Thank you for being Safwa

Annual Report 2018



بنك صفوة الإسلامي Safwa Islamic Bank



Annual Report 2018



His Majesty King Abdullah II Bin Al Hussein



Annual Report 2018



His Royal Highness Prince Al Hussein Bin Abdullah II Crown Prince



Annual Report 2018

Table of Contents

Safwa Islamic Bank	10
Names Of The Board Of Directors Members	12
Members Of Shari'a Supervisory Board	12
Names Of Executive Management	13
Name Of The External Auditor	13
Chairman's Letter	14
CEO'S Letter	16
Annual Report Of Shari'a Supervisory	22
Independent Auditor's Report	26
Financial Statments And Notes About Them	34
Board Of Directors' Report	169
Information And Details Regarding Applying The Provisions Of	232
Corporate Governance And Companies Governance Guidelines	
Corporate Governance Manual	233
Governance Report	257
IT Governance Guide For Information Management	268
And Associated Technology	

We Grow Together

SAFWA ISLAMIC BANK

In The Name of Allah

Safwa Islamic Bank

Safwa Islamic Bank ("the Bank or the group") is a Jordanian public shareholding limited company and considered the legal successor of Industrial Development Bank that was established in 1965 in accordance with a special law (Industrial Development Bank Law). Moreover, the Bank is considered a legal successor and a replacement for all of its rights and obligation. On 30 April 2008, Law No. (26) for the year 2008 was issued and cancelled the Industrial Development Bank Law No. (5) for the year 1972 and change and register the bank as an Islamic bank under the name "Jordan Dubai Islamic Bank".

In its extraordinary meeting held on 17 May 2017, the Bank's General Assembly decided to change the name of the Bank from "Jordan Dubai Islamic Bank" to "Safwa Islamic Bank".

The Bank provides all financial services, banking and structured investment services on a non-Interest basis in accordance with Islamic shari'a through the Bank's head office and its 33 branches and its subsidiaries within the Kingdom, in accordance with the effective Banking Law.

Our Vision

Leading Islamic banking to serve all spectrums of the society.

Our Mission

To provide distinctive and innovative services emanating from the divine principles of Islam to build lasting and solid partnerships and to maximize benefits to all stakeholders.

Our Values

Innovation:

At Safwa Islamic Bank, we adhere to the principles of innovation and distinguish ourselves as a pioneering financial institution by combining traditional Islamic values with the latest technology and innovative products and services; thus delivering the best of modern Islamic banking.

Knowledge:

At Safwa Islamic Bank, our guiding principle of banking is inspired by the knowledge and doctrines embodied within the Islamic Sharia Principles. Built from these strong foundations, we are proud to introduce the new standard of modern Islamic banking in Jordan.

Quality:

Structuring products and providing service is implemented with the same principle of delivering quality through perfection. At Safwa Islamic Bank our wide array of solution driven products and services are created in harmony with our customers' specific financial needs.

Value:

Defined by our modern Islamic banking approach and the success of our customers, our commitment is to deliver value and measurable returns by providing the finest banking service available. It is our valued belief at Safwa Islamic Bank that our customer's benefit is key to our success.

World Class Service At Safwa Islamic Bank:

we are a customer-centred modern Islamic banking institution that bases each of its relationships on unparalleled personal service and understanding. We care, we listen and we constantly deliver world class services.

Names of the Board of Directors Members

Dr. "Mohammed Nasser" Abu Hammour	Chairman of the Board/Representative of AI-Etihad Islamic for Investment Co.
Hamdan Al-Fawair	Deputy Chairman of the Board / /Representative of Orphans Fund Development Foundation
Basem Salfiti	Representative of AI-Etihad Islamic for Investment Co.
Deema Aqel	Representative of AI-Etihad Islamic for Investment Co.
Khaled Al-Gonsel	Representative of AI-Etihad Islamic for Investment Co.
Dr. Khaled Al Zantouti	Representative of AI-Etihad Islamic for Investment Co.
Dr. Ahmed Amneisi	Representative of AI-Etihad Islamic for Investment Co.
Dr. Nofan Al-Aqeil	Representative of Government Contributions Management Company
Dr. Ibrahim Saif	
Samir Abu Lughod	
Salem Burgan	

Members of Shari'a Supervisory Board

His Eminence Prof.Dr.Hussein Hamed Hassan

Chairman of the Shari'a Supervisory Board and Executive Member

His Eminence Prof. Dr. Ali Muhieddin Al Qaradaghi Deputy Chairman of the Shari'a Supervisory Board

His Eminence Sheikh Abdul Karim Al-Khasawneh

His Eminence Dr. Ahmad Salem Melhem

Names of Executive Managment

Samer Tamimi	Director General / Chief Executive Officer
Rami khayyat	Deputy CEO, Chief of Corporate Banking
Hani Al-Zrari	Deputy CEO, Chief of Central Operations
Ziad Kokash	Deputy CEO, Chief of Risk Management
Ibrahim Samha	Deputy CEO, Chief of Finance and Corporate Strategies
Nasfat Taha	Head of Retail Banking
Wael Al-Bitar	Head of Treasury and Investment
Rami Al-Kilani	Head of Information Technology
Ahmad Tarteer	Head of Compliance and AML
Masoud "Sakf al-Hait"	Chief of Legal Affairs and Board Secretariat
Muneer Faroneyah	Head of Shari'a Supervision
Mohammad Hawari	Head of Human Capital Management
Khalid Al-Issa	Head of Internal Audit

Name of the external auditor

Deloitte & Touche (M.E) - JORDAN

Chairman's Letter



Dear Brothers and Sisters Dear Shareholders, Peace, mercy and blessings of Allah

On behalf of the Board of Directors of Safwa Islamic Bank, I am pleased to present to you our 2018 annual report of the Bank.

Safwa Islamic Bank continued its journey towards achieving the goals of the shareholders, depositors, customers and employees of the Bank, in recognition of our capabilities, potentials and opportunities in the Jordanian market. We have identified our strategic objectives in the short, medium and long term and setting our sight on the need to make every effort to implement the strategic plans of the bank, which will make our stakeholders as partners in the Bank's success.

The Bank has continued to implement the set goals to develop its capabilities, get benefits of opportunities, maintain its solid base, and enhance quality standards and excellence in all banking practices to introduce the highest level of service to our clients. During the year 2018, the Bank achieved a net profit after tax of JD 8.4 million compared to JD 5.7 million in 2017. The Bank's profit grew by 46% by increasing its operating income by 23% compared to the previous year. The Bank's total assets reached JD 1,121 million with a growth rate of 17%. The Bank's customers' deposits grew by 20% to reach JD 931 million at the end of 2018. The Bank's financing portfolio grew by 15% To JD 776 million at the end of 2018.

In terms of electronic banking services, the year 2018 witnessed introducing a range of new and advanced services supporting the bank's position in the market, taking into consideration the importance of the necessary security and protection measures to deal with cybercrimes.

