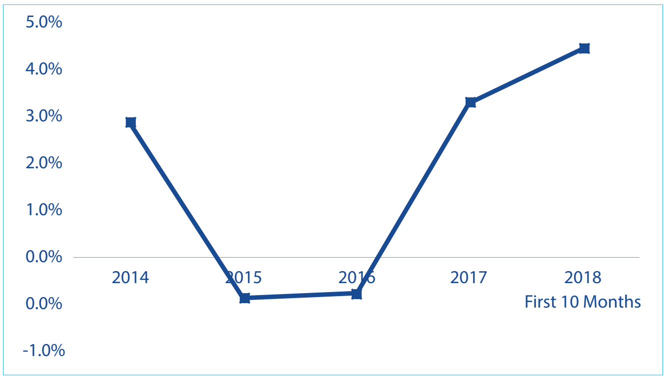
Source: Department of Statistics

In light of the improving geopolitical situation in the region, the acceleration of economic activity in the Gulf states and the reopening of borders with both Syria and Iraq, we expect economic activity to begin to gradually improve in the tourism and trade sectors. However, growth will continue to be limited by the determinants of fiscal and cash.

The Return of Inflation

During the first 10 months of 2018, inflation increased significantly by 4.5 percent compared with the same period of 2017. In July, inflation peaked at 5.7 percent on the heels of the rise in global oil prices at the beginning of the year, which also came with additional taxes on a range of commodities such as fuel, cigarettes and soft drinks, as well as the consolidation of sales tax exemptions at 10 percent. When oil prices began a gradual decline, inflation followed suit reaching 4.4 percent in October.

Consumer Price Index and Inflation

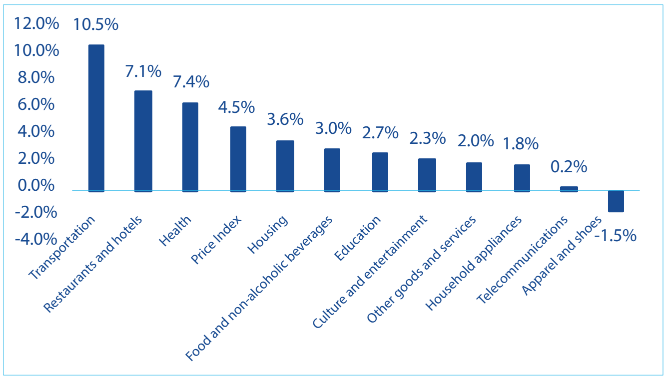


Source: Department of Statistics

As for the consumer price index, transport registered the largest increase during the first ten months of 2018, reaching 10.5 percent. This is attributed to the rise in oil prices globally.

Transport was closely followed by food and service, which rose by 7.1 percent in view of the significant improvement in activity within both sectors as indicated by the number of tourists. Health services came in third place, increasing by 4.5 percent.

Inflation by commodity (first 10 months 2018)



Source: Department of Statistics

Several factors will combine to determine the rate of inflation over the coming year: global oil and food prices, the dollar exchange rate, next year's fiscal policies and any additional taxes that may result, the local monetary policy based on its counterpart in the United States and local economic activity.

External factors play a bigger role in determining inflation rates in the kingdom, which at current levels are high compared to their historical averages. We expect inflation to stabilize at 3.0 to 3.5 percent over the medium term.

Unemployment Rates Follow the Trend

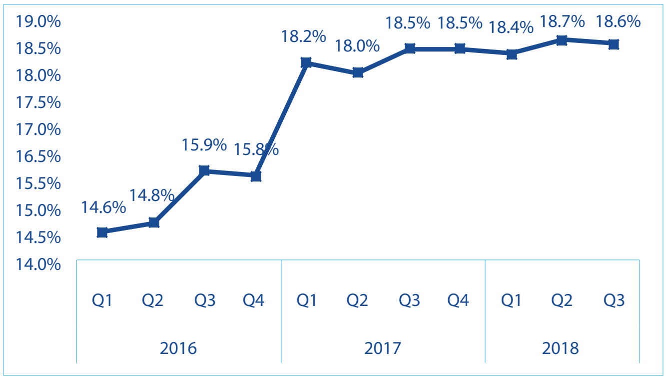
Economic slowdown accompanied by the Syrian refugee crisis have taken their toll on unemployment rates in the Kingdom, which reached 18.6 percent at the end of the third quarter of 2018 compared to 18.5 percent in 2017 and 18.2 percent in Q1 2017. The unemployment rate among males during Q3 2018, while female unemployment stood at 27.1 percent.

Figures released by the Department of Statistics showed that unemployment was high among university graduates, reaching 24.1 percent compared to other levels of education. The results also showed that 58.2 percent of those unemployed have a minimum qualification of a high school diploma.

The data also showed that the highest rate of unemployment was recorded in the age groups 15-19 and 20-24 years, with 46.9 percent and 37.7 percent respectively.

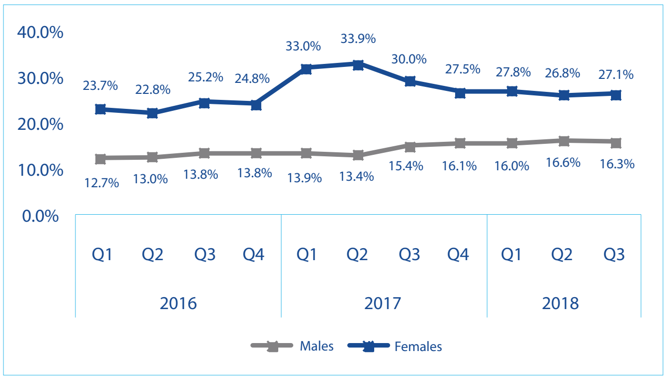
Data also indicated that the percentage of employed persons in the total population aged 15 years and over amounted to 29.9 percent. A total of 59.1 percent of males within the 20-39 age group were employed, while the percentage for females stood at 67.1 percent. The results showed that 84.7 percent of those are paid employees.

Unemployment



Source: Department of Statistics

Unemployment by Gender



Source: Department of Statistics

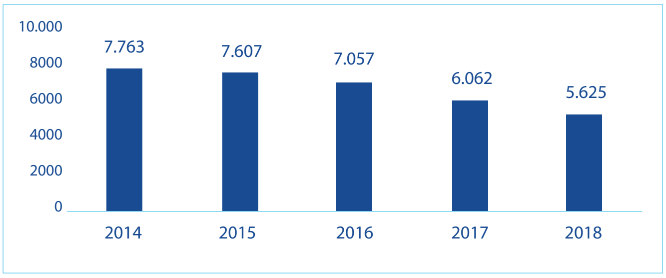
The Continuing Slowdown of the Real Estate Market

Real estate activity in Jordan decreased by 13.1 percent year-on-year in 2018 to reach JOD 5.27 billion compared to JOD 6.06 billion in the previous year. The Amman Governorate, which comprises more than 40 percent of the total population, had the largest share of real estate activity of 71 percent or JOD 3.6 billion and an annual decline of 14.3 percent.

The reasons for the decline include general economic slowdown, a decline in the standard of living in Jordan in terms of per capita GDP which decreased from JOD 2,940 in 2013 to JOD 2,695 in the first half of 2017, rising unemployment, which reached to 18.5% in Q3 of 2018, the rise in interest rates due to the deflationary monetary policy, an overall decline in borrowing power and the decline of foreign activity in the real estate market due to weaknesses in oil exporting economies.

The number of real estate sales to non-Jordanian investors was 2,661 compared to 2,775 in 2017, of which 1,891 were for apartments and 770 for land, compared to 2,060 and 715 respectively in 2017. The estimated value of sales to non-Jordanians declined by 11.8 percent during 2018 amounting to JOD 284 million. Iraqis came in first place with a total of (843) properties, a decline of 19.1 percent compared to 2017. Saudis ranked second with 632 properties and a 9.0 percent increase. Syrians recorded third place with a total of (297) properties compared to (296) properties in 2017.

Real Estate Activity (JOD Million)

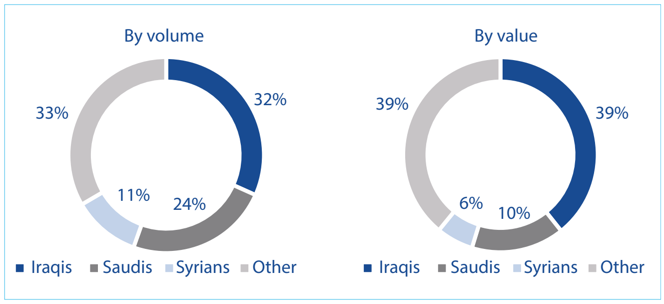


Sales to non-Jordanians 2018

Change percentage	Qty. of Sales			Change percentage	Value (JOD Million)	Year
	Total	Lands	Apartments			
-22.7%	3.657	1.002	2.655	-11.4%	375	2016
-24.1%	2.775	715	2.060	-14.2%	322	2017
-4.1%	2.661	770	1.891	-11.8%	284	2018

Department of Land and Survey

Sales to non-Jordanians 2018

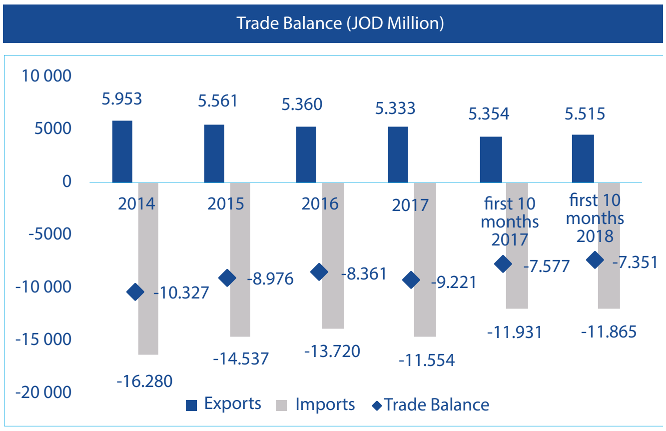


Department of Land and Survey

Exports to Iraq Increase with a Notable Improvement in Trade Balance

The trade balance during the first ten months of 2018 showed an improvement of 2.5 percent or JOD 226 million compared to the same period last year.

The improvement in the trade balance was due to a 2.7 percent increase in exports, which amounted to JOD 161 million coupled with a JOD 65 million decrease in imports (0.5 percent).



Source: Central Bank of Jordan

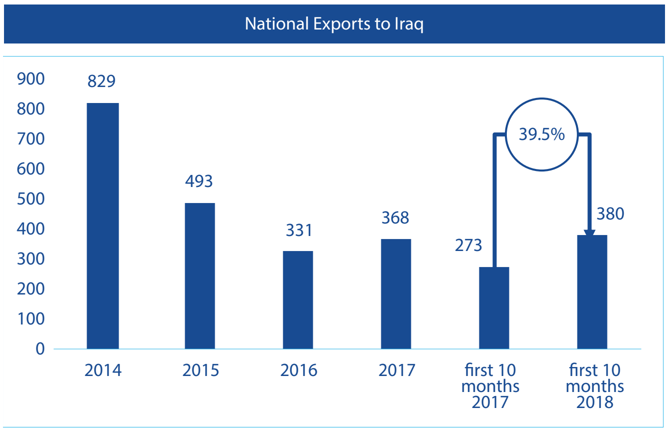
As for exports, the improvement was due to an increase in the Kingdom's exports to Iraq by 39.5 percent or JOD 107.7 million, following the reopening of the border between the two countries in August 2017.

The Kingdom's exports to the US market also increased by 9.2 percent amounting to JOD 85.6 million. Exports to India also grew by 23.9% at a value of JOD 75 million.

In light of the large increase in the Kingdom's exports to Iraq, we expect that Iraq's ranking as a destination for Jordanian exports in 2019 will jump from fourth to second place, overtaking India and Saudi Arabia and only lagging behind the United States, the Kingdom's largest trading partner.

At the commodity level, the Kingdom's clothing exports grew by 10.7 percent to reach JOD 958.9 million during the first ten months of 2018, maintaining its position at the top of exported commodities and by a large margin compared to pharmaceuticals, which ranked second in the list of exports at JOD 329.4 million.

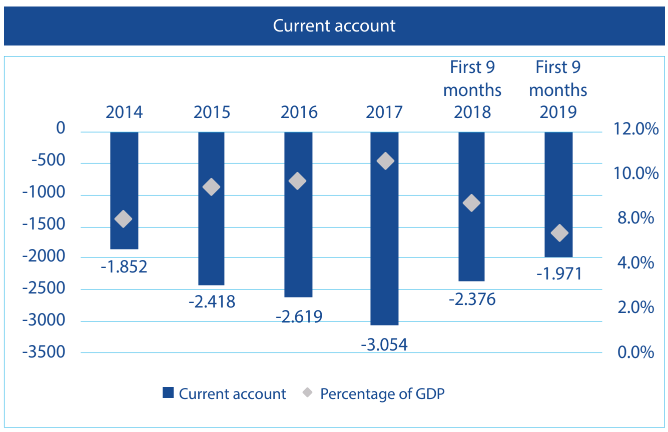
Imports decreased despite a 35.1 percent increase in fossil fuel costs, primarily due to a 25.9 percent (JOD 313.7 million) decrease in the Kingdom's imports of nuclear reactors, machinery, boilers and their parts. Imports of vehicles, bicycles and their parts and accessories also decreased by 23.9 percent or JOD 277.3 million.



Source: Department of Statistics

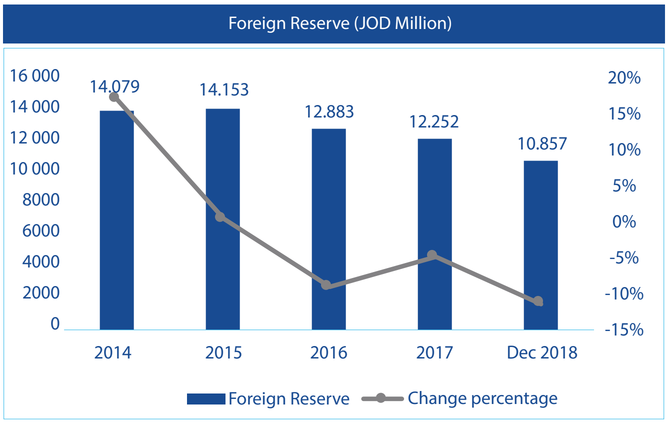
A Notable Improvement in Current Account Due to Lower Trade Deficit and Higher Travel Receipts

In light of the previous developments in the trade balance, the current account deficit witnessed a noticeable improvement during the first nine months of 2018, which fell by 17 percent compared to the same period last year to reach JOD 1.97 billion (6.6 percent of GDP).



Source: Central Bank of Jordan

It is worth noting that tourism witnessed a notable recovery during 2018, as the number of overnight tourists rose in the first nine months of 2018 by 7.7 percent, while the number of visitors per day rose by 6 percent compared to the same period last year.



Source: Central Bank of Jordan

In light of the decline in direct investment by about 54 percent during the first nine months of 2018, and the government's departure from global markets due to an absence in Eurobonds, foreign reserves fell during the first eleven months of the year by 11 percent to total USD 10.9 billion. Despite the decline, reserves remain at fairly healthy levels, as they are able to cover imports of the Kingdom for about 6 months, thus safeguarding the Jordanian dinar in the face of difficult economic conditions. We also believe that the deflationary monetary policies that put the JOD's stability at the top of its priorities is capable of absorbing potential shocks.

The Government Continues its Deflationary Policies Under the Heading of "Self-Reliance"

Domestic revenues of the government increased by 3.8 percent during 2018, according to the revised figures for the year, which were included in the national budget for 2019. The rise spread across multiple indicators, with tax revenue rising by 4.8 percent, non-tax revenues by 2.1 percent, and foreign aid by 29.3 percent. However, revenues remained far below what was expected in the 2018 budget. Of the expected JOD 800 million increase in tax revenues, only JOD 207 million was realized. Non-tax revenues increased by JOD 51 million, compared to an anticipated JOD 276 million in the budget.

National Financial Indicators

Million (JOD)	2014	2015	2016	2017	2018
Local Revenue	6,031.1	5,910.9	6,233.6	6,717.4	6,975.4
Growth rate		-2.0%	5.5%	7.8%	3.8%
External grants	1,236.5	886.2	836.0	707.8	915.0
Growth rate		-28.3%	-5.7%	-15.3%	29.3%
Total revenue	7,267.6	6,797.1	7,069.6	7,425.2	7,890.4
Growth rate		-6.5%	4.0%	5.0%	6.3%
Current spending	6,713.6	6,624.5	6,919.1	7,113.0	7,683.8
Growth rate		-1.3%	4.4%	2.8%	8.0%
Capital expenditure	1,137.5	1,098.2	1,029.1	1,060.2	1,020.1
Growth rate		-3.5%	-6.3%	3.0%	-3.8%
Total expenditure	7,851.1	7,722.7	7,948.2	8,173.2	8,703.9
Growth rate		-1.6%	2.9%	2.8%	6.5%
Deficit **after grants**	-583.5	-925.6	-878.6	-748.0	-645.6
% Of GDP	-2.3%	-3.5%	-3.2%	-2.6%	-2.7%
Deficit before grants	-1,820.0	-1,811.8	-1,714.6	-1,455.9	-1,728.5
% Of GDP	-7.2%	-6.8%	-6.2%	-5.0%	-5.8%

Source: Ministry of Finance and the General Budget Department

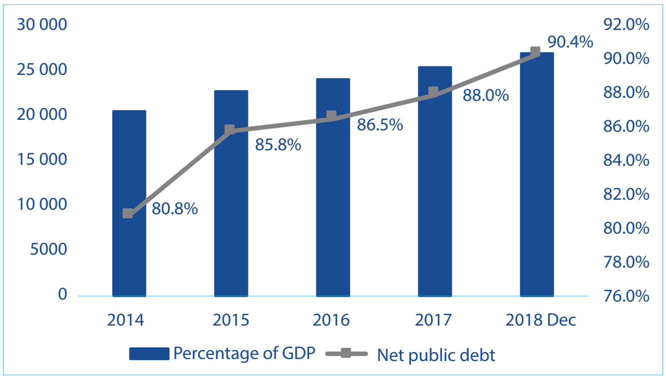
The general budget for 2019, which was designed to cover domestic revenues, was also approved during the past year to cover all current expenditures, in accordance with the concept of self-reliance. The budget was approved after the government passed the controversial Income Tax Law, which came with reductions in the ceiling on individual and family exemptions in line with the recommendations of the International Monetary Fund (IMF). Jordan has long sought to expand its taxpayer base and, according to the budget law, is expected to achieve additional revenues of up to JOD 200 million.

The new budget included a further development, which involves transferring the funds of 29 institutions from the budget of the independent institutions to the public budget. An addendum was incorporated into the budget for non-tax revenues to include expected revenues from these institutions at a value of approximately JOD 271 million. The amendment was not reflected on the expenditures of these institutions, and detailed expenditure for these institutions show a total of JOD 265 million distributed between JOD 178 million in current expenditures and JOD 87 million in capital expenditures.

This somewhat justifies the fact that current spending in the budget is higher than the normal growth rate of 9.1 percent or JOD 329 million. If we remove the impact of these institutions on public spending, the growth rate will drop to 1.9 percent, which is a normal proportion consistent with the austerity policies of the government.

The budget also included an increase in capital expenditure of about JOD 222 million. This increase was concentrated in the health, transport and education sectors, in line with the Government's Priorities and Action Plan 2019-2020. The final budget resulted in a deficit after grants of about 645 million dinars, which according to government estimates amounts to 2 percent of GDP compared to 2.7 percent for 2018.

Total Public Debt (JOD Million)



Source: Ministry of Finance

These discrepancies are due to several factors, including the government's stabilization of fuel prices more than once during the year, the reduction of taxes on some commodities and the revision of the tax on hybrid vehicles, and the excessive optimism on behalf of the government when preparing the budget.

Two key factors mitigated the impact of these differences. Firstly, external grants reached JOD 915 million compared to JOD 708 million expected during the year. Secondly, the rationalization of government expenditure and its growth was lower than that recorded in the budget, which rose by 6.5 percent to reach JOD 8.7 billion compared to the budgeted JOD 9 billion. As a result, the budget deficit after grants for the year 2018 increased by 8.8 percent to reach JOD 813 million or 2.7 percent of the GDP compared to 2.6 percent in the previous year.

The net balance of public debt during the first 10 months of 2018 increased by 6.5 percent compared to 2017, reaching JOD 27.1 billion at the end of October; equivalent to 90.4 percent of the GDP.

Banks are Adequately Capitalized

The Central Bank of Jordan maintained its deflationary monetary policies that it introduced in 2017. In 2018, it raised interest rates four times and 25 basis points per time to total a one percentage point increase in the year in response to the US Federal Reserve Bank's hikes during the same period. This was preventative measure designed to maintain the Jordanian dinar's strength before the dollar, to counter the rise in dollarization rates as savers move to the dollar instead of the dinar and to prevent the flow of capital abroad in search of high returns, especially in countries such as Egypt, Turkey and Lebanon where interest rates are much higher than in Jordan.

Summary of the General Budget for 2019

Amount	Statement	Revenues	Expenditure
Million (JOD)	**Revenue**	Million (JOD)	**Expenditure**
8,009,926	**Local Revenue**	**8,012,939**	**Current expenditure**
5,273,347	Tax revenue	**2,243,921**	**Civil service**
2,736,579	Non-tax revenues	**1,458,000**	**Military apparatus**
		1,186,555	**General security and safety**
600,000	**External grants**	**3,124,463**	**Other expenses**
		1,370,000	Retirement and compensations
		1,030,000	Interests on public debt
		175,000	Subsidies (direct and indirect)
		131,000	Recurring cash aid
		200,000	Previous outstanding payments
		1,242,558	**Capital expenditures**
8,609,926	**Total general revenue**	**9,255,497**	**Total public expenditure**
645,571			

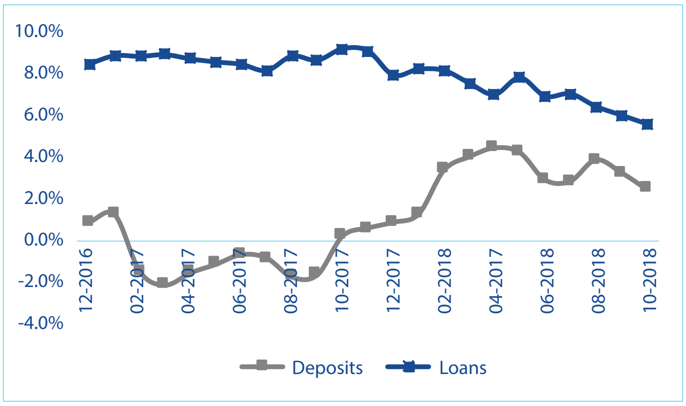
Source: Department of the General Budget

In light of deflationary policies, rising interest rates and the slow growth in deposits in the banking sector, loans from the sector continued to grow at a slow pace. Annual growth in loans fell from 8.3 percent at the beginning of 2018 to 5.7 percent in October. The slowdown was concentrated in public services and utilities (15.1 percent in January compared to 0.9 percent in October), construction (13.8 percent versus 4.1 percent), and industry (28.7 percent versus 15.8 percent).

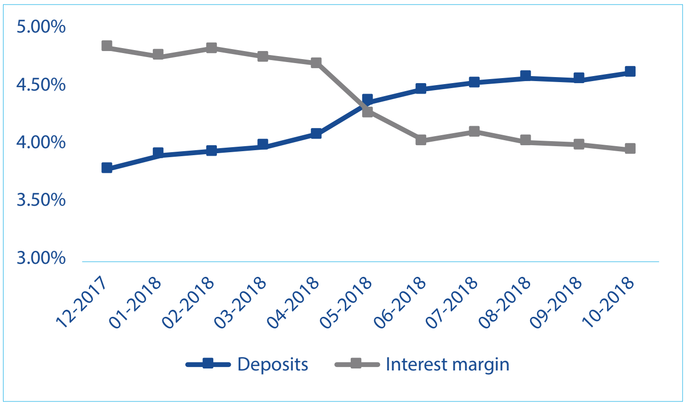
But growth in loans remained higher than growth in deposits. Deposits grew by only 2.5 percent in the first 10 months of 2018 compared to the same period last year. As a result, the loan-to-deposit ratio increased to 76.9 percent at the end of October, compared to 74.5 percent at the end of 2017; the highest level in at least 10 years.

In light of the elevated ratio of loans to deposits and the heated competition in the sector on deposits and loans, the interest margin between loans and deposits contracted by about 88 points during the first ten months of the year.
It should be noted that the banking sector in Jordan is strong and able to absorb shocks, whether in terms of liquidity or in terms of the capital adequacy ratio.

Annual growth rate in loans and deposits



Interest rates and interest margins



Corporate Governance Code

Dear Shareholders,
We would like to inform you that Capital Bank's new Corporate Governance Code has been issued and can be accessed through the link below.
https://bit.ly/30H1jZe

This updated code has been approved and adopted by the Board of Directors and is pending final approval by the Central Bank of Jordan.

Independent Auditors Report

Independent Auditors Report
To the shareholders of Capital Bank of Jordan
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capital Bank of Jordan (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2018;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	Measurement of Expected Credit Losses
	Provision for investment risk in Iraq

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We have designed the scope of the audit to perform sufficient procedures that enable us to express an opinion on the consolidated financial statements as a whole, taking into account the Groups structure, accounting processes, controls and business segments.

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 of the current period. 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.

Independent Auditors Report to the shareholders of Capital Bank of Jordan (continued)

Key audit matter	How our audit addressed the key audit matter

Measurement of Expected Credit Losses
 	
IFRS 9 'Financial instruments' became effective from 1 January 2018 and replaced most of the guidance in IAS 39 – 'Financial instruments'. In particular, the incurred loss impairment model under IAS 39 has been replaced with the Expected Credit Losses model ("ECL"). The Group has previously adopted the first phase of the IFRS 9 with regard to classification and measurement of financial instruments. The Group adopted the final phase of IFRS 9 with respect to impairment of financial assets with effect from 1 January 2018. The adoption of the ECL model under IFRS 9 has resulted in an increase in the impairment provision by JD 22,748,411, which has been recognized as an adjustment to retained earnings at 1 January 2018. On the initial application of IFRS 9, management has evaluated and disclosed the information required by IFRS 7 and IFRS 9.
 	
The Group applies ECL on all its financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments.
 	
The Group exercises significant judgement and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria.
 	
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral.
 	
The Group's impairment policy under IFRS 9 is presented in Notes 3.3.11 and 43-A to the consolidated financial statements.
 	
Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.
	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2018:
	
	• We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations.
	
	• We tested the completeness and accuracy of the data used in the calculation of ECL.
	
	• For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria.
	
	• We involved our internal specialists to assess the following areas:
	
	  • Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9.
	
	  • ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial instruments.
	
	  • Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.
	
	• In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised at each category level.
	
	• We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9. We have also ensured completeness and accuracy of the disclosures by verifying the information to accounting records.

Independent Auditors Report to the shareholders of Capital Bank of Jordan (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Investment risks in Iraq The Bank's Subsidiary, National Bank of Iraq (NBI), faces operational risks imposed by the political and economic situation in Iraq, particularly the regulations related to the banking sector in Iraq that may impact NBI's operational results. The bank's inability to utilize the deposited balances at the Central Bank of Iraq (CBI) in Erbil and Sulaymaniyah, which amounted to JD 36,921,211 as at 31 December 2018 compared to JD 93,948,749 as at 31 December 2017, is considered as a significant risk. As a result of improved economic and political conditions in Iraq, the collection of JD 57,027,538 from during the year, and based on the discounted cash flow model and as a result of the adoption of IFRS 9, management decided to reverse the provision for investment risk in Iraq during the year of JD 12,963,155 as disclosed in note 19 to the consolidated financial statements. The measurement of the provision against investment risk in Iraq is a key audit matter because the Group applies significant judgement and makes a number of assumptions about the economic situation in Iraq, measures taken by the Bank to improve results, the business model and the proposed budget for the next five years.	Our audit procedures included reviewing correspondence with CBI in relation to NBI's operations, and correspondence with CBI branches at Erbil and Sulaymaniyah in relation to the balances maintained at these branches. We have reviewed management's assumptions and estimation of the recoverable amount of balances deposited with CBI as at 31 December 2018, including the adequacy of the expected credit loss provision calculated under IFRS 9. Additionally, we have assessed and reviewed the methodology and the appropriateness of key assumptions applied by management, including the discount rate and timing of estimated future cash flows used in the expected credit loss calculation for these amounts. We have also reviewed management's sensitivity analysis calculations to assess the impact of reasonable possible changes in key assumptions. We assessed compliance of the consolidated financial statement disclosures with the requirements of the International Finanacial Reporting Standards. We have also ensured completeness and accuracy of the disclosures by verifying the information to accounting records.

Other information

The directors are responsible for the other information. The other information comprises all the other information included in the Group's annual report for the year 2018 but does not include the consolidated financial statements and our auditor's report. The other information is not yet received to the date of this auditor's report, and is expected to be made available to us after that date.

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and with other identified applicable laws in the Hashemite Kingdom of Jordan, 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 exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Group maintains proper accounting records that are in agreement with the accompanying consolidated financial statements. We recommend that the General assembly of the Shareholders approve these consolidated financial statements.

For and on behalf of PricewaterhouseCoopers "Jordan" L.L.C.

Hazem Sababa
License No. (802)

Amman, Jordan
3 March 2019

Consolidated Financial Statements for the Year Ending on 31 December 2018

Consolidated Statement of Balance Sheet for the Year Ended 31 December 2018

	Notes	31 December 2017	31 December 2018
		JOD	JOD
Assets Cash and balances at central banks	5	282,738,524	237,778,658
Balances at banks and financial institutions	6	194,421,910	81,646,989
Financial assets at fair value through statement of income	7	3,261,060	3,729,007
Financial assets at fair value through other comprehensive income	8	9,135,100	49,818,663
Direct credit facilities, net amortized cost	9	920,962,363	890,959,403
Financial assets at amortized cost	10	467,884,699	540,993,467
Property, plant and equipment, net	11	30,268,752	32,105,667
Intangible assets, net	12	5,795,651	10,649,739
Deferred tax assets	20	10,286,431	14,791,131
Other assets	13	75,619,014	102,285,300
Total Assets		**2,000,373,504**	**1,964,758,024**
Liabilities and Equity **Liabilities** Banks and financial institutions' deposits	14	107,872,683	44,638,873
Customers' deposits	15	1,217,020,225	1,247,883,147
Margin accounts	16	144,662,384	143,540,333
Loans and borrowings	17	118,914,171	124,552,032
Income tax provision	20	2,446,732	6,500,757
Deferred tax liabilities	20	679,685	1,212,993
Sundry provisions	19	16,817,883	8,783,281
Expected credit losses provision against off balance sheet items	48	-	3,923,935
Other liabilities	21	24,840,278	29,165,346
Subordinated loan	18	17,725,000	17,725,000
Total Liabilities		**1,650,979,041**	**1,627,925,697**
Equity **Equity attributable to the bank's shareholders**			
Issued and paid in capital	22	200,000,000	200,000,000
Additional paid in capital		709,472	709,472
Statutory reserve	24	34,689,204	38,588,144
General banking risk reserve	24	8,840,593	-
Foreign currency translation adjustments	25	(4,082,668)	(5,223,143)
Fair value reserve	26	416,990	20,961
Retained earnings	28	50,994,187	52,694,717
Total equity attributable to the bank's shareholders		291,567,778	286,790,151
Non-controlling interest		**57,826,685**	**50,042,176**
Total Equity		**349,394,463**	**336,832,327**
Total Liabilities and Equity		**2,000,373,504**	**1,964,758,024**

The accompanying notes from 1 to 50 are an integrated part of these consolidated financial statements.

Consolidated Statement of Income for the Year Ended 31 December 2018

	Notes	2017	2018
		JOD	JOD
Interest income	29	95,379,292	104,795,285
Less: Interest expense	30	44,636,315	52,567,426
Net interest income		**50,742,977**	**52,227,859**
Commission income	31	33,809,959	24,239,348
Less: commission expense		2,193,384	1,887,101
Net commission income		**31,616,575**	**22,352,247**
Gain from foreign currencies	32	3,293,234	654,959
Loss from financial assets at fair value through income statement	33	(209,629)	(163,746)
Dividends income from financial assets at fair value through other comprehensive income	8	356,510	251,929
Gain from sale of financial assets at fair value through other comprehensive income-debt instruments		-	32,337
Net gain from financial assets at amortized cost		545,015	-
Other income	34	6,299,605	4,980,680
Net Income		**92,644,287**	**80,336,265**
Employees' expenses	35	23,422,412	23,018,122
Depreciation and amortization	11,12	4,590,769	4,993,075
Other expenses	36	17,551,848	16,652,639
Loss on sale of seized property		207,696	98,036
Impairement and expected credit losses on financial assets	43-A-1	24,124,636	784,461
Impairment on seized assets ,net	13	(114,667)	916,182
(Reversed from) Impairment losses and other sundry provisions	19	(8,520,900)	(3,525,243)
Total expenses		**61,261,794**	**42,937,272**
Income before tax		31,382,493	37,398,993
Less: Income tax expense	20	4,070,847	7,050,717
Net profit for the year		**27,311,646**	**30,348,276**
Attributable to:			
Bank's shareholders		24,356,884	30,798,175
Non-controlling interest		2,954,762	(449,899)
		27,311,646	30,348,276
		JOD/Fils	**JOD/Fils**
Basic and diluted earnings per share	**37**	**0.122**	**0.154**

The accompanying notes from 1 to 50 are an integrated part of these consolidated financial statements.

Consolidated Statement of Income for the Year Ended 31 December 2018

	2017	2018
	JOD	JOD
Income for the year	**27,311,646**	**30,348,276**
Add: items that may be reclassified to profit or loss in subsequent periods after excluding the imapct of tax:		
Exchange differences on translation of foreign operation	(438,091)	1,327,138
Change in the fair value of debt instruments at fair value through other comprehensive income-debt instruments	-	(839,287)
Add: items that will not be reclassified to profit or loss in subsequent periods after excluding the imapct of tax:		
Change in the fair value of equity instruments at fair value through other comprehensive income-equity instruments	995,666	554,073
Realized gains (losses) from selling financial assets at fair value through other comprehensive income-equity instruments	(1,464,393)	313,265
Total other comprehensive income for the year net of tax	**(906,818)**	**1,355,189**
Total comprehensive income for the year	**26,404,828**	**31,703,465**
Attributable to:		
Bank's shareholders	23,662,177	29,574,936
Non-controlling interest	2,742,651	2,128,529
	26,404,828	**31,703,465**

The accompanying notes from 1 to 50 are an integrated part of these consolidated financial statements.

Consolidated Statement of Change in Equity for the Year Ended 31 December 2018

	Attributable to owners of the parent entity									
			Reserves							
	Issued and Paid in Capital	Additional paid in capital	Statutory	General banking risk	Foreign currency translation adjustments	Fair value reserve	*Retained earnings	Equity attributable to the bank's shareholders	Non-controlling interest	Total equity
31 December 2018	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Balance at 01 January 2018 as previously stated	**200,000,000**	**709,472**	**34,689,204**	**8,840,593**	**(4,082,668)**	**416,990**	**50,994,187**	**291,567,778**	**57,826,685**	**349,394,463**
Changes on initial application of IFRS 9	-	-	-	-	-	-	(14,352,563)	(14,352,563)	(5,367,097)	(19,719,660)
Restated balance at 1 January 2018	**200,000,000**	**709,472**	**34,689,204**	**8,840,593**	**(4,082,668)**	**416,990**	**36,641,624**	**277,215,215**	**52,459,588**	**329,674,803**
Total comprehensive income for the year	-	-	-	-	(1,140,475)	(396,029)	31,111,440	29,574,936	2,128,529	31,703,465
Transferred from reserves	-	-	3,898,940	(8,840,593)	-	-	4,941,653	-	-	-
Cash dividends (Note 23)	-	-	-	-	-	-	(20,000,000)	(20,000,000)	(4,545,941)	(24,545,941)
Balance at 31 December 2018	**200,000,000**	**709,472**	**38,588,144**	**-**	**(5,223,143)**	**20,961**	**52,694,717**	**286,790,151**	**50,042,176**	**336,832,327**
31 December 2017										
Balance at 01 January 2017	200,000,000	709,472	32,257,341	9,811,521	(3,868,943)	(566,421)	39,562,631	277,905,601	56,201,653	334,107,254
Total comprehensive income for the year	-	-	-	-	(213,725)	(480,982)	24,356,884	23,662,177	2,742,651	26,404,828
Transferred to reserves	-	-	2,431,863	(970,928)	-	-	(10,000,000)	(10,000,000)	(1,117,619)	(11,117,619)
Cash dividends (Note 23)	-	-	-	-	-	-	(1,460,935)	-	-	-
Balance at 31 December 2017	**200,000,000**	**709,472**	**34,689,204**	**8,840,593**	**(4,082,668)**	**416,990**	**50,994,187**	**291,567,778**	**57,826,685**	**349,394,463**

Retained earnings include JOD 14,791,131 which represents deferred tax assets as at 31 December 2018 against JOD 10,286,431 as at 31 December 2017, according to the Central Bank of Jordan's regulations these balances are restricted.

Retained earnings include JOD 1,054,642 as at 31 December 2018 against JOD 1,088,445 as at 31 December 2017, this amount represents unrealized gain as a result of early adoption of IFRS 9 related to classification and measurement. This amount is not available for distribution according to the Securities and Exchange Commission regulations until the amount becomes realized .

An amount equal to the negative balance of fair value reserve is restricted within retained earning and cannot be utilized.

Losses from revaluation of assets at fair value through income statement amounted to JOD 228,272 as at 31 December 2018 against an amount of JOD 168,096 as at 31 December 2017 which is restricted from utilization within the retained earnings, according to the Jordan Securities Commission.

The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued Circular No.10/1/1359 on 25 January 2018, allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to JOD 8,840,593.

The accompanying notes from 1 to 50 are an integrated part of these consolidated financial statements.

Consolidated Statement of Cash Flow for the Year Ended 31 December 2018

	Note	2017	2018
Operating Activities		**JOD**	**JOD**
Profit before income tax Adjustments for non-cash items		31,382,493	37,398,993
Depreciation and amortization		4,590,769	4,993,075
Impairment loss on direct credit facilities		24,124,636	784,461
Loss from revaluation of financial assets at fair value through Income statement		282,071	393,422
Impairment on assets seized by the bank		-	916,182
Impairment losses and other sundry provisions		(8,616,674)	(3,525,243)
Net accrued interest		3,447,119	(1,027,102)
Effect of exchange rate changes on cash and cash equivalents		(2,208,271)	(924,702)
Cash flows from operating activities before changes in assets and liabilities **Changes in assets and liabilities**		**52,983,250**	**39,009,086**
Restricted balances		(10,687)	(15,741)
Balances at central banks		21,413,777	60,401,055
Financial assets at fair value through Income statement		528,049	(861,369)
Direct credit facilities		25,132,426	18,318,699
Other assets		20,765,925	(23,440,195)
Banks and financial institutions' deposits maturing in more than three months		(2,055,000)	-
Customers' deposits		(7,352,276)	25,687,613
Margin accounts		(78,635)	(4,468,986)
Other liabilities		(165,984)	2,156,954
Paid sundry provisions		(15,107)	(4,713,408)
Net cash flow from operating activities before income tax		111,145,738	112,073,708
Income tax paid		(12,268,944)	(3,631,530)
Net cash flow from operating activities		98,876,794	108,442,178
Investing Activities **Purchase of financial assets at fair value through other comprehensive income**		**(2,573,054)**	**(26,028,914)**
Sale of financial assets at fair value through other comprehensive income		2,747,116	12,821,279
Purchase of financial assets at amortized cost		(130,662,886)	(153,782,868)
Matured financial assets at amortized cost		113,520,627	51,989,891
Purchase of property and equipment		(3,375,562)	(4,552,627)
Sale of property and equipment		24,035	13,604
Purchase of intangible assets		(1,865,458)	(6,659,909)
Net cash flow used in investing activities		(22,185,182)	(126,199,544)
Financing activities			
Proceeds from loans and borrowings		83,569,407	40,919,900
Repayment of loans and borrowings		(42,540,664)	(35,191,977)
Repayment of secondary loan		(4,521,452)	-
Cash dividends		(9,680,981)	(24,265,913)
Net cash flow used in (from) financing activities		**26,826,310**	**(18,537,990)**

Net increase (decrease) in cash and cash equivalents		103,517,922	(36,295,356)
Effect of exchange rate changes on National Bank of Iraq		(2,043,713)	(3,385,657)
Effect of exchange rate changes on cash and cash equivalents		2,223,378	924,702
Cash and cash equivalent at the beginning of the year	39	166,607,551	270,305,137
Cash and cash equivalent at the end of the year		270,305,138	231,548,826

The accompanying notes from 1 to 50 are an integrated part of these consolidated financial statements.

(1) General Information

The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of (1989). Its registered office is in Amman.

The bank provides its banking services through its thirteen branches located in Amman - Jordan and its subsidiaries Capital Investments Company in Jordan Ltd, National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Investments (Dubai International Finance Center) Ltd.

The bank has subsequently increased its capital during prior years from JOD 20 million to reach JOD 200 million. The increases in capital were effected through capitalizing its distributable reserves, retained earning and private placements to shareholders, in addition to the participation of International Finance Corporation (IFC) which became a strategic partner.

Capital Bank of Jordan shares are listed at Amman Stock Exchange - Jordan.

The Consolidated Financial Statements were authorized for issuance by the bank's Board of Directors in their meeting 1/2019 held on 14 February 2019 and it is subject to the approval of the Central Bank of Jordan and shareholders general assembly. Moreover, the bank's Board of Directors approved the action to recommend a 10 percent cash dividend distribution to the Shareholders, and the decision is subject to the approval of Central Bank of Jordan and the shareholders General Assembly.

(2) Basis Of Preparation of the consolidated financial reporting

The accompanying consolidated finanacial statements of the bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRICs), the local laws and the Central Bank of Jordan regulations.

The Consolidated financial statements are prepared under the historical cost convention except for financial assets at fair value through statement of income, financial assets at fair value through other comprehensive income and financial derivatives that have been measured at fair value as of the date of these interim condensed consolidated financial statements. Hedged assets and liabilities are also stated at fair value.

The consolidated financial statements have been presented in Jordanian dinars which is the functional currency of the bank.

(3) Significant Accounting Policies

(3.1) New and revised IFRS

(3.1.1) New and revised IFRS applied on the consolidated financial statements

- **IFRS 15, 'Revenue from contracts with customers'**
  the standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

- Amendment to IAS 40, 'Investment Property' - ; the amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of an investment property. The change must be supported by evidence. It was confirmed that a change in intention, in isolation, is not enough to support a transfer to or from the investment property.

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

- Amendment to IFRS 2, 'Share-Based Payment' - The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash – settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated if it was wholly owned equity – settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share based payment and pay that amount to the tax authority.

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

- IFRS 22, 'Foreign currency transactions and advance consideration' - The interpretation considers how to determine the date of transaction when applying the standard on applying the date of transactions, IAS 21. The date of transaction determines the exchange rate to be used on initial recognition to be used on an initial recognition of a related asset, expense or income. The interpretation provides guidance for when a single payment / receipt is made, as well as for situations where multiple payments / receipts are made.

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

- Amendments to IFRS 10 and 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.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group has, in previous years, adopted the first phase of the IFRS 9 with regards to classification and measurement of financial instruments. The Group adopted the final phase of IFRS 9 with respect to impairment of financial assets with effect from 1 January 2018.

The impact of IFRS 9 on the consolidated financial statements of the Group has been disclosed in Note 3-2 (a) and disclosure (43 - a).

(3.1.2) New and revised IFRS issued but not yet effective and not early adopted

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 16, 'Leases' (expected to be implemented on 1 January 2019)

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group is currently finalising the assessment of the impact from the adoption of this new standard on 1 January 2019 and the management believes that the impact will not be material on the consolidated financial statements as at 01 January 2019.

New standards, amendments and interpretations

IFRS 23 Uncertainty over Income Tax Treatments (expected to be implemented on 01 January 2019) – The - interpretation address the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively.
- Assumptions for taxation authorities.
- The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates.
- The effect of changes in facts and circumstances.

There is no material impact on the consolidated financial statements of the Group from the adoption of above interpretations on 1 January 2019.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the bank's financial year beginning on 1 January 2018 that would be expected to have a material impact on the financial information of the bank .

The group has adopted the impairment requirements of IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements.

As permitted by the transitional provisions of IFRS 9, the group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition have been recognised in the opening retained earnings and other reserves of the current period.

Consequently, for note disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures reflecting those disclosures made in the prior period.
The adoption of the impairment requirements of IFRS 9 has resulted in changes in accounting policies for impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note (43 - a).

(3.3) Summary of significant accounting policies

(3.3.1) Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries (together the "The Group"). Control exists when the bank controls the subsidiaries and relevant activities, and is exposed, or has right, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns. All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the bank and the following subsidiaries are eliminated in full:

1- Capital Investments Company Limited; of which the bank owns 100% of its paid-in-capital amounted to JOD 10,000,000 as at 30 December 2018. The company provides brokerage services. The company was established on 16 May 2005.
2- National Bank of Iraq (NBI); of which the bank owns 61.85% of its paid-in-capital of IQD 250 billion equivalent to JOD 148,949,580 as at 30 December 2018. The bank provides banking services, National Bank of Iraq was acquired effective 1 January 2005.
3- Capital Investment Fund Company Bahrain; of which the bank owns 100% of its paid-in-capital of BHD 1,000 equivalent to JOD 1,888 as at 31 December 2018. The purpose of the company is to manage mutual funds and it has not started its operations as of the date of preparing these consolidated interim condensed financial statements.
4- Capital Investments (DIFC) UAE; of which the bank owns 100% of its paid in capital of USD 250,000 (equivalent to JOD 177,250) as at 31 December 2018. The purpose of the company is to offer financial consulting services.The company was registered and incorporated on 23 February 2015.

The financial statements of the subsidiaries are prepared under the same reporting period as the bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made to their financial statements in order to comply with those of the bank. The result of operations of the subsidiaries are consolidated in the consolidated statement of income from the acquisition date which is the date on which control over the subsidiaries is gained by the bank. The results of operations of the disposed subsidiaries are consolidated in the consolidated statement of income up to the disposal date which is the date the bank loses control over the subsidiaries.

Non-controlling interests represent the portion of shareholdres' equity not owned by the bank in the subsidiaries.

When preparing separate financial statements, investment in subsidiaries is recorded at cost, less impairement if any.

Changes in the group's ownership interest in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.
Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognized in the

consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 'Financial Instruments' or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3.3.2) Revenue recognition

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is suspended as per the Central Bank of Jordan instructions.

(b) Fee and commission income and expenses

The group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(1) Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(2) Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(c) Dividend income

Dividend income from investments is recognised in the consolidated statement of profit or loss when the group's right to receive dividends has been established (provided that it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably).

(3.3.3) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Jordanian dinars (JOD), which is the functional currency of the bank, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised initially in the foreign currency translation reserve and recognised in consolidated statement of profit or loss on disposal of the net investment.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in JOD using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the group's currency translation reserve. Such exchange differences are recognized in the consolidated statement of profit or loss in the period in which the foreign operation is disposed.

(3.3.4) Leasing

Leases of property and equipment where the group, as lessee, has substantially all the risks and rewards of ownership classified as finance leases. Finance leases are capitalized at the lease inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(3.3.5) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(3.3.6) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Lands are not depreciated.

Depreciation is recognized so as to write-off the cost of assets, using the straight-line method, over the estimated useful lives of the respective assets, as follows:

Assets	%
Buildings	2
Equipment and furniture	2.5-15
Vehicles	15
Computers	25
Other	10

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

(3.3.7) Work in progress

Capital work-in-progress are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(3.3.8) Intangible assets

Intangible assets are recognized on the basis of its useful life, whether it has a finite life or it has an infinite life. Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and are recognized in the consolidated statement of income. Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income. Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at the date of the consolidated financial statements. Adjustments are reflected in the current and subsequent periods. Intangible assets include software, computer systems and trademarks. The management of the bank estimates the time life of each item where the assets are amortized on a straight-line basis at 25%.

The accounting policy for each intangible asset is as follows:

A- Trademarks	amortized on a straight-line basis at 25% .
B- Software, computer systems	amortized on a straight-line basis at 25% .

(3.3.9) Impairment of non-financial assets

At the end of each reporting period, the group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the consolidated statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(3.3.10) Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(3.3.11) Financial instruments

Financial assets and financial liabilities are recognized when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in the consolidated statement of profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVTOCI, as described in note (44 - A), which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

1- Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A- Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

*** Debt instruments:**

Debt instruments are measured at amortized cost if both of the following conditions are met:

(1) The asset is held within a business model whose objective is to hold assets in order to collect cotractual cash flows; and

(2) The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

All other financial assets except for debt instruments carried at amortized cost are subsequently measured at fair value.

Based on these factors, the group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss (FVTPL), are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note (43 - A).

- Fair value through other comprehensive income (FVTOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent Solely Payments of Principal and Interest, ('SPPI'), and that are not designated at FVTPL, are measured at FVTOCI. Movement in carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Net investment income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'.

- Business model: the business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

- SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

In making this assessment, the group considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are Solely Payment of Principal and Interest.

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

*** Equity instruments:**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence is a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The group subsequently measures all equity investments at fair value through profit or loss, except where the group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

(a) Amortized cost and effective interest method

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

(b) Impairment of financial assets

The group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. note (43 - a) provides more detail of how the expected credit loss allowance is measured.

(c) Modification of loans (restructured and rescheduled loans)

The group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. Where this happens, the group assesses whether or not the new terms are substantially different to the original terms. The group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share / equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in the derecogntion, and the group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the group transfers substantially all the risks and rewards of ownership, or (ii) the group neither transfers nor retains substantially all the risks and rewards of ownership and the group has not retained control.

Written-off debts

Credit facilities with provisions are written off in the event that the measures taken to collect them are not feasible to be deducted from the allowance. Any surplus in the gross provision - if any - is transferred to the consolidated statement of income and the proceeds are added to the income.

2- Financial liabilities

Classification and subsequent measurement

Financial liabilities (including deposits and balances due to banks, repurchase agreements with banks, medium term loans and customer deposits) are initially recognized at fair value and subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss; this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is, unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby for financial liability is recognized for the consideration received for the transfer. In subsequent periods, the group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is “substantial” or whether the original debt has been replaced by another debt with “substantially” different terms.

3- Fair value measurement

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 in the principal, or in its absence, the most advantageous market to which the bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Fair value levels are as follows:

- Level 1: Quoted 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 measrement 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.

(3.3.12) Financial guarantee contracts and loan commitments

Financial guarantees are contracts that require the group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.
Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

(3.3.13) Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognized in the consolidated statement of profit or loss;
- for financial assets that are monetary items and designated as at FVTOCI, any foreign exchange component is recognized in the consolidated statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVTOCI, any foreign exchange component is recognized in the consolidated statement of comprehensive income; and
- for foreign currency-denominated debt instruments measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the financial assets and are recognized in the consolidated statement of profit or loss.

(3.3.14) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts or when the group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(3.3.15) Derivative financial instruments

The group deals with derivatives such as forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased). Further details of derivatives financial instruments are disclosed in note 41. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 financial instruments (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(3.3.16) Hedge accounting

The group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

*** <u>Fair value hedges</u>**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the consolidated statement of profit or loss.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the consolidated statement of profit or loss from that date.

*** <u>Cash flow hedges</u>**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss, and is included in the other income line item.

Amounts previously recognized in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognized in the consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in the consolidated statement of comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the consolidated statement of profit or loss.

*** <u>Hedges of net investments in foreign operations</u>**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operation.

(3.3.17) Segment information

- Business segment represents distinguishable components of the bank that are engaged in providing products or services that are subject to risks and rewards that are different from those of other segments and reported based on the reports that are used by the bank's chief executive decision maker.
- The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economical environments.

(3.3.18) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

(3.3.19) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash balances at banks and financial institutions that mature within three months, less banks and financial institutions' deposits that mature within three months from acquisition date and restricted balances.

(3.3.20) Due from banks

Due from banks and financial institutions are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate less allowance for impairment, if any.

(3.3.21) Assets seized in settlement of debts

In certain cases, the bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. These assets are recorded in "Other assets". It is the bank's policy to dispose of such repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the bank does not occupy repossessed properties for business use.

(3.3.22) Income Tax

Tax expense comprises current tax and deferred taxes. Current tax is based on taxable profits, which may differ from accounting profits disclosed in the consolidated statement of income. Accounting profits may include non-taxable profits or tax-deductible expenses which may be exempted in the current or subsequent financial years.

Taxes are calculated based on tax rates confirmed under the laws, regulations and instructions of the

Hashemite Kingdom of Jordan and the countries which subsidiaries are operating in.
The deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the consolidated financial statements and the value of the tax basis profit. Deferred taxes are measured by adhering to the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when assets are realized or liabilities are settled.

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

(3.3.23) Fiduciary assets

Assets held in a fiduciary capacity are not recognized as assets of the bank. Fees and commissions received for administering such assets are recognized in the consolidated statement of income . A provision is recognized for decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

(3.3.24) Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the bank's financial consolidated statements due to the bank's continuing exposure to the risks and rewards of these assets using the same accounting policies, where the buyer has the right to use these assets (sell or re-lien) they are reclassified as liened financial assets.

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.

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

(3.3.25) Financial assets pledged as collateral

The financial assets pledged by the bank are for the purpose of providing collateral for the counterparty to the extent that counterparty is permitted (to sell and / or re-pledge the assets). The method of valuation is related to the financial policies for its original classification.

4- Critical accounting judgements and estimates

In the application of the group's accounting policies, which are described in note 3 management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions, or exercised judgements are as follows:

(4.1) Classification and measurement of financial assets

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the group's financial assets are appropriately classified and measured.

(4.2) Impairment of financial assets

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the bank uses its historical experience, internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Importance of staging criteria

Staging is an important input in determining the IFRS 9 ECL, as it dictates loans would be classified as stage 1 (attracting 12 months ECL) and in stage 2 (attracting life time ECL). Staging under IFRS 9 is based on the assessment of relative movement in the credit quality of the loans from the time of initial recognition. Loans classified in stage 3 have objective evidence of impairment and in respect of which specific provisions have been established.

Credit-impaired Financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Known cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- Decline in the realizable value of the security;
- The probability that the borrower will enter bankruptcy or other financial realization; and
- A significant downgrading in credit rating by an external credit rating agency.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of 12 months as determined by the regulatory guidelines.

- Measurement of ECL

  The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the 12 months and expected life of the financial asset discounted at its original effective interest rate.

  The key inputs into the measurement of ECL are the term structure of the following variables:
  - Probability of Default (PD).
  - Loss Given Default (LGD).
  - Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models, other historical data and forward looking information.

The bank considers its historical loss experience and adjusts this for current observable data. In addition, the bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, real annual growth in gross domestic product and oil prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(4.3) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(4.4) Impairment in seized assets

Impairment of seized assets is calculated based on recent real estate valuations and approved by accredited valuers for the purpose of calculating the impairment of assets seized. The Impairement is reviewed periodically.

(4.5) Income tax provision

The income tax provision is calculated based on the prevailing laws and regulations and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the related provisions are recorded.

(4.6) Assets useful lives

Useful life for property and equipment is reviewed each year. If expected useful life is different from the previous one, the difference is adjusted prospectively as a change in accounting estimate.

(4.7) Legal provision

Legal provisions are taken for lawsuits raised against the bank based on the bank legal advisor's opinion.

(4.8) Impairment in non-financial assets

The bank assesses at the date of each consolidated statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss.

Impairment is determined as follows:

- For assets carried at amortized cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.

Impairment is recognized in the consolidated statement of income. If in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognized in the consolidated statement of income and it is recognized in the consolidated statement of other comprehensive income for equity instruments.

(5) Cash and balances with central banks

	2017	2018
	JOD	JOD
Cash on hand	34,563,216	57,981,407
Balances at central banks:		
Current and demand deposits	152,191,762	61,323,303
Time and notice deposits	-	17,873,950
Certificate of deposits	18,500,000	17,800,000
Statutory cash reserve	77,483,546	83,275,891
Less: expected credit loss	-	(475,893)
Total	**282,738,524**	**237,778,658**

- There are no due balances during the period exceeding three months as at 31 December 2018 and 31 December 2017.
- There are no restricted balances except for the statutory reserves as 31 december 2018 and 31 December 2017.
- The statutory reserves held at the Central Bank of Iraq amounting to JOD 5,171,617 as at 31 December 2018 against JOD 3,904,486 as at 31 December 2017 which is excluded from cash and cash equivalents for consolidated cash flow statement purposes.
- National Bank of Iraq balances at the Central Bank of Iraq's for Erbil and Sulaymaniyah branches amounted to JD 12,648,069 and JOD 24,273,142 respectively as at 31 December 2018, against JOD 62,089,584 and JOD 31,859,165 as at 31 December 2017 respectively, by which it was communicated with the Central Bank of Iraq to allow the exploitation of these balances in monthly installements during the current year.

Distribution of cash balances with central banks by categories of the bank's internal credit rating

	31 December 2017	31 December 2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	142,238,636	145,216,621	-	-	145,216,621
Acceptable risk / performing	140,499,888	93,037,930	-	-	93,037,930
Total	**282,738,524**	**238,254,551**	**-**	**-**	**238,254,551**

Movements of balances with central banks:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	188,789,775	93,948,749	-	282,738,524
Add: new balances during the year	10,235,567	-	-	10,235,567
Settled balances	-	(61,685,501)	-	(61,685,501)
Transfer to the first stage during the period	36,921,211	(36,921,211)	-	-
Adjustments due to change in exchange rates	2,307,998	4,657,963	-	6,965,961
Gross balance	**238,254,551**	**-**	**-**	**238,254,551**

Movements of provision for expected credit losses

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	583,253	6,303,095	-	6,886,348
Add: new balances during the year	-	-	-	-
Settled balances	(302,214)	(6,566,819)	-	(6,869,033)
Transfer to the first stage during the year	167,072	(167,072)	-	-
Adjustments due to change in exchange rates	27,782	430,796	-	458,578
Net balance	**475,893**	**-**	**-**	**475,893**

(6) Balances at banks and financial institutions

	Local banks and financial institutions		"Foreign banks and financial institutions"		Total	
	2018	2017	2018	2017	2018	2017
	JOD	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	5,560,986	2,650,873	76,086,003	166,814,287	81,646,989	169,465,160
Deposits maturing within or less than 3 months	-	-	-	24,956,750	-	24,956,750
Less: Expected credit loss	-		-		-	-
	5,560,986	**2,650,873**	**76,086,003**	**191,771,037**	**81,646,989**	**194,421,910**

- Non-interest bearing balances at banks and financial institutions amounted to JOD 81,519,657 as at

31 December 2018 against JOD 169,440,318 as at 31 December 2017.

- Restricted balances amounted to JOD 1,145,120 as at 31 December 2018 against JOD 1,129,379 as at 31 December 2017. Which will be exluded from the cash and cash equivelent on the consolidated cash flow statement.

Distribution of balances at banks and financial institutions by categories of the bank's internal credit rating:

	31 December 2017	31 December 2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	155,986,699	49,224,138	-	-	49,224,138
Acceptable risk / performing	38,435,211	37,301,513	9,089	-	37,310,602
Total	**194,421,910**	**86,525,651**	**9,089**	**-**	**86,534,740**

Movements of balances with banks and financial institutions

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	194,421,910	-	-	194,421,910
Add: new balances during the year	-	9,089	-	9,089
Settled balances	(114,280,123)	-	-	(114,280,123)
Adjustments due to change in exchange rates	1,496,113	-	-	1,496,113
Net balance	**81,637,900**	**9,089**	**-**	**81,646,989**

Movements of provision for expected credit losses during the period ended 31 December 2018

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	80,310	-	-	80,310
Add: new balances during the year	-	-	-	-
Settled balances	(86,069)	-	-	(86,069)
Adjustments due to change in exchange rates	5,759	-	-	5,759
Net balance	**-**	**-**	**-**	**-**

(7) Financial assets at fair value through statement of income

	2017	2018
	JOD	JOD
Companies' share	3,175,506	3,640,727
Investment funds	85,554	88,280
Total	**3,261,060**	**3,729,007**

(8) Financial assets at fair value through other comprehensive income

The group has identified some of its equity investments as investments at fair value through other comprehensive income as the group plans to hold on to them for a long time for strategic reasons.

Publicly listed assets	2017	2018
	JOD	JOD
Treasury bonds	-	21,482,979
Governmental debt securities and its guarantees	-	849,260
Bonds, corporate debt securities	-	3,456,374
Other government bonds	-	3,447,740
Quoted shares	4,608,894	5,585,220
Total	**4,608,894**	**34,821,573**
Unlisted assets		
Treasury bonds	-	-
Governmental debt securities and its guarantees	-	7,086,800
Bonds, corporate debt securities	-	1,500,000
Other government bonds	-	-
Unquoted shares	4,526,206	6,440,318
Total	**4,526,206**	**15,027,118**
Less: Expected credit loss	-	(30,028)
Total financial assets at fair value through other comprehensive income	9,135,100	49,818,663
Analysis of bonds and bills:		
Fixed rate	-	37,793,125
Floating rate	-	-
Total	**-**	**37,793,125**

- The cash dividends amounted to JOD 251,929 and it reflects the shares that the bank owns in other companies as at 31 December 2018 against JOD 356,510 as at 31 December 2017.

- Realized gains resulted from sales of financial assets at fair value through other comprehensive income amounted to JOD 313,265 as at 31 December 2018 against realized losses worth JOD 1,464,393 as at 31 December 2017.

Distribution of financial assets at fair value through other comprehensive income - debt instrument by categories of the bank's internal credit rating

	31 December 2017	31 December 2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	-	21,482,979	-	-	21,482,979
Acceptable risk / performing	-	16,340,174	-	-	16,340,174
Total	**-**	**37,823,153**	**-**	**-**	**37,823,153**

Movements of financial assets at fair value through other comprehensive income during the year ended 31 December 2018:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the application of IFRS 9	-	-	-	-
Add: new balances during the year	11,522,321	-	-	11,522,321
Settled balances	(2,592,256)	-	-	(2,592,256)
Change in fair value	839,287	-	-	839,287
changes due to Adjustments	28,053,801	-	-	28,053,801
Net balance	**37,823,153**	**-**	**-**	**37,823,153**

Movements of provision on financial assets at fair value through other comprehensive income during the period ended 31 December 2018:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the application of IFRS 9	-	-	-	-
Add: new balances during the year	30,028	-	-	30,028
Settled balances	-	-	-	-
Net balance	**30,028**	**-**	**-**	**30,028**

9) Direct credit facilities - amortized cost

	2017	2018
	JOD	JOD
Retail customers		
Overdrafts	9,229,190	10,264,913
Loans and bills *	79,297,196	87,494,506
Credit cards	7,324,567	6,377,418
Realestate mortgages	**154,609,224**	**156,768,973**
Corporate lending		
Overdrafts	87,089,700	78,699,781
Loans and bills *	442,393,520	392,832,729
Small and medium enterprises "SMEs" facilities		
Overdrafts	34,066,264	37,435,351
Loans and bills *	113,985,177	142,057,891
Government and public sector lending	69,298,643	68,600,726
Total	**997,293,481**	**980,532,288**
Less: suspended interest	14,725,092	16,749,916
Less: provisions to impairment in direct credit facilities and ECL	61,606,026	72,822,969
Net direct credit facilities	**920,962,363**	**890,959,403**

* Net of interest and commissions received in advance amounted to JOD 1,791,845 as at 31 December 2018 against JOD 982,854 as at 31 December 2017.

- Non-performing credit facilities amounted to JOD 99,763,656 as at 31 December 2018 against JOD 111,345,767 as at 31 December 2017 Which represents 10.17 % of total direct credit facilities as at 31 December 2018 against 11.16% as at 31 December 2017.

- Non-performing credit facilities, net of suspended interest, amounted to JOD 83,013,740 as at 31 December 2018 against JOD 96,620,675 as at December 2017 which represents 8.61% as at 31 December 2018 against 9.83% as at December 2017 of total direct credit facilities after excluding the suspended interest.
- Total credit facilities granted to and guaranted by the government amounted to JOD 34,284,000 as at 31 December 2018 against JOD 57,251,864 as at 31 December 2017 which represents 3.50% of total direct credit facilities as at 31 December 2018 against 5.74% as at 31 December 2017.