As part of our belief in delivering our services to the largest segment of customers and within the Bank's expansion plans, we have opened 8 new branches in the year 2018, four of which are in the governorates of Aqaba, Salt, Jerash, Madaba and four other branches within the capital, our branches' network reached 33 branches by the end of 2018, and 16 ATM machine were added to reach 73 ATM machine in total, which had a positive impact on the service of our customers. This was reflected positively on the number of the bank's customers to exceed 68 thousand at the end of 2018 compared to 55 thousand at the end of 2017.

As a result of the outstanding performance of the Bank during the year 2018, the Board of Directors recommended to the General Assembly a distribution of cash dividends to shareholders in the amount of 7 million Jordanian dinars and 7% of the capital.

The Bank's capital adequacy ratio was approximately 26% at the end of 2018, after deducting the proposed cash dividends.

We have identified the Bank's strategic objectives and implementation will make stakeholders partners in the Bank's successes

The year 2018 was a success for the Bank in terms of operational financial results It also witnessed the introduction of new products and services

We look forward to 2019 with optimism and positive in line with His Majesty's vision

We look forward to 2019 with a positive outlook in line with the vision of His Majesty King Abdullah II, which is based on three axes: the rule of law, a dynamic economy and basic services for the citizens to our belief in Jordan's ability to meet the existing challenges and exploit the opportunities available and provide the great potential for growth and development.

Jordan has been able to overcome important economic reforms. We believe that the relative political stability in the neighboring countries, the opening of the crossings, the decrease in oil prices and the stabilization of international interest rates will be a good start for the Jordanian economy.

On this occasion, I would like to thank the Executive Management of the Bank and all our employees for their efforts and dedication to serve the Bank and its clients with all efficiency and professionalism to achieve its strategic objectives. I would also like to extend my thanks and gratitude to all our clients and shareholders for their continuous trust, and for our board of directors for their support and guidance to make this Bank succeed.

We will continue to apply the best international banking practices in accordance with the Shari'a I would also like to commend the role of the Shari'a Supervisory Board of the Bank in assisting the Bank's management by providing competitive services and products that comply with Shari'a requirements and their supervisory and advisory roles, thereby enhancing the confidence of our customers as a leading Islamic banking institution.

In conclusion, we should point out that the effective supervisory role of the Central Bank of Jordan, the Securities Commission and the relevant regulatory bodies to ensure the safety and stability of the banking system to provide an attractive and stimulating investment environment for economic activity is a matter of thanks and appreciation.

It is our responsibility to assure our shareholders and customers that the Bank will continue to apply its best practices in the implementation of the best international banking practices and in accordance with the provisions of the Islamic Shari>ah. The Bank will also continue to achieve the best results and achievements in response to the needs of the national economy and the local community, In line with developments in the banking industry and in various economic sectors.

We ask Allah to help us to work for the benefit of this institution and serve our country under the leadership of his majesty King Abdullah II Ibn al-Hussein, may Allah protect him.

Dr. Mohammed abu Hmmour Chairman

CEO's Letter



Dear Shareholders of Safwa Islamic Bank

I am pleased to present to you my first letter as the CEO of Safwa Islamic Bank, which I see the year 2018 a successful one from all aspects.

In my almost 30 years of banking experience, I have been part of various financial institutions, as an employee and in different senior positions, I have to say that Safwa Islamic Bank is different in all aspects from what I have experienced before.

In Safwa Islamic Bank, I have found in this banking institution a high sense of

responsibility, desire and confidence to exploit the opportunities available in the institution accompanied by a strong enthusiasm to achieve the goals and initiatives that we are working to achieve.

In this letter I would like to share a few thoughts on how we are moving forward. First of all, I would like to extend my sincere thanks and appreciation to the Bank's Board of Directors for their continued guidance and support to me personally and to the Management Team and the staff.

As for my colleagues, I am fortunate to work with such a team and I would like to thank them for what they have done for this institution and in my personal opinion, «They are the best in Jordan».

During the year 2018, we have adopted many transformation plans that will contribute to the transition to a new stage in the life of Safwa Islamic Bank and in a clear and unprecedented way for everyone with what we have and what we can achieve in the future.

Most people talk about the change in the world while we at Safwa Islamic Bank have decided to focus on how we will change ourselves, therefore, in this context I would like to share with you some of the principles that we have adopted:

- Safwa Islamic Bank has reached a good position in the market supported by the advantages we have that set us apart from other banks.

- How we are building on these advantages and development is our first goal in the near future.

- Continued growth, which will put Safwa Islamic Bank in a prominent position in the Jordanian banking market.

During the year 2018, we have achieved a remarkable growth in our operations and financial results. At the same time we were able to achieve this growth while reducing our operating leverage indicators to 1.3%. Although the Bank is following the geographical expansion plans and the digital transformation in its operations, capital expenditures reached JD 5.6 million during the year 2018

I have found in Safwa Islamic Bank a high sense of responsibility

We have achieved remarkable growth in operations and financial results

Item (JD Million)	2018	2017	Change %
Assets	1121	958	163m 17%
Deposits	931	773	158m 20%
Facilities	776	672	104m 15%
Income before TAX	13.1 m	8.8m	4.3m 49%
Net Income	8.4m	5.7m	2.7m 46%
EPS fils/share	0.084	0.057	47%

The Bank's indicators show an improvement in efficiency and productivity, but I believe that it is not enough and that some efforts can be made to reduce the cost / revenue ratio at a faster pace. Several initiatives will be implemented, including some modifications to the bank's structure which I believe will contribute to achieving this goal, and increasing efficiency and productivity.

The growth of operations, the high volumes of finance and investment contributed to high returns for depositors which are the highest in the Jordanian Islamic Banking sector, and we have also been able to increase returns to shareholders of Safwa Islamic Bank by 40% higher than last year.

The financial statements show that Safwa Islamic Bank has a strong capital base with a capital adequacy ratio of approximately 26%, giving the Bank sufficient flexibility and many options for future growth, which will enhance the value of investment in the capital of Safwa Islamic Bank.

We have many opportunities to maximize our business, increase our customer base, capitalize on the Bank's characteristics, expand geographically and enter new markets, all of which will bring us a higher growth than competitors.

At Safwa Bank, we set high standards for staffing processes, developing talent and building an optimal working environment by selecting the best employees in the Jordanian market. We believe that what ultimately deliver value to shareholders are Safwas' employees.

We are working hard at Safwa Islamic Bank to create a unique environment that makes Safwas' customers the focus of our interest by opening all channels of communication with them and focusing on participatory decision-making, which reflects their level of satisfaction.

We believe in Safwa Islamic Bank and from the principles of our religion, the importance of ethical standards; from this perspective, we have held workshops and intensive sessions of the importance and professionalism to adhere to high ethical standards to determine what is allowed and what is not.

We derive our strength from maintaining clear values , culture and solid principles that enable the Bank to achieve its objectives and complete the transformation processes to move towards the future.

As for building on these advantages, our strategy for the coming years is choosing the right goals, prioritizing them and implementing them effectively will achieve the bank's sustainable success and growth.

During the second half of the year, we have added eight branches to our branch network, half of them in new governorates, in addition to new ATMs to reach the

The Bank has a strong capital base that gives it sufficient flexibility for future growth largest possible segment of our society, however, the Bank managed to improve costs to Income by selecting the best and most efficient operating models.

We have also adopted a unique business model by building a business relationship based on understanding customer needs, meeting their demands in the best possible way, and obtaining their assessment of the level of services provided to them.

Since we believe that our customers are our capital, we have focused most of our attention on speeding up and streamlining processes. We began to study the journey and experience of the client since the first touch with us, whether by opening an account or by ordering any of our services or products and e-channels which have been simplified and accelerated.

We know that the real competitive advantage comes through participation, development and engagement with customers. This has led us to develop mobile banking, online services and call center to enhance the role of the customer in managing his banking operations with us. This would not have been possible without the full commitment of Safwa Islamic Bank to promote digital transformation and partnership with customers.

The clients were directed and guided to use our digital services. A staff member was assigned in each branch to provide support to clients. We are monitoring the development of their use of digital services; the results are very positive. We expect that the turnout to use these services will continue to grow and rise with our commitment to include more services and features to our digital applications.

All this puts Safwa Islamic Bank at the top of the rank among the Islamic Banks in Jordan in terms of attracting clients wishing to keep abreast of the digital banking industry and therefore we have built our digital transformation strategy by choosing the right technology for our clients and us.

What I have mentioned; and what we have done reflects the upward shift that we have started and gives Safwa Islamic Bank the ability to maintain a progressive growth rate.

Samer Tamimi CEO Expanding our network by adding 8 branches to reach the largest possible segment

Our customers are our capital and we are looking to provide the best service and experience for them

The real competitive advantage comes through participation, development and engagement with customers

Partners in the success journey

ANNUAL REPORT OF THE SHARI'A SUPERVISORY BOARD

In the Name of Allah ANNUAL REPORT OF SHARIA SUPERVISORY BOARD FOR SAFWA ISLAMIC BANK FOR THE YEAR 31/12/2018

Praise be to Allah and peace and blessings be upon our Prophet Mohammad and his family and companions,

To respected shareholders of Safwa Islamic Bank,

Peace and Allah's mercy and blessings be upon you,

Pursuant to the Jordanian Banking Law No. 28 of 2000 regarding Islamic banks, the Bank's Articles of Association as well as the controls included in the accounting and auditing standards and the controls for Islamic financial institutions issued by the Audit and Accountancy Organization for Islamic Financial Institutions (AAOIFI); the Sharia Supervisory Board presents the following report:

The Board has supervised the principles used and the contracts concerning transactions and applications offered by the Bank during the financial period ending on 31/12/2018. It has also carried out due surveillance to give its opinion whether the Bank has been compliant with regulations and principles of the Islamic Sharia, and how far its observance of Fatwas (Sharia decisions) was, as well as the defined resolutions and directions that we had issued, and to make sure of the Bank's observance thereof.

The Bank's management is responsible for the execution of the banks activities in accordance to the Islamic Sharia and ensuring that all times. However, Our responsibility is limited to providing an independent opinion based on our supervision of the Bank's operations and preparing a report for you.

We performed supervision which included the inspection of the Bank's documentation and procedures based on testing each type of operations through Sharia Supervisory Department.

We have planned and executed supervision to obtain all information and explanations deemed necessary to provide us with sufficient evidence to give reasonable confirmation that the Bank has did not intend to violate the regulations and principles of the Islamic Sharia. The Board has also continued, through meetings and discussions of the agenda items proposed by the Sharia Controller, to develop required provisions and instructions for emerging topics that arise during the practical application and indicate the Sharia regulations for those topics.

In our opinion:

- A. The members of the Sharia Supervisory Board reviewed the Bank's general budget and income statement as of 31/12/2018 and the explanations concerning them, considering that they provide a description of the Bank's activities; and the Board did not find any Sharia violation in those it acknowledged thereon.
- **B.** The contracts, operations and transactions conducted by the Bank during the year ending 31/12/2018, that we reviewed have been conducted according to the regulations and principles of the Islamic Sharia.
- **C.** The Bank's management enabled the Board to review all books and records it demanded, and has obtained the data it requested to enable it to perform its duty of audit on the Bank's executed transactions.
- **D.** The Board revised the structures of financing and its terms and conditions, and contracts by which transactions were executed during the current year as of 31/12/2018 which we reviewed according to regulations and principles of the Islamic Sharia.

- **E.** Distribution of profits and burdening loss on investment accounts, agrees with the basis approved by us according to regulations and principles of Islamic Sharia.
- **F.** Sums that came to the Bank from resources or by ways that are non-compliant with the regulations and principles of Islamic Sharia were moved to the Account of benefits (Khairat) to be spent in charitable fields, and were not included in the Banks revenues.
- **G.** The Board replied to inquiries presented to it and issued the necessary Fatwas(Sharia opinion); and the Banks management showed a remarkable positive reaction in applying those (Fatwas) opinions and observance of them.
- **H.** Issuance of Zakat is the task of shareholders, and there is no entitlement of the Bank's management to issue it directly because there is no official law for collecting it; and because no mention of such thing in the Bank's Articles of Association or the decision of the General Assembly, or authorization by shareholders. Therefore, the shareholder has to issue (Zakat) of his shares when Sharia conditions and controls of Zakat apply, taking the following into considerations.
 - If the intention on purchasing shares or underwriting was to trade with them and circulation, the shareholders will issue (Zakat) of the share's market value and the dividends distributed at the end of the year by (2.5%) of this value in the Hijri year, and the calendar year (2.577%).
 - If the intention on purchasing shares or underwriting was to obtain profits not trading, he will issue (Zakat) (2.5%) in the Hijri year or (2.577%) in the calendar year in the value of (Zakat) assets in addition to the dividends either distributed or not.

Praise be to Allah

Date: January 26, 2019

Chairman and Executive Member Prof. Dr. Hussein Hamed Hassan

Board Member His Eminence Sheikh Abdul Karim Al- Khasawneh Board Member Dr. Ahmad Melhem

Board Member Prof. Dr. Ali Al Quradaghi

Closer to you

p

P

CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND NOTES ABOUT THEM TOGATHER WITH INDEPENDENT AUDITOR'S REPORT Annual Report 2018



Deloitte & Touche (M.E.) Jabal Amman, 5th Circle 190 Zahran Street Amman, P.O. Box 248 Jordan

Tel: +962 (0) 6 550 2200 Fax: +962 (0) 6 550 2210 www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

AM/014589

To the Shareholders of Safwa Islamic Bank (Public Shareholding Limited Company) Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Safwa Islamic Bank (Public Shareholding Limited Company) and its subsidiaries (referred to together as " The Bank or the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income and comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows, and consolidated statement of changes in restricted wakala accounts for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2018, and its consolidated results of the operations, its changes in shareholders' equity, its cash flows, and its changes in restricted wakala accounts for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which are appropriate to the Bank's Articles of Association and consistent with the Shari'ah Rules and Principles set forth by the Shari'ah Supervisory Board of the Bank.