Direct credit facilities at amortized cost - Corporate

Distribution of direct credit facilities for corporate companies by categories of the bank's internal credit rating:

	2017	2018			
Item	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	5,059,904	55,941,097	-	-	55,941,097
Acceptable risk / performing	464,138,898	282,712,611	40,272,641	20,379,120	343,364,372
Non-Performing					
Substandard	806,948	-	-	97,741	97,741
Doubtful	34,126,252	-	-	2,850,532	2,850,532
Loss	25,351,218	-	-	69,278,768	69,278,768
Total	**529,483,220**	**338,653,708**	**40,272,641**	**92,606,161**	**471,532,510**

Direct credit facilities at amortized cost - Corporate:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	324,665,832	112,133,794	92,683,594	529,483,220
Add: new balances during the period / additions	**86,895,215**	**16,058,650**	**6,829,809**	**109,783,674**
Settled balances	(116,466,068)	(61,725,314)	(20,928,128)	(199,119,510)
Transfer to the first stage during the year	29,546,954	(28,942,658)	(604,296)	-
Transfer to second stage during the year	(877,332)	956,336	(79,004)	-
Transferred to the third stage during the year	(1,882,591)	(14,723,562)	16,606,153	-
Changes due to adjustments	15,624,147	14,781,055	8,718,096	39,123,298
Written off balances	-	-	(12,185,905)	(12,185,905)
Adjustments due to change in exchange rates	1,147,551	1,734,340	1,565,842	4,447,733
Net balance	**338,653,708**	**40,272,641**	**92,606,161**	**471,532,510**

The movement of the provision for impairment losses of direct credit facilities for corporate companies

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018	**-**	**2,716,947**	**44,483,122**	**47,200,069**
Effect of application of IFRS 9	2,309,102	6,558,534	-	8,867,636
Balance at 1 January 2018 resulted from the aplication of IFRS 9	2,309,102	9,275,481	44,483,122	56,067,705
Impairement loss of direct credit facilities during the period	1,383,655	450,479	10,908,861	12,742,995
Recoveries	(1,669,482)	(6,149,939)	(7,164,152)	(14,983,573)
Transfer from the first stage	189,094	(189,094)	-	-
Transfer from second stage	(904)	904	-	-
Transferred from the third stage	-	(2,716,947)	2,716,947	-
Changes due to adjustments	146,471	125,057	4,629,941	4,901,469
Written off balances	-	-	(7,648,831)	(7,648,831)
Adjustments due to change in exchange rates	14,194	133,166	303,269	450,629
Net balance	**2,372,130**	**929,107**	**48,229,157**	**51,530,394**

Direct credit facilities at amortized cost - Small to Medium Companies

Distribution of direct credit facilities for small to medium companies by categories of the bank's internal credit rating:

	2017	2018			
Item	**Total**	**Stage one**	**Stage two**	**Stage three**	**Total**
Low risk / performing	7,242,405	10,956,936	-	-	10,956,936
Acceptable risk / performing	132,077,571	128,923,165	18,600,324	11,014,996	158,538,485
Non- Performing					
Substandard	1,557,336	-	-	371,864	371,864
Doubtful	2,555,986	-	-	355,431	355,431
Loss	4,618,143	-	-	9,270,527	9,270,527
Total	**148,051,441**	**139,880,101**	**18,600,324**	**21,012,818**	**179,493,243**

Direct credit facilities at amortized cost -small to medium companies

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	105,277,436	31,727,856	11,046,150	148,051,442
Add: new balances during the period / Additions	57,570,266	8,841,626	1,057,563	67,469,455
Settled balances	(37,122,573)	(17,601,929)	(3,522,887)	(58,247,389)
Transfer (from) to the first stage during the year	7,293,206	(7,292,138)	(1,068)	-
Transfer (from) to second stage during the year	(2,721,288)	2,731,571	(10,283)	-
Transferred (from) to the third stage during the year	(681,610)	(7,918,319)	8,599,929	-
Changes due to Adjustments	10,264,664	8,036,091	4,096,040	22,396,795
Written off balances	-	-	(255,659)	(255,659)
Adjustments due to change in exchange rates	-	75,566	3,032	78,598
Net balance	**139,880,101**	**18,600,324**	**21,012,818**	**179,493,242**

The movement of the provision for impairment losses of direct credit facilities for SME's

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018	-	74,479	2,904,220	2,978,699
Effect of application of IFRS 9	431,721	1,261,603	-	1,693,324
Balance at 1 January 2018 resulted from the aplication of IFRS 9	431,721	1,336,082	2,904,220	4,672,023
Impairement loss of direct credit facilities during the period	649,795	137,150	2,257,127	3,044,072
Recoveries	(304,904)	(1,114,013)	(619,873)	(2,038,790)
Transfer to the first stage	62,027	(62,027)	-	-
Transfer to second stage	(144,664)	144,664	-	-
Transferred from the third stage	-	(74,478)	74,478	-
Changes due to Adjustments	81,560	192,105	648,837	922,502
Written off balances	-	-	-	-
Adjustments due to change in exchange rates	60	-	89	149
Net balance	**775,595**	**559,483**	**5,264,878**	**6,599,956**

Direct credit facilities at Amortized cost - Retail

Distribution of direct credit facilities for retail by categories of the bank's internal credit rating:

	2017	2018			
Item	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	9,957,711	7,908,258	12,937	-	7,921,195
Acceptable risk / performing	76,851,366	74,492,004	11,495,239	259,444	86,246,687
Non- Performing					
Substandard	884,529	-	-	676,937	676,937
Doubtful	1,573,294	-	-	1,618,089	1,618,089
Loss	6,584,053	-	-	7,673,928	7,673,928
Total	**95,850,953**	**82,400,262**	**11,508,176**	**10,228,398**	**104,136,836**

Direct credit facilities at amortized cost - Retail:

	Stage one	Stage Two	Stage Three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	79,819,140	6,754,386	9,277,426	95,850,952
Add: new balances during the period / additions	30,610,184	4,235,356	977,032	35,822,572
Settled balances	(22,860,370)	(2,061,997)	(1,801,158)	(26,723,525)
Transfer to the first stage during the year	1,958,026	(1,957,299)	(727)	-
Transfer to second stage during the year	(6,416,979)	6,465,379	(48,400)	-
Transferred to the third stage during the year	(1,403,277)	(2,316,077)	3,719,354	-
Changes due to adjustments	693,538	233,393	-	926,931
Written off balances	-	-	(2,068,067)	(2,068,067)
Adjustments due to change in exchange rates	-	155,035	172,938	327,973
Net balance	**82,400,262**	**11,508,176**	**10,228,398**	**104,136,836**

Direct credit facilities at Amortized cost - Retail

	Stage one	Stage Two	Stage Three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	79,819,140	6,754,386	9,277,426	95,850,952
Add: new balances during the period / Additions	30,610,184	4,235,356	977,032	35,822,572
Settled balances	(22,860,370)	(2,061,997)	(1,801,158)	(26,723,525)
Transfer to the first stage during the year	1,958,026	(1,957,299)	(727)	-
Transfer to second stage during the year	(6,416,979)	6,465,379	(48,400)	-
Transferred to the third stage during the year	(1,403,277)	(2,316,077)	3,719,354	-
Changes due to Adjustments	693,538	233,393	-	926,931
Written off balances	-	-	(2,068,067)	(2,068,067)
Adjustments due to change in exchange rates	-	155,035	172,938	327,973
Net balance	**82,400,262**	**11,508,176**	**10,228,398**	**104,136,836**

Direct credit facilities at amortized cost - Real Estate

Distribution of direct credit facilities for real estate by categories of the bank's internal credit rating:

Item	2018				2017
	Stage one	Stage two	Stage three	Total	Total
Low risk / performing	9,987,814	-	-	9,987,814	40,372
Acceptable risk / performing	127,221,831	9,012,684	2,976,805	139,211,320	143,270,509
Non-Performing					
Substandard	-	-	929,779	929,779	2,018,019
Doubtful	-	-	1,456,884	1,456,884	3,190,352
Loss	-	-	5,183,176	5,183,176	6,089,972
Total	**137,209,645**	**9,012,684**	**10,546,644**	**156,768,973**	**154,609,224**

Direct credit facilities at amortized cost - Real Estate:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	129,088,771	14,222,110	11,298,343	154,609,224
Add: new balances during the year / additions	25,358,841	1,542,713	586,042	27,487,596
Settled balances	(25,110,494)	(834,999)	(5,835,588)	(31,781,081)
Transfer to the first stage during the year	6,617,109	(6,050,572)	(566,537)	-
Transfer to second stage during the year	(1,632,751)	3,030,429	(1,397,678)	-
Transferred to the third stage during the year	(1,801,199)	(3,276,754)	5,077,953	-
Changes due to adjustments	4,689,368	379,757	1,430,949	6,500,074
Written off balances	-	-	(46,840)	(46,840)
Net balance	**137,209,645**	**9,012,684**	**10,546,644**	**156,768,973**

The movement of the provision for impairment losses of direct credit facilities for real estate:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018	-	101,646	2,456,036	2,557,682
Effect of application of IFRS 9	370,525	431,295	-	801,820
Balance at 1 January 2018 resulted from the aplication of IFRS 9	370,525	532,941	2,456,036	3,359,502
Impairement loss of direct credit facilities during the year	379,336	310,456	703,445	1,393,237
Recoveries	(155,594)	(124,243)	(1,369,338)	(1,649,175)
Transfer to the first stage	297,163	(297,163)	-	-
Transfer to second stage	(129,442)	129,442	-	-
Transferred from the third stage	-	(101,646)	101,646	-
Adjustments due to changes	422	2,748	331,839	335,009
Net balance	**762,410**	**452,535**	**2,223,628**	**3,438,573**

Direct credit facilities at amortized cost - Government

Distribution of direct credit facilities for government sector by categories of the bank's internal credit rating:

Item	2018				2017
	Stage one	Stage two	Stage three	Total	Total
Low risk / performing	68,600,726	-	-	68,600,726	69,298,643
Acceptable risk / performing	-	-	-	-	-
Total	**68,600,726**	**-**	**-**	**68,600,726**	**69,298,643**

Direct credit facilities at amortized cost - Government:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	12,046,780	57,251,863	-	69,298,643
Add: new balances during the year / additions	22,269,946	-	-	22,269,946
Settled balances	-	(22,967,863)	-	(22,967,863)
Transfer to the first stage during the year	34,284,000	(34,284,000)	-	-
Net balance	**68,600,726**	**-**	**-**	**68,600,726**

The movement of the provision for impairment losses of direct credit facilities for government and public sector:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	-	-	-	-
Impairement loss of direct credit facilities during the year	-	-	-	-
Recoveries	-	-	-	-
Net balance	**-**	**-**	**-**	**-**

Distribution of cumulative direct credit facilities - amortized cost by categories of the bank's internal credit rating:

Item	2018				2017
	Stage one	Stage two	Stage three	Total	Total
Low risk / performing	153,394,831	12,937	-	153,407,768	91,599,035
Acceptable risk / performing	613,349,611	79,380,888	34,630,365	727,360,864	816,338,344
Non-Performing					
Substandard	-	-	2,076,321	2,076,321	5,266,832
Doubtful	-	-	6,280,936	6,280,936	41,445,884
Loss	-	-	91,406,399	91,406,399	42,643,386
Total	**766,744,442**	**79,393,825**	**134,394,021**	**980,532,288**	**997,293,481**

The cumulative movement of direct credit facilities:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	650,897,959	222,090,009	124,305,513	997,293,481
Add: new balances during the year / additions	222,704,452	30,678,345	9,450,446	262,833,243
Settled balances	(201,559,505)	(105,192,102)	(32,087,761)	(338,839,368)
Transfer to the first stage during the year	79,699,295	(78,526,667)	(1,172,628)	-
Transfer to second stage during the year	(11,648,350)	13,183,715	(1,535,365)	-
Transferred to the third stage	(5,768,677)	(28,234,712)	34,003,389	-
Changes due to adjustments	31,271,717	23,430,296	14,245,085	68,947,098
Written off balances	-	-	(14,556,471)	(14,556,471)
Adjustments due to change in exchange rates	1,147,551	1,964,941	1,741,812	4,854,304
Net balance	**766,744,442**	**79,393,825**	**134,394,021**	**980,532,288**

The cumulative movement of the provision for impairment losses of direct credit facilities according to sectors:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018	-	3,215,448	58,390,578	61,606,026
Effect of application of IFRS 9	3,499,058	8,723,652	-	12,222,710
Balance at 1 January 2018 resulted from the aplication of IFRS 9	3,499,058	11,939,100	58,390,578	73,828,736
Impairement loss of direct credit facilities during the year	3,009,872	1,210,793	17,948,793	22,169,458
Recoveries	(2,304,972)	(7,796,899)	(11,049,368)	(21,151,239)
Transfer to the first stage	613,586	(613,586)	-	-
Transfer to second stage	(606,054)	606,054	-	-
Transferred to the third stage	-	(3,215,448)	3,215,448	-
Changes due to adjustments	231,200	340,437	5,610,617	6,182,254
Written off balances	-	-	(8,733,798)	(8,733,798)
Adjustments due to change in exchange rates	16,376	150,423	360,759	527,558
Net balance	**4,459,066**	**2,620,874**	**65,743,029**	**72,822,969**

The cumulative movement of the provision for impairment losses of direct credit facilities according to sectors:

	Retail	Real estate mortgages	Corporate	SMEs	Total
Balance at 1 January 2018	8,869,576	2,557,682	47,200,069	2,978,699	61,606,026
Effect of application of IFRS 9	859,930	801,820	8,867,636	1,693,324	12,222,710
Balance at 1 January 2018 resulted from the aplication of IFRS 9	9,729,506	3,359,502	56,067,705	4,672,023	73,828,736
Impairement loss of direct credit facilities during the year	4,989,154	1,393,237	12,742,995	3,044,072	22,169,458
Recoveries	(2,479,701)	(1,649,175)	(14,983,573)	(2,038,790)	(21,151,239)
Transfer (from) to the first stage	(265,742)	167,721	188,190	(82,637)	7,532
Transfer (from) to second stage	265,742	(167,721)	(188,190)	82,637	(7,532)
Changes due to adjustments	23,274	335,009	4,901,469	922,502	6,182,254
Written off balances	(1,084,967)	-	(7,648,831)	-	(8,733,798)
Adjustments due to change in exchange rates	76,780	-	450,629	149	527,558
Net balance	**11,254,046**	**3,438,573**	**51,530,394**	**6,599,956**	**72,822,969**

31 December 2017	Retail	Real estate mortgages	Corporate	SMEs	Total
Balance at 1 January 2017	9,216,828	1,475,749	42,658,663	1,911,811	55,263,051
Charge for the year	1,979,526	1,316,714	19,206,072	1,622,324	24,124,636
Amounts written off	(2,321,451)	(234,781)	(14,560,116)	(555,429)	(17,671,777)
Foreign exchange differences	(5,327)	-	(104,550)	(7)	(109,884)
Balance at the end of the year	8,869,576	2,557,682	47,200,069	2,978,699	61,606,026
Impairment on individual basis	8,464,547	2,456,036	44,565,774	2,904,222	58,390,579
Watch list impairment on portfolio basis	405,029	101,646	2,634,295	74,477	3,215,447
Balance at the end of the year	**8,869,576**	**2,557,682**	**47,200,069**	**2,978,699**	**61,606,026**

Interest in suspense

The movement of interest in suspense is as follow:

31 December 2018	Retail	Real estate	Corporate	SMEs	Total
	JOD	JOD	JOD	JOD	JOD
Balance at 1 January 2018	**3,813,381**	**1,144,249**	**8,570,481**	**1,196,981**	**14,725,092**
Add: suspended interest during the year	977,033	586,042	6,829,809	1,057,563	9,450,447
Less: interest transferred to income	(202,501)	(319,440)	(1,083,160)	(257,497)	(1,862,598)
Less: amounts written off	(983,100)	(46,840)	(4,537,074)	(255,659)	(5,822,672)
Foreign exchange differences	67,800	-	191,814	34	259,648
Balance at the end of the year	**3,672,614**	**1,364,011**	**9,971,870**	**1,741,422**	**16,749,916**
31 December 2017	**Retail**	**Real estate**	**Corporate**	**SMEs**	**Total**
	JOD	**JOD**	**JOD**	**JOD**	**JOD**
Balance at 1 January 2017	**5,117,309**	**916,174**	**27,740,735**	**1,106,513**	**34,880,731**
Add: Suspended interest during the year	788,964	657,835	4,232,467	662,434	6,341,700
Less: interest transferred to income	(239,634)	(172,339)	(118,872)	(122,027)	(652,872)
Less: amounts written off	(1,848,290)	(257,421)	(23,274,918)	(449,939)	(25,830,568)
Foreign exchange differences	(4,968)	-	(8,931)	-	(13,899)
Balance at the end of the year	**3,813,381**	**1,144,249**	**8,570,481**	**1,196,981**	**14,725,092**

Direct credit facilities portfolio is distributed as per the following geographical and industrial sectors classification:

	Inside Jordan	Outside Jordan	31 December 2018	31 December 2017
	JOD	JOD	JOD	JOD
Financial	20,285,903	-	20,285,903	33,971,058
Industrial	131,141,349	4,990,280	136,131,629	111,181,958
Commercial	161,614,373	31,124,708	192,739,081	207,898,472
Real estate and construction	249,413,663	8,711,791	258,125,454	263,207,852
Tourism and hotels	33,306,852	3,349,050	36,655,902	46,162,096
Agriculture	7,548,645	22,122	7,570,767	11,300,942
Shares	58,695,738	-	58,695,738	54,748,236
Services utilities and public	73,086,527	63,808	73,150,335	71,236,694
Transportation services (including air transportation)	12,428,680	-	12,428,680	11,846,558
Government and public sector	68,600,726	-	68,600,726	69,298,643
Retail	86,180,259	7,466,979	93,647,238	87,338,181
Other	22,500,835	-	22,500,835	29,102,791
Total	**924,803,550**	**55,728,738**	**980,532,288**	**997,293,481**

(10) Financial assets at amortized cost

This item consists of the following:

Financial assets at amortized cost with market prices	2018	2017
	JOD	JOD
Treasury bonds	-	-
Governmental debt securities and its guarantee	-	-
Bonds, corporate debt securities	-	-
Other government bonds	-	-
Total	**-**	**-**

Financial assets at amortized cost with no market prices

	2018	2017
	JOD	JOD
Treasury bonds	4,832,334	-
Governmental debt securities	437,565,976	371,360,178
Governmental debt securities and its guarantee	44,127,926	59,531,804
Bonds, corporate debt securities	40,545,000	36,544,998
Other government bonds	14,552,640	947,719
Total	541,623,876	468,384,699
Less: impairment allowance and expected credit losses	(630,409)	(500,000)
Total	**540,993,467**	**467,884,699**

Analysis of bonds and bills:

Fixed Rate	528,090,467	454,981,699
Floating rate	12,903,000	12,903,000
Total	540,993,467	467,884,699

The group has changed its business model of holding debt instruments through financial assets at amortized cost. Where management has decided to have debt instruments held at fair value through other comprehensive income.

Management has defined and set specific policies for such investments. The purpose of these policies is to obtain interest with the possibility of selling them at any time. The value of the bonds transferred from amortized cost to other comprehensive income amounted to JOD 28,053,801 as at 01 January 2018 with an impact from reclassification of JOD 24,839. Which was recorded directly within the retained earnings of the current period.

Financial assets at amortized cost

Distribution of financial assets at amortized cost by categories of the bank's internal credit rating:

Item	2018				2017
	Stage one	Stage two	Stage three	Total	Total
Low risk / performing	442,398,310	-	-	442,398,310	371,360,178
Acceptable risk / performing	98,725,566	-	-	98,725,566	96,524,521
Non-Performing					
Loss -Bad debt	-	-	500,000	500,000	500,000
Total	**541,123,876**	**-**	**500,000**	**541,623,876**	**468,384,699**

Movements of financial assets at amortized cost:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	457,839,699	10,045,000	500,000	468,384,699
Add: new balances during the year	212,601,358	-	-	212,601,358
Settled balances	(111,308,380)	-	-	(111,308,380)
Transfer from the first stage during the year	10,045,000	(10,045,000)	-	-
Changes due to adjustments	(28,053,801)	-	-	(28,053,801)
Net balance as at 31 December 2018	**541,123,876**	**-**	**500,000**	**541,623,876**

Movements of provision on of financial assets at amortized cost during the period ended 31 December 2018:

	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	118,476	270,563	500,000	889,039
Add: new balances during the year	86,803	-	-	86,803
Settled balances	(102,482)	(242,951)	-	(345,433)
Transfer from the first stage during the year	27,612	(27,612)	-	-
Net balance as at 31 December 2018	**130,409**	**-**	**500,000**	**630,409**

(11) Property and equipment - net

2018	Lands	Buildings	Furniture and fixtures	Vehicles	Computers	Others*	Total
Cost	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Balance at 1 January 2018	12,711,115	7,166,514	11,418,591	542,773	5,314,878	9,142,212	46,296,083
Additions	-	-	1,934,775	51,381	594,762	2,438,982	5,019,900
Disposals	-	-	(235,374)	(1,456)	(66,869)	-	(303,699)
Foreign exchange differences	242,396	48,397	243,327	6,756	-	-	540,876
Balance at the end of the year	12,953,511	7,214,911	13,361,319	599,454	5,842,771	11,581,194	51,553,160
Accumulated depreciation:							
Balance at 1 January 2018	-	1,184,819	7,057,415	359,400	3,725,704	6,645,087	18,972,425
Depreciation charge for the year	-	101,647	1,492,806	47,560	728,843	727,159	3,098,015
Disposals	-	-	(223,953)	(400)	(65,742)	-	(290,095)
Foreign exchange differences	-	7,955	150,482	5,766	-	-	164,203
Balance at the end of the year	-	1,294,421	8,476,750	412,326	4,388,805	7,372,246	21,944,548
Net book value of property and equipment	12,953,511	5,920,490	4,884,569	187,128	1,453,966	4,208,948	29,608,612
Advanced payment to purchase property and equipment	-	-	1,873,905	-	8,468	614,682	2,497,055
Net book value of property and equipment at the end of the year 2018	12,953,511	5,920,490	6,758,474	187,128	1,462,434	4,823,630	32,105,667

2017	Lands	Buildings	Furniture and fixtures	Vehicles	Computers	Others*	Total
Cost	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Balance at 1 January 2017	12,263,031	7,170,437	10,173,844	536,968	5,242,410	8,885,600	44,272,290
Additions	465,913	-	1,441,631	108,591	240,301	256,612	2,513,048
Disposals	-	-	(181,416)	(102,317)	(167,833)	-	(451,566)
Foreign exchange differences	(17,829)	(3,923)	(15,468)	(469)	-	-	(37,689)
Balance at the end of the year	12,711,115	7,166,514	11,418,591	542,773	5,314,878	9,142,212	46,296,083
Accumulated depreciation:							

Balance at 1 January 2017	**-**	**1,083,972**	**5,784,268**	**407,080**	**3,191,872**	**5,939,090**	**16,406,282**
Depreciation charge for the year	-	100,707	1,441,547	45,608	694,227	705,997	2,988,086
Disposals	-	-	(173,613)	(93,347)	(160,395)	-	(427,355)
Foreign exchange differences	-	140	5,213	59	-	-	5,412
Balance at the end of the year	-	1,184,819	7,057,415	359,400	3,725,704	6,645,087	18,972,425
Net book value of property and equipment	12,711,115	5,981,695	4,361,176	183,373	1,589,174	2,497,125	27,323,658
Advanced payment to purchase property and equipment	-	-	904,006	-	-	2,041,088	2,945,094
Net book value of property and equipment at the end of the year 2017	**12,711,115**	**5,981,695**	**5,265,182**	**183,373**	**1,589,174**	**4,538,213**	**30,268,752**

* Others represent renovation, interior design and decoration of buildings and branch offices.

- The estimated costs to complete the projects in progress amounted to around JOD 3,123,951 as of 31 December 2018.
- Fully depreciated property and equipment amounted to JOD 10,614,006 as of 31 December 2018 against JOD 8,844,541 as of 31 December 2017.

(12) Intangible assets, net

This item consists of the following:	Computer software & systems	
	2018	2017
	JOD	JOD
Balance at 1 January	3,853,254	4,308,221
Additions	1,925,045	1,153,923
Amortization for the year	(1,895,060)	(1,602,683)
Foreign currency differences	12,991	(6,207)
Balance at the end of the year	**3,896,230**	**3,853,254**
Projects under construction	6,753,509	1,942,397
Balance as of 31 December	**10,649,739**	**5,795,651**

- The estimated cost to complete projects under construction is JOD 27,374,717 as of 31 December 2018.
- Fully amortized intangible assets amounted to JOD 11,475,168 as of 31 December 2018 against JOD 10,116,069 as of 31 December 2017.

(13) Other assets

This item consists of the following:

	2018	2017
	JOD	JOD
Accrued interest and revenue	18,982,225	16,170,077
Prepaid expenses	1,619,137	1,719,932
Collaterals seized by the bank against matured debts* - amortized cost	61,060,034	45,394,698
Purchased banks acceptances - amortized cost	16,220,722	9,336,513
Export documents and bills purchased - amortized cost	317,897	317,897
Assets / derivatives unrealized gain (note 40)	**-**	**277,362**
Refundable deposits	2,884,541	1,438,968
Others - net*	1,200,744	963,567
Total	**102,285,300**	**75,619,014**

* According to the regulaions of the Central Bank of Jordan, the bank is required to dispose seized real estate in a maximum period of two years from the acquisition date. The Central Bank may approve an extension up to two executive years at most. According to the Central Bank circular No. 10/1/4076 , a provision should be calculated for real estate seized for a period longer than four years .

The following is a summary of the movement of assets seized by the bank:

	2018	2017
	JOD	JOD
Balance at the beginning of the period	45,394,698	54,812,646
Additions	18,603,545	2,409,155
Retirements	(2,214,529)	(3,843,962)
Impairment losses	(1,053,934)	(4,940,782)
Releases from (Provision for) seized real estate	137,752	(3,020,445)
Foreign currency translation differences	192,502	(21,914)
Balance at the end of the period	**61,060,034**	**45,394,698**

The amount of the impairment on seized assets as presented in the income statement represents the following:

	2018	2017
	JOD	JOD
Impairment losses	1,053,934	4,940,782
Releases from (Provision for) seized real estate	(137,752)	3,020,445
Provisions for impairment losses from seized assets	-	(8,075,894)
Total	**916,182**	**(114,667)**

Purchased banks acceptances - amortized cost

Distribution of bank acceptences and export documents and bills purchased by categories of the bank's internal credit rating:

Item	2017	2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	-	597,276	-	-	597,276
Acceptable risk / performing	9,654,410	15,974,095	46,972	-	16,021,067
Total	**9,654,410**	**16,571,371**	**46,972**	**-**	**16,618,343**

Movements of bank acceptances and export documents and bills purchased:

Item	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	-	-	-	-
Add: new balances during the year	16,571,371	46,972	-	16,618,343
Settled balances	-	-	-	-
Net balance	**16,571,371**	**46,972**	**-**	**16,618,343**

Movements of provisions on bank acceptences and export documents and bills purchased:

Item	Stage one	Stage two	Stage three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	-	-	-	-
Add: new balances during the year	78,632	1,092	-	79,724
Settled balances	-	-	-	-
Net balance	**78,632**	**1,092**	**-**	**79,724**

(14) Banks and financial institutions' deposits

The details are as follows:

	2018			2017		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JOD	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	1,478,613	18,148,893	19,627,506	1,019,043	90,279,134	91,298,177
Term deposits	23,011,367	2,000,000	25,011,367	16,574,506	-	16,574,506
Total	**24,489,980**	**20,148,893**	**44,638,873**	**17,593,549**	**90,279,134**	**107,872,683**

(15) Customers' deposits

This item consists of the following:

2018	Retail	Corporate	SMEs	Government and public Sectors	Total
	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	130,463,673	180,663,284	69,131,947	30,145,929	410,404,833
Saving accounts	61,786,673	8,819	496,865	-	62,292,357
Time and notice deposits	478,008,125	165,404,283	18,208,952	49,019,106	710,640,466
Certificates of deposit	63,545,491	-	1,000,000	-	64,545,491
Total	**733,803,962**	**346,076,386**	**88,837,764**	**79,165,035**	**1,247,883,147**

2017	Retail	Corporate	SMEs	Government and public Sectors	Total
	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	137,577,730	177,636,023	74,200,074	26,494,779	415,908,606
Saving accounts	59,472,924	11,158	276,069	-	59,760,151
Time and notice deposits	459,713,470	168,316,642	26,832,865	32,138,517	687,001,494
Certificates of deposit	52,307,974	-	42,000	2,000,000	54,349,974
Total	**709,072,098**	**345,963,823**	**101,351,008**	**60,633,296**	**1,217,020,225**

- The deposits of government and general public sector inside Jordan amounted to JOD 79,165,035 representing 6.34% of the total deposits as at 31 December 2018 against JOD 60,633,296 representing 4.98% as at 31 December 2017.
- Non-interest bearing deposits amounted to JOD 405,391,804 representing 32.49% of total deposits as at 31 December 2018 against JOD 388,472,799 representing 31.93% of the total deposits as at 31 December 2017.
- No deposits are reserved (restricted withdrawals) as at 31 December 2018 and 31 December 2017.
- Dormant deposits amounted to JOD 1,016,973 as at 31 December 2018 against JOD 1,206,645 as at 31 December 2017.

(16) Margin accounts

The details are as follows:	2018	2017
	JOD	JOD
Margins on direct credit facilities	45,391,798	32,535,019
Margins on indirect credit facilities	71,913,685	40,430,004
Margin dealings	1,379,959	552,857
Others	24,854,891	71,144,504
Total	**143,540,333**	**144,662,384**

(17) Loans and borrowings

The details are as follows :

31 December 2018	Amount	Number of Installments		Frequency of instalments	Collaterals	Interest rate	Re-financed Interest rate
		Total	Outstanding				
	JOD	JOD	JOD		JOD	%	
Amounts borrowed from central banks	41,774,720	2,406	1,803	Monthly and semi annual payment and payment at maturity	-	0.70% - 4.42%	3.75% - 5.50%
Amounts borrowed from local banks and financial institutions	70,000,000	7	7	One payment	-	4.95% - 7.00%	4.50% - 12.40%
Amounts borrowed from foreign banks and financial institutions	12,777,312	64	53	Monthly and semi annual payment and payment at maturity	-	1.77% - 5.75%	4.00% - 12.50%
Total	**124,552,032**				-		

31 December 2017	Amount	Number of Installments		Frequency of instalments	Collaterals	Interest rate	Re-financed interest rate
		Total	Outstanding				
	JOD	JOD	JOD		JOD	%	
Amounts borrowed from central banks	41,180,585	1640	1307	Monthly and semi annual payment and payment at maturity	-	0.70% - 3.32%	4.00% - 6.50%
Amounts borrowed from local banks and financial institutions	60,000,000	6	6	One payment	-	4.05% - 5.75%	4.50% - 11.78%
Amounts borrowed from foreign banks and financial institutions	17,733,586	100	88	Monthly and semi annual payment and payment at maturity	-	1.77% - 5.50%	3.75% - 11.75%
Total	**118,914,171**				-		

- Borrowed money from the Central Bank includes JOD 41,774,720 that represents amounts borrowed to refinance the customers' loans in the medium term financing programs that have been re-borrowed. These loans mature during 2019 - 2039.
- The amounts borrowed from local institutions are all borrowed from the Jordan Mortgage Refinance Company with a total amount of JOD 70 Million. The loans mature during 2019 - 2023.
- The amounts borrowed from foreign banks / institutions are all borrowed from the European Bank for Reconstruction and Development and amounted to USD 5,714,286 and the last payment falls due during 2020.
- Loans bearing fixed - interest rates amounted to JOD 120,500,603 and loans bearing floating - interest rates amounted to JOD 4,051,429 as at 31 December 2018 against JOD 112,837,028 and JOD 6,077,143 respectively as at 31 December 2017.

(18) Subordinated Loans

31 December 2018	Amount	Frequency of instalments	Collaterals	Interest rate
	JOD		JOD	%
Subordinated loan	17,725,000	One payment maturing on 1 March 2020	-	6.85%
Total	**17,725,000**		**-**	

- The bank intends to exercise the right of redeeming the existing loan on 01 March 2019 which is due on 01 March 2020, after obtaining the approval of the Central bank of Jordan on the early redemption and after complying with all the relevant instructions. The bank also intends to issue bonds in accordance with Basel III instructions worth JOD 40 million. The IPO will be completed by the end of March 2019.

(19) Sundry Provisions

31 December 2018	Balance at the beginning of the year	Provided during the period/year	Utilized during the period/year	Transferred to income	Balance at the end of the period/year
	JOD	JOD	JOD	JOD	JOD
Provision for lawsuits raised against the bank	3,850,406	63,551	(415,051)	(3,494,906)	4,000
Provision against Iraq risks	12,963,155	-	-	(12,963,155)	-
Other provisions	38,995	12,869,267	(4,201,816)	-	8,706,446
Foreign currency translation differences	(34,673)	169,376	(96,541)	34,673	72,835
Total	**16,817,883**	**13,102,194**	**(4,713,408)**	**(16,423,388)**	**8,783,281**

31 December 2017	Balance at the beginning of the year	Provided during the period/year	Utilized during the period/ year	Transferred to income	Balance at the end of the period/year
	JOD	JOD	JOD	JOD	JOD
Provision for lawsuits raised against the bank	34,000	3,850,406	(15,107)	(18,893)	3,850,406
Provision against Iraq risks	25,354,563	-	-	(12,391,408)	12,963,155
Other provisions	-	38,995	-	-	38,995
Foreign currency translation differences	(24,819)	(9,854)	-	-	(34,673)
Total	**25,363,744**	**3,879,547**	**(15,107)**	**(12,410,301)**	**16,817,883**

- In light of the improvements in the political and the economic situations in Iraq during 2018, the bank has collected a deposited amount of JOD 57,027,538 from National Bank of Iraq balances at the Central Bank of Iraq's Erbil and Sulaymaniyah branches. The management decided to reverse all provisions that were booked against risks in Iraq.
- The bank has fully hedged against the differences resulting from the currency auctions as requested by the Central Bank of Iraq from the National Bank of Iraq during the year 2018, by which the National Bank of Iraq claimed these amounts from its customers according to the Central Bank of Iraq, in addition to the recourse of the judiciary to collect these amounts.

(20) Income Tax

The effect of implementing IFRS 9 on deffered tax assets / liabilities

	Deffered tax assets	Deffered tax liability
Add (deduct): expected credit loss on financial assets as at 01 January 2018	3,053,589	-
Reclassification of financial assets	-	-
	3,053,589	**-**

A- The movement of income tax provision is as follows:

	31 December 2017	31 December 2018
	JOD	JOD
Balance at the beginning of the period/year	11,020,115	2,446,732
Income tax paid	(12,268,944)	(3,631,530)
Income tax charge for the year	3,716,713	5,205,343
Income tax on other comprehensive income	(155,096)	-
Income tax charge for previous years	131,672	2,412,735
Foreign exchange translation differences	2,272	67,477
Balance at the end of the period / year	**2,446,732**	**6,500,757**

-Income tax expense presented in consolidated income statement:

	31 December 2018	31 December 2017
	JOD	JOD
Current income tax charge for the year	5,205,343	3,716,713
Previous years income tax charges	2,412,735	131,672
Deferred tax assets for the year	(518,141)	207,633
Deferred tax liabilities for the year	(37,414)	14,829
Foreign exchange translation differences	(11,806)	-
	7,050,717	**4,070,847**

- Legal income tax rate on the Bank's revenues and brokerage firm is 35% and 24% respectively.
- Legal income tax on the Bank's revenues in Iraq is 15%.
- A final settlement has been made with the income and sales tax department regarding the Bank's tax till the end of 2015.
- The Income and Sales Tax Department did not commence its review on the Bank's account for the year ended 2016 and 2017 until the date of these consolidated financial statements.
- A final settlement has been made with the Income and Sales Tax Department regarding the tax on Capital Investments company till the end of 2015.
- Capital Investments company have submitted the tax return for the year 2016. Final settlements are still pending as of the date of the consolidated financial statements.
- A final settlement has been made with the Income Tax Department regarding the tax on National Bank of Iraq till the end of 2014, the Bank obtained receipts confirming the amounts settled, and the bank will settle the amounts due on 31 December 2018 during 2018.
- The management believes that the income tax provision recorded is sufficient to meet the tax obligations as at 31 December 2018.

B-Income tax liabilities

The movement of income tax liability is as follows:

Items Included	2018					2017
	Balance at the beginning of the year	Released	Additions	Balance at the end of the year	Deferred tax	2017
	JOD	JOD	JOD	JOD	JOD	JOD
a) Deferred tax assets provision for lawsuits held against the bank	**355,500**	**(355,500)**	**4,000**	**4,000**	**1,520**	**85,320**
Impairment loss on seized shares	7,191,841	-	-	7,191,841	2,732,900	2,517,144
Losses from revaluation of financial assets through income statement	505,349	(505,350)	412,039	412,038	140,051	135,728
Provision for watch list facilities	3,019,231	(3,093,744)	9,597,585	9,523,072	3,403,952	796,110
Losses from revaluation of financial assets through other comprehensive income	1,535,704	(101,244)	2,173,934	3,608,394	1,206,425	514,673
Additional provision on other credit facilities	3,799,143	(2,875,507)	12,231,487	13,155,123	3,404,705	1,329,700
Impairment of seized assets	8,347,022	(157,831)	43,237	8,232,428	3,128,323	2,921,458
Provision against risks in Iraq	12,391,408	(12,391,408)	-	-	-	1,239,141
Other deferred tax assets	2,185,022	(2,088,807)	1,943,927	2,040,142	773,255	747,157
Total	39,330,220	(21,569,391)	26,406,209	44,167,038	14,791,131	10,286,431
b) Deferred tax liabilities unrealized gains – financial assets at fair value through OCI	**1,993,921**	**(197,529)**	**1,550,860**	**3,347,252**	**1,206,483**	**635,765**
Unrealized gain from financial assets – at fair value through income statement	125,490	(106,957)	83	18,616	6,510	43,920
Total	**2,119,411**	**(304,486)**	**1,550,943**	**3,365,868**	**1,212,993**	**679,685**

The movement on deferred tax assets / liabilities is as follows:

	2017		2018	
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	10,698,156	424,086	10,286,431	679,685
Additions	4,768,082	286,960	5,827,641	570,718
Released	(5,179,807)	(31,361)	(1,322,941)	(37,410)
Balance at the end of the year	**10,286,431**	**679,685**	**14,791,131**	**1,212,993**

- The Income tax rates on deferred tax assets and liabilities ranged between 28% - 38% in accordance to the newly issued Income Tax Law number 38, effective 1 January 2019.

- Reconciliation between taxable profit and the accounting profit is as follows:

	2017	2018
	JOD	JOD
Accounting profit	31,382,493	37,398,993
Non-taxable income	(25,767,185)	(29,321,633)
Non-deductible expenses	12,587,080	7,884,585
Taxable profit	18,202,388	15,961,945
Effective rate of income tax	**12.97%**	**18.85%**

(21) Other Liabilities

Other liabilities	2017	2018
This item consists of the following:	JOD	JOD
Accrued interest expense	6,548,245	8,333,291
Accrued expenses	2,709,339	2,999,129
Certified cheques	2,911,545	2,010,243
Cheques payable	1,311,421	1,690,824
Board of directors' remuneration	573,383	65,808
Brokerage payables	6,174,335	7,829,783
Liabilities / derivatives unrealized gain (note 40)	-	321,414
Guarantees	99,849	-
Others	4,512,161	5,914,854
Total	**24,840,278**	**29,165,346**

(22) Paid in capital

The authorized and paid-in-capital amounted to JOD 200,000,000 is divided into shares at a par value of JOD 1 per share as of 31 December 2018 and 31 December 2017.

(23) Cash Dividends and Proposed Cash Dividends

In the meeting No. 1/2019 held on 14 February 2019, the bank's Board of Directors have approved the proposed cash dividends equivalent to 10% of the bank's authorized and paid-in-capital and

the decision is subject to the approval of the Central Bank of Jordan and the Shareholders' General Assembly.
In the meeting held on 30 April 2018, the Shareholders' General Assembly have approved to distribute cash dividends equivalent to 10% equivalent to JOD 20 million of the bank's authorized and paid-in capital (against 2017: JOD 10,000,000).

The General Assembly of National Bank of Iraq approved during 2018 to distribute cash dividends equivalent to 7% of the National Bank of Iraq's authorized and paid-in-capital, the Bank's share of the dividends is JOD 7,370,025, and the minority shares amount to JOD 4,545,941.

(24) Reserves

Statutory Reserve

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

General banking risk reserve

This reserve is appropriated from retained earnings in compliance with the Central Bank of Jordan regulations.

The use of the following reserves is restricted by law:

Description	Amount	Restriction law
	JOD	
Statutory reserve	38,588,144	Companies law and banks law
General banking risk reserve	-	Central Bank of Jordan

(25) Foreign currency translation reserve

The forgeign currency translation differences represents the exchange differences resulted from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

	2017	2018
	JOD	JOD
Balance at the beginning of the year	(3,868,943)	(4,082,668)
Net movement	(213,725)	(1,140,475)
Balance at the end of the year	**(4,082,668)**	**(5,223,143)**

(26) Fair value reserve

Distribution of financial assets at fair value through other comprehensive income by categories of internal credit rating of the bank.

2018	Financial assets at fair value through other comprehensive income
	JOD
Balance at the beginning of the year	416,990
Unrealized losses from debt instruments	(1,097,141)
Unrealized gain from equity instruments	893,905
Realized gain on sale of equity instruments at fair value through other comprehensive income transferred to retained earnings	(313,265)
Deffered tax assets	691,189
Deffered tax liability	(570,717)
Balance at the end of the Year	**20,961**
2017	**JOD**
Balance at the beginning of the year	(566,421)
Change in fair value for financial assets at fair value through other comprehensive income	(36,120)
Realized losses transferred losses to retained earnings	1,464,393
Deferred tax liability	(240,770)
Deferred tax assets	(204,092)
Balance at the end of the year	**416,990**

(27) Material partially - owned subsidiaries

First: Proportion of equity interest held by non-controlling interests is as follows:

31 December 2018	Country	Nature of activity	Country	Dividends distribution
National Bank of Iraq	Iraq	Banking	38.15%	4,545,941
31 December 2017				
National Bank of Iraq	Iraq	Banking	38.15%	1,117,619

Second: The following is the summarised financial information of these subsidiaries, this information is based on amounts before inter-company eliminations.

A. Summarized statement of financial position before elimination entries as of :

	31 December 2017	31 December 2018
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Cash, balances and deposits	226,825,814	225,273,101
Financial assets through OCI	921,282	1,251,479
Credit facilities, net	77,125,452	45,138,764
Financial assets at amortized cost	-	14,552,640
Other assets	38,164,033	26,748,941
Total assets	**343,036,581**	**312,964,925**
Banks, customers deposits' and margin accounts	171,889,488	141,052,120
Loans & borrowings	1,816,493	3,098,151
Provisions and other liabilities	18,040,350	28,145,603
Total liabilities	**191,746,331**	**172,295,874**
Shareholders' equity	151,290,250	140,669,051
Total liabilities and shareholders' equity	**343,036,581**	**312,964,925**
Non-Controlling interest	**57,826,685**	**50,042,176**

B. Summarized statement of comprehensive income before elimination entries as of:

	31 December 2017	31 December 2018
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Interest and commission income, net	20,232,275	12,714,541
Other income	1,541,091	(3,191,139)
Total Income	**21,773,366**	**9,523,402**
General and administrative expenses	10,643,606	11,829,877
Provisions	1,714,483	(11,912,134)
Total expenses	**12,358,089**	**(82,257)**
Profit before tax	9,415,277	9,605,659
Income tax	1,670,161	1,405,302
Profit after tax	7,745,116	8,200,357
Other comprehensive income	(8,853)	290,473
Total comprehensive income for the year	**7,736,263**	**8,490,830**
Non-Controlling interest	**2,954,762**	**(449,899)**

C. Summarized cash flow for National Bank of Iraq:

	31 December 2017	31 December 2018
	National Bank of Iraq	National Bank of Iraq
	JOD	JOD
Cash flows		
Operating	34,288,530	33,927,461
Investing	(1,408,667)	(17,599,954)
Financing	(2,635,777)	(17,899,278)
Net (decrease) / increase	**30,244,086**	**(1,571,771)**

(28) Retained earnings

	2018
	JOD
Balance at 1 January 2018 (as previously stated)	50,994,187
Impairment losses on assets as a result of application of IFRS 9	(17,430,991)
Effect of application of IFRS 9 (reclassified assets)	24,839
Effect of application of IFRS 9 on deffered tax assets / liabilities	3,053,589
Balance as of 1 January 2018 (restated)	36,641,624
Gain on sale of financial assets through other comprehensive income	313,265
Transferred to reserves	4,941,653
Distributed dividends	(20,000,000)
Profit at end of year	30,798,175
Balance at the end of the year	**52,694,717**

	2017
	JOD
Balance at 1 January 2017	39,562,631
Profit for the year	24,356,884
Transferred to reserves	(1,460,935)
Realized losses from selling financial assets at fair value through comprehensive income	(1,464,393)
Distributed dividends	(10,000,000)
Balance at the end of the year	**50,994,187**

- The balance of retained earnings includes a restricted amount of JOD 14,791,131 as at 31 December 2018 against JOD 10,286,431 as at 31 December 2017 which represents the deferred tax assets that cannot be utilized according to the Central Bank of Jordan regulations.
- The balance of retained earnings includes unrealized gain of JOD 1,054,642 as at 31 December 2018 against JOD 1,088,445 as at 31 December 2017 which represents the effect of early adoption of IFRS (9) related to classification and measurement. However, this amount is restricted from use except for the amounts that become realized regulations according to Securities and Exchange Commission.
- Amount equal to the negative balance of a fair value reserve is considered a restricted reserve that cannot be utilized.
- Gains from revaluation of financial assets at fair value through income statement amounted to JOD 228,272 as at 31 December 2018 against JOD 168,096 as at 31 December 2017 is restricted from utilization, according to the Security and Exchange Commission regulations.
- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued circular no.10/1/1359 on 25 January 2018, allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to JOD 8,840,593.

(29) Interest Income

The details are as follow:

	2017 JOD	2018 JOD
Direct credit facilities:- **Retail**		
Overdrafts	902,102	944,234
Loans and bills	7,224,159	7,426,024
Credit cards	623,512	702,689
Real estate mortgages	11,318,213	10,552,795
Corporate **Overdrafts**	**6,841,009**	**7,950,989**
Loans and bills	25,542,792	28,317,800
Small and medium enterprises (SMEs) **Overdrafts**	**2,968,305**	**3,359,044**
Loans and bills	8,484,964	11,312,325
Government and public sectors	5,062,041	3,800,505
Balances at central banks	93,774	944,029
Balances at banks and financial institutions	968,460	1,266,589
Financial assets at amortized cost	25,349,961	26,685,421
Financial assets at fair value through other comprehensive income - debt instruments	-	1,532,841
Total	**95,379,292**	**104,795,285**

(30) Interest expense

The details are as follow:

The details are as follow:	2017 JOD	2018 JOD
Banks and financial institutions deposits	1,813,879	415,675
Customers' deposits :		
Current accounts and deposits	1,445,120	2,415,962
Saving deposits	563,181	591,638
Time and notice deposits	29,973,398	37,478,029
Certificates of deposits	2,099,657	3,002,767
Margin accounts	1,096,980	957,373
Loans and borrowings	5,562,331	5,650,522
Deposits guarantee fees	2,081,769	2,055,460
Total	**44,636,315**	**52,567,426**

(31) Net commission income

The details are as follow:	2017	2018
	JOD	JOD
Commission income :		
Direct credit facilities	1,508,921	2,294,472
Indirect credit facilities	13,726,031	11,356,818
Other commission	18,575,007	10,588,058
Net commission income	**33,809,959**	**24,239,348**

(32) Gain from foreign currencies

The details are as follow:	2017	2018
	JOD	JOD
Revaluation of foreign currencies	2,208,271	924,702
Revaluation trading in foreign currencies	1,084,963	(269,743)
Total	**3,293,234**	**654,959**

(33) Gain from financial assets at fair value through income statement

The details are as follow:

31 December 2018	Realized Gain(-loss)	Unrealized loss	Dividends income	Total
	JOD	JOD	JOD	JOD
Equity shares	56,083	(393,422)	173,593	(163,746)
Bonds				-
Total	**56,083**	**(393,422)**	**173,593**	**(163,746)**
31 December 2017				
Companies share	(75,345)	(282,071)	138,064	(219,352)
Bonds	9,723	-	-	9,723
Total	**(65,622)**	**(282,071)**	**138,064**	**(209,629)**

(34) Other income

The details are as follow:	2017	2018
	JOD	JOD
Recovery from written - off debts	950,556	441,338
Income and commission from investments and securities	5,081,393	2,210,962
Collection against auction price swaps *	-	2,084,140
Others	267,656	244,240
Total	**6,299,605**	**4,980,680**

* Based on the instructions of the Central Bank of Iraq, the amount JOD 2,084,140 was collected from National Bank of Iraq customers which represents the differences imposed by the Central Bank of Iraq during 2018.

(35) Employees' expenses

The details are as follow:	2017	2018
	JOD	JOD
Salaries and benefits	19,415,870	19,133,468
Bank's contribution in social security	1,732,031	1,863,620
Medical expenses	1,031,898	1,107,755
Employees' training	603,197	425,063
Paid vacations	370,701	286,699
Bank's contribution to social activities fund	36,330	43,231
Others	232,385	158,286
Total	**23,422,412**	**23,018,122**

(36) Other expenses

The details are as follow:

	2017	2018
	JOD	JOD
Rent and building services	3,586,984	3,671,390
Advertisement	2,590,681	2,316,481
Computer expenses	1,475,456	1,728,433
Consulting and professional fees	2,450,486	1,596,086
Board of Directors' transportation	755,148	843,176
Maintenance	668,157	817,115
Subscriptions	367,926	812,741
Internet	745,076	753,716
Post, telephone, swift	447,452	659,843
Travel and transportation	410,614	525,333
Others	816,093	493,026
Subscriptions, fees and licenses	852,217	387,972
Donations	581,220	372,342
Insurance	305,132	346,192
Stationary and printing	387,475	326,250
Security services	206,951	320,042
Board of directors' remuneration	592,849	218,314
Cash transportation services	69,471	187,477
Reuters' and Bloomberg subscription expense	165,115	162,625
Hospitality	77,345	114,085
Total	**17,551,848**	**16,652,639**

(37) Earnings per share

Basic earnings per share:

The details are as follow:	2018	2017
Profit for the period attributable to bank's shareholders	30,798,175	24,356,884
Weighted average number of shares during the period	200,000,000	200,000,000
	JOD / Fils	JOD / Fils
Basic and diluted earnings per share	0.154	0.122

(38) Fair value of financial assets not presented at fair value in the financial statements

	31 December 2017		31 December 2018	
	Book value	Fair value	Book value	Fair value
Financial assets at amortized cost	467,884,699	468,149,488	540,993,467	539,977,472
Direct credit facilities, net	920,962,363	920,962,363	890,959,403	890,959,403

(39) Cash and cash equivalents

The details are as follow:	2017	2018
	JOD	JOD
Cash and balances with central banks maturing within 3 months	184,885,290	195,685,830
Add: Balances at banks and financial institutions maturing within 3 months	194,421,910	81,646,989
Less: Banks and financial institutions' deposits maturing within 3 months	(107,872,683)	(44,638,873)
Less: Restricted cash balances (Note 6)	(1,129,379)	(1,145,120)
	270,305,138	231,548,826

(40) Derivative financial instruments

The table below shows the details of derivative financial instruments at the end of the year.

2018	Par (nominal) value maturity				
	Positive fair value	Negative fair value	Total nominal amount	Within 3 months	3-12 months
	JOD	JOD	JOD	JOD	JOD
Currency sale contract	104,265	-	76,176,287	74,826,522	1,349,765
Currency purchases contract	-	-	76,155,061	74,722,257	1,382,804
Currency swaps contracts	321,414	-	7,347,801	(17,725,000)	25,072,801
2017					
Currency sale contract	-	-	205,829,191	205,829,191	-
Currency purchases contract	317,955	-	206,147,146	206,147,146	-
Currency swaps contracts	-	40,593	39,416,525	-	39,416,525

The par (nominal) value indicates the value of the outstanding transactions at year end and does not indicate market risk or credit risk.

(41) Related parties transactions

The consolidated financial statements of the bank include the following subsidiaries:

	Ownership		Paid in capital	
	2018	2017	2018	2017
	%	%	JOD	JOD
Capital Investments Company	100%	100%	10,000,000	10,000,000
National Bank of Iraq	61.85%	61.85%	86,739,856	86,739,856
Bahrain Investment Fund Company	100%	100%	1,888	1,888
Capital Investments (DIFC) Limited	100%	100%	177,250	177,250

The bank has entered into transactions with subsidiaries, shareholders, directors and senior management within the normal activities of the bank and using commercial interest rates and commissions.

The following related parties transactions took place during the year:

Statement of financial position items	Related party				Total	
	BOD members	Executive manage-ment	Subsidiaries	Major sha-reholders	2018	2017
	JOD	JOD	JOD	JOD	JOD	JOD
Bank deposits with related parties	-	-	-	-	-	-
Bank deposits	44,054,555	731,213	8,649,607	6,040	53,441,415	67,425,689
Margin accounts	218,761	119,819	71,987,951	300	72,326,831	25,348,219
Direct credit facilities	32,136,038	1,859,459	1,183	143,764	34,140,444	37,262,785
Direct credit facilities - watch list	2,918,642	-	-	-	2,918,642	1,982,063
Direct credit facilities-non--performing	52,899	-	-	-	52,899	-
Off-balance sheet items:						
Indirect credit facilities	6,421,136	1,000	94,284,242	300	100,706,678	33,578,438
Statement of income items						
Interest and commission income	3,341,443	89,706	791,762	220,377	4,443,288	4,026,565
Interest and commission expense	1,669,362	37,107	203,637	-	1,910,106	1,830,587

- Interest rates on credit facilities in Jordanian dinar range between 4.50% - 15.00%
- Interest rates on credit facilities in foreign currency range between 4.50% - 15.00%
- Interest rates on deposits in Jordanian dinar range between 0.25% - 6.00%.
- Interest rates on deposits in foreign currency between 0.50% - 2.05%.

Compensation of the key management personnel benefits for the bank and its subsidiaries as follows:

	2017	2018
	JOD	JOD
Benefits(Salaries, wages, and bonuses) of executive management for the goup	4,003,034	3,095,484
Total	**4,003,034**	**3,095,484**

(42) Fair value of financial instruments

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, direct credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

There are no material differences between the fair value of financial instruments and their book value.

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques by which all inputs significantly effect the recorded fair value may be observed, either directly or indirectly from market information.
Level 3: Other techniques using inputs significantly effecting the recorded fair values; which are not based on observable market data.

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

2018	Level 1	Level 2	Level 3	Total
	JOD	JOD	JOD	JOD
Financial assets-				
Financial assets at fair value through income statement	3,640,727	88,280	-	3,729,007
Financial assets at fair value through other comprehensi-ve income	34,818,255	15,000,408	-	49,818,663
Financial Liabilities				
Derivative instruments	-	-	(321,414)	(321,414)
2017				
Financial Assets				
Financial assets at fair value through income statement	3,175,506	85,554	-	3,261,060
Financial assets at fair value through other comprehensi-ve income	4,608,894	4,526,206	-	9,135,100
Financial Liabilities				
Derivative instruments	-	-	277,362	277,362

(43) Risk management policies

The bank follows a comprehensive strategy aimed at maintaining the best practices in risk management relating to (Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Concentration Risk, Information Security Risk, in addition to other types of risk) in order to maintain the financial position and profitability of the Bank.

The process of identifying, managing and mitigating risk, as well as complying with the instructions of regulatory authorities and The Basel Committee is considered an overall shared responsibility throughout the bank. These tasks are carried out by several entities within the bank; beginning with the Board of Directors and its committees, such as the Risk Committee, the Audit Committee, the Compliance Committee, in addition to other internal committees within the bank such as the Internal Risk Management Committee, Assets and Liabilities Committee, the various Credit Committees, in addition to all of the bank's branches and departments.

As an independent and specialized department in the bank, the Risk Management Department focuses its efforts in accordance with its approved policies, in identifying the existing and potential threats (financial and non-financial). The Risk Management Department designs methods that help in measuring and dealing with such threats and report them to the relevant parties on a regular basis, as well as adapting and complying with instructions set by CBJ and Basel Committee, and keeping up with the best practices in relation to measuring and managing risk.

The Risk Management Department also participates in evaluating the bank's capital adequacy as well as its effectiveness in employing this capital in order to achieve its strategic goals, and determine the requirements needed to manage and control the strategy related risks.

Furthermore, the Risk Management Department at the bank operates within the general principles and corporate governance code which are consistent with the regulator's instructions, international best practices in relation to the bank's size, volume of its activities and complexity of its operations. These principles are as follows:

1. The Board of Directors and its risk committee both review and approve the bank's risk appetite for potential losses associated with the various risk factors, as well as review and approve the Risk Management Policies in order to ensure that these policies keep up with all developments in the banking industry in terms of growing its operations and expansion of its services. In addition the Board of Directors ensures that the bank's strategies are being implemented in relation to the bank's risk management.
2. The Chief Executive Officer is considered the primary responsible person for implementing risk management recommendations in accordance to the principles of Board of Directors and the Risk Committee . He is also the head of the Internal Risk Management Committee.
3. The risk management philosophy at the bank is based on knowledge, experience ,the judgment capability of the supervisory management and the availability of a clear authority matrix set by the Board of Directors.
4. Continuously developing the risk management systems and taking on the necessary steps and measures needed to make sure that the bank is in compliance with the new international standards, namely the requirements of Basel III and IFRS 9.
5. The Risk Department manages the bank's risks according to a comprehensive centralized methodology, with the presence of systems that assist in managing these risks, and by providing various business units at the bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, which is headed by the Chief Risk Officer, is linked to the board's Risk Management Committee. There is also a direct link that connects the Chief Risk Officer with the Chief Executive Officer.
6. Risk management is the responsibility of all employees.
7. The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
8. The Internal Audit Department provides an independent assurance on the compliance of the

bank's business units with the risk management policies and procedures, and the effectiveness of the bank's risk management framework.

9. The Chief Financial Officer (CFO) is responsible for identifying the financial risks, as well as monitoring and maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.
10. The Chief Compliance Officer is responsible for ensuring that the bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.

During 2018 the bank has worked on several primary principles in risk management, mainly on the following:

1. Implement the IFRS 9 standard and calculate the expected credit loss (ECL).
2. Implement Moody's Rating System in the National Bank of Iraq (subsidiary).
3. Measure Internal CAR using ICAAP.
4. Initiate implementation of new systems related to the IFRS 9 standards and the enhancement of the credit process.
5. The bank obtained PCI DSS certificate for the 3rd year and National Bank of Iraq for the 1st year.

6. Implement information technology controls to cover SWIFT regulations.
7. Implement information technology controls to be in compliance with COBIT 5.

For the year 2019, the bank is planning to work on several primary principles in risk management, mainly on the following:

1. Continuing the implementation of the system relating to calculating the expected credit loss (ECL) according to IFRS 9 and automating the credit process through the Loan Origination System (LOS).
2. Produce and develop a credit risk system.
3. Obtain PCI DSS certificate for the 4th year for Capital Bank and 2nd year for NBI.
4. Implement information technology controls to be in compliance with COBIT 2019.
5. Implement new information security software's such as Data Loss Prevention Software (DLP).
6. Full Implementation of CRSA on all National Bank of Iraq operational branches.
7. Apply the standardized approach to measure operational risk.
8. Assessing the Business Continuity Plan (BCP) for the Bank and its subsidiaries
9. Implement systems to fight against fraud from credit cards.
10. Initiate the use of Key Risk Indicators (KRIs) and intergrating it with the bank's systems.

The following is a brief description of how the group deals with the exposed risks:

(43-1) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the group's customers fail to fulfil their contractual obligations to the group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

Credit risk is the single largest risk from the group's business of extending loans and advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in a risk management department which reports regularly to the Risk Management Committee.

The bank generally manages credit risk through:

- A clear and comprehensive policy for managing credit risk in addition to approved credit policies.
- Setting clear and specific limits for credit risks level that are set by the Board of Directors and then circulated to the different business units.
- Adopting the concept of credit committees to ensure that the credit decisions are not made on individual or subjective basis.
- Having a clear criteria for selecting clients, the target market and the acceptable level of credit.
- A comprehensive and thorough financial and credit analysis covering the various aspects of risk for each clients and / or credit processes.
- The results of Moody's credit rating system in determining each client's risk classification.
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators.
- Evaluating and monitoring constantly to avoid high credit concentration, and implementing the required remedial actions.
- Adopting early warning indicators and recognition of possible risks in the credit portfolio while revising them on a regular basis.
- Effective management and follow up of the preservation of the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate the undertaking of pre-emptive or safety actions.
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

Key credit risk management methods:

1- Loans and advances (including loan commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The group measures credit risk using the concept of Expected Loss which requires the following measures:

-Probability of Default (PD)
-Loss Given Default (LGD)
-Exposure at Default (EAD)

Under IFRS 9 expected loss is replaced by expected Credit Loss (ECL), which is based on macro adjusted PD, LGD & EAD measures. Additionally it also captures deterioration and lifetime likelihood of defaults.

2- Credit risk grading

The group uses specific internal rating models tailored to the various industry segments / counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model.
The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is higher than the difference in the PD between a 3 and 5 rating grade.

The Risk Rating system for performing assets ranges from 1 to 10, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated 6, 7, 8, 9, and 10 corresponding to NAUR (Non-accrual under Restructuring), Substandard, Doubtful, Loss classifications and Write-off.

These risk ratings have been mapped into 8 grades which are defined below:

Stage	CB Grade	Description
1	1	FI rated 1, 2, 3, and 4 possess superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals, and a very predictable and stable operating environment.
	2	
	3	
	4	
1.5	5	FI rated 5 possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment.
2	6	FI rated 6 possess adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These FI will display either acceptable financial fundamentals within a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment.
2.5	7	FI rated 7 display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.
3	8	FI rated 8 display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment.

Ineternal credit rating for corporate and SMEs:

Stage	CB Grade	Description
1	1	Obligations rated 1 are judged to be of the highest quality, and carry the lowest level of credit risk.
	2	Obligations rated 2 are judged to be of high quality and very low credit risk.
	3	Obligations rated 3 are judged to be upper-medium grade and carry a low credit risk.
	4	Obligations rated 4 are judged to be medium-grade and carry a low to moderate credit risk and as such may possess certain speculative characteristics.
1.5	5	Obligations rated 5 are judged to be speculative and carry a moderate credit risk.
	6	Obligations rated 6 are considered speculative with a moderate to high credit risk.
Stage	„CB Grade„	Description
2	7	Obligations rated 7 are judged to be speculative of poor standing and carry a very high credit risk.
	8	Obligations rated 8 are highly speculative and are likely for PDs, with some prospect of recovery of principal and interest/yield.
2.5	9	Obligations rated 9 are the lowest rated and are typically in default, with no prospect for recovery of principal or interest/yield.
3	10	„Obligations rated 10 are in default, with little prospect for full recovery of principal or interest/ yield."

Ineternal credit rating for retail and real estate:

Stage	CB Grade	Description
1	A	Obligations rated A are judged to be of the highest quality, and carry the lowest level of credit risk.
	B	Obligations rated B are judged to be of high quality and low credit risk.
1.5	C	Obligations rated C are judged to be upper-medium grade and carry a low credit risk.
2	D	Obligations rated D are judged to be speculative and carry a moderate credit risk.
2.5	E	Obligations rated E are judged to be speculative of poor standing and carry a very high credit risk.
3	F	Obligations rated F are in default, with little prospect for full recovery of principal or interest/ yield.

3- Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).
- All government and government-guaranteed financial instruments have been taken into account in the calculation of total expected credit losses.

4- Significant increase in credit risk (SICR)

The group considers a financial asset to have experienced a significant increase in credit risk when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date.

Quantitative criteria

Corporate loans:

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- Operating Performance.
- Operating Efficiency.

- Debt Service.
- Liquidity Assessment.
- Capital structure.

Retail:

For Retail portfolio, if the borrowers meet one or more of the following criteria:

• Adverse findings for an account/ borrower as per credit department data.
• Loan rescheduling before 30 Days Past Due (DPD).
• Accounts overdue between 60 and 90 days.

Treasury:

• Significant increase in probability of default of the underlying treasury instrument;
• Significant change in the investment's expected performance and behavior of borrower (collateral value, payment holiday, payment to income ratio etc.).

- Qualitative criteria:

Corporate Loans

For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following Default Risk Indicator's (DRI):

- Past Due.
- Net Worth Erosion.
- Fraudulent Activity.
- Mandatory Restructure.
- Financial Covenants Breach.
- Significant Operations Disruption.

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following qualitative factors:

- Management.
- Industry Outlook.
- Financial Conduct.
- Income Stability.
- Lifecycle Stage.
- Auditor Information.

The group has not used the low credit exemption for any financial instruments in the year ended 31 December 2018.

Backstop:

If the borrower is more than 30 days past due on its contractual payments a backstop is applied and the financial asset is considered to have experienced a significant increase in credit risk.

5- Definition of default and credit-impaired assets

The group defines a financial corporate, retail and investment instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

- Qualitative criteria:

According to the Basel definition, default is considered to have occurred with regard to particular obligors when either one of the following events have taken place:

- The bank considers that the obligor is unlikely to pay its credit obligation to the group in full without recourse by the bank to actions like realizing security (if held).
- The bank puts the credit obligation on a non-accrued status.
- The bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
- The bank sells the credit obligation at a material credit-related economic loss.
- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the banking group.
- The obligor is past due more than 90 days on any material credit obligation to the banking group.

The criteria above have been applied to all financial instruments held by the group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

The bank applies a three-stage approach to measuring ECL on financial instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. This uses the same criteria as under IAS 39, the bank's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

6- Measuring ECL – explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD.

- Probability of default (PD):

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Below is the PD matrix for Corporate and SMEs customers :

Risk /Rating	Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk
1	0.05%	0.06%	0.09%	0.19%	0.30%
2+	0.06%	0.08%	0.11%	0.24%	0.37%
2	0.08%	0.10%	0.14%	0.30%	0.47%
2-	0.09%	0.13%	0.18%	0.38%	0.59%
3+	0.12%	0.17%	0.23%	0.49%	0.75%
3	0.15%	0.21%	0.29%	0.62%	0.95%
3-	0.19%	0.26%	0.37%	0.78%	1.20%
4+	0.24%	0.33%	0.47%	0.99%	1.51%
4	0.31%	0.42%	0.59%	1.24%	1.91%
4-	0.39%	0.53%	0.74%	1.57%	2.40%
5+	0.49%	0.67%	0.94%	1.98%	3.02%
5	0.62%	0.84%	1.19%	2.49%	3.79%
5-	0.79%	1.07%	1.50%	3.14%	4.75%
6+	0.99%	1.35%	1.89%	3.93%	5.93%
6	1.25%	1.70%	2.38%	4.93%	7.39%
6-	1.58%	2.14%	3.00%	6.16%	9.17%
7	1.99%	2.70%	3.77%	7.67%	11.31%
Risk /Rating	Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk
8	2.51%	3.40%	4.72%	9.52%	13.87%
9	3.16%	4.26%	5.90%	11.74%	16.90%
10	100.00%	100.00%	100.00%	100.00%	100.00%

Below is the PD matrix for retail and real estate customers :

Risk /Rating	PD Upside	PD Base case	PD Down side	WA PD
A	0.03%	0.04%	0.05%	0.04%
B	0.12%	0.14%	0.18%	0.14%
C	0.51%	0.61%	0.77%	0.61%
D	2.25%	2.70%	3.38%	2.70%
E	9.29%	11.15%	13.94%	11.15%
F	100.00%	100.00%	100.00%	100.00%

Below is the PD matrix for financial assets at amortized cost and at fair value through other comprehensive income:

Risk /Rating	Medium Risk
AAA	0.09%
AA+	0.11%
AA	0.14%
AA-	0.18%
A+	0.23%
A	0.29%
A-	0.37%
BBB+	0.47%
BBB	0.59%
BBB-	0.74%
5+	0.94%
5	1.19%
5-	1.50%
6+	1.89%
6	2.38%
6-	3.00%
7	3.77%
8	4.72%
9	5.90%
10	100.00%

- Loss Given Default (LGD):

LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The bank estimates the following haircuts for its main collaterals:

Collateral Type	LGD%
Cash Margin, Government Guaranteed, Qualified Banking Guarantees, other external qualified guarantors	0%
Stocks and financial Assets	16%
Real estate	25%
Cars	50%
Machines	53%

- Exposure at Default (EAD):

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

The group has implemented a risk rating model since 2014 which has enabled the bank to collect historical risk ratings since 2014 and build point in time credit transition matrices for the last 12 years.

This has enabled the bank to derive a credit index using the historical transition matrices. The credit index correlates with specific macro-economic factors, which have been statistically, established through regression models.

These models were used to forecast future credit transitions using Moody's research macro-economic forecast under the IFRS 9 scenarios i.e. upwards and downwards.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
- For amortizing products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining committed limit by the time of default.

The group has adopted a workout methodology for LGD computation. For the corporate segment, the bank has developed the LGD framework using more than 10 years of data.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD.
- There have been no significant changes in estimation techniques or significant assumptions made during the year.

7- Importance of staging criteria

- Staging is based on the assessment of relative movement in the credit quality of the loans from the time of initial recording.
- Loans in stage 3 are those loans for which the bank has objective evidence of impairment. Accordingly, specific provision is recorded for such exposures.
- Stage transfer is triggered by assessing the relative change in credit risk (measured using lifetime risk of default) and not by the absolute credit risk at the reporting date.
- 60 days past due is the last resort.

Bank management's main definition and criteria for significant increase in credit risk (stage 2) includes the following parameters:

For exposures (credit facilities) to corporate customers

- 60 days past due, which is the maximum time allowed.
- Downgrade by 7 notches of the risk rating scale of 20 points.
- Customer is classified as (7,8,9).
- Customer is classified under watchlist, restructured, rescheduled.