Basis for Opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by (AAOIFI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

- The Bank has complied with Islamic Shari'ah Principles and Rules set forth by the Shari'ah Supervisory Board of the Bank.
- 2- The accompanying consolidated financial statements are a translation of the original consolidation financial statements, which are in the Arabic language, to which reference should be made.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities related to the audit of the consolidated financial statements, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1- Impairment in the credit facilities portfolio (deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets), and the Investment Risk Fund

The disclosures related to the impairment loss in the credit facilities portfolio (deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) are detailed in Notes (8 & 14) to the consolidated financial statements, and the disclosures about the Investment Risk Fund are detailed in Note (25) to the consolidated financial statements.

Key Audit Matter

The Bank's Management exercises significant judgment when using the self-assumptions and determining the timing and amount to be recorded regarding the impairment loss in the portfolio the credit facilities of value receivable and other (deferred sales receivables, and Ijara Muntahia Bittamleek assets) and estimating the amount of the related expected credit loss provision against it.

The credit facilities portfolio (deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) constitutes a major part of the Bank's assets. Due to the importance of the judgments used in the classification of credit facilities at the various stages set forth in International Financial Standard (9) Application Reporting Instructions issued by the Central Bank of related provision the and Jordan been has matter requirements, this considered as a key audit risk.

How the key audit matter was address

The audit procedures included evaluating I internal control and monitoring system relat to the procedures for granting, recording a monitoring credit facilities, as well as I procedures for recording the impairment lo including taking into consideration the Cent Bank of Jordan's requirements to verify th effectiveness and evaluate the efficiency their design and implementation.

We have also read out the Bank's expect credit loss provisioning policy in relation International Financial Reporting Standard Application Instructions issued by the Cent Bank of Jordan in this regard.

Furthermore, we have understood methodology used by the Bank in determin the provisions against exposures classif within Stages (1, 2 and 3). We have a evaluated the reasonableness of underlying assumptions and adequacy of data used by the Bank. Meanwhile, we have verified the completeness of the cre facilities portfolio included in the calculation the expected credit loss. Annual Report 2018

Deloitte

Key Audit Matter

The Bank's net credit facilities portfolio receivable and other (deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) amounted to approximately JD 776 million as of December 31, 2018. Moreover, the related expected credit loss provision amounted to approximately JD 18.7 million, which includes a provision of approximately JD 4.3 million against the exposures of Stage (1) and Stage (2), and approximately to JD 14.4 million against the exposures included in Stage (3).

Moreover, the Bank deduct 10% of the joint investment net profit and transfers it to the Investments Risk Fund according to the instructions of the Central Bank of Jordan.

How the key audit matter was addressed

We have verified the appropriateness of the Bank's identification of the significant increase in the credit risks and the basis arising from the classification of the exposures into the different stages.

Moreover, we have examined a sample of the evaluate the credit exposures to appropriateness of the determination of exposure at default, the probability of default, and the loss given default used in the calculation of the expected credit loss.

We have examined a sample of the credit facilities exposures in which impairment in value has been identified on an individual basis, and which are classified in Stage (3). In addition, we have examined Management's estimate of the future cash flows and their reasonableness and verified the outcome of the calculations of the provisions.

We also used the experts, where appropriate, to verify the validity of that data.

Furthermore, we have recalculated the amounts transferred to the Investment Risk Fund according to the Central Bank of Jordan's instructions.

Impact of Implementation International Financial Reporting Standard 2-(9) Application Instructions issued by the Central Bank of Jordan No. (13/2018)

The disclosures related to the Implementation International Financial Reporting Standard (9) Application Instructions are detailed in Notes (6, 8, 11, and 23) to the consolidated financial statements.

Key Audit Matter

Financial Reporting Standard (9) Application Instructions issued by the Central Bank of Jordan effective in 1 January 2018 without in accordance with International Financial comparative figures restating the accordance with the instructions.

How the key audit matter was addressed

The Bank has Implementation International We have gained an understanding of the Bank's policy on the classification and measurement of financial assets and liabilities Application in Reporting Standard (9) Instructions.

Deloitte.

Key Audit Matter

The differences between the previously reported carrying amounts and new carrying amounts of the self-financed financial instruments amounted to approximately JD 192 thousand as of January 1, 2018 have been recognized in the retained earnings opening balance. Moreover, the differences between the previously reported carrying amounts and new carrying amounts of the jointly financed financial instruments amounted to approximately JD 2.5 million have been recognized as of January 1, 2018.

changes arising from the key The Implementation of International Financial Application Standard (9) Reporting Instructions represent the fact that the Bank's credit losses are now based on the expected loss approach rather than an incurred loss model, and the change in the classification and measurement of the Bank's financial assets and liabilities.

How the key audit matter was addressed We have also understood the Bank's expected credit loss methodology through using experts, wherever appropriate, to satisfy ourselves about the integrity of the data which includes several items as follows:

- Observing the Bank's determination of expected credit loss provisions policy in accordance with International Financial Reporting Standard (9) Application Instructions.
- Determine the occurrence of significant increase in credit risk.
- Classifying exposures into various stages through testing a sample of the Bank's granted credit facilities.
- Understanding the key data sources and data assumptions used in the expected credit loss models to determine the expected credit loss provisions; as well as the forecast assumptions used in calculating the related expected credit loss.
- Reviewing the exposure at default through a sample of exposures.
- Reviewing the probability of default Used in the calculation of expected credit loss calculated based on several economic cycles with the information declared and reviewing its adequacy with it, and turning it into the probability of default in accordance with a specific economic cycle.
- Reviewing the calculation of expected credit loss in case of default used in its calculation, including the adequacy of collateral and consequential calculations as a result of adequacy of collateral.
- Reviewing the completeness of credit facilities, investment securities, and deposits used in the calculation of expected credit loss as of January 1, 2018.

The accounting policies, significant accounting estimates, and credit risk management disclosures are detailed in Notes (2), (3), and (49) to the consolidated financial statements.

Annual Report 2018

Deloitte.

3- Suspension of revenue on non-performing receivables (deferred sales receivable and other receivables, and Ijara Muntahiah Bittamleek asstes)

The disclosures related to the suspension of revenue on non-performing receivables are detailed in Note (8) to the consolidated financial statements.

Key Audit Matter

According to the Central Bank of Jordan's instructions, revenue are suspended after 90 days from the date of default (the date on which repayment has stopped).

Judgment is exercised to determine the default date – a matter which might affect the amount of revenue that should be suspended.

How the key audit matter was addressed

The audit procedures included the selection of a sample of the statements of non-performing receivables (deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) and suspended revenue, as well as a study of the suspended revenue, as well as a study of the suspended revenue, including recalculation according to the Instructions of the Central Bank of Jordan. In addition, we have studied the bases used by Management to determine the occurrence of default (default date).