For exposures (credit facilities) to retail customers

- 60 days past due, which is the maximum time allowed.
- Customer is classified under watchlist, restructured, rescheduled.
- Customer is classified as (D,E).

*** For exposures (deposits balances) with banks and financial institutions**

- Current risk rate is 6 or 7 For exposures to (financial assets) at amortized cost and at fair value through the statement of comprehensive income.
- Current risk rate ranges from CCC to C.

The bank's definition and criteria for the significant increase in credit risk (stage 3) include the following criteria:
For exposures (credit facilities) to corporate customers

- 90 days past due.
- Customer is classified as (10).
- The Customer is facing liquidity difficulties.
- Customer is classified under non-performing.

For exposures (credit facilities) to retail customers

- 60 days past due.
- Customer is classified under watchlist, restructured, rescheduled.
- Customer is classified as (F).

* For exposures (deposits balances) with banks and financial institutions

- Current risk rate is 8.

For exposures to (financial assets) at amortized cost and at fair value through the statement of comprehensive income.
- Current risk rate ranges from D.

8- Forward looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the group's economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out of the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment or a long run average growth rate (e.g. GDP) over a period of two to five year). The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

9- Sensitivity analysis
The group has calculated ECL at an individual financial instrument level, hence does not require any grouping of financial instruments in the process of loss calculation.

The most significant assumptions affecting the ECL allowance in respect of retail and wholesale credit portfolios are as follows:

- Interest rate.
- Unemployment.
- Inflation.

The group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the key assumptions used to calculate ECL change by a certain percentage. The impact on ECL due to a relative change in the forecasted Gross Domestic Product (GDP) and Gross Fixed Investment Growth (GFIG) rate by +10% / -10% in each of the base, upside and downside scenarios would result respectively in an ECL reduction by JOD (2,662,427) and an ECL increase of JOD 2,662,427. These changes are applied simultaneously to each probability weighted scenarios used to compute the expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

10- IFRS 9 governance

This section describes the roles and responsibilities of the committees and groups, specific to the IFRS 9 process at the bank.

- Board of directors ("BOARD" or "BoD")

The Board will be responsible for:

• Approving the IFRS 9 framework, that has been recommended by RMC,
• Maintaining ECL allowances at an appropriate level and to oversee that CBJ has appropriate credit risk practices for assessment and measurement processes, including internal controls in place to consistently determine allowances in accordance with the stated policies and procedures, the applicable accounting framework and relevant supervisory guidance.

The BOD may delegate the responsibility of reviewing the detailed IFRS 9 related policies to the RMC.

- Risk management committee ("RMC")

The Risk Management Committee will be responsible for:

• Reviewing and recommending the IFRS 9 framework to the BoD,
• Reviewing the implementation of IFRS 9 and ensuring the appropriate steps for compliance,
• Reviewing and approving the periodic disclosures in accordance to the Standard.
• Recommending adjustments to the business models, framework, methodology and policies and procedures.

- Internal audit department ("IAD")

Internal Audit Department will be responsible for independently:

• Ensure the bank's overall compliance with the standard.
• Reviewing the methodology and assumptions to ensure compliance.
• Ensure appropriate levels of expected credit losses relative to the bank's profile.

- Internal risk management committee ("IRMC")

The Internal Risk Management Committee will be responsible for:

- Overlooking and approving the periodic reporting's according to the standards.
- Making the necessary recommendations to the Risk Committee of the Board of Directors.
- Recommending adjustments to the business models, framework, methodology and policies and procedures to the RMC.

- Risk management department ("RMD")

The head of risk management and his / her respective personnel in the RMD will be responsible for:

- Coordinate between the different departments and units to manage the implementation of IFRS 9.
- Assist in creating and reviewing the framework and methodology to be implemented by the bank.
- Creating the expected credit loss models in compliance with the standard.
- Evaluate the impact of the ECL on the capital adequacy ratio.

- Financial control department ("FCD")

FCD will be responsible for:

- Creating the business models.
- Classifying and measuring the financial assets.
- Reflecting the IFRS 9 impact on the bank's financials.

- Credit control department
  - Identifying the stages of each customer.
  - Review the calculation for each customer.
  - Updating customer information for IFRS 9 calculations .

(43-A-1) Quantitative Disclosure on the effect of the application of IFRS 9
1- Effect of aplying IFRS 9 on opening balances for 2018

Item	Balance as of 01/01/2018	Reclassified balance	Expected credit loss (ECL)*	Balance as of 01 January 2018 after applying IFRS 9	Effect of application resulting from reclassification	Financial position items affected by the application
Cash and balances with the Central Bank	282,738,524	-	(6,886,348)	275,852,176	-	248,175,308
Balances with banks and financial institutions	194,421,910	-	(80,310)	194,341,600	-	194,421,910
Financial Assets at Fair Value through Other Comprehensive Income	9,135,100	28,053,801	-	37,188,901	(24,839)	28,053,801
Transferred to financial assets at fair value through income statement	-	-	-	-	-	-
Direct credit facilities	920,962,363	-	(12,222,709)	908,739,654	-	920,962,363
Transferred to financial assets at fair value through income statement	-	-	-	-	-	-
Debt instruments within financial assets at amortized cost portfolio	467,884,699	(28,053,801)	(389,039)	439,441,859	-	467,884,699
Transferred to financial assets at fair value through income statement	-	-	-	-	-	-
Transferred to financial assets at fair value through other comprehensive income statement	-	(28,053,801)	-	(28,053,801)	-	-
Letters of guarantee	143,235,118	-	(2,637,248)	140,597,870	-	-
Unutilized direct credit limits	-	-	-	-	-	-
Letters of credit	55,130,781	-	(383,275)	54,747,506		-
Bank acceptances	53,167,056	-	(149,380)	53,017,676	-	-
Total	**2,126,675,551**	**-**	**(22,748,309)**	**2,103,927,242**	**(24,839)**	**1,859,498,081**

* The amount JOD 22,773,250 represents the effect of applying IFRS 9, which is recorded in the retained earnings of the bank as at 1 January 2018 at an amount of JOD 14,352,563 after deducting the effect of deferred tax assets amounting to JOD 3,053,589 and non-controlling share amounting to JOD 5,367,097.

2- Opening balance of provisions after application of IFRS 9

Item	current provision as at 1 January 2019 (before adjustment)	Difference resulting from re-measurement	Balance according to IFRS 9 (after adjustment)
Cash and balances with the Central Bank	-	6,886,348	6,886,348
Balances with banks and financial institutions	-	80,310	80,310
Direct credit facilities - amortized cost	61,606,026	12,222,709	73,828,735
Debt instruments within financial assets at amortized cost portfolio	500,000	389,039	889,039
Letters of guarantee	-	2,637,248	2,637,248
Letters of credit	-	383,275	383,275
Other	-	149,380	149,380
Total	**62,106,026**	**22,748,309**	**84,854,335**

3- Expected credit loss for the financial period subsequent to 01 January 2018, net

Items	Stage one	Stage two	Stage three	Total
Cash and balances with the Central Bank	(135,142)	(6,733,891)	-	(6,869,033)
Balances with banks and financial institutions	(86,069)	-	-	(86,069)
Debt instruments at fair value through other comprehensive income	30,028	-	-	30,028
Direct credit facilities - net	943,632	(9,468,649)	15,725,490	7,200,473
Debt instruments at amortized cost	11,933	(270,563)	-	(258,630)
Other financial assets measured at amortized cost	78,632	1,092	-	79,724
Letters of guarantee	631,047	(2,489,002)	-	(1,857,955)
Unutilized direct credit limits	102,977	129,363	-	232,340
Letters of credit	1,530,410	(366,868)	-	1,163,542
Bank acceptances	391,971	758,070	-	1,150,041
Total	**3,499,419**	**(18,440,448)**	**15,725,490**	**784,461**

(43-A-2) Credit Risk Exposures (after impairment provisions and suspended interest and before collateral held or other mitigation factors):

Statement of financial position items:	2017	2018
	JD	JD
Balances at Central Banks	248,187,472	179,811,150
Balances at banks and financial institutions	194,429,646	81,646,989
Direct credit facilities		
Retail	84,293,334	90,262,752
Real estate	152,015,439	154,480,513
Corporate & SMEs		
Corporate	477,885,242	413,321,053
Small and medium enterprises (SMEs)	144,798,701	173,010,874
Governmental and public sector	70,246,521	69,358,020
Bonds and treasury bills:		
Financial assets at at fair value through other comprehensive income statement , net	-	38,500,061
Financial assets at amortized cost , net	475,626,876	549,703,100
Other assets	9,696,905	16,616,568
Total statement of financial position Items	**1,857,180,136**	**1,766,711,080**
Off - statement of financial position items		
Letters of guarantee	143,235,118	134,241,169
Export Letters of credit	47,553,193	124,244,193
Confirmed Import Letters of credit	7,577,588	1,500,912
Issued acceptances	53,167,056	69,301,782
Unutilized credit facilities	82,207,585	105,691,897
Forward purchase contracts	81,720,341	76,176,286
Total off - statement of finanacial position items	415,460,881	511,156,238
Total	**2,272,641,017**	**2,277,867,319**

- The table above represents the maximum limit of the bank's credit risk exposure as of 31 December 2018 and 2017, without taking into consideration the collateral and the other factors which will decrease the bank's credit risk.
- For the statement of financial position items, the exposure in the above table is based on the balances as appeared on the consolidated statement of financial position, in addition to the related accrued interests.

(43-A-3) Credit risk management disclosure
1) Distribution of credit exposure

Internal credit rating	Classification According to instruction number (2009/47)	Total Exposures	Expected credit loss (ECL)	Probability of Default (PD)	Classification by external classification institutions	Exposure at default (EAD)	Loss given default (LGD) %
Performing Exposures	Low risk	87,235,214	-	1.50%	BB-	87,235	-
Balances at Central Banks	Acceptable risk	93,037,930	475,893	10.00%	B-	93,038	45.00%
Balances at banks and financial institutions	Low risk	49,224,138	-	0.19%	AA- / BB-	49,224	-
	Acceptable risk	93,037,930	-	0.78%	AA- / Ba1	93,038	-
Direct credit facilities- amortized cost: Corporate companies	Low risk	55,941,097	75,449	0.65%	Unrated	55,941	36.85%
	Acceptable risk	343,364,372	3,225,788	3.84%	Unrated	343,364	30.93%
Small to medium companies	Low risk	10,956,936	21,743	0.37%	Unrated	10,957	6.78%
	Acceptable risk	158,538,484	1,313,335	2.47%	Unrated	158,538	25%
Retail	Low risk	7,921,195	815	0.13%	Unrated	7,921	27.87%
	Acceptable risk	86,246,689	1,227,865	0.50%	Unrated	86,247	26.73%
Real estate	Low risk	9,987,814	469	0.05%	Unrated	9,988	00.00%
	Acceptable risk	139,211,320	1,214,476	0.97%	Unrated	139,211	12.55%
Government and public sector	Acceptable risk	68,600,726	-	1.15%	BB-	68,601	-
Financial Assets At Amortized Cost - Debt instruments	Low risk	442,398,310	-	1.31%	BB-	442,398	45.00%
	Acceptable risk	98,725,566	130,409	1.25%	BB-/Unrated	98,726	00.00%
Financial Assets at Fair Value through Other Comprehensive Income - Debt instruments	Low risk	21,482,979	-	1.89%	B+	21,483	45.00%
	Acceptable risk	16,340,174	30,028	1.89%	A+ / BB-/Unrated	16,340	45.00%

Internal credit rating	Classification According to instruction number (2009/47)	Total Exposures	Expected credit loss (ECL)	Probability of Default (PD)	Classification by external classification institutions	Exposure at default (EAD)	Loss given default (LGD) %
Letters of guarantee	Low risk	44,938,001	54,483	0.26%	Unrated	44,938	35.76%
	Acceptable risk	84,780,788	752,656	2.90%	Unrated	84,781	38.68%
Unutilized direct credit limits	Low risk	14,795,863	15,398	0.18%	Unrated	14,796	39.52%
	Acceptable risk	91,129,068	217,636	3.18%	Unrated	91,129	42.99%
Letters of credit	Low risk	46,846,626	91,837	0.33%	Unrated	46,847	23.73%
	Acceptable risk	80,478,780	2,648,929	1.84%	Unrated	80,479	37.27%
Acceptances	Low risk	10,241,652	54,839	0.34%	Unrated	10,242	23.27%
	Acceptable risk	60,363,591	88,156	1.24%	Unrated	60,364	38.63%
Other	Low risk	597,276	709	0.29%	Unrated	597	45.00%
	Acceptable risk	16,021,067	79,015	1.33%	Unrated	16,021	45.00%
Non-performing exposures	Substandard	97,741	24,406	100%	Unrated	97	-
Direct credit facilities - amortized cost :	Doubtful	2,850,532	960,886	100%	Unrated	2,796	-
Corporate companies	Loss	69,278,768	50,708,320	100%	Unrated	58,494	-
Small to medium companies	Substandard	371,864	78,063	100%	Unrated	370	-
	Doubtful	355,431	101,362	100%	Unrated	339	-
	Loss	9,270,527	5,072,446	100%	Unrated	7,729	-
Retail	Substandard	676,937	220,279	100%	Unrated	672	-
	Doubtful	1,618,089	1,269,436	100%	Unrated	1,558	-
	Loss	7,673,928	5,084,203	100%	Unrated	5,459	-
Real estate	Substandard	929,779	61,774	100%	Unrated	923	-
	Doubtful	1,456,884	179,376	100%	Unrated	1,413	-
	Loss	5,183,176	1,982,478	100%	Unrated	3,869	-
Financial Assets At Amortized Cost - Debt instruments	Loss	500,000	500,000	100%	Unrated	500	-
Letters of guarantee	Substandard	5,320,619	-	100%	Unrated	5,321	-
	Loss	8,900	-	100%	Unrated	9	-

2- Concentration in credit exposures based on economic sectors is as follows:

a) Total distribution of exposures according to financial instruments subject to impairement losses

	31 December 2018									
	Financial	Industrial	Commercial	Real estate	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balance sheet items										
Balances at Central Banks	-	-	-	-	-	-	-	179,811,150	-	179,811,150
Balances at banks and financial institutions	81,646,989	-	-	-	-	-	-	-	-	81,646,989
Credit facilities	21,217,373	100,251,610	176,181,379	252,333,762	7,103,703	42,685,012	93,579,814	69,358,020	137,722,540	900,433,212
Bonds and treasury bills :										
Financial assets at fair value through other comprehensive income	3,279,718	565,823	-	1,109,205	-	-	-	29,194,996	4,350,320	38,500,061
Financial assets at amortized cost	24,666,864	-	-	30,055,966	-	-	-	450,230,312	44,749,958	549,703,100
Other assets	16,256,176	-	-	-	-	-	-	360,392	-	16,616,568
Total 2018	**147,067,120**	**100,817,432**	**176,181,379**	**283,498,934**	**7,103,703**	**42,685,012**	**93,579,814**	**728,954,870**	**186,822,817**	**1,766,711,080**
Off - balance sheet items										
Letter of guarantee	19,212,630	10,519,530	20,075,839	28,653,938	605,284	3,090,541	-	-	52,083,406	134,241,168
Letter of credit	48,094,747	10,570,286	6,589,397	6,012,005	-	-	-	-	54,478,668	125,745,104
Other liabilities	223,460,256	1,422,017	16,583,379	130,677	-	-	864,236	-	8,709,400	251,169,965
Total	**290,767,633**	**22,511,834**	**43,248,616**	**34,796,620**	**605,284**	**3,090,541**	**864,236**	**-**	**115,271,474**	**511,156,238**

b) Total distribution of exposures according to financial instruments subject to impairement losses

Items	31 December 2018			
	Stage one	Stage two	Stage three	Total
Financial	147,016,082	11,790	39,248	147,067,120
Industrial	85,814,162	8,393,699	6,609,572	100,817,432
Commercial	134,171,453	25,009,048	17,000,878	176,181,379
Real estate	246,171,287	23,952,978	13,374,669	283,498,934
Agriculture	3,227,454	3,191,019	685,230	7,103,703
Shares	41,024,372	748,324	912,316	42,685,012
Retail	81,999,868	8,172,009	3,407,936	93,579,813
Governmental and public sector	728,954,870	-	-	728,954,870
Other	163,149,609	13,801,982	9,871,227	186,822,817
Total	**1,631,529,155**	**83,280,849**	**51,901,076**	**1,766,711,080**

3) Credit Concentration based on geographic distribution is as follows:
a) Total distribution of exposures according to geographic region

	31 December 2018							
	Inside Jordan	Other Middle Eastern countries	Europe	Asia*	Africa	America	Other countries	Total
Balances at central banks	87,248,852	92,562,298	-	-	-	-	-	179,811,150
Balances at banks and financial institutions	5,561,294	33,573,917	21,082,456	8,093,752	-	13,276,754	58,816	81,646,989
Credit Facilities	854,554,433	45,878,779	-	-	-	-	-	900,433,212
Financial assets at fair value through other comprehensive income	31,548,523	2,871,051	3,028,890	-	1,051,596	-	-	38,500,061
Financial assets at amortized cost	531,569,416	18,133,684	-	-	-	-	-	549,703,100
Other assets	9,168,696	7,447,873	-	-	-	-	-	16,616,569
Total 2018	**1,519,651,214**	**200,467,602**	**24,111,346**	**8,093,752**	**1,051,596**	**13,276,754**	**58,816**	**1,766,711,080**
Letter of guarantee	104,696,238	24,143,383	3,544,376	1,854,171	500	2,500	-	134,241,168
Letter of credit	60,105,935	65,639,169	-	-	-	-	-	125,745,104
Other liabilities	207,681,585	43,488,381	-	-	-	-	-	251,169,966
Total	**372,483,757**	**133,270,934**	**3,544,376**	**1,854,171**	**500**	**2,500**	**-**	**511,156,238**

b) Distribution of exposures according to geographic region on stages according to IFRS 9

	31 December 2018			
	Stage One	Stage Two	Stage Three	Total
Inside Jordan	1,439,214,773	35,437,419	44,999,022	1,519,651,214
Other Middle Eastern countries	145,725,728	47,839,820	6,902,054	200,467,602
Europe	24,110,932	414	-	24,111,346
Asia	8,093,752	-	-	8,093,752
Africa	1,051,596	-	-	1,051,596
America	13,273,558	3,196	-	13,276,754
Other Countries	58,816	-	-	58,816
Total	**1,631,529,155**	**83,280,849**	**51,901,076**	**1,766,711,080**

4- The fair value distribution of collateral against credit exposure (for total credit exposures) is as follows:

			Fair value of collaterals								
Item	Total exposure	Interest in suspense	Cash collaterals	Listed stocks	Accpeted guarantees	Real estate	Cars and equipements	Others	Total collateral	Net exposures after collateral	Expected credit loss (ECL)
	JOD		JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cash and balances at central banks	180,287,043	-	-	-	-	-	-	-	-	180,287,043	475,893
Balances at banks and financial institutions	81,646,989	-	-	-	-	-	-	-	-	81,646,989	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Direct credit facilities:											
Retail	104,136,837	3,672,614	11,930,189	17,972,875	-	44,801,324	16,148,546	-	90,852,934	13,283,902	11,254,046

Realestate mortgages	156,768,973	1,364,011	31,929	-	-	113,392,121	295,394	-	113,719,443	43,049,530	3,438,573
Companies											
Corporate	471,532,510	9,971,870	11,401,247	83,744,002	-	114,682,455	15,299,993	-	225,127,697	246,404,813	51,530,394
Small and medium enterprises "SMEs"	179,493,242	1,741,422	11,966,760	3,878,664	-	65,227,796	3,452,569	-	84,525,788	94,967,453	6,599,956
Government and public sector lending	68,600,726	-	-	-	68,600,726	-	-	-	68,600,726	-	-
Debt, subordinate, and treasury bills									**-**		
Financial assets at fair value through other comprehensive income	38,530,089	-	-	-	-	-	-	-	-	38,530,089	30,028
Financial assets at amortized cost	550,333,509	-	-	3,545,000	-	5,423,085	-	-	8,968,085	541,365,424	630,409
Other assets	16,696,292	-	-	-	-	-	-	-	-	16,696,292	79,724
Total	**1,848,026,210**	**16,749,917**	**35,330,125**	**109,140,541**	**68,600,726**	**343,526,781**	**35,196,501**	**-**	**591,794,674**	**1,256,231,535**	**74,039,023**
Letters of guarantee	135,048,308	-	23,361,949	347,127	6,814,269	10,977,522	22,290,557	-	63,791,424	71,256,884	807,139
Letters of credit	127,325,405	-	81,187,019	-	-	31,243,320	20,000	-	112,450,339	14,875,066	1,580,300
Other liabilities	252,706,460	-	37,880,080	-	-	9,546,150	-	-	47,426,230	205,280,230	1,536,495
Total	**2,363,106,383**	**16,749,917**	**177,759,173**	**109,487,668**	**75,414,995**	**395,293,773**	**57,507,058**	**-**	**815,462,667**	**1,547,643,715**	**77,962,957**

4 - The fair value distribution of collateral against credit exposure (for total credit exposures) is as follows(for exposures under stage three):

			Fair value of collaterals								
Item	Total exposure	Interest in suspense	Cash collaterals	Listed stocks	Accpeted guarantees	Real estate	Cars and equipements	Others	Total collateral	Net exposures after collateral	Expected credit loss (ECL)
	JOD		JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cash and balances at central banks	-	-	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Direct credit facilities											
Retail	10,228,399	3,672,614	1,445,865	31,016	-	7,545,718	843,279	-	9,865,877	362,522	10,025,366
Realestate mortgages	10,546,644	1,364,011	-	-	-	9,163,499	15,173	-	9,178,672	1,367,972	2,223,628
Companies									-		
Corporate	92,606,162	9,971,870	3,457,025	52,281	-	20,165,182	8,352,460	-	32,026,948	60,579,214	48,229,157
Small and medium enterprises “SMEs”	21,012,818	1,741,422	-	-	-	6,849,057	23,059	-	6,872,117	14,140,701	5,264,878
Government and public sector lending	-	-	-	-	-	-	-	-	-	-	-
Debt, subordinate, and treasury bills :									-		
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-

Financial assets at amortized cost	500,000	-	-	-	-	-	-	-	-	500,000	500,000
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total	**134,894,023**	**16,749,917**	**4,902,890**	**83,296**	**-**	**43,723,456**	**9,233,971**	**-**	**57,943,613**	**76,950,409**	**6,243,029**
Letters of guarantee	12,222,917	-	871,863	265,637	-	-	7,482,000	-	8,619,500	3,603,417	-
Letters of credit	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	840,624	-	-	-	-	-	-	-	-	840,624	-
Total	**47,957,564**	**16,749,917**	**5,774,753**	**348,933**	**-**	**3,723,456**	**16,715,971**	**-**	**66,563,113**	**81,394,451**	**66,243,029**

5) Total credit exposures that have been reclassified

The disclosures below are prepared in two phases: the first phase is for total credit exposures and the second phase is for the expected credit losses:

a) Total credit exposures that have been reclassified

	Stage two		Stage three			
	Total exposure	Reclassified exposure	Total exposure	Total reclassified exposures	Total reclassified exposures	Percentage of reclassified exposures
Balances at central banks	-	-	-	-	-	-
Balances at banks and financial institutions	9,089	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-
Credit facilities	76,772,949	12,577,661	68,650,994	9,980,705	22,558,366	16%
Bonds and treasury bills within						
Financial assets at fair value through income statement	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets at amortized cost	-	-	-	-	-	-
Other assets	45,880	-	-	-	-	-
Total	**76,827,918**	**12,577,661**	**68,650,994**	**9,980,705**	**22,558,366**	**16%**
Letters of guarantee	3,913,383	281,015	12,222,917	-	281,015	2%
Letters of credit	58,323	-	-	-	-	-
Bank acceptances	11,201,416	-	-	-	-	-
Unutilized credit facilities	2,289,385	-	840,624	-	-	-
Total	**17,462,508**	**281,015**	**13,063,541**	**-**	**281,015**	**1%**

b) Expected credit loss for the reclassified exposures

	Exposures that have been classified			Expected credit loss for the reclassified exposures		
	Exposures that were reclassified from stage two	Exposures that were reclassified from stage three	Total reclassified exposures	Stage two	Stage three	Total
Balances at central banks	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-
Deposits at banks and financial institutions	-	-	-	-	-	-
Credit facilities	12,577,661	9,980,705	22,558,366	(606,054)	(6,233,147)	15,719,165
Bonds and treasury bills within						
Financial assets at fair value through income statement	-	-	-	-	-	-

Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets at amortized cost	-	-	-	-	-	-
Pledge financial assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	12,577,661	9,980,705	22,558,366	(606,054)	(6,233,147)	15,719,165
Letters of guarantee	281,015	-	281,015	(8,872)	-	272,143
Letters of credit	-	-	-	-		-
Bank acceptances	-	-	-	-	-	-
Unutilized credit facilities	-	-	-	-	-	-
Total	**281,015**	**-**	**281,015**	**(8,872)**	**-**	**272,143**

6- Rescheduled loans

Are defined as loans that were classified as "Non-performing" credit facilities, and subsequently removed and included under "Watch List" based upon a proper rescheduling that complies with the Central Bank of Jordan's regulations. These loans amounted to JOD 33,503,010 as of 31 December 2018, against JOD 8,332,672 as of 31 December 2017.

The rescheduled loans balances represents the scheduled loans either still classified as watch list or transferred as to performing.

7- Restructured loans

Restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferment of installments, or extending the grace period and accordingly are classified as "Watch List" in case of restructuring twice during the year according to the Central Bank of Jordan instructions number 47/2009 issued on 10 December 2009 and its amendments. These debts amounted to JOD 73,195,864 as of 31 December 2018 against JOD 71,237,889 as of 31 December 2017.

8- Bonds and treasury bills

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies as of 31 December 2018:

Bonds and bills

Risk rating class	Financial assets at fair value through income statement	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Pledged financial assets	Total
	JOD	JOD	JOD	JOD	JOD
Non-rated	-	55,097,640	3,298,919	-	58,396,559
Governmental	-	486,526,236	29,419,038	-	515,945,274
(A- / A+) S&P	-	-	5,105,196	-	5,105,196
(BBB+ /BBB-) S&P	-	-	-	-	-
Total	**-**	**541,623,876**	**37,823,153**	**-**	**579,447,029**

(43 - 2) Market risk

Market risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business units. The risks include the following:

1. Interest Rate Risk
2. Exchange Rate Risk
3. Equity Price Risk

The bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed. The Market Risk Unit has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

1. Policies and procedures that are approved by the Board of Directors and the Central Bank of Jordan.
2. Market Risk Policy that includes principles of identifying, managing, measuring and monitoring this type of risk and having it approved by the relevant committees.
3. Monitoring reports for managing and monitoring market risk.
4. Developing tools and measures to manage and monitor market risk through:

    a. Sensitivity Analysis.
    b. Basis Point Analysis.
    c. Value at Risk (VaR).
    d. Stress Testing.
    e. Stop-Loss Limit Reports.
    f. Monitoring the bank's investment limits.
    g. Monitoring the bank's investment portfolio at fair value through other comprehensive income and conducting revaluations of the portfolio on a regular basis.

5. The Middle Office Unit is tasked with monitoring, on a daily basis, all the investment limits in the money market and the foreign exchange transactions.

1- Interest rate risk:

Interest rate risk arises from the possible impact of changes in interest rates on the bank's profits or the fair value of financial instruments. The bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which it is affected by the current and expected interest rates, while comparing it with the approved limits, and implementing hedging strategies when needed. The bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

Interest rate risk reduction methods:
The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the assets and liabilities maturity gaps, and the extent of their exposure to the impacts of current and expected interest rates are examined. In addition, solutions are proposed to reduce the impact of these risks.

Balancing due dates of assets and liabilities; the management of the bank seeks to harmonize the impact of interest rates changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

Interest rate gaps:
The Bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities that links and balances the maturities and interests.

Interest rate hedging:
The bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the Bank invests in short-term investments to meet any possible fluctuations.

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at 31 December 2018:

2018			
Currency	Increase in interest rate	Sensitivity of interest income (profit and loss)	Sensitivity of equity
	%	JOD	JOD
US dollar	1	227,929	-
Euro	1	38,882	-
Pound sterling	1	(519)	-
Japanese yen	1	4,037	-
Other currencies	1	5,709	-
2017			
Currency	Decrease in interest rate	Sensitivity of interest income (profit and loss)	Sensitivity of equity
	%	JOD	JOD
US dollar	1	545,345	-
Euro	1	16,185	-
Pound sterling	1	12,686	-
Japanese yen	1	55,199	-
Other currencies	1	19,452	-

The sensitivity of the interest rates is as follows:
The following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:

31 December 2018	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	Non-interest bearing	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Assets-								
Cash and balances at central banks	35,673,950	-	-	-	-	-	202,104,708	237,778,658
Balances at banks and financial institutions	127,332	-	-	-	-	-	81,519,657	81,646,989
Direct credit facilities	201,948,691	72,334,858	65,370,292	84,252,647	174,785,586	274,996,618	17,270,711	890,959,403
Financial assets at fair value through income statement	-	-	-	-	-	-	3,729,007	3,729,007
Financial assets at fair value through other comprehensive income	-	-	-	2,447,257	2,310,291	33,035,577	12,025,538	49,818,663
Financial assets at amortized cost - net	-	20,000,115	14,999,900	77,899,275	105,363,278	322,730,899	-	540,993,467
Property and equipment - net	-	-	-	-	-	-	32,105,667	32,105,667
Intangible assets - net	-	-	-	-	-	-	10,649,739	10,649,739
Deferred tax assets	-	-	-	-	-	-	14,791,131	14,791,131
Other assets	4,595,389	1,361,142	465,334	15,712,277	4,198,577	7,655,933	68,296,648	102,285,300
Total assets	**242,345,362**	**93,696,115**	**80,835,526**	**180,311,456**	**286,657,732**	**638,419,027**	**442,492,806**	**1,964,758,024**
Liabilities-								
Banks and financial institution deposits	25,011,367	-	-	-	-	-	19,627,506	44,638,873
Customers' deposits	194,826,375	134,795,048	221,407,807	180,103,905	101,262,446	10,095,762	405,391,804	1,247,883,147
Cash margin accounts	32,367,356	21,223,284	12,895,819	11,821,544	30,648,320	34,584,010	-	143,540,333
Loans and borrowings	1,392,092	11,110,611	12,213,342	7,653,518	45,076,777	47,105,692	-	124,552,032
Subordinated loans	-	-	-	-	17,725,000	-	-	17,725,000
Sundry provisions	-	-	-	-	-	-	8,783,281	8,783,281
Income tax provisions	-	-	-	-	-	-	6,500,757	6,500,757
Deferred tax liabilities	-	-	-	-	-	-	1,212,993	1,212,993
Other liabilities	2,504,345	1,643,177	919,585	2,238,108	1,233,533	125,529	20,501,069	29,165,346

Total liabilities	**256,101,535**	**168,772,120**	**247,436,553**	**201,817,075**	**195,946,076**	**91,910,993**	**465,941,345**	**1,627,925,697**
Interest rate sensitivity gap	(13,756,173)	(75,076,005)	(166,601,027)	(21,505,619)	90,711,656	546,508,034	(23,448,539)	336,832,327
31 December 2017								
Total Assets	**240,370,199**	**109,741,908**	**68,272,081**	**173,616,970**	**395,418,286**	**500,027,033**	**512,927,027**	**2,000,373,504**
Total Liabilities	**237,072,921**	**144,612,062**	**208,780,089**	**249,558,442**	**226,637,035**	**65,407,677**	**518,910,815**	**1,650,979,041**
Interest rate sensitivity gap	**3,297,278**	**34,870,154)**	**(140,508,008)**	**(75,941,472)**	**168,781,251**	**434,619,356**	**(5,983,788)**	**349,394,463**

2- Currency risks

The currency risk is the risk of change in the value of financial instruments due to change in exchange rates. The jordanian dinar is the base currency of the bank. The board of directors imposes limits for the financial position of each currency at the bank. The foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies' positions within the approved limits.