4- Distribution of total revenue from unrestricted investment accounts (Investment Pool)

The details of the total revenue from unrestricted investment accounts (Investment pool) are set out in Notes (25, 37, and 38) to the consolidated financial statements.

Key Audit Matter

The distribution of total revenue from unrestricted investment account is a key audit matter. In this respect, the Bank should calculate the total revenue resulted from unrestricted investment transactions and distribute them periodically according to the declared and specified percentages among the joint investment account holders, shareholders' equity, and the Investments Risks Fund regarding these revenue.

How the key audit matter was addressed

The audit procedures included understanding the processes of the calculation and distribution of total revenue among the unrestricted investment account holders, shareholders' equity, and the Investments Risk Fund; examining the adopted internal control system in addition to recalculating and distributing for a sample selected by the IT audit team; and studying the calculation processes in the Bank's system and the revenue distribution mechanism.

Deloitte.

Other Information in the Bank's Annual Report for the Year 2018

The other information consists of the information in the annual report other than the consilidated financial statements and our auditors report thereon, the Bank's Board of Directors is responsible for other information. We expect that the annual report will be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

These consolidated financial statements and the bank's undertaking to operate in accordance with the Islamic Shari'ah rules and principles are the responsibility of the Bank's Board of Directors.

Moreover, Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) which are appropriate to the Bank's Articles of Association, and for such internal control as management determines 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Auditing Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) 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.

Deloitte

As part of an audit in accordance with Auditing Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis
 of accounting and, based on the audit evidence obtained, whether a material
 uncertainty exists related to events or conditions that may cast significant doubt on
 the Bank's ability to continue as a going concern. If we conclude that a material
 uncertainty exists, we are required to draw attention in our auditor's report to the
 related disclosures in the financial statements or, if such disclosures are inadequate,
 to modify our opinion. Our conclusions are based on the audit evidence obtained up
 to the date of our auditor's report. However, future events or conditions may cause
 the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group "the Bank and its subsidiary" to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation 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 have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend to approve it.

Amman – The Hashemite Kingdom of Jordan February 17, 2019

Deloitte & Touche (M.E.) - Jordan Deloitte & Touche (M.E.) ديلويت أند توش (الشرق الأوسط) 010105

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Financial Position

		31 Dec	ember
	Note	2018 JD	2017 JD
Assets			
Cash and balances with the Central Bank	4	118,767,358	119,934,135
Balances at banks and the financial institutions	5	13,264,923	6,570,709
International wakala investments-net	6	56,020,856	33,861,572
Financial assets at fair value through statement of income	7	688,489	-
Deferred sales receivables and other receivables-net	8	448,797,124	416,155,544
Unconverted loans-net	9	767	37,748
Financial assets at fair value through shareholders' equity -self financed	10	340,500	17,700
Financial assets at fair value through unrestricted investment accounts' holders equity-net	11	28,115,798	38,875,345
Financial assets at amortized cost -net	12	92,191,000	54,878,000
Investment in associate	13	376,618	377,262
Net investment in a subsidiary under liquidation		79,717	-
ljara Muntahia Bittamleek assets-net	14	327,252,472	255,708,619
Qard Hasan		509,660	509,660
Property and equipment-net	15	24,251,426	21,299,772
Intangible assets - net	16	1,600,907	1,449,583
Deferred tax assets	22/C	723,606	599,815
Other assets	17	8,492,294	7,527,176
Total Assets		1,121,473,515	957,802,640
Liabilities, Unrestricted Investment Accounts' Holders Equity and Shareholders' Equity			
Liabilities			
Banks and financial Institutions accounts	18	436,283	876,288
Customers' current accounts	19	143,608,583	120,068,965
Cash margin	20	12,470,264	22,746,048
Income tax provision	22/A	4,031,024	2,603,048
Other provisions	21	380,785	84,603
Other liabilities	23	28,819,408	15,331,453
Total Liabilities		189,746,347	161,710,405
Unrestricted Investment Accounts Holders' Equity			
Unrestricted investment accounts	24	786,986,288	652,921,139
Fair value reserve	26/B	(552,665)	(820,121)
Total Unrestricted Investment Accounts Holders' Equity		786,433,623	652,101,018
Investment Risk Fund			
Investment risk fund	25	1,945,997	4,150,430
Income Tax provision for investment risk fund	25	2,052,566	1,695,297
Shareholders' Equity			
Paid up capital	27	100,000,000	100,000,000
Statutory reserve	28	24,181,881	22,874,816
General banking risks reserve	28	-	300,000
Fair value reserve – self financed	26/A	(24,510)	(576)
	29	17,137,611	14,971,250
Retained earnings		141,294,982	138,145,490
Retained earnings Total Shareholders' Equity			
Retained earnings Total Shareholders' Equity Total Liabilities, Unrestricted Investment Accounts Holders' and Shareholders' Equity		1,121,473,515	957,802,640

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Income and Comprehensive Income

	Note	For the yea Dece	
	Note -	2018 JD	2017 JD
Deferred sales revenue	30	30,934,645	27,898,498
Ijara Muntahia Bittamleek assets revenue	31	26,099,095	19,133,685
Gains from International wakala investments	32	1,091,469	440,240
Gains from financial assets at fair value through unrestricted investment accounts holders, equity	33	1,333,579	1,146,902
Gains from financial assets at fair value through statement of income	34	20,235	-
Gains from financial assets at amortized cost	35	2,107,731	1,656,940
Share of Joint Funds from Profits of associate company	13	8,356	16,900
(Losses) from Foreign currencies evaluation	36	(697)	(8,643)
Other revenue - jointly financed		577,070	686,205
Total revenue from unrestricted investment		62,171,483	50,970,727
Share of unrestricted investment accounts holders'	37	(25,270,052)	(19,522,616)
Share of Investment risk fund	25	(6,217,148)	(5,097,073)
Bank's share of revenue from unrestricted investments as a mudarib and rab mal	38	30,684,283	26,351,038
Bank's self financed revenue	39	715,102	608,833
Bank's share from the restricted investments revenue as agent (wakeel)	40	182,949	18,121
Gain from foreign currencies	41	510,533	442,579
Banking services revenue	42	4,984,273	3,701,551
Other revenue	43	292,258	135,968
Gross Income		37,369,398	31,258,090
Employees' expenses	44	(12,468,227)	(11,415,264)
Depreciation and amortization	15 & 16	(2,523,662)	(2,829,990)
Depreciation of Ijara muntahia bittamleek assets- self financed	31	(462,631)	(375,202)
Expected credit losses provision for facilities - self financed	9&8	(165,085)	(25,120)
Recovered from expected credit losses for Off - balance sheet items-self financed	23	124,723	-
Other expenses	45	(8,803,864)	(7,861,782)
Total expenses		(24,298,746)	(22,507,358)
Profit for the year before tax		13,070,652	8,750,732
Income tax expense	22/B	(4,719,991)	(3,043,382)
Income for the year		8,350,661	5,707,350
Items can't be convertible later to income statement:			
(Losses) on sale of financial assets through shareholders, equity- Self financed		(4,748)	-
Net change in fair value reserve for financial assets		(23,934)	(576)
Total comprehensive Income for the year		8,321,979	5,706,774
		JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	46	0/0 84	0/0 57

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Changes in Shareholders' Equity

	Note	Paid-up capital JD	Statutory reserve JD	General banking risk reserve* JD	Fair value reserve – self financed JD	Retained earnings ** JD	Total shareholders' equity JD
For the year ended 31 December 2018							
Balance as the beginning of the year		100,000,000	22,874,816	300,000	(576)	14,971,250	138,145,490
Effect of adopting the application instructions of the IFRS (9)	2			,		(191,603)	(191,603)
Transferred from a general banking risk reserve			ı	(300,000)		300,000	'
Amended balance as of the beginning of the year		100,000,000	22,874,816		(576)	15,079,647	137,953,887
Income for the year			·		-	8,350,661	8,350,661
Net change in fair value reserve for financial assets		T	T	-	(23,934)	I	(23,934)
Losses on sale financial assets through shareholder's equity -self financed		T			I	(4,748)	(4,748)
Total comprehensive Income for the year				•	(23,934)	8,345,913	8,321,979
Disposal of an investment in a subsidiary		-		-	-	19,116	19,116
Distributed Dividends**		-	T	1	-	(5,000,000)	(5,000,000)
Transfer to reserves		-	1,307,065	1	-	(1,307,065)	-
Balance as of 31 December 2018		100,000,000	24,181,881	•	(24,510)	17,137,611	141,294,982
For the year ended 31 December 2017							
Balance as the beginning of the year		100,000,000	21,999,743	300,000	-	10,132,368	132,432,111
Income for the year		-	T	1	-	5,707,350	5,707,350
change in fair value reserve for financial assets		I	I	ı	(576)	I	(576)
Total comprehensive Income for the period		•		•	(576)	5,707,350	5,706,774
Effect of disposal of an investment in a subsidiary		I		ı	I	6,605	6,605
Transfer to reserves		T	875,073	-	-	(875,073)	I
Balance as of 31 December 2017		100,000,000	22,874,816	300,000	(576)	14,971,250	138,145,490

The retained earnings balance as at 31 December 2018 includes an amount of JD 606.723 (31 December 2017 JD 599.815), which represents self-financed deferred tax assets which are restricted from use in accordance with the Central Bank of Jordan's instructions.

*Based on Central Bank Of Jordan Instructions No.(13/2018) issued on 6 June 2018 related to application the instructions of IFRS 9, the general banking risks reserve was transferred to retained earnings. Moreover, the surplus of general banking risks reserve amounted to JD 108,397, which is restricted from use without prior approval of the Central Bank of Jordan. **The Board of Directors decided In their meeting number(1/2018) held on 28 January 2018, recommend to the General Assembly of Shareholders to distribute cash dividends of JD 5 million to the shareholders for the year 2017, which represents 5% of the Bank capital. The General Assembly approved this recommendation in their meeting held on 28 April 2018.

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Cash Flows

		For the year end	ed 31 Decembe
	Note	2018 JD	2017 JD
Cash Flows from Operating Activities	İ		
Income for the Year before tax		13,070,652	8,750,732
Adjustments for non-monetary items:			
Depreciations and amortization	16 & 15	2,523,662	2,829,990
Depreciation of ijara muntahia bittamleek assets (joint and Self-financed)	31	45,779,053	43,229,939
Investment risk fund	25	6,217,148	5,097,073
Unrealized (gain) of financial assets at fair value through statement of income		(19,547)	-
Expected credit losses provision for facilities - self financed	8	165,085	25,120
(Recovered from) expected credit losses for Off - balance sheet items-self financed	23	(124,723)	-
Impairment provision of an investment in a subsidiary		19,116	6,605
Share of joint funds from the profits of associate	13	(8,356)	(16,900)
(Gains) Loss on sale of property and equipment		(4,372)	89,529
(Gain) on sale of seized assets by the bank against debts		(217,791)	(25,976)
Cash Flows from Operating Activities before Changes in Net Working Capital		67,399,927	59,986,112
Changes in working capital Items :		,	· /· · ····
(Increase) in financial assets at fair value through statement of income		(668,942)	-
(Increase) in deferred sales receivables and other receivables		(38,023,977)	(42,096,851
Decrease in unconverted loans		36,981	9,680
(Increase) in ijara muntahia bittamleek assets		(117,322,906)	(75,194,587
(Increase) in other assets		(3,856,241)	(1,548,844)
Increase in customers' current accounts		23,539,618	15,327,065
(Decrease) increase in cash margin accounts		(10,275,784)	14,634,217
Increase in other provisions		296,182	-
Increase in other liabilities		13,069,009	3,341,913
Net cash (used in) from operating activities before income tax paid		(65,806,133)	(25,541,295
Income tax paid	25 & 22	(5,095,119)	(4,330,373)
Net cash flows (used in) from operating activities	20 0 22	(70,901,252)	(29,871,668
Cash Flows from Investing Activities		(10,301,232)	(23,071,000
Maturity (purchase) of financial assets at fair value through unrestricted investment accounts holders		10,227,521	(17,313,988
Net sale of financial assets at fair value through shareholders' equity -self financed		(351,482)	(18,276) (27,439,000
Net (purchase) of financial assets at amortized cost		(37,313,000) (79,717)	(27,439,000
Net investment in a subsidiary under liquidation		,	-
Cash dividends from an associate		9,000	(321.630)
(Purchase) of intangibles assets		(703,296)	(- ,,
(Purchase) of property and equipment)		(3,181,569)	(1,506,476)
(Increase) in payments on purchase of property, equipment and projects under construction		(1,750,444)	(430,226)
Proceeds from sale of property and equipment		13,041	110,505
Proceeds from sale of seized assets against debts		3,044,533	617,012
(Increase) in international wakala investments		(22,245,595)	(7,144,245)
Net cash (used in) investing activities		(52,331,008)	(53,436,324
Cash Flows from Financing Activities		10100-111	
Increase in unrestricted investment accounts		134,065,149	1,405,670
Dividends distributed to shareholders		(4,865,447)	-
Net cash flows from financing activities		129,199,702	1,405,670
Net Increase(decrease) in cash and cash equivalents		5,967,442	(81,902,322
Cash and cash equivalents at beginning of the year		125,628,556	207,530,878
Cash and cash equivalents at end of the year	47	131,595,998	125,628,556
Non-cash transactions:			
Transfer to property and equipment from payments on the purchase of property, equipment and			

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Changes in Restricted Wakala Accounts