The bank's investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of shareholders' equity for each currency, and that the gross foreign currencies position does not exceed 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, complex market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that ensure the bank is not exposed to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the jordanian dinar, assuming that all other variables remain constant:

2018 -		
Currency	Change in currency exchange rate	Effect on profit and loss
	%	JOD
Euro	5	(129,395)
Pound sterling	5	10,953
Japanese yen	5	20,877
Other currencies	5	2,262,350
2017 -		
Currency	Change in currency exchange rate	Effect on profit and loss
	%	JOD
Euro	5	55,663
Pound sterling	5	(2,784)
Japanese yen	5	522
Other currencies	5	3,566,789

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

Concentration in foreign currency risk:

2018	US DOLLAR	Euro	Pound sterling	Japanese yen	Other	Total
Assets						
Cash and balances at Central Bank of Jordan	45,657,008	3,598,619	174,356	-	111,771,553	161,201,536
Balances at banks and financial institutions	49,414,566	8,161,833	9,588,309	5,991,709	8,141,394	81,297,811
Deposits at banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through income statement	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	29,390,296	193,690	231,221	-	3,898,194	33,713,401

Financial assets at amortized cost, net	60,184,508	-	-	-	14,552,640	74,737,148
Direct credit facilities	153,363,168	-	-	-	19,448	153,382,616
Property and equipment - net	2,349,563	-	-	-	8,173,383	10,522,946
Intangible assets - net	1,709,199	126,560	-	-	723,522	2,559,281
Other assets	23,105,894	622,212	14,074	14,074	(17,125)	23,739,132
Total assets	**365,174,202**	**12,702,914**	**10,007,960**	**6,005,783**	**147,263,009**	**41,153,871**

Liabilities						
Banks and financial institution deposits	27,999,757	8,271,143	656,728	-	1,148,867	38,076,496
Customers' deposits	308,319,298	17,957,976	8,956,041	6,981,163	71,442,001	413,656,477
Margin accounts	40,852,152	32,496,171	176,132	11,726	1,706,285	75,242,466
Loans and borrowings	8,725,883	-	-	-	3,098,151	11,824,034
Subordinated loans	17,725,000	-	-	-	-	17,725,000
Secondary loans	-	-	-	-	-	-
Sundry provisions	38,995	-	-	-	8,740,286	8,779,281
Provisions against off balance sheet items	-	-	-	-	2,997,303	2,997,303
Income tax provision	-	-	-	-	2,456,834	2,456,834
Other liabilities	5,930,483	63,035	-	-	8,992,398	14,985,916
Total liabilities	**409,591,568**	**58,788,325**	**9,788,901**	**,992,889**	**100,582,125**	**85,743,807**
Net concentration in the statement of financial position	(44,417,366)	(46,085,411)	219,059	(987,106)	46,680,884	(44,589,939)
Forward contracts	50,359,804	43,497,521	-	1,404,649	(1,433,875)	93,828,099
Net concentration in foreign currency	**5,942,438**	**(2,587,890)**	**219,059**	**417,543**	**45,247,009**	**49,238,160**

2017						
Total assets	**425,040,230**	**21,070,242**	**6,523,761**	**20,841,738**	**193,496,502**	**666,972,473**
Total liabilities	**455,188,138**	**32,460,060**	**6,196,234**	**20,831,303**	**123,127,392**	**637,803,127**
Net concentration in the statement of financial position	(30,147,908)	(11,389,818)	327,527	10,435	70,369,110	29,169,346
Forward contracts	59,056,623	12,503,085	(383,200)	-	966,670	72,143,178
Net concentration in foreign currency	28,908,715	1,113,267	(55,673)	10,435	71,335,780	101,312,524

3- Equity price risk

Equity price risk arises from the change in the fair value of equity investments. The bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the bank's equity investments are listed in Amman Stock Exchange. The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

Indicator	Change in indicator	Effect on profit and loss	Effect on equity
2018 -	**%**	**JOD**	**JOD**
Amman Stock exchange	5	186,450	401,674
Regional Markets	5	-	172,926
Indicator	**Change in indicator**	**Effect on profit and tax**	**Effect on equity**
2017 -	**%**	**JOD**	**JOD**
Amman Stock exchange	5	159,618	275,650
Regional Markets	5	3,435	181,106

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

(43 - 3) Liquidity Risk

Liquidity risk refers to the risk arising from the probability of the bank being unable to raise adequate funds in any geographical region, currency and time, to meet its obligations when they are due, or to finance its activities without bearing high costs or incurring losses because of resorting to:

1. Selling bank assets at low prices; leading to a decrease in the expected returns and the financial profits of the bank.
2. Acquiring high-cost obligations in order to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the bank.

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the Bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The Bank should provide the assets that can be sold at a price that is close to its fair value. Accordingly, the liquidity risk which the Bank may be subject to can be divided into the following:

A- Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments.

B- Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

The Treasury and Investment Department is resposible for managing the bank's liquidity, while the Asset and Liability Committee (ALCO) manages, measures and monitors the liquidity risk which are governed by pre-set policies and procedures as well as the Contingency Funding Plan. The committee is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the bank assets and liabilities, whether in the on/off-statement of financial position items of it in coordination with the head of Treasury and Investment Department. The management of liquidity risk is conducted within the following group of inputs:

1- A set of policies and procedures approved by the committees which determine principles, definition, management, measurement and monitoring of liquidity risk.

2- Contingency Funding Plan, which includes:

a. Specific procedures for liquidity contingency management.

b. A specialized committee for liquidity contingency management.

c. Liquidity Contingency Plan.

d. Analysis of the liquidity position of the Bank based on the following liquidity reports:

- Duration gap analysis of assets and liabilities.
- Legal liquidity ratio, liquidity according to maturity ladder (in Jordanian dinar and foreign currencies).
- Certificate of Deposits (CDs) issued by Capital Bank (in Jordanian dinar and foreign currencies).
- Customers Deposits (in Jordanian dinar and foreign currencies).
- Liquidity Indicators Report.
- Stress testing.

The Treasury and Investment Department, in coordination with the Market Risk Unit, diversifies funding sources and matches its maturity dates, and maintains sufficient liquid assets, in order to mitigate liquidity risk. Accordingly, this is accomplished through:

Analysis and monitoring of assets and liabilities maturity dates: the bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.

Liquidity Contingency Plan: Assets and Liabilities Risk Management Committee submits its recommendations regarding the liquidity risk management and its procedures and sets necessary orders to apply the effective monitoring controls and issues reports regarding liquidity risk and the ability to adhere to the policies and controls. In addition to providing analytical resources to top management including monitoring all the technical updates related to the measurements and liquidity risk and its application.

Geographical and sectorial distribution: the assets and liabilities of the bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing customer and corporate credit. Furthermore, the bank seeks to diversify the sources of funding and their maturity dates.

Cash reserves at the banking monitoring authorities: The bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JOD 83,275,891.

First: The table below summarizes the undiscounted cash flows of the financial liabilities:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	No fixed maturity	Total
31 December 2018	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Liabilities-								
Banks and financial institution deposits	44,747,247	-	-	-	-	-	-	44,747,247
Customers' deposits	600,618,931	135,931,671	225,141,732	186,178,617	111,508,870	11,798,358	-	1,271,178,179
Margin accounts	32,645,374	21,148,047	13,392,431	11,346,838	29,708,475	36,969,737	-	145,210,902
Loans and borrowings	204,500	11,222,034	12,458,307	7,960,534	50,501,440	57,980,346	-	140,327,161
Income tax provision	2,456,834	-	4,043,923	-	-	-	-	6,500,757
Deferred tax liabilities	-	1,212,993	-	-	-	-	-	1,212,993
Sundry provisions	365,970	731,940	1,097,910	2,195,820	4,391,640	-	-	8,783,281
Provisions against off - balance sheet items	-	-	3,923,935	-	-	-	-	3,923,935
Other liabilities	10,779,854	1,768,108	3,014,348	2,463,301	1,438,525	154,621	-	19,618,757
Subordinated loans	-	-	-	-	21,425,980	-	-	21,425,980
Total Liabilities	**691,818,710**	**172,014,793**	**263,072,586**	**210,145,110**	**218,974,930**	**106,903,062**	**-**	**1,662,929,192**
Total Assets	**302,228,839**	**175,877,269**	**75,805,503**	**330,706,175**	**305,080,159**	**22,984,070**	**152,076,008**	**1,964,758,024**
31 December 2017								
Liabilities-								
Banks and financial institution deposits	107,900,583	-	-	-	-	-	-	107,900,583
Customers' deposits	574,814,622	110,126,602	184,450,375	225,882,644	135,199,126	12,900,571	-	1,243,373,940
Margin accounts	32,989,354	28,216,816	14,606,376	12,937,757	27,549,719	30,207,558	-	146,507,580
Loans and borrowings	1,662,700	6,371,562	11,500,933	16,993,832	65,110,624	30,101,968	-	131,741,619
Income tax provision	1,674,504	764,136	8,092	-	-	-	-	2,446,732
Deferred tax liabilities	-	679,685	-	-	-	-	-	679,685
Sundry provision	-	-	-	-	-	-	16,817,883	16,817,883
Other liabilities	10,608,046	1,040,209	1,766,201	2,167,224	1,285,506	122,853	-	16,990,039
Subordinated loans	-	-	-	-	-	23,893,300	-	23,893,300
Total liabilities	**729,649,810**	**147,199,010**	**212,331,977**	**57,981,457**	**29,144,975**	**97,226,250**	**16,817,883**	**1,690,351,362**
Total assets	**273,195,865**	**116,931,980**	**65,655,064**	**80,587,845**	**21,719,975**	**97,194,523**	**445,088,251**	**1,000,373,504**

Second: The table below summarizes the maturities of financial derivatives as of the date of the consolidated financial statements:
Financial derivatives / liabilities which are settled in net include: foreign currency derivatives, off-the statement of financial position items market currency options, currency futures, and on-statement of financial position foreign currency swap contracts:

Foreign Currency Derivatives

2018	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Total
	JOD	JOD	JOD	JOD	JOD
Derivatives held for trading:					
Currency Derivatives Outflows	74,664,352	162,170	453,834	895,931	76,176,286
Inflows	74,609,896	162,361	450,709	932,095	76,155,062
2017	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**Total**
	JOD	**JOD**	**JOD**	**JOD**	**JOD**
Derivatives held for trading:					
Currency Derivatives Outflows	-	9,713,291	32,007,050	-	81,720,341
Inflows	-	9,815,465	32,154,685	-	81,970,150

Third: Off-the statement of Financial position items

2018	Up to 1 year	1 – 5 years	Total
	JOD	JOD	JOD
Acceptances and Letters of Credit	140,266,049	57,664,599	197,930,648
Unutilized credit limits	-	105,924,931	105,924,931
Letters of guarantee	135,048,308	-	135,048,308
Foreign Currency Forward Deals	76,176,286	-	76,176,286
Total	**351,490,643**	**163,589,530**	**515,080,173**
2017	**Up to 1 year**	**1 – 5 years**	**Total**
	JOD	**JOD**	**JOD**
Acceptances and Letters of Credit	60,744,644	47,553,193	108,297,837
Unutilized limits credit	-	82,207,585	82,207,585
Letters of guarantee	143,235,118	-	143,235,118
Foreign Currency Forward Deals	81,720,341	-	81,720,341
Total	**285,700,103**	**129,760,778**	**415,460,881**

(43-4) Operational risk:

Operational risk is defined as the risk of loss arising from inadequate or failure of internal processes, human factor or systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk and reputational risk for the purposes of managing these types of risk.

Due to the continuous change in the working environment and the management's desire to remain in-sync with all the technological advancements and to introduce new banking services and products.

Operational Risk Policy has been designed and developed the bank's departments, branches and its subsidiary, whereby the main principles are included and the policy's objectives are aligned with the bank's strategic objectives.
As a result bank's strategies has been implemented to enhance the role of operational risk management which is represented by Operational Risk Management Framework, which includes all the bank's divisions, branches and subsidiaries. This requires determining, evaluating, supervising and rendering the operational risk to each branch separately as it is outlined in Basel committee accords through which Control Risk Self Assessment (CRSA) made by:

1. Holding "Workshops" based on adopted analysis procedures and audit reports thus identifying risks, controls, and determine the regulatory gap through the matrix of risk, In this context, a model of "regulatory examinations" manager of the unit/ department/ branch or his representative "coordinator or responsible".
2. Building key risk indicator to cover all bank and its branches.
3. Provide a mechanism to collect operational events and calculate expected losses based on the events using "Actuarial Model" thus determine the carrying capacity" Risk Appetite" at every level all alone.
4. Supervising over the renovation and development of a business continuity plan in the bank and its subsidiaries.

From this point, the continuity and effectiveness of operational risk management is an integral part of the responsibilities of all those concerned in the applications in the Bank and on all levels through:

1- Adherence to regulatory examinations conducted by their schedules and without delay.
2- Showing the result of regulatory tests with transparency and accuracy.
3- Reporting and disclosing any losses or operating events without delay or hesitation.
4- Adopt and implement the recommendations "Remedial Actions/ Recommendations/ Mitigations" that are put forward by the operational risk unit, that would mitigate the risks identified through workshops/ Reporting of events or operating losses/ Regulatory examinations.
5- The role of the Board of Directors, Risk and compliance committee, senior management, audit department to activate the importance of operational risk and make it an integral part of the daily activities.

To ensure that the above is implemented, the operational risk management unit is keen on spreading knowledge and increasing awareness about operational risk management by conducting training courses and workshops for all bank departments and by creating an effective work environment between the operational risk management unit and the concerned parties from each department. In addition, the operational risk management unit is responsible for raising reports to the Internal Risks Committee concerning any short comings or violations. This will ultimately lead to the development of risk profile at each department / unit level and the bank level as a whole.
In addition to the above, the Operational Risk Management unit is concerned with the following:

1 - Reviewing the bank's internal policies and procedures to highlight the associated risks and work on minimizing such risks prior to implementation.
2 - Conducting stress testing and observing the results.
3 - Internal assessment of capital with respect to operational risks in accordance with Central Bank of Jordan instructions.
4 - Continuous development of the systems used to manage.
5 - Continue the development of the integrated program for business continuity plans.

Information security :

The responsibility of the Information Security / Risk management unit lies in ensuring security, availability and accuracy of the banks information through the following:-

1. Developing an Information security program based on leading International standards (ISO 27k, PCI DSS), that is in line with the bank's strategy.
2. Providing the tools and means necessary to reduce Information security risks.
3. Developing security policies related to Information systems and resources.
4. Continuous security awareness for the bank's employees and ensuring their compliance to the security program.
5. Managing security incidents related to Information management systems and raising recommendations to top management.
6. Developing security standards for various Information systems.
7. Working on developing a business continuity plan to ensure business continuity in the event of any disaster.
8. Identifying the appropriate controls to mitigate the risks faced by the bank through analyzing various Information security risks.
9. Preparing and developing security measures related to Information systems security incidents.
10. Managing Information systems security incidents and raising relevant recommendations to top management.
11. Ensuring the security and Integrity of hardware, software and various applications through risk analysis and periodic testing to ensure safe use of these resources.

(44) Segment Information

1. Information about bank activities:

Retail banking: Includes handling individual customers' deposits, credit facilities, credit card, and other services.

Corporate banking: Includes monitoring deposits, credit facilities, and other banking facilities provided to corporate customers.

Corporate finance: Principally arranging structured financing, and providing services relating to privatizations, IPOs, and mergers and acquisitions.

Treasury: Principally providing money market, trading and treasury services, as well as the management of the bank's funding operations.

These segments are the basis on which the Bank reports its segment information:

	Retail banking	Corporate banking	Corporate finance	Treasury	Other	2018	2017
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Total revenue	25,367,373	60,913,083	650,809	43,770,414	4,482,534	135,184,214	139,756,057
Impairment losses on direct credit facilities	(2,611,801)	(5,276,635)	-	7,183,704	(79,728)	(784,460)	(24,124,636)
Segment results	851,837	25,388,432	650,809	48,257,920	4,402,806	79,551,804	68,519,651
Unallocated expenses	-	-	-	-	-	(42,152,811)	(37,137,158)
Profit before tax						37,398,993	31,382,493
Income tax						(7,050,717)	(4,070,847)
Net profit						30,348,276	27,311,646
Other information							
Segmental assets	260,905,810	630,053,593	-	913,966,784	159,831,837	1,964,758,024	2,000,373,504
Segmental liabilities	733,803,962	657,619,518	-	186,915,905	49,586,313	1,627,925,698	1,650,979,041
Capital expenditure						(12,174,828)	(5,241,020)
Depreciation and amortization						(4,993,075)	(4,590,769)

2. Geographical information

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America and the Far-East.

The following table shows the distribution of the bank's operating income and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2018	2017	2018	2017	2018	2017
	JOD	JOD	JOD	JOD	JOD	JOD
Total revenue	114,943,979	112,117,495	20,240,236	27,638,562	135,184,214	139,756,057
Total assets	1,808,412,329	1,750,320,266	156,345,695	250,053,238	1,964,758,024	2,000,373,504
Capital expenditure	9,127,513	3,256,822	3,047,315	1,984,198	12,174,828	5,241,020

(45) Capital management

The bank maintains an appropriate paid-in-capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL to comply with the Central Bank of Jordan's regulations.

According to Central Bank of Jordan regulations (52/2010), the minimum paid-in-capital of Jordanian banks should be JOD 100 million before the end of 2011 and the capital for the foreign banks in Jordan should not be less than half of the capital for the Jordanian banks in accordance to article (12) and article (8) from the Law and Banks number (28) for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 4% as per article 67/2016 CBJ regulations.

Through its operational years; the bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator; noting that the instructions impose a ratio of no less than 14%.

The bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the bank's capital structure during 2018 and 2017.

Description of paid-in-capital
According to CBJ regulations regarding Basel III, regulatory capital comprises of:
1- Tier 1 capital, which refers to the Bank's core capital, and consists of:

- Common Equity Tier 1 (CET1) which includes the following: (paid in capital, retained earnings, statutory and voluntary reserves,cumulative change in fair value, foreign currency translation adjustment, minority interest (recognizable under CET1), it also includes the following deductions, year/period losses, goodwill and intangible assets, deferred tax assets, treasury stocks, shortage in required provisions, shortages in tier 2 capital, restricted balances, gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies and unconsolidated subsidiaries.
- Additional Tier 1 (AT1), Additional Tier 1 capital consists of the sum of the following elements: (convertible bonds, preferred stocks, financial instruments issued by the bank and holds the characteristics of additional capital, minority interest (recognizable under AT1), it also includes the following deductions (gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.

2- Tier 2 capital, which is the supplementary capital, consists of the following elements; subordinated debt, general banking risk reserve and minority interest, and deducts the following; insignificant investments (<10%) and significant investments (>10%) in other banks, financial institution, insurance companies and unconsolidated subsidiaries.

The transition period for the deductions in tier 1 and tier 2 related to the investments in banks, financial institutions, insurance companies and unconsolidated subsidiaries occurs gradually over 5 years according to CBJ regulations. By the end of the year 2020, these deductions will be fully deducted from Tier 1.

Central Bank of Jordan emphasized on the importance of complying with Basel III regulation in building up addition capital as a percentage of risk weighted assets, which restricts cash dividends, through the following buffers:

1- Conservation Buffer.
2- Countercyclical Buffer.
3- D-SIBs.

Regulatory requirements for paid in capital

Capital adequacy ratio is calculated based on the simplified approach (standardized approach) in accordance with the regulations of the Central Bank of Jordan, which in turn are based on the verdicts of the Basel committee. Below are the comparative figures of the capital adequacy ratio:

	2018	2017
	JOD	JOD
Primary capital		
Paid-in-capital	200,000,000	200,000,000
Statutory reserves	38,588,144	34,689,204
Share premium	709,472	709,472
Retained earning	51,640,074	50,994,187
Fair value reserve	9,432	187,646
Foreign Currency translation reserve	(5,223,143)	(4,082,668)
Non-controlling interest	25,810,847	47,452,938
proposed cash dividends	(20,000,000)	(20,000,000)
Less-		
Intangible assets	10,649,739	5,795,651
Deferred tax assets	14,791,131	10,286,431
Balances at Central Bank of Iraq (net)	36,921,212	81,557,340
Total Primary capital	**229,172,745**	**212,311,357**
Supplementary capital		
Impairment losses according to IFRS9 – Stage 1	8,075,095	8,840,593
Non-controlling interest	584,597	709,106
Subordinated loans	3,545,000	7,090,000
Total Supplementary capital	**12,204,692**	**16,639,699**
Total Regulatory capital	**241,377,438**	**228,951,056**
Total Risk weighted assets	**1,485,530,292**	**1,514,338,178**
Capital adequacy (%)	16.25%	15.12%
Primary capital (%)	15.43%	14.02%

(46) Fiduciary accounts

Investment custody accounts amounted to JOD 49,747,927 as of 31 December 2018 compared to JOD 39,988,858 in 31 December 2017.

In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Bank (Horizon fund) in a fiduciary capacity amounting to JOD 740,506 as of 31 December 2018 are segregated from the Bank’s assets and are not included in the consolidated financial statements.

(47) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2018	Up to 1 year	More than 1 year	Total
	JOD	JOD	JOD
Assets			
Cash and balances at CBJ	222,575,806	15,202,852	237,778,658
Balances at banks and financial institutions	81,646,989	-	81,646,989
Direct credit facilities , net	438,593,911	452,365,492	890,959,403
Financial assets at fair value through income statement	3,729,007	-	3,729,007
Financial assets at fair value through other comprehensive income	2,447,256	47,371,407	49,818,663
Financial assets at amortized cost ,net	112,899,290	428,094,177	540,993,467
Property and equipment (net)	-	32,105,667	32,105,667
Intangible assets (net)	-	10,649,739	10,649,739
Deferred tax assets	-	14,791,131	14,791,131
Other assets	26,454,534	75,830,766	102,285,300
Total assets	888,346,793	1,076,411,231	1,964,758,024
Liabilities			
Banks and financial institution deposits	44,638,873	-	44,638,873
Customers' deposits	1,136,524,939	111,358,208	,247,883,147
Margin accounts	78,385,408	65,154,925	143,540,333
Loans and borrowings	31,181,290	93,370,742	124,552,032
Income tax provision	6,500,757	-	6,500,757
Deferred tax liabilities	1,212,993	-	1,212,993
Sundry provisions	4,391,641	4,391,640	8,783,281
Provision against off-balance sheet items	3,923,935	-	3,923,935
Other liabilities	17,865,694	11,299,652	29,165,347
Subordinated loans	-	17,725,000	17,725,000
Total liabilities	**1,324,625,530**	**303,300,167**	**1,610,200,697**
Net	**(436,278,737)**	**773,111,064**	**354,557,326**

2017	Up to 1 year	More than 1 year	Total
	JOD	JOD	JOD
Assets			
Cash and balances at central banks	188,789,775	93,948,749	282,738,524
Balances at banks and financial institutions	194,421,910	-	194,421,910
Direct credit facilities	454,800,408	466,161,955	920,962,363
Financial assets at fair value through income statement	3,261,060	-	3,261,060
Financial assets at fair value through other comprehensive income	-	9,135,100	9,135,100
Financial assets at amortized cost	117,111,467	350,773,232	467,884,699
Pledged financial assets	-	-	-
Property and equipment (net)	-	30,268,752	30,268,752
Intangible assets (net)	-	5,795,651	5,795,651
Deferred tax assets	-	10,286,431	10,286,431
Other assets	67,588,452	8,030,562	75,619,014
Total Assets	**1,025,973,072**	**974,400,432**	**2,000,373,504**
Liabilities			
Banks and financial institution deposits	107,872,683	-	107,872,683
Customers' deposits	1,083,308,864	133,711,361	1,217,020,225
Margin accounts	88,537,282	56,125,102	144,662,384
Loans and borrowings	35,590,480	83,323,691	118,914,171
Income tax provision	2,446,732	-	2,446,732
Deferred tax liabilities	679,685	-	679,685
Sundry provisions	16,817,883	-	16,817,883
Other liabilities	23,556,679	1,283,599	24,840,278
Subordinated loans	-	17,725,000	17,725,000
Total liabilities	**1,358,810,288**	**292,168,753**	**1,650,979,041**
Net assets	**(332,837,216)**	**682,231,679**	**349,394,463**

(48) Contingent liabilities and commitments (Off statement of financial position)

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

	2017	2018
	JOD	JOD
Letters of credit	47,553,193	125,824,493
Confirmed export letters of credit	7,577,588	1,500,912
Acceptances	53,167,056	70,605,243
Letters of guarantee :		
Payments	30,799,360	32,082,899
Performance	65,314,628	60,772,701
Others	47,121,130	42,192,708
Foreign currency forward	81,720,341	76,176,286
Unutilized direct credit limits	82,207,585	105,924,931
Total	**415,460,881**	**515,080,173**
Less: expected credit losses	**-**	**(3,923,934)**
Contingent liabilities and commitments- net	**415,460,881**	**511,156,239**

B) the contractual commitments of the bank are as follows:

	2018 JOD	2017 JOD
Intangible assets contracts	27,374,717	780,122
Fixed assets contracts	2,648,535	208,139
Construction contracts	475,416	791,033
Net of Contingent Liabilities and Commitments	**30,498,668**	**1,779,294**

Annual rent of the bank's main building and branches amounted to JOD 1,814,892 as 31 december 2017 (2017: JOD 1,547,206).

Impairement loss on letter of credit

Distribution of letter of credit by categories of the bank's internal credit rating:

Item	2018				31 December 2017
	Stage one	Stage two	Stage three	Total	Total
Low risk / performing	46,846,626	-	-	46,846,626	4,866,475
Acceptable risk / performing	80,418,608	60,171	-	80,478,779	50,264,306
Total	**127,265,234**	**60,171**	**-**	**127,325,405**	**55,130,781**

The movement of contingent liabilities

	Stage one	Stage two	Stage three	Total
Balance at 1 january 2018 resulted from the aplication of ifrs 9	34,701,076	20,429,705	-	55,130,781
Add: new balances during the year	104,361,488	60,172	-	104,421,660
Settled balances	(12,150,904)	(21,429,397)	-	(33,580,301)
Adjustments due to change in exchange rates	353,574	999,691	-	1,353,265
Net balance	**127,265,234**	**60,171**	**-**	**127,325,405**

The movement of the provision for impairment losses of contingent liabilities during 2018

	Stage one	Stage two	Stage three	Total
Balance at 1 january 2018 resulted from the aplication of ifrs 9	32,062	351,213	-	383,275
Impairement loss of indirect credit facilities during the period	1,561,444	2,210	-	1,563,654
Impairement loss of matured exposures	(31,034)	(369,078)	-	(400,112)
Adjustments due to change in exchange rates	15,980	17,503	-	33,483
Net balance	**1,578,452**	**1,848**	**-**	**1,580,300**

Impairement loss on letter of guarantee

Distribution of letter of guarantee by categories of the bank's internal credit rating:

	2017	2018			
	Total	Stage One	Stage Two	Stage Three	Total
Low risk / performing	33,283,002	44,938,001	-	-	44,938,001
Acceptable risk / performing	109,952,116	73,866,435	4,020,955	6,893,398	84,780,788
Non- Performing					
Substandard	-	-	-	5,320,619	5,320,619
Doubtful	-	-	-	8,900	8,900
Total	**143,235,118**	**118,804,436**	**4,020,955**	**12,222,917**	**135,048,308**

The movement of letter of guarantee

	Stage One	Stage Two	Stage Three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	107,451,115	35,784,003	-	143,235,118
Add: new balances during the year	41,374,860	785,612	-	42,160,472
Settled balances	(25,520,579)	(26,227,502)	-	(51,748,081)
Transfer to the first stage during the year	2,397,732	(2,397,732)	-	-
Transfer to second stage during the year	(289,887)	289,887	-	-
Transferred to the third stage during the year	(7,061,441)	(5,161,477)	12,222,917	-
Adjustments due to change in exchange rates	452,636	948,163	-	1,400,799
Net balance	**118,804,436**	**4,020,955**	**12,222,917**	**135,048,308**

The movement of the provision for impairement losses of letter of guarantee during 2018

	Stage One	Stage Two	Stage Three	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	54,239	2,583,009	-	2,637,248
Impairement loss of indirect credit facilities during the year	1,050,039	108,765	-	1,158,804
Impairement loss of matured exposures	(418,016)	(2,598,743)	-	(3,016,759)
Transfer to the first stage during the year	7,896	(7,896)	-	-
Transfer to second stage during the year	(8,872)	8,872	-	-
Adjustments due to change in exchange rates	14,282	13,565	-	27,847
Net balance	**699,568**	**107,572**	**-**	**807,139**

Impairement loss on acceptances

Distribution of acceptances by categories of the bank's internal credit rating:

	2017	2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	18,213,512	10,241,652	-	-	10,241,652
Acceptable risk / performing	34,953,544	48,378,222	11,985,369	-	60,363,591
Total	53,167,056	58,619,874	11,985,369	-	70,605,243
	Total		**Stage one**	**Stage two**	**Stage three**
Balance at 1 january 2018 resulted from the aplication of ifrs 9	53,167,056		49,122,605	4,044,451	-
Add: new balances during the year	58,815,879		46,830,511	11,985,368	-
Settled balances	(42,934,627)		(38,890,177)	(4,044,450)	-
Adjustments due to change in exchange rates	1,556,935		1,556,935	-	-
Net balance	**70,605,243**		**58,619,874**	**11,985,369**	**-**

The movement of the provision for impairment losses during 2018

	Stage one	Stage two	Stage three	Total
Balance at 1 january 2018 resulted from the aplication of ifrs 9	123,497	25,883	-	149,380
Impairement loss of indirect credit facilities during the period	519,509	783,953	-	1,303,461
Impairement loss of matured exposures	(127,538)	(25,883)	-	(153,420)
Adjustments due to change in exchange rates	4,040	-	-	4,040
Net balance	**519,508**	**783,953**	**-**	**1,303,461**

Impairement loss on unutilized direct credit limits

Distribution of unutilized direct credit limits by categories of the bank's internal credit rating:

	2017	2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	-	14,726,034	69,829	-	14,795,863
Acceptable risk / performing	-	87,939,393	2,349,051	840,624	91,129,068
Total	**-**	**102,665,427**	**2,418,880**	**840,624**	**105,924,931**

The movement of unutilized direct credit limits

	Stage one	Stage two	Stage three	Total
Balance at 1 january 2018 resulted from the application of ifrs 9	-	-	-	-
Add: new balances during the year	102,665,427	2,418,880	840,624	105,924,931
Settled balances	-	-	-	-
Net balance	**102,665,427**	**2,418,880**	**840,624**	**105,924,931**

The movement of the provision for impairment losses of unutilized direct credit limits during 2018

	Stage one	Stage two	Stage three	Total
Balance at 1 january 2018 resulted from the aplication of ifrs 9	-	-	-	-
Impairement loss of indirect credit facilities during the period	102,977	129,363	-	232,340
Impairement loss of matured exposures	-	-	-	-
Adjustments due to change in exchange rates	562	132	-	694
Net balance	**103,539**	**129,495**	**-**	**233,034**

Expected credit loss on indirect credit facilities

distribution of indirect credit facilities subject to ifrs 9 by categories of the bank's internal credit rating:

	2017	2018			
	Total	Stage one	Stage two	Stage three	Total
Low risk / performing	56,362,989	116,752,313	69,829	-	116,822,142
Acceptable risk / performing	195,169,966	290,602,658	18,415,547	7,734,022	316,752,228
Non-performing					
Substandard	-	-	-	5,320,619	5,320,619
Doubtful	-	-	-	8,900	8,900
Total	**251,532,955**	**407,354,971**	**18,485,376**	**13,063,541**	**438,903,889**

The cumulative movement of indirect credit facilities subject to IFRS 9 calculation:

	First stage	Second stage	Third stage	Total
Balance at 1 january 2018 resulted from the aplication of ifrs 9	191,274,796	60,258,159	-	251,532,955
Add: new balances during the year	295,232,286	15,250,032	840,624	311,322,942
Settled balances	(76,561,660)	(51,701,349)	-	(128,263,009)
Transfer to the first stage during the year	2,397,732	(2,397,732)	-	-
Transfer to second stage during the year	(289,887)	289,887	-	-
Transferred to the third stage during the year	(7,061,441)	(5,161,477)	12,222,917	-
Adjustments due to change in exchange rates	2,363,145	1,947,855	-	4,311,000
Net balance	**407,354,971**	**18,485,376**	**13,063,541**	**438,903,888**

The cumulative movement of the provision for impairment losses of indirect credit facilities during the period ended 31 December 2018:

	First stage	Second stage	Third stage*	Total
Balance at 1 January 2018 resulted from the aplication of IFRS 9	209,798	2,960,104	-	3,169,903
Impairement loss of indirect credit facilities during the year	3,233,969	1,024,290	-	4,258,259
Impairement loss of matured exposures	(576,587)	(2,993,704)	-	(3,570,291)
Transfer to the first stage during the period	7,896	(7,896)	-	-
Transfer to second stage during the period	(8,872)	8,872	-	-
Adjustments due to change in exchange rates	34,864	31,200	-	66,064
Net balance	**2,901,067**	**1,022,867**	**-**	**3,923,934**

* The expected credit losses for potential contingent liabilities and commitments - stage three, within expected credit losses for direct credit facilities at amortized cost - stage three.

(49) Lawsuits against the bank

The lawsuits raised against the bank, as part of the ordinary course of business, amounted to JOD 24,786,186 as at 31 December 2018 against JOD 24,525,979 as at 31 December 2017. According to the bank's management and legal counselor, the bank will not be liable in any of these cases, excluding a lawsuit for JOD 4,000.

No lawsuits were raised against National bank of Iraq, as part of the ordinary course of business as at 31 December 2018, against JOD 7,087,147 as at 31 of December 2017.
No lawsuits were raised against Capital Investments Company Ltd / Jordan, as part of the ordinary course of business as at 31 December 2018, against JOD 355,686 as at 31 of December 2017.

(50) Comparative figures:

Some of 2017 balances were reclassified to correspond with 2018 presentation. The reclassification did not have any effect on profits or equity for 2018.

Securities Commission Requirements

A. Chairman's Letter
This appeared at the beginning of the annual report.

B. Board of Directors Report
This appeared at the beginning of the annual report.

C. Description of the Bank's Main Activities
Capital Bank offers all banking and financial products and services directed toward all economic sectors in Jordan via its branches in the Hashemite Kingdom of Jordan. In addition, it offers a variety of investment services and financial brokerage through Capital Investments, which is a subsidiary that is 100% owned by Capital Bank, and the capital of which amounts to JOD10 million. This is in addition to the bank's investment in the National Bank of Iraq, the capital of which amounts to IQD 250 billion, 61.85% of which is owned by Capital Bank. Added to that is Capital Investments at the DIFC, which specializes in providing consultancy in matters of investment and enterprise finance.

D. Bank Locations and the Number of Employees in Each Location
The number of employees at the bank, Capital Investments (Amman-Dubai), as well as the National Bank of Iraq is 1007, distributed over the following geographic locations:

Location	Address	Number of Employees
General Management	Amman	487
Capital Investments	Amman	44
Main Branch	Amman	17
Capital Select - Shmeisani	Amman	9
Capital Select Branch - Abdoun	Amman	8
Al-Madineh Al-Munawwara Branch	Amman	11
Capital Investments (DIFC)	United Arab Emirates	4
National Bank of Iraq	Iraq	353
Sweifieh Branch	Amman	9
Dabouq Branch	Amman	7
Majdi Mall Branch	Amman	8
Al-Wehdat Branch	Amman	7
Gardens Street Branch	Amman	10
Free Zone Branch	Al-Zarqa- Free Zone	6
Taj Mall Branch	Amman	6
New Zarqa Branch	New Zarqa	6
Irbid Branch	Irbid	7
Aqaba Branch	Aqaba	8
Total		**1007**

The bank does not operate any branches outside the Kingdom.