	Note	Local Murabaha	Total
		JD	JD
For the Year ended 31 December 2018			
Beginning balance of the year		5,062,108	5,062,108
Add: Deposits		15,091,008	15,091,008
Less: Withdrawals		(11,122,406)	(11,122,406)
Add: Investments' gains		287,351	287,351
Less: Banks share as agent (wakeel)	40	(182,949)	(182,949)
Less: Muwakel's share		(104,402)	(104,402)
Investments at the end of year		9,030,710	9,030,710
Deferred revenue		694,007	694,007
Suspended revenue		-	-
Balance as of 31 December 2018		694,007	694,007
	Note	Local Murabaha	Total
		JD	JD
For the Year ended 31 December 2017			
Beginning balance of the year		-	-
Add: Deposits		7,608,914	7,608,914
Less: Withdrawals		(2,546,806)	(2,546,806)
Add: Investment's gains		24,726	24,726
Less: Banks share as agent (wakeel)		(18,121)	(18,121)
Less: Muwakel's share		(6,605)	(6,605)
Investments at the end of the year		5,062,108	5,062,108
Deferred revenue		356,490	356,490
Suspended revenue			-
Balance as of 31 December 2017		356,490	356,490

SAFWA ISLAMIC BANK (A PUBLIC SHAREHOLDING LIMITED COMPANY) AMMAN-THE HASHEMITE KINGDOM OF JORDAN NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

Safwa Islamic Bank ("the Bank or the group") is a Jordanian public shareholding limited company and considered the legal successor of Industrial Development Bank that was established in 1965 in accordance with a special law (Industrial Development Bank Law). Moreover, the Bank is considered a legal successor and a replacemant for all of its rights and obligation. On 30 April 2008, Law No. (26) for the year 2008 was issued and cancelled the Industrial Development Bank Law No. (5) for the year 1972 and change and register the bank as an Islamick bank under the name "Jordan dubai Islamic Bank".

In its extraordinary meeting held on 17 May 2017, the Bank's General Assembly decided to change the name of the Bank from "Jordan Dubai Islamic Bank" to "Safwa Islamic Bank».

The Bank provides all financial services, banking and structured invesment services on a non-Interest basis in accordance with Islamic shari'a through the Bank's head office and its 33 branches and its subsidiaries within the Kingdom, in accordance with the effective Banking Law.

ALEtihad Islamic Investment Company owns 61.8% of Safwa Islamic Bank, and their financial statements are consolidated within the financial statements of AI Etihad bank .

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No. (1/2019) held on 11 February 2019 and still subject to the approval of the General Assembly of Shareholders.

The consolidated financial statements were read and reviend reviewed by the Bank's Sharia Supervisory Board , in their meeting No. (1/2019) held on 26 January 2019, and the board issued its shari'a report thereon.

(2) SIGNIFICANT ACCOUNTING POLICIES BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Bank have been prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and in compliance with the Articles of Association of the Bank. And consistend with the shariah rules and principlessd forth bye the shariah supervisory board .

The standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS linterpretations Committee under the International Accounting Standards Board (IASB) are applied in the absence of standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (IFAC) and until Islamic standards are superseded.

The consolidated financial statements are prepared on historical cost basis except for the financial assets at fair value through the statement of income, financial assets at fair value through unrestricted investment accounts holders' equity, and financial assets at fair value through shareholders' equity that have been measured at fair value.



The consolidated financial statements are presented in Jordanian Dinar (JD), which is the functional currency of the Bank.

Separstion between shareholders' equity and unrestricted investment accounts holders has been taken into consideration.

The Investment Risks Fund is taken into consideration regarding the coverage of the impairment loss and expected credit losses for financing and Investing accounts funded by the unrestricted investment accounts.

Unrestricted investment accounts means joint investment accounts, wherever mentioned.

BASIS OF CONSOLIDATION OF THEFINANCIAL STATEMENTS

The Consolidated financial statements comprise of the consolidated financial statements of the Bank and its subsidiaries which are financed by the Bank's Self and Joint Funds where the Bank has control to govern the operational and financial policies of the entities to obtain benefits from their activities.All intra-company balances, transactions, revenues , expenses and off –balance sheet items between the Bank and its subsidiaries are eliminated.

The consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using same accounting policies used by the Bank. If the subsidiaries use different accounting policies than those used by the Bank, the necessary adjustments are made to the financial statements of the subsidiaries to conform to the accounting policies adopted by the Bank.

Subsidiary name	Paid-up Capital	Source of Funding	Owner ship %	Company Main Activity	Operation location	Acquisition Date
Misc for Brokerage Company	2,000,000	Self	100%	Brokerage	Amman	2011
Alahjar Real Estate for Construction Company (Jordan Dubai Real Estate for Construction Company Previously) under Liquidation*	100,000	Joint	100%	Real state Investment	Amman	2012

The subsidiaries of the Bank as at 31 December 2018 are as follows:

*A decision was issued by the General Assembly for Alahjar Real Estate For Construction Company, in their extraordinary meeting held on 23 May 2018, to liquidate the Company. The Company's management moved to the designated liquidator. Therefore, the Company's balances have been deconsolidated when preparing the consolidated financial statements. An impairment provision was recorded for the investment in Alahjar Real Estate for Construction Company.

The subsidiaries' operations results are consolidated in the consolidated statement of income and comprehensive income from the acquisition date, which is the date the Bank actually obtains control on the subsidiaries. The subsidiaries ceased operations results are consolidated in the consolidated statement of income and comprehensive income, and continue to be consolidated until the date that such control ceases.

When preparing separate financial statements for the Bank as an independent entity, investments in

subsidiaries are shown in cost or net proceeds in case of liquidation.

Control is achieved when the Bank:-

- Has the ability to control the investee.
- Is subject to variable returns or has the right to variable returns arising from its association with the investe.
- Has the ability to use its power to influence the returns of the investee.

The Bank re-assesses whether it controls the investee companies or whether the facts and circumstances indicate that there are changes to one or more control check points referred to above.

If the voting rights of the Bank are less than the majority of voting rights in any of the investee companies, it shall have the power to control when the voting rights suffice to grant the Bank the ability to direct the activities of the related subsidiary unilaterally. The Bank takes into consideration all the facts and circumstances when assessing whether the Bank has voting rights in the investee so as to grant it the ability to control or not. Among these facts and circumstances are the following:

- The volume of voting rights owned by the Bank in relation to the volume and distribution of other voting right.
- Potential voting rights held by the Bank and any other voting rights holders or third parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicating that the Bank has or does not have current responsibility for directing relevant activities at the time of making the required decisions, including how to vote at previous General Assembly meetings.

When the Bank loses control over any of its subsidiaries, the Bank:

- Derecognizes the assets of the subsidiary (including goodwill) and liabilities .
- Derecognizes the carrying amount of any uncontrolled interest .
- Derecognizes the cumulative transfer differences recognized in equity .
- Derecognizes the fair value of the consideration received .
- Derecognizes the fair value of any investment held .
- Derecognizes the surplus or deficit in the income statement .
- Reclassifies the equity of the previously restricted bank in other comprehensive income to the statement of income or retained earnings, as appropriate .