2. Subsidiaries

Subsidiary Name	Capital Investments	National Bank of Iraq	Capital Investments (DIFC)	Bahrain Fund Investment Company
Type of Company	Limited Liability Company	Public Shareholding Company	Limited Liability Company	Bahrain Shareholding Company (Closed)
Company Activity	Investment and Financial Brokerage	Banking	Advisory	Founding of Investment Funds
Company Capital	JD 10,000,000	IQD 250 Billion	USD 250,000	BHD 1000
Address of Subsidiary	Amman, Shmeisani	Iraq	Dubai, UAE, International Financial Center	Bahrain
Other Information				Activities have not been initiated

3. Synopsis of Board Chairman and Members of the Board

His Excellency Mr. Bassem Khalil Salem AlSalem	
Position	Chairman of the Board
Date of birth	19/6/1956
Nationality	Jordanian
Membership date	20/4/2010
Education	Mr. AlSalem holds a Bachelor's Degree with honors in Chemical Engineering from Imperial College, United Kingdom.
Current Positions	Chairman of the Board of Directors of King's Academy; General Manager and Chairman of the Board of Directors of Al-Khalil Company for Investments; Chairman of the Board of Directors of Capital Investments Company. He is a board member of the University of Jordan, Al-Quds University, the Orthodox Society, Mawadna, Masader, Canning and Packaging Industries Company, Aliyat Company for Housing and Real Estate Development, General Mining Company, Royal Jordanian and Chairman of the Board of Directors of the National Bank of Iraq.
Experience	Mr. AlSalem has extensive experience in the public sector and was a member of the Jordanian Senate. He was also a member of the Board of Directors of the Central Bank of Jordan, Minister of Finance, Minister of Labor from 2005 to 2009, Chairman of the Board of Directors of the Jordanian Association of Banks, and Chairman of the Board of Directors of the Social Security Corporation. He founded and directed the boards of a number of companies in the private sector.

Mr. Mazen Samih Taleb Darwazeh	
Position	Vice Chairman of the Board
Date of birth	5/6/1958
Nationality	Jordanian
Membership date	23/3/2011
Education	Mr. Darwazeh has a BA in Business Administration from the Lebanese American University in Beirut (LAU), a Diploma in Advanced Management from Institut Européen d'Administration des Affaires in France (INSEAD), and a higher diploma in Marketing from Boston University.
Current Positions	Executive Vice Chairman of the Board of Directors and Chief Executive Officer of Hikma Pharmaceuticals Company (Middle East and North Africa), Chairman of the Board of Directors of Trust Pharma Ltd. (Algeria), Chairman of Ixirco Pharma Ltd. (Sudan), Board Member of Darhold, Birzeit University, King's Academy, and Economic Policies Council.
Experience	Executive Vise Chairman of the Board of Directors and Chief Executive Officer of Hikma Pharmaceuticals Company (Middle East and North Africa), member of the Jordanian Senate from 2010 to 2013, Chairman of Trust Pharma Ltd. (Algeria) and Ixirco Pharma Ltd (Sudan).

The Social Security Corporation

Mr. Fadi Khalid Mufleh Al Alawneh	
Position	Representative of the board member the Social Security Corporation
Date of birth	21/1/1976
Nationality	Jordanian
Membership date	31/8/2009
Education	Mr. Al Alawneh has a bachelor's and master's degrees in finance from Yarmouk University.
Current Positions	Head of the Loans Department in the Social Security Investment Fund
Experience	Mr. Al Alawneh served as the Head of the Loans Department of the Social Security Investment Fund (SSIF). Prior to that, he worked as Chief Financial Analyst in the SSIU Treasury and Securities Division, and Financial Analyst at the Finance Division of the National Electricity Company. Mr. Al Alawneh has a number of professional certificates including the International Certified Valuation Specialist (ICVS) certificate from the International Association of Consultants, Valuators and Analysts (IACVA), USA. He was a board member of the Housing Bank for Trade and Finance and the Jordan Press and Publishing Company (Ad-Dustour) .

Integrated Investments and Industries (Holding)

Mr. Omar M. I. Shahrour	
Position	Representative of the board member the Integrated Investments and Industries (Holding)
Date of birth	17/04/1967
Nationality	Jordanian
Membership date	31/8/2009
Education	Mr. Shahrour has a Bachelor's degree in Accounting from the University of Jordan, an MBA in Finance from Wayne State University in Detroit, Michigan, and he has (CPA) from Colorado - USA
Current Positions	Mr. Shahrour is the financial advisor to Art Line, Dubai, and board member of Capital Investments Company
Experience	Mr. Shahrour has held a number of prestigious positions, including accountant at Haddad Company in the United States, internal auditor and then a financial controller of the Edgo Group, as well as financial manager at Coca-Cola in Jordan, and CFO of Fine Sanitary Paper Company from 2005 to 2018.

Hitaf Investment Company

Mr. "Mohammed Ali" Khaldoun Sati' Al-Husry	
Position	Representative of the board member of Hitaf Investment Company
Date of birth	20/04/1957
Nationality	Jordanian
Membership date	13/08/2009
Education	Mr. Al-Husry has a Bachelor's degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD Business School in France.
Current Positions	Non-executive member of the Board of Directors of Hikma Pharmaceuticals.
Experience	Mr. Al-Husry served as chairman of the Board of Directors of Capital Bank of Jordan from 1995 to 2007 and is a member of the Board of Directors of several companies including Hikma Pharmaceuticals, Women's Fund, Darhold and Alcazar Energy.

Al-Khalil Investments Company

Mr. Khalil Hatem Khalil AlSalem	
Position	Representative of the board member Al-Khalil Company for Investments
Date of birth	28/12/1982
Nationality	Jordanian
Membership date	31/8/2009
Education	Mr. AlSalem has a Bachelor's degree in Economics from Columbia University.
Current Positions	Financial director of Al-Majal Energy Services Company, vice CEO of Logistics Ventures Ltd in Iraq and a member of the Board of Directors of the Specialized Trading and Investment Company
Experience	Mr. AlSalem previously served as the director of the Office of His Royal Highness Prince Ali Bin Al-Hussein. He began his career as a financial analyst at J.P. Morgan in New York, then as a financial analyst and business development manager Capital Investments Company. He also worked as a financial analyst for Midrar Investments.

Al-Jadara Company for Real Estate Investment

Mr. Sultan Mohammed M. ElSeif	
Position	Representative of the board member Al-Jadara for Real Estate Investment
Date of birth	3/3/1985
Nationality	Saudi Arabian
Membership date	31/8/2009
Education	Mr. ElSeif has a Bachelor's degree in Finance from Roger Williams University
Current Positions	General manager of ElSeif Corporation
Experience	Mr. ElSeif worked as a financial analyst at UME Investment and Morgan Stanley, he is a board member of several companies including Oman Medical Projects Company, Al-Musaed ElSeif and Sons Company, Allied Medical Group, Care Shield Holding Company and United Medical Enterprises Group.

Mr. Omar Akram Omran Bitar	
Position	Member of the Board of Directors
Date of birth	1/1/1963
Nationality	Palestinian
Membership date	4/6/2015
Education	Mr. Bitar has a Bachelor's degree in Finance and Banking from the University of Missouri in St. Louis
Current Positions	Member of the Board of Directors of Palestine Development and Investment Company and a member of the Board of Directors of Al-Amal Financial Investments Company.
Experience	Mr. Bitar has long experience in auditing major companies, institutions, banks and as well as various other sectors. He has also worked in restructuring projects of major international companies and institutions, running change management and business transformation in major international companies.

Ms. Reem Haitham Jamil Goussous	
Position	Member of the Board of Directors
Date of birth	16/11/1971
Nationality	Jordanian
Membership date	4/6/2015
Education	Ms. Goussous has a Bachelor's degree in Economics and a Master's degree in Economic Development and International Trade from Boston University, USA.
Current Positions	CEO of Endeavor Jordan, board member of the Jordan River Foundation, member of the Board of Directors of Capital Investments and representative of the PCS Jordan LLC the board member of Jordan Potash Company LLC.
Experience	Ms. Goussous has more than 20 years of experience in the economic and financial fields in which she has built a successful record in economic impact analysis. She has formulated economic development policies, strategies, research and market data, investment development and exports. She managed more than 80 projects and consulting tasks and participated in economic feasibility studies of multi-million dollar projects in the financial, manufacturing, mining and renewable energy sectors. She was the first director and chief economic consultant at Al-Jadara. She established several specialized research and reporting units and served as policy advisor to the Minister of Planning and International Cooperation.

Mr. Ahmad Qasem Deeb Al-Hanandeh	
Position	Member of the Board of Directors
Date of birth	11/3/1973
Nationality	Jordanian
Membership date	8/1/2017
Education	Mr. Al-Hanandeh has a Bachelor's degree in Finance and Banking from Yarmouk University.
Current Positions	Chief executive officer of Iraq Gateway for Electronic Payments, board member of Ma'an Development Company of the King Abdullah Fund, member of the Board of Trustees of Crown Prince Foundation, board member of the Olympic Committee.
Experience	Mr. Al-Hanandeh served as CEO of Zain Jordan, chief financial officer of Zain Sudan, general manager of the Postal Services and general manager at Aramex, the global provider of transportation services and logistics solutions in several Asian countries.

Mr. Khalid Walid Hussni Nabilsi	
Position	Member of the Board of Directors
Date of birth	20/2/1972
Nationality	Jordanian
Membership date	24/5/2017
Education	Mr. Nabilsi has a Bachelor's degree in Economics and Administrative Sciences from the University of Jordan, an MBA from the University of Hull and a CPA.
Current Positions	Head of Financial Control Department at Hikma Pharmaceuticals, board member of King Hussein Business Park, Beyond Capital, and Capital Investments Company.
Experience	Mr. Nabilsi has experience in auditing and financial consulting, especially in projects related to mergers and acquisitions. He was the chief executive officer of Corporate Finance at Atlas Investment Group from 2000 to 2001. He also occupied several positions at Hikma Pharmaceuticals, including the group's chief financial officer and vice financial controller.

Mr. Dawod M. D. Al Ghoul	
Position	Member of the Board of Directors
Date of birth	25/5/1971
Nationality	Jordanian
Membership date	24/5/2017
Education	Mr. Al Ghoul has a Bachelor's degree in Accounting from the University of Jordan and an MBA from the University of Colorado. He is a Certified Public Accountant (CPA).
Current Positions	The chief financial officer of Amanat Holding Company, a member of the Board of Directors of MadfooatCom for Electronic Payments, and a representative member of the board of the National Bank of Iraq.
Experience	Mr. Al Ghoul has worked for more than 22 years in financial and strategic planning, investments and financial restructuring. He began his career in 1995 as an auditor at Arthur Andersen in Dubai, UAE, and then at Schlumberger, Dubai as assistant financial director for MENA and the Indian subcontinent. He then moved to KPMG in Dallas, Texas, as a financial advisor in international taxation. In 2003, he joined the Arab Bank Group as vice chief financial officer. In 2008, he took over as executive vice president of planning and investment for the same group, during which time he led and developed the group's financial plans. In 2012, he took over the position of chief financial officer of the Arab Bank Group.

Mr. Mohammad Hasan Subhi Al-Haj Hasan	
Position	Member of the Board of Directors
Date of birth	16/8/1981
Nationality	Jordanian
Membership date	24/5/2017
Education	Mr. Al-Haj Hasan has a Bachelor's degree in Finance and Microeconomics from Massachusetts Institute of Technology (MIT), a Master's of Business Administration and a Master's in Education from Stanford Graduate School.
Current Positions	CEO of Jawaker.
Experience	Mr. Al-Haj Hasan worked as a financial analyst in the corporate purchasing and mergers department of Dresdner Kleinwort Wasserstein. He also served as vice general manager of Rasmala, a company registered in Dubai that works in investments and fundraising. He founded Akhtaboot, an employment and talent acquisition company in the Gulf and the Middle East, and Jawaker, an electronic gaming company.

4. Meetings of the Board of Directors and its Committees Emanating from the Board in 2018

This appeared in the governance report.

5. Capital Bank Executive Management

The members of the senior executive management are as follows:

Ala Atallah George Qumsieh	
Position	Chief Executive Officer
Date of birth	22/4/1980
Nationality	Jordanian
Membership date	01/3/2017
Education	Mr. Qumsieh has a Bachelor's degree in Business Administration from Yarmouk University in Jordan, an MBA in Strategic Management from Aston University in the UK, and has several specialized professional degrees.
Experience	Ala Qumsieh was appointed Chief Executive Officer as of March 2017. He joined the group after spending 17 years in leadership roles in International Financial Institutions in the region. In this role, Mr. Qumsieh leads the group operating across Jordan, Iraq and the UAE offering Corporate Banking, Investment Banking, and Retail Banking services to customers in these three markets. Mr. Qumsieh brings with him extensive experience in banking with prime emphasis on Institutional Banking and deep sectoral knowledge. Before Joining Capital Bank, he served as Citibank's Head of Institutional Banking for Saudi Arabia, Qatar and Bahrain, where he was responsible for successfully driving and implementing the bank's growth strategy. Before that, he held several leading positions in international banks. Mr. Qumsieh currently sits on the board of several prominent entities, and takes part in Jordan's Strategic Forum. He is also a member in the Young Presidents Organization.

Yasser Ibrahim Mohammad Kleib	
Position	Head of Institutional Banking
Date of birth	27/10/1974
Nationality	Jordanian
Membership date	16/6/2004
Education	Mr. Kleib has a Bachelor's degree in Business Administration from Yarmouk University and is a Certified Lender Business Banker (CLBB) with the American Bankers Association.
Experience	Mr. Kleib has over 20 years of experience in commercial and institutional development. He joined Capital Bank in 2004, and began his career in the Banking Services and Credit Facilitations Department. Previously, he worked at the Arab Bank for eight years.

Anton Francis Anton Lolas	
Position	Head of Consumer Banking
Date of birth	16/8/1965
Nationality	Jordanian
Membership date	1/10/2017
Education	Mr. Lolas has a Diploma in Managing Banking Services from IFS in the UK, a Master's degree in Leadership from the University of Liverpool in the UK, a Canadian Securities Certificate from the Canada Securities Institute
Experience	Mr. Lolas has over 34 years of experience in the banking sector in many financial and banking institutions. His last position was financial advisor at Sun Life Financial.

Ali Mohammad Daoud Abu Swai	
Position	Treasurer
Date of birth	2/02/1966
Nationality	Jordanian
Membership date	9/08/1997
Education	BA and Master's degrees in Finance and Banking
Experience	Mr. Abu Swai has more than 24 years of experience in financial markets and banking, treasury and investment operations. He served as the president of the Trade Association from 2010 until 2017, and is a member of the Board of Directors of the Investment Fund of the University of Jordan. He is Jordan's representative to the Arab Union of Circulators in Financial Markets, and previously worked for Amman Investment Bank for five years.

Eyas Nazmi Zuhdi Khawaja	
Position	Chief Operating Officer
Date of birth	14/11/1976
Nationality	Jordanian
Membership date	2/7/2017
Education	Mr. Khawaja has a Bachelor's degree in Economics from the University of Applied Sciences and a postgraduate degree in Economics and Finance from the University of Glasgow in the UK.
Experience	Before joining Capital Bank, Mr. Khawaja served as Chief Technology and Operations Officer at Standard Chartered Bank, where his main duties included developing operational, technology and IT efforts at a number of key markets such as Jordan, Iraq, Bahrain, Qatar and Oman. Prior to that, he was head of technology and operations at Citibank Jordan, where he oversaw overall operations, IT and administrative works.

Manar Mohammad Abdulhalim AlNsour	
Position	Chief Financial Officer
Date of birth	20/9/1979
Nationality	Jordanian
Membership date	18/6/2001
Education	Bachelor's degree in Accounting from the University of Jordan.
Experience	Ms. Al Nsour has close to 17 years of practical experience, having held various managerial positions at Capital Bank before she became Chief Financial Officer as of 30/7/ 2016.

Falah Hassan Khalil Kokash	
Position	Chief Risk Officer
Date of birth	1/8/1967
Nationality	Jordanian
Membership date	9/9/2012
Education	Mr. Kokash holds a bachelor's degree in Finance and Banking and a Master's degree in Financial Management from Yarmouk University, as well as a number of professional certificates including Financial Risk Management (FRM), International Certificate in Banking Risk and Regulation (ICBRR), Certified Management Accountant (CMA), Certified Financial Management (CFM), and a Certified Lender Business Banker (CLBB) in commercial banks.
Experience	Mr. Kokash has over 21 years of experience in the financial sector. He has held several leadership positions in risk management and credit analysis, and has worked for several banks including the Bank of Jordan, Ahli Bank, Istithmari Bank and Al-Bilad Bank in Saudi Arabia.

Mohammad Hafez Abdul-Karim Mohammad Hafez Muaz	
Position	Legal Counselor
Date of birth	27/10/1969
Nationality	Jordanian
Membership date	6/2/2003
Education	Mr. Muaz holds a bachelor's of Law from the University of Jordan, a higher diploma in International Law and a Master's degree in Commercial Law from Staffordshire University, UK.
Experience	Mr. Muaz previously worked in the foreign section of the Arab Bank's Legal Department for two years. Prior to that, he worked at Dajani and Sons law firm for five years. He has been a member of the Jordanian Bar Association since 1997, and has been a member of the Association of International Lawyers since 1998.

Saher Daoud Kamil Abdul-Hadi	
Position	Head of Compliance
Date of birth	19/8/1966
Nationality	Jordanian
Membership date	18/9/2018
Education	Mr. Abdul-Hadi holds a bachelor's degree in Management from Western International University in the UK and a CAMS certificate (Certified Anti-Money Laundering Specialist).
Experience	Mr. Abdul-Hadi has over 28 years of experience in the banking sector, having worked at a number of banks including Standard Chartered Bank and ABN AMRO Bank. Most recently, he was business sector manager in the Compliance Department at the Arab Bank.

Ra'fat Abdullah Ismail Khalil	
Position	Chief Auditor
Date of birth	10/12/1964
Nationality	Jordanian
Membership date	4/10/2007
Education	Mr. Khalil holds a bachelor's degree in Accounting from Yarmouk University, professional certificates in CICA and CBA.
Experience	Mr. Khalil has over 26 years of practical experience, having worked at the Central Bank of Jordan for seven years. He also worked at Oman Commercial Bank for four years and at the Oman Arab Bank for seven years.

Hawar Talal Mohammad Hijazi	
Position	Head of Human Resources
Date of birth	17/4/1971
Nationality	Jordanian
Membership date	15/2/2018
Education	Ms. Hijazi holds a bachelor's degree in Business Administration from Yarmouk University.
Experience	Ms. Hijazi has nearly18 years of experience in managerial positions, at companies including PepsiCo Jordan and in Dubai. Her last position was as human resource manager at PepsiCo Dubai.

Resigned Executive Members

#	Member Name	Position	Resignation Date
1	Rania Mohammad Said Dweikat	Head of Compliance	30/4/2018
2	Zeid Yihya Amin Salah	Head of Strategic Management	4/11/2018

6. Competitive Position

Statement	2017	2018
Our Market Share/ Credit Facilities	4%	3.5%
Our Market Share/ Deposits	3.7%	3.4%
Our Market Share/ Assets	4.1%	3.6%

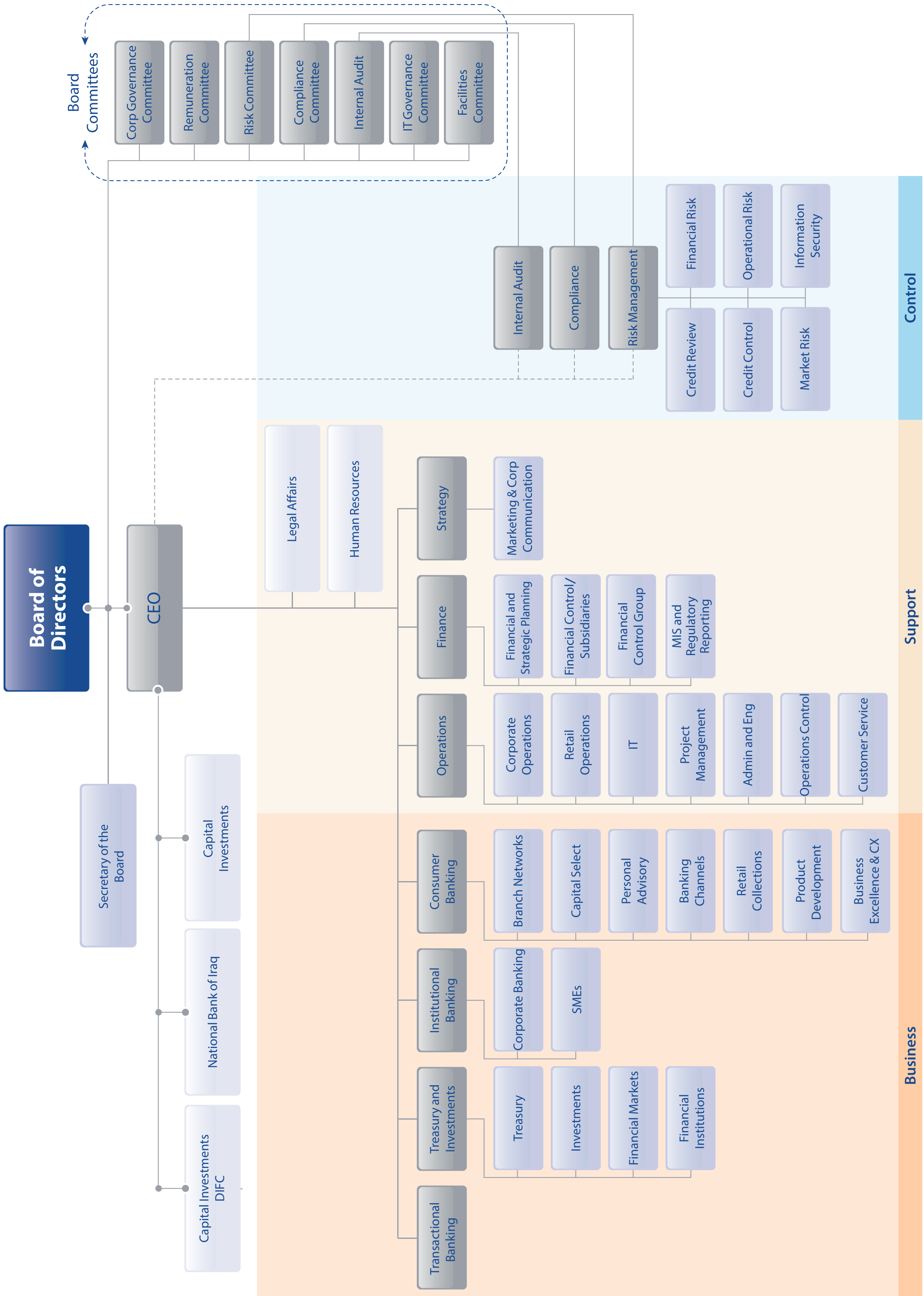
7. The bank does not rely on specific suppliers or specific major clients, whether domestically or externally, who constitute 10% or more of gross purchases and / or sales or revenues.

8. The bank and its products do enjoy any government protection or privileges under laws, regulations or otherwise

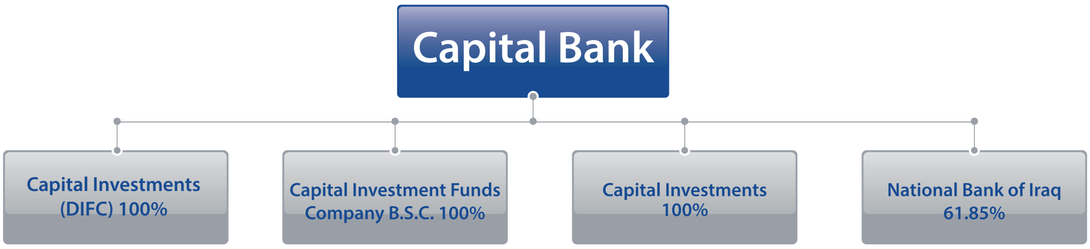
9. The bank has not acquired any patents or preference privileges.

10. No decisions issued by the government, international organizations or others have impacted the bank's performance, products or competitive capability. Additionally, international quality standards do not apply to the bank.

11. A. Organizational structure of the bank and its subsidiaries



B. Organizational structure of the bank's subsidiaries



C. Academic credentials of bank and Capital Investments employees

	Capital Bank	Capital Investments Company (DIFC)	National Bank of Iraq	Capital Investments Company (Jordan)
Ph.D.	0	0	0	0
Master's	36	1	5	7
Higher Diploma	0	0	0	0
Bachelor's	503	3	236	30
Diploma	28	0	20	0
Secretariat	1	0	0	1
High School	19	0	0	1
Less than High School	19	0	92	5
Total	**606**	**4**	**353**	**44**

D. Training programs for the bank and subsidiaries employees:

Type of workshop	Capital bank		Subsidiaries	
	Number of participants	Number of workshops	Number of participants	Number of workshops
Workshops held by the bank training centers	416	27	514	9
Local workshops in Jordan	54	9	402	56
Workshops outside Jordan	157	8	9	5
Specialized professional certificates	4	4	3	3
Total	**631**	**48**	**928**	**73**

E. Names of training courses for bank and subsidiaries employees

Type of workshop	Number of workshops	Number of participants
English language workshops	8	11
Specialized bank workshops	17	238
Specialized workshops in risk management and data security	7	48
Specialized workshops in financial aspects	2	32
Specialized workshops in managing audits, monitoring, compliance and anti-money laundering	4	32
Specialized workshops in behavioral and qualitative skills	17	185
Specialized workshops in leadership skills	4	36
Specialized workshops in IT systems	5	35
Specialized workshops in developing human resources	1	3
Specialized professional certificates	3	3
Awareness-raising workshops	5	305
Total	**73**	**928**

12. The bank's risk exposure

Capital bank is subject to the following risks in the banking sector:

- Credit risks.
- Market risks.
- Liquidity risks.
- Operational risks.
- Compliance risks.

* Has already been mentioned in the board of directors report

13. The bank's achievements for 2018

A description of achievements as detailed and supported by can be found in the report of the board of directors.

14. The financial impact of non-recurring operations in 2018 and that do not fall within the bank's main activities

There were no operations of a non-recurring nature in 2018.

15. The value of legal proceedings instituted by the bank against third parties is around JD168 million as of December 2018 ,31

These were lawsuits against hampered or bad debt accounts of clients.

16. The time sequence of realized profits or losses, distributed dividends and net shareholder equity for 2018-2003:

Financial year	Shareholder equity JOD	Net profits JOD	Dividends		Closing price JOD
			Cash profits JOD	Free shares JOD	
2003	45,779,476	8,061,827		4,500,000	3.93
2004	59,872,518	12,346,354		7,000,000	4.41
2005	135,934,724	21,358,989		10,500,000	3.32
2006	156,991,770	18,059,905		14,000,000	1.93
2007	172,375,124	13,508,666		7,000,000	2.07
2008	203,161,545	15,250,169	7,500,000	-	1.8
2009	208,070,606	1,338,383		17,200,000	1.56
2010	214,107,952	5,149,968		-	1.54
2011	221,258,745	1,428,331		-	1.36
2012	242,807,956	22,036,184		-	1.13
2013	324,291,358	37,036,290		15,000,000	1.60
2014	344,881,127	36,314,776	16,500,000	16,000,000	1.51
2015	324,350,413	1,068,872	10,890,000	18,500,000	1
2016	334,107,254	16,135,976		-	0.83
2017	349,394,463	27,311,646	10,000,000	-	0.79
2018	336,832,327	30,348,276	20,000,000		0.92

17. Analysis of the bank's financial position and the results of its operations in the financial year:

	31/12/2018	31/12/2017
Return on the average of assets	1.53%	1.36%
Return on the average of owner's equity	8.84%	7.99%
Return on share	0.154%	0.122%
Ratio of owner's equity/assets	17.14%	17.47%
Sufficiency of capital	16.25%	15.18%
Ratio of inactive credit (after deducting suspended interest)	8.61%	9.83%
Ratio of cover of allocations for inactive credit (after deducting suspended interest)	79.17%	60.43%
Ratio of monetary and quasi-money liquidity	149.86%	133.55%

18. Key future developments and the 2018 plan for the bank

This year, Capital Bank began implementing its five-year strategic plan for 2018- 2023. With this plan, the bank aims to realize its vision of becoming a pioneering financial institution and a partner for both its corporate and individual clients, who are looking for comprehensive and innovative financial and banking solutions. The plan is built on a business model focused on clients and based on a deep and comprehensive understanding of their needs, internal systems, policies and procedures in order to offer high value-added services that meets their specific requirements. The strategy also aims to raise the level of services offered by developing information technology systems and modernizing electronic channels to complement the requirements of the age. To achieve this strategy, Capital Bank is developing detailed business plans based on a number of goals, including achieving growth in operational profits, improving return on risk, enriching client experiences, boosting productivity and efficiency, maintaining monitoring controls in addition to developing and qualifying its team members.

The 2019 plans include the following:
For its corporate work, the bank will continue providing direct credit facilities to major businesses, and will launch a number of new products. A new, specialized department will cater to the needs of corporations, offering unique and innovative solutions to manage liquidity and to finance commercial operations, especially those related to imports and exports. Capital Bank is one of the leading institutions in financing the sectors of start-ups and small and medium enterprises (SMEs, and in cooperation with the Central Bank of Jordan, the Central Bank of Iraq, and a number of local and foreign institutions, it will endeavor to meet all the requirements of the sector by offering integrated banking solutions at preferential prices and flexible payment timelines. The bank will also help SMEs to reduce their financing costs and increase their competitive edge, raising their ability to create job opportunities, thus boosting their role in the local market and contributing to economic growth.

The 2019 plan for individual clients focuses on developing solutions to facilitate payment processes, increase the number of ATMs and interaction. It also aims to improve and enrich the experiences of clients by improving all the Bank's electronic outlets such as internet banking and smart applications. The plan includes adding new features and expanding the range of credit cards, and continuing to offer an integrated package of banking services and innovative programs characterized by their high efficiency and competitiveness.

19. Auditing fees for the bank and subsidiary

The bank's auditing fees with PricewaterhouseCoopers (PwC) and those of its subsidiaries in 2018 amounted to JOD 96,421. The amount includes taxes as follows:

	Amount in JOD
Capital Bank	127,014
Capital Investments (a subsidiary)	8,000
National Bank of Iraq	50,000
Capital Investments: Dubai International Financial Center (DIFC)	10,000
Bahrain Fund for Investment	1,407
Total	196,421

20. Statement of number of securities

Following is a statement of the number of securities owned by the members of the Board of Directors and the executive management as well as their relatives, and by the companies controlled by the members of the Board of Directors, executive management, and their relatives.

A. Number of Securities Owned by the Members of the Board of Directors

Member	Position	Nationality	Number of shares owned as at 31/12/2017	Number of shares owned as at 31/12/2018
Bassem Khalil Salem AlSalem	Chairman of the Board	Jordanian	9,836,556	9,836,556
Mazen Samih Taleb Darwazeh	Vice Chairman	Jordanian	3,491,990	3,491,990
The Social Security Corporation represented by Mr. Fadi Khalid Mufleh Al Alawneh	Member	Jordanian Jordanian	18,544,288 -	18,544,288
Integrated Investments and Industries (Holding) represented by Mr. Omar M. I. Shahrour	Member	Jordanian Jordanian	10,073,007 -	10,073,007
Hitaf Investment Company represented by Mr. "Mohammed Ali" Khaldoun Sati' Al-Husry	Member	Jordanian Jordanian	6,047,776 3,023,886	6,047,776 3,023,886
Al-Khalil Company for Investments represented by Mr. Khalil Hatem Khalil AlSalem	Member	Jordanian Jordanian	64,567 -	64,567 -
Al Jadara Company for Real Estate Investment represented by Mr. Sultan Mohammed M. ElSeif	Member	Jordanian Saudi	37,796 60,000	37,796 60,000
Omar Akram Omran Bitar	Member	Palestinian	27,548	27,548
Reem Haitham Jamil Goussous	Member	Jordanian	27,548	27,548
Ahmad Qasem Deeb Al-Hanandeh	Member	Jordanian	25,000	25,000
Khalid Walid Hussni Nabilsi	Member	Jordanian	175,000	175,000
Dawod M. D. Al-Ghoul	Member	Jordanian	27,000	27,000
Mohammad Hasan Subhi Al-Haj Hasan	Member	Jordanian	35,000	40,210

B. Number of Securities owned by the relatives of members of the Board of Directors

Relatives of members of the board of directors	Member	Relation	Nationality	Number of shares owned as at 31/12/2017	Number of shares owned as at 31/12/2018
Rudaina Farhan Sa'd Abu Jaber	Bassem Khalil Salem AlSalem	Wife	Jordanian	776,587	776,587
Rula Samir Khalil Naser	Mazen Samih Taleb Darwazeh	Wife	Jordanian	88,143	88,143
Ghalia Charlie Ghaleb Bsharat	Khalil Hatem Khalil AlSalem representative of Al-Khalil Company for Investments	Wife	Jordanian	20,000	20,000

Hatem Khalil Hatem AlSalem	Khalil Hatem Khalil AlSalem representative of Al-Khalil Company for Investments	Son	Jordanian	30,000	30,000

C. Number of Securities Owned by Companies Controlled by Members of the Board of Directors:

Name of the Member Insider	Capacity	Controlled Enterprise	Legal Capacity of Enterprise	Npo. of Shares Owned by the Controlled Enterprise	
				31/12/2017	31/12/2018
Bassem Khalil Salem AlSalem	Chairman of the Board of Directors	Al-Khalil Company for Investments	Limited Liability Company	64,567	64,567
	Member	The public Mining Company	Public Shareholding Company	80,693	41,173
Mazen Samih Taleb Darwazeh	Member	Darhold Limited	Private Company	3,537,497	3,537,497
"Mohammed Ali" Khaldoun Sati' Al-Husry representative of Hitaf Investment Company	Member	Darhold Limited	Private Company	3,537,497	3,537,497
Investments and Integrated Industries (Holding)	Member	Universal Modern Industries Co. Ltd. (UMIC)	Public Shareholding Company	25,825	25,825
Khalil Hatem Khalil AlSalem / representative of Al-Khalil Company for Investments	Deputy Chairman of the Board of Directors	AlSalem Company for Investment	Limited Liability Company	50,000	140,000

D. Number of securities owned by companies controlled by relative of members of the Board of Directors

Relatives of members of the board of directors	Member	Relation	Title	Name of company controlled	Company legal status	Number of bank shares owned by the controlled company	
						31/12/2017	31/12/2018
Rudaina Farhan Sa'd Abu Jaber	Bassem Khalil Salem AlSalem	Wife	Vice Chairman of the Board of Directors	Al-Khalil Company for Investments	A limited liability company	64,567	64,567
			Chairman of the Board of Directors	Gibran Company for Translation Services	A limited liability company	3,973	3,973
			Chairman of the Board of Directors	AlSalem Company for Investment	A limited liability company	50,000	140,000

E. Number of securities owned by persons of the senior executive management

Name	Position	Nationality	Number of shares as on	
			31/12/2017	31/12/2018
Ala Atallah George Qumsieh	Chief Executive Officer	Jordanian	125,000	125,000
Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking	Jordanian	5,505	5,505
Ra'fat Abdullah Ismai'l Khalil	Chief Auditor	Jordanian	22,179	22,179
Mohammad Hafez Abdulkarim Mohammad Hafez Muaz	Legal Counselor	Jordanian	5,500	-
Ali Mohammad Daoud Abu Swai	Treasurer	Jordanian	5,870	5,870
Falah Hassan Khalil Kokash	Chief Risk Officer	Jordanian	2,416	2,416
Manar Mohammad Abdulhalim AlNsour	Chief Financial Officer	Jordanian	8,544	14,044
Eyas Nazmi Zuhdi Khawaja	Chief Operating Officer	Jordanian	-	-
Anton Francis Anton Lolas	Head of Consumer Banking	Jordanian	-	-
Hawar Talal Mohammad Hijazi	Head of Human Resources	Jordanian	-	-
Saher Daoud Kamil Abdul-Hadi	Head of Compliance	Jordanian	-	-

- There are no securities owned by the relatives of the members of the senior executive management.
- There are no securities owned by the companies controlled by members of senior executive management or by their relatives.

F. Names of shareholders who own 5% or more, and the number of shares owned by each of them compared to the previous year

Name	Nationality	Number of Shares as at 31/12/2017	Percentage	Number of Shares as at 31/12/2018	Percentage
Saad Assim A. Al Janabi	Iraqi	19,957,663	9.979%	19,524,105	9.762%
Social Security Corporation	Jordanian	18,544,288	9.272%	18,544,288	9.272%
Said Samih Taleb Darwazeh	Jordanian	16,070,349	8.035%	16,070,349	8.035%
International Finance Corporation	International	13,836,296	6.918%	13,836,296	6.918%
Integrated Investments and Industries (Holding)	Jordanian	10,073,007	5.037%	10,073,007	5.037%

G. Shareholders who own 1% or more of the bank's capital and the statement of mortgaged shares as the ultimate beneficial owners as of 31/12/2018

Shareholder name	Number of shares Final beneficiary	Share percentage	Mortgaged Shares	Ultimate Beneficiary
Saad Assim A. Al Janabi	19,524,105	9.762%		Same
Social Security Corporation	18,544,288	9.272%		Same
Said Samih Taleb Darwazeh	16,070,349	8.035%	Partially mortgaged	Same
International Finance Corporation	13,836,296	6.918%		
Integrated Investments and Industries (Holding)	10,073,007	5.037%		Public Shareholding Company
Abdallah S. A. Al Janabi	9,977,613	4.989%		Same
Bassem Khalil Salem AlSalem	9,836,556	4.918%	Partially mortgaged	Same
SARA International Holdings Ltd	8,858,525	4.429%	Completely mortgaged	Owned by Mr. Ali Kolaghasi
Mohammed M. S. Elseif	8,495,472	4.248%		Same
Hitaf Investment Company	6,047,776	3.024		A private limited liability company owned by "Mohammed Ali" Khaldoun Sati' Al-Husry and Sherifa Nisreen Zaid Shaker Aoun
Asem S. A. Al Janabi	4,833,181	2.417		Same
Darhold Limited	3,537,497	1.769		A private shareholding company owned by several partners.
Mazen Samih Taleb Darwazeh	3,491,990	1.746	Partially mortgaged	Same
"Mohammed Ali" Khaldoun Sati' Al-Husry	3,023,886	1.512		Same

Sa’d Abu Jaber and Sons Company	2,641,022	1.321		Limited liability company owned by: Mr. Sa'd Farhan Abu Jaber Mr. Kim Fuad Abu Jaber Mr. Nimr Faeq Sa'd Abu Jaber Mr. Laith Faeq Saed Abu Jaber Mr. Omar Farouq Sa'd Abu Jaber Mr. Ziad Raouf Sa'd Abu Jaber Mr. Marwan Raouf Sa'd Abu Jaber Mr. Kais Fuad Sa’d Abu Jaber Mrs. Aida / Nadira Faeq Sa'd Abu Jaber
Ali Assim Abboud Al Janabi	2,620,176	1.310		Same
Raad Assim Abboud Al Janabi	2,614,298	1.307		Same
Salah El-Din Mahmoud Arafeh Bitar	2,420,071	1.210		Same

H. Summary of the policy of performance evaluation and reward-granting at the bank

In drafting its policies regarding the employee performance evaluation system and in granting incentives and awards endorsed by the Board of Directors, Capital Bank uses institutional governance instructions issued by the Central Bank of Jordan. The evaluation is also scaled according to the bank’s general performance levels, the results of the banking sector and the level of performance of the employee concerned. This system also rewards employees according to their individual performance over the year, with the understanding that employees with weak performance levels are not rewarded. Evaluation is an important tool for employees to review their performance, identify weaknesses; once the specific weaknesses are identified, the bank enrolls employees in targeted workshops to enhance their strengths and overcome any limitations, allowing them to improve their performance.

To this end, the bank has created a performance evaluation system that was developed based on three main axes related to standardized indicators to measure key performance indicators (KPIs), qualitative evaluation factors as well as continuous training and development. The process of managing performance is based on transparency and dialogue between the direct supervisor and the employee. At the beginning of the year, both sides set the goals for the employee, which are revisited periodically, with both parties discussing performance and examining the possibility of achieving the goals, as well as identifying any obstacles to performance. They work together to find solutions to overcome any difficulties, with a final performance evaluation occurring at the end of the year in order to gain a comprehensive assessment based on achievement as compared to the initial targets. In determining the reward value, the policy factors in the achievement of KPIs at an organizational level and as endorsed by the Board of Directors.

21. Allowances and rewards of members of the board of directors and senior management in 2018

A. Members of the Board of Directors

Name	Fixed allowance	Board and committee memberships	Rewards	Total
Bassem Khalil Salim AlSalem	420,000	27,600	465,000	912,600
Mazen Samih Taleb Darwazeh		22,080	5,000	27,080
Integrated Investments and Industries (Holding)/ Omar Mohammad Ibrahim Shahrour		29,640	5,000	34,640
The Social Security Corporation/ Fadi Al Alawneh		29,640	5,000	34,640
Al-Khalil Investments Company/ Khalil Hatem Khalil AlSalem		37,263	5,000	42,263
Hitaf Investment Company/ "Mohammed Ali" Khaldoun Sati' Al-Husry		20,040	5,000	25,040
Ahmad Qasim Theeb Al-Hanandeh		14,040	5,000	19,040
Omar Akram Omran Bitar		31,080	5,000	36,080
Dawod Muhammad Daoud Al-Ghoul		30,440	5,000	35,440
Mohammad Al-Haj Hassan		33,640	5,000	38,640
Khalid Al-Nabulsi		28,080	5,000	33,080
Reem Haitham Jamil Al-Goussous		30,120	5,000	35,120
Jadara Real Estate Investment Corporation/ Sultan Bin Mohammad Bin Musaed Elseif		14,040	5,000	19,040
Total	420,000	347,703	525,000	1,292,703

Securities Commission Requirements

B. Members of the Senior Management in 2018

Number	Name	Benefits and privileges until 31/12/2018	Rewards	Total	Notes
1475	Ala Atallah George Qumsieh	425,610	200,000	625,610	
507	Ra'afat Abdulla Khalil	150,135	40,000	190,135	
137	Mohammad Hafez Abdul-Karim Muaz	120,630	45,000	165,630	
17	Ali Mohammad Abu Swai	132,637	50,000	182,637	
202	Yasser Ibrahim Mohammad Kleib	150,510	50,000	200,510	
117	Rania Mohammad Said Dweikat	130,278	7,481	137,760	Resignation date: 30/4/2018
973	Falah Hassan Khalil Kokash	99,527	40,000	139,527	
1324	Zeid Yihya Amin Salah	147,554	45,125	192,679	Resignation date: 4/11/2018
82	Manar Mohammad Abdul Halim Al Nsour	90,000	45,000	135,000	
1513	Anton Francis Anton Lolas	150,503	-	150,503	
1497	Eyas Nazmi Zuhdi Khawaja	180,654	40,000	220,654	
1544	Hawar Talal Mohammad Hijazi	118,125	20,000	138,125	Appointment date: 15/2/2018
1642	Saher Daoud Kamil Abdul-Hadi	38,818	-	38,818	Appointment date: 18/9/2018
1558	Sami Baha Ammdouh Al-Nabulsi (Jordan Investment Company- Al Mal)	250,268	20,000	270,268	Appointment date: 1/4/2018
	Total	**2,185,249**	**602,606**	**2,787,855**	

22. Donations and grants paid by the bank in 2018

Donation	Value JOD
Annual grants to cover school expenses	60,698
Naming and Honoring program	50,000
The Queen Rania Foundation	50,000
Financial education awareness in public schools	47,600
The Jordanian Hashemite Fund for Human Development (JOHUD)	46,431
The Iraqi Central Bank initiative to support social and humane activities	42,540
SOS Children's Villages, Jordan	15,000
Young Muslim Women's Association for private education	14,250
The Elia Nuqul Foundation	10,000
Preparing and distributing food packages for 10 families every month for a year	8,000
Orphan Adoption Charity Association	6,500
The Jordanian Society for Science and Culture	5,000
LoYAC Jordan	5,000
That Ras Club/ Karak Athletic	3,000
The Seven Hills Initiative	1,418
Mrs. Tamam, wife of Abu Arab	1,200
Orphan Adoption Charity Association/ Al-Mafraq	1,000
Buying 100 copies of the book: Al-Kuwait and the Palestinian Dawn	1,000
Miscellaneous donations	3,705
Total	**372,342**

23. There are no contracts, projects, and commitments concluded by the issuing company with subsidiaries, sister companies, affiliates, chairman, board members, the ceo, or any employee or their relatives

24. Contribution of the bank to protecting the environment and serving the local community

This appeared in the Board of Directors report

C. Declarations

1. The Board of Directors acknowledges that there are no substantial matters that may affect the company's sustainability during the upcoming financial year.
2. The Board of Directors acknowledges its responsibility in preparing the financial statements and establishing an effective monitoring system at the bank.

Chairman of the Board
Mr. Bassem Khalil Salem AlSalem

Vice Chairman of the Board
Mr. Mazen Samih Taleb Darwazeh

Representative member of the Board of Directors of the Social Security Corporation
Mr. Fadi Khaled Mifleh Al Alawneh

Representative member of the Board of Directors of Integrated Investments and Industries (Holding)
Mr. Omar Mohammad Ibrahim Shahrour

Representative member of the Board of Directors of Integrated Investments and Industries (Holding)
Mr. "Mohammed Ali" Khaldoun Sati'i Al-Husry

Representing Al-Khalil Company for Investments
Khalil Hatem Khalil AlSalem

Represnting Al Jadara Company for Real Estate Investment
Sultan Mohammed M. Elseif

Member of the Board of Directors
Omar Akram Omran Bitar

Member of the Board of Directors
Ms. Reem Haitham Jamil Goussous

Member of the Board of Directors
Mr. Ahmad Qasim Theeb Al-Hanandeh

Member of the Board of Directors
Mr. Khalid Walid Husni Nabilsi

Member of the Board of Directors
Mr. Daoud Mohammad Daoud Al Ghoul

Member of the Board of Directors
Mr. Mohammad Hassan Subhi Al-Haj Hassan

3. We, the undersigned, acknowledge the accuracy and completeness of the information and data contained in the annual report.

Chairman of the Board of Directors
Bassem Khalil AlSalem

Chief Executive Officer
Ala Atallah Qumsieh

Chief Financial Officer
Manar Mohammad Al Nsour

Governance Report

Table of Contents

1. Introduction

Ladies and Gentlemen,

Capital Bank of Jordan was founded in 1995, as a public shareholding company and was duly registered in the records of the Companies Control Department under the name Export and Finance Bank. Since its establishment, the bank has been successively governed by boards of directors, the most recent of which was formed in May 2017. At the General Assembly meeting, thirteen members were elected, all of whom have the knowledge, experience, skills, and independence to enable them to carry out their duties efficiently and professionally. Through their experience, the members of the board possess the ability to make their decisions independently and objectively while taking into account the interests of the bank, its shareholders, and depositors, free from any personal interests or external influences.

The bank recognizes that the work of its board should be independent and specialized, and with this in mind, 6 of its 13 members are independent and professional. Independent members add a new dimension through their impartiality and experience, which they offer without conflicts of interest. Members of the board are formed into committees in order to carry out all of the board’s tasks efficiently. The objectives, functions and responsibilities of these committees have been set and delegated according to an approved charter included in the Guide for Corporate Governance, which is available on the bank's website (www.capitalbank.jo), detailing the qualifications of each member.

In 2014, the Central Bank of Jordan issued the Corporate Governance Regulations, which were amended several times since their issuance, the last of which was in 2016. In 2017, the Jordan Securities Commission (JSC) also issued a set of instructions on corporate governance of listed joint-stock companies. Capital Bank of Jordan has been a pioneer in applying corporate governance, and has prepared its own institutional governance guide in cooperation with Ernst & Young, which is fully and comprehensively based on the instructions of the Central Bank of Jordan and takes into account the Jordan Securities Commission (JSC) instructions as well as global best practices in this field.

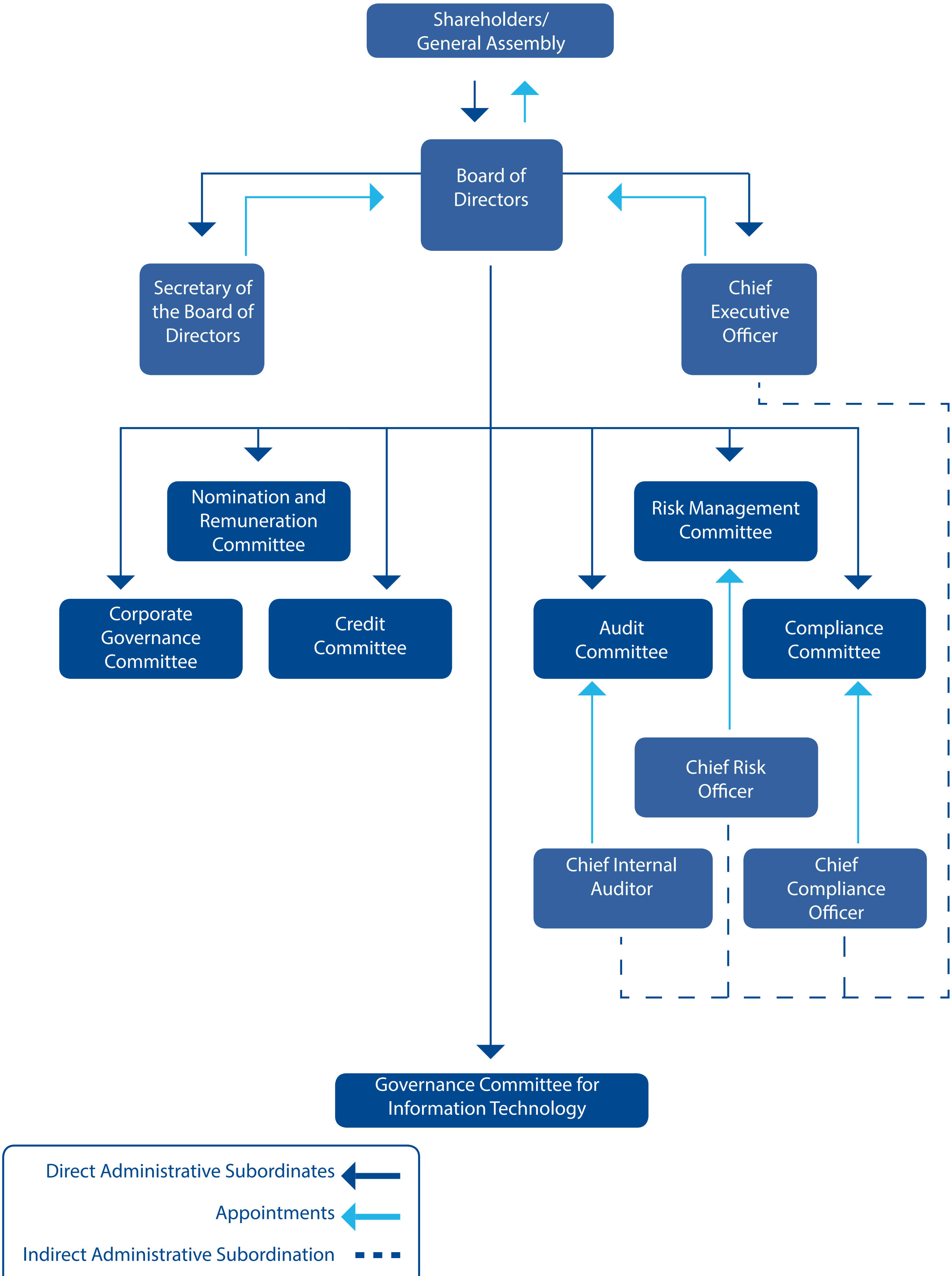
As part of its ongoing efforts to institutionalize the principle of governance, Capital Bank has adopted a set of policies that ensure the application of best practices in governance.

Capital Bank of Jordan affirms its commitment to the corporate governance provisions No. 2016/63 issued by the Central Bank of Jordan, as well as its amendments and the provisions of corporate governance of joint-stock companies listed in 2017.

We present to you the governance report, which was duly adopted by the Board of Directors, in accordance with the provisions of article 17 of the corporate governance guidelines.

Chairman of the Board of Directors
Bassem Khalil AlSalem

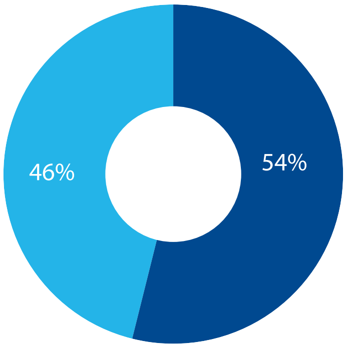
2. The general framework of the governance system in the bank



*Governance liaison officer, Secretary of the Board of Directors Mrs. Orouba Qarain

3. Members of the Board of Directors

3.1 Composition of the board



Non-Independent Independent

*All board members are non-executive members

3.2. Members of the board

Name	Representative	Independence	Membership in Public Shareholding Companies
His Excellency Mr. Bassem Khalil Salem AlSalem	-	Not independent	General Mining Company – Royal Jordanian
Mr. Mazen Samih Taleb Darwazeh	-	Not independent	The member does not have other memberships in public shareholding companies
Social Security Corporation	Mr. Issam Abdullah Yousef Al Khatib	Not independent	-
	Mr. Fadi Khalid Mufleh Al Alawneh since 2018/1/18	Not independent	-
Integrated Investments and Industries (Holding)	Mr. Omar M. I. Shahrour	Not independent	-
Hitaf Investment Company	Mr. "Mohammed Ali" Khaldoun Sati' Al-Husry	Not independent	-
Al-Khalil Company for Investments	Mr. Khalil Hatem Khalil AlSalem	Not independent	-
Al Jadara Company for Real Estate Investment	Mr. Sultan Mohammed M. Elseif	Not independent	-
Mr. Omar Akram Omran Bitar	-	Independent	Al Amal Financial Investments Company
Mrs. Reem Haitham Jamil Goussous	-	Independent	Representative of PCS Jordan LLC, member of the Board of Directors of Arab Potash Company
Mr. Ahmad Qasem Deeb Al-Hanandeh	-	Independent	The member does not have other memberships in public shareholding companies
Mr. Khalid Walid Hussni Nabilsi		Independent	The member does not have other memberships in public shareholding companies
Mr. Dawod M. D. Al Ghoul		Independent	The member does not have other memberships in public shareholding companies
Mr. Mohammad Hasan Subhi AlHaj Hasan		Independent	The member does not have other memberships in public shareholding companies

3.3 Resigned members of the Board of Directors

No member of the Board of Directors resigned in 2018.

3.4 Committees of the Board of Directors

3.4.1 Audit Committee

Members of the Audit Committee and a brief description of their qualifications and experience including financial and accounting matters

Mr. Dawod M. D. Al Ghoul, Committee Chairman	
Qualifications	BA in Accounting from the University of Jordan, MBA From the University of Colorado, Certified Public Accountant (CPA).
Experience	Mr. Al Ghoul has worked for more than 22 years in financial and strategic planning, investments and financial restructuring. He began his career in 1995 as an auditor at Arthur Andersen in Dubai, UAE, and then at Schlumberger, Dubai as assistant financial director for MENA and the Indian subcontinent. He then moved to KPMG in Dallas, Texas, as a financial advisor in international taxation. In 2003, he joined the Arab Bank Group as Vice Chief Financial Officer. In 2008, he took over as Executive Vice President of Planning and Investment for the same group, during which time he led and developed the group's financial plans. In 2012, he took over the position of Chief Financial Officer of the Arab Bank Group. He is currently the Chief Financial Officer of Amanat Holding Company.

Mr. Mohammad Hasan Subhi AlHaj Hasan, Committee Vice-Chairman	
Qualifications	BA in Finance and Microeconomics from Massachusetts Institute of Technology (MIT), Master's of Business Administration and a Master's in Education from Stanford Graduate School.
Experience	Mr. Al-Haj Hassan worked as a financial analyst in the corporate purchasing and mergers department of Dresdner Kleinwort Wasserstein. He also served as Vice General Manager of Rasmala, a company registered in Dubai that works in investments and fundraising. He founded Akhtaboot, an employment and talent acquisition company in the Gulf and the Middle East, and Jawaker, an electronic gaming company.

Al-Khalil Company for Investments represented by Khalil Hatem Khalil AlSalem, Committee Member	
Qualifications	BA in Economics from Columbia University
Experience	Mr. AlSalem previously served as the director of the Office of His Royal Highness Prince Ali Bin Al-Hussein. He began his career as a financial analyst at J.P. Morgan in New York, then as a Financial Analyst and Business Development Manager at Capital Investments. He also worked as a financial analyst for Midrar Investments. He is currently the Chief Financial Officer at Field Energy Services Company and Deputy Executive Director at Iraq Logistics Venturer Ltd.

3.4.2 Nomination and Remuneration Committee

Members of the Nomination and Remuneration Committee

Mr. Omar Akram Omran Bitar	Committee Chairman
Mr. Mazen Samih Taleb Darwazeh	Committee Vice-Chairman
Al Jadara Company Real Estate Investment represented by Mr. Sultan Mohammed M. Elseif	Committee Member
Mr. Dawod M. D. Al Ghoul	Committee Member
Ms. Reem Haitham Jamil Goussous	Committee Member

3.4.3 Corporate Governance Committee

Members of the Corporate Governance Committee

His Excellency Mr. Bassem Khalil Salem Alsalem	Committee Chairman
Mrs. Reem Haitham Jamil Goussous	Committee Vice-Chairman
Mr. Omar Akram Omran Bitar	Committee Member

3.4.4 Risk Management Committee

Members of the Risk Management Committee

The Social Security Corporation represented by Fadi Khalid Mufleh Al Alawneh	Committee Chairman
Al-Khalil Company for Investments represented by Mr. Khalil Hatem Khalil AlSalem	Committee Vice-Chairman
Mr. Omar Akram Omran Bitar	Committee Member

3.4.5 Credit Committee
Members of the Credit Committee

His Excellency Mr. Bassem Khalil Salem Alsalem	Committee Chairman
Mr. Mazen Samih Taleb Darwazeh	Committee Vice-Chairman
Hitaf Investment Company represented by Mr. "Mohammed Ali" Khaldoun Sati' Al-Husry	Committee Member
Integrated Investments and Industries (Holding) represented by Mr. Omar M. I. Shahrour	Committee Member
Khalid Walid Hussni Nabilsi	Committee Member

3.4.6 Compliance Committee
Members of the Compliance Committee

Integrated Investments and Industries (Holding) represented by Omar M. I. Shahrour	Committee Chairman
The Social Security Corporation represented by Mr. Fadi Khaled Mufleh Al Alawneh	Committee Vice-Chairman
Mrs. Reem Haitham Jamil Goussous	Committee Member

3.4.7 Information Technology Governance Committee
Members of the Information Technology Governance Committee

Mr. Mohammad Hasan Subhi Al-Haj Hassan	Committee Chairman
Mr. Ahmad Qasem Deeb Al-Hanandeh	Committee Vice-Chairman
Al-Khalil Company for Investments represented by Mr. Khalil Hatem Khalil AlSalem	Committee Member
Mr. Khalid Walid Hussni Nabilsi	Committee Member

3.5 Number of meetings of the board and board committees and list of current members

#		Board of Directors	Audit Committee*	Compliance Committee	Risk Management Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Credit Committee	Information Technology Governance Committee
	Name of Member	Number of Meetings (9)	Number of Meetings (7)	Number of Meetings (6)	Number of Meetings (4)	Number of Meetings (3)	Number of Meetings (1)	Number of Meetings (2)	Number of Meetings (4)
1	H.E Mr. Bassem Khalil Salem AlSalem	9/9					1/1	2/2	
2	Mr. Mazen Samih Taleb Darwazeh	6/9				1/3		2/2	
3	Fadi Khaled Mufleh Al Alawneh, representative of the Social Security Corporation	9/9		6/6	4/4				
4	Omar M. I. Shahrour, representative of Integrated Investments and Industries (Holding)	9/9		6/6				2/2	
5	Mr."Mohammed Ali" Khaldoun Sati' Al-Husry, representative of Hitaf Investment Company represented by	7/9[1]						2/2	
6	Mr. Khalil Hatem Khalil AlSalem Representative of Al Khalil Company for Investments	9/9	5/7		3/4				4/4
7	Mr. Sultan Mohammed M. Elseif, representative of Al-Jadara Company for Real Estate Investment	5/9[2]				3/3[3]			
8	Omar Akram Omran Al-Bitar	7/9			4/4	3/3	1/1		
9	Mrs. Reem Haitham Jamil Goussous	7/9		5/6		3/3	1/1		
10	Mr. Ahmad Qasem Deeb Al-Hanandeh	3/9							1/4
11	Mr. Khalid Walid Hussni Nabilsi	9/9						2/2	4/4
12	Mr. Dawod M. D. Al Ghoul	7/9	7/7			2/3			
13	Mr. Mohammad Hasan Subhi AlHaj Hassan	8/9[4]	7/7						4/4

*The bank's external auditors attended four meetings of the Audit Committee. 4 attended one meeting by phone
1. Attended two meetings by phone - 2. Attended three meetings by phone - 3. Attended one meeting by phone

4. Executive posts at the bank and names of their occupants

Name of Member	Position
Ala Atallah George Qumsieh	Chief Executive Officer
Yasser Ibrahim Mohammad Kleib	Head of Institutional Banking
Ra'fat Abdullah Isma'il Khalil	Chief Auditor
Mohammad Hafez Abdulkarim Mohammad Hafez Muaz	Legal Counselor
Ali Mohammad Daoud Abu Swai	Treasurer
Saher Daoud Kamil Abdul-Hadi	Head of Compliance
Manar Mohammad Abdul Halim Al Nsour	Chief Financial Officer
Falah Hassan Khalil Kokash	Chief Risk Officer
Eyas Nazmi Zuhdi Khawaja	Chief Operating Officer
Anton Francis Anton Lolas	Head of Consumer Banking
Hawar Talal Mohammad Hijazi	Head of Human Resources

5. Reports of committees emanating from the Board of Directors on their work in 2018

Audit Committee

The most important issues discussed in 2018

1. Adopting the risk-based internal audit plan for 2019, the work methodology, and the organizational structure of the department.
2. Discussing internal audit reports on the work and activities of all duty stations for the bank's departments, branches and subsidiaries.
3. Examining the report on dealing with relevant parties.
4. Reviewing periodic reports that contain annual, semi-annual, and quarterly financial data.
5. Making recommendations to the bank's Board of Directors regarding the appointment of external auditors, the conditions related to contracting them, and their fees as stated in the approved external audit policy.
6. Overseeing the comprehensiveness of the external audit.
7. Issues related to internal control systems and risk management.

Corporate Governance Committee

The most important issues discussed in 2018

1. Reviewing the comprehensive audit report on the work of institutional governance and the secretariat.

Risk Management Committee
The most important issues discussed in 2018 1. Reviewing the information and reports prepared by the bank's risk management department and the executive management's responses. 2. Reviewing the Internal Capital Adequacy Assessment Process (ICAAP) to ensure capital adequacy for all risks to which the bank is exposed or may be exposed, adopting an updated ICAAP policy and following up on compliance with the capital adequacy measurement process. 3. Reviewing the risk assessment frameworks at the bank. 4. Reviewing the risk management strategy and the document on risk limits. 5. Reviewing business continuity plans and devising tests and disaster site checks ensure the readiness of the site . 6. Evaluating risk management personnel. 7. Updating the International Financial Reporting Standard (IFRS) 9. 8. Determining the degree of acceptable liquidity risk. 9. Reviewing the following policies: • Policy on reporting violations and unsound practices. • Policy on managing liquidity risks . • Market risk management policy. • Anti-fraud policy. • Emergency funding plan. • Business continuity plan.

Nomination and Remuneration Committee
The most important issues discussed in 2018 1. Reviewing whether independent board members meet the requirements to ensure their independence. 2. Reviewing the human resources strategy and plan. 3. Results of evaluating the performance of the bank's managers. 4. Reviewing the following policies: 1. The methodology followed in preparing the bank's incentivizing policy. 2. Instructions for implementing the incentivizing policy. 3. Policy of managing and evaluating staff performance and top executive management performance. 4. Policy and career replacement plan. 5. Matrix of authorities regarding human resources. 6. Policy on the suitability of members of the executive management and members of the Board of Directors.

Compliance Committee
The most important issues discussed in 2018 1. The adoption of the Compliance Committee's 2018 plan. 2. An overall assessment of the compliance of the bank and its subsidiaries with the instructions of regulatory authorities and best international practices in the field as well as anti-money laundering and the financing of terrorism. 3. The detected risks of compliance and proposed corrective procedures through tests, examinations, and field visits to work stations. 4. Products and services reviewed during the year. 5. Outputs and results issued by the internal auditor, the external auditor and the reports of the inspectors of the Central Bank of Jordan, which reveal cases of non-compliance. 6. Customer complaints that show non-compliance and actions to rectify the situations. 7. The number of cases investigated and reported to the Anti-Money Laundering/ Countering Financing of Terrorism (AML/CFT) Unit. 8. Any warnings that may ultimately result in non-compliance. 9. An evaluation of the performance of compliance management staff. 10. Reviewing the following policies: • Compliance policy. • Updating the AML/CFT policy. • AML/CFT evaluation policy.

Information Technology Governance Committee
The most important issues discussed in 2018 1. The latest developments on the group's projects. 2. Governance-related issues: • Adopting the COBIT 5 framework. • Adopting the RACI Chart matrix of responsibilities. • The organizational structure of managing information technology.

Credit Committee
The most important issues discussed in 2018 1. Discussing applications for credit facilitations 2. Reviewing the bank's crediting policies

Chairman of the Board
Bassem Khalil AlSalem

Branch	Address
Main Branch - Head Quarters	Issam Al-Ajlouni Street – Ashmaisani
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-6-5100200
Fax:	+962-6-5692062
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Capital Select	Issam Al-Ajlouni Street – Ashmaisani
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Tel.:	+962-6-5100200
Fax:	+962-6-5692062
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Fax:	+962-6-5549252
E-Mail:	madinah@capitalbank.jo
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Fax:	+962-65885176
E-Mail:	sweifeyeh@capitalbank.jo
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Fax:	+962-6-4750845
E-Mail:	wehdat@capitalbank.jo

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Tel.:	+962-5-382553
Fax:	+962-5-3824722
E-Mail:	freezone@capitalbank.jo
Irbid	Al-Huson Street – Irbid
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-2-7246280
Fax:	+962-2-7246492
E-Mail:	irbid@capitalbank.jo
Aqaba	Annahdah Street – Aqaba
P.O. Box:	941283 Amman 11194 Jordan
Tel.:	+962-3-2039777
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E-Mail:	aqaba@capitalbank.jo
Gardens	Wasfi Al-Tall Street – Building No. 115
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Fax:	+962-6-5527834
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Fax:	+962-53856009
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Fax:	+96265936037