Non-controlling interests represent the portion not owned by the Bank in the equity of the subsidiaries.

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the impact of Implementiny IFRS 9 application Instructions No. (13/2018) issued by the Central Bank of Jordan on 6 June 2018 related to expected credit losses. As for the remaining aspects, they are subject to the requirements of Islamic Accounting Standard No. (25) until the issuance of instructions related to Islamic banks in accordance with the requirements of Islamic Accounting Standard No (30).

The Bank has evaluated the requirements of the Expected Credit Loss model and the amendments related to the classification and measurement of financial instruments. The Bank has applied the instructions retrospectively and without adjusting the comparative figures. The effect of applying the instructions was recorded on 1 January 2018 by reversing the effect on retained earnings on the

statement of shareholders[,] equity for self-financeal investments and financing activities. As for joint investments and financing, the Expected Credit Losses were covered against the investment risks fund.

Effect of Implementing IFRS 9 application Instructions No (13/2018)

The effect of the change in accounting policies on the consolidated financial statements as at 1 January 2018 was as follows:

Self-financed :

	Balance before Instructions JD	Adjusted Balance after Instructions JD	Change JD
Direct credit facilities-net	5,740,583	5,738,710	(1,873)
Banking risk reserve	300,000	-	(300,000)

Jointly financed:

	Balancce before Instructions JD	Adjusted Balance after Instructions JD	Change JD
International Wakala	33,861,572	33,470,213	(391,359)
Financial assets at fair value through unrestricted investments accounts	38,875,345	38,724,752	(150,593)
Direct creadit facilities-netHolders equity	666,670,988	665,137,556	(1,533,432)

Self and jointly financed :

	Balancce before Instructions JD	Adjusted Balance after Instructions JD	Change JD
Other liabilities *	15,331,453	14,757,424	(574,029)

*The effect of the change in other liabilities is due to an amount of JD 189,730, related to the provision for expected credit losses for self-financed off-balance sheet items, and JD 384,299 for the expected credit losses for jointly financed off-balance sheet items.

Segments information

A business is a group of assets and operations that jointly engage in the rendering of products or services subject to risks and rewards different from those of other business segments, and which are measured according to reports used by the chief executive officer and the main decision maker of the Bank .

A geographical segment is associated with the provision of products or services in a specific economic environment subject to risks and rewards that differ from those of segments operating in other economic environments .

The basis for the distribution of joint investment profits between shareholders, equity and holders of joint investment accounts

The combined return on investment of equity holders and holders of joint investment accounts for the year 2018 was distributed as follows:

	percentage
Share of joint investment account holders (approximate average)	51%
Share of shareholders equity (approximate average)	39%
Share of the Investment Risk Fund	10%

The Joint Investment Accounts shall participate in the results of the investment profits, and shall be distributed to the depositors each according to their participation rate, taking into consideration the weights of the concerned joint investment accounts and the terms of the account signed between the Bank and the depositor.

The weights of the joint investment accounts are as follows:

- From 20% to 31% of the lowest balance of savings accounts in Jordanian Dinars.
- From 14% to 25% of the lowest balance of savings accounts in foreign currencies.
- From 39% to 90% of the average balance of term accounts in Jordanian Dinars.
- From 16% to 47% of the balance of foreign currency term accounts.
- 90% of the balance of the accounts of the investment certificates of deposit in Jordanian Dinars.
- From 80% to 85% of the avarage balance of the certificates of deposit in foreign currencies .

The Bank shall incur all administrative expenses except for the advertising and marketing expenses of the products. The insurance expenses of the leased assets are incurred in the joint investment base.

The Bank combine (mix) its funds and any other funds (which were not received by the Bank on the basis of Mudaraba contract) in the Joint Investment Accounts.

Priority Investment / Equal Investment Opportunities and Profit Sharing:

The principle of equal investment opportunities is applied to the shareholders, funds and the funds of the investment account holders in the joint Mudaraba. The Bank's own investments are presented in separate accounts from investments through the rights of the Joint Investment Accounts holders equity.

Moreover, the joint investment accounts shall share in the results of the investment profits, which shall distributed to the holders of the investment accounts jointly according to their participation rate, taking into account the weights of the respective investment accounts concerned and the terms of the account signed between the Bank and the depositor.

The weighting of the joint investment accounts proposed by the Bank's management is approved by the Bank's Shari'ah Supervisory Board.

<u>Zakat</u>

Zakat is the responsibility of the shareholders and unrestricted investment accounts holders. In this regard, the Bank is not directly and explicitly authorized to expend it, nor is there a law for its collection. In addition, the Bank's Articles of Association do not prescribe it, nor the General Assembly's decisions do not specify it. There is no related authorization by the shareholders either. Therefore, the shareholders the unrestricted investment accounts holder shall pay zakat on their shares and funds if the Shari'ah conditions and rules are fulfilled.



Revenue, gains, expenses and losses in violation of Islamic Shari'ah

The Bank records them in a special account in the consolidated statement of financial position within other credit balances, and they are not included in the Bank's income. Charitable allocations out of this account are made as decided by the Shari, a Supervisory Board.

Deferred sales receivable Murabaha contracts:

Murabaha is the sale of an item at the same price at which the seller bought it plus an agreed profit margin based on a certain percentage of the price or a lump sum, which is one of the sales of the trust on which the purchase price or cost is based.

Murabaha for the purchase order

It is the sale of an asset by the Bank to its client (the purchase order) with a specific increase in the asset's price or cost after determining the increase (Murabaha profit in the promise).

The Bank applies the principle of making the promise in Murabaha transactions to the buying manager in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Deferred sales revenue is recognized when the transaction is executed (which paid in one installment after the current financial period or paid in installments over subsequent financial periods). Income framit is allocated to future financial periods for each period, irrespective of whether cash has been paid or not.

Deferred sales receivable are recognized when they occur at their nominal value and are measured at the end of the financial period on the basis of net realizable value.

A provision is taken for the expected credit losses for deferred sales receivables and receivables in accordance with IFRS 9 application Instructions No. (13/2018) issued by the Central Bank of Jordan through the consolidated statement of income and comprehensive income in respect of assets and co-financing. The expected credit losses are offset against the investment risk fund balance.

At the end of the financial period, finance assets are carried at cost or at the expected recoverable cash value, whichever is lower.

Deferred sales revenue which was granted to non-performing customers is suspended in accordance with the instructions of the Central Bank of Jordan.

Deferred sales receivable and funds financed from the joint investment accounts are written off in case the measures taken to collect them are ineffective which will be written off against the Investment Risk Fund (except for what is granted / financed and subsequently written off from deferred sales receivable and financing in the same year, as presented in the Consolidated Statement of Income and Comprehensive Income/charged to investment income) of Incom , the proceeds from the receivables / financing previously written off are added to the Investment Risk Fund (except for what has been presented in the Consolidated Statement of Income). On the other hand, deferred sales receivable and financing from the Bank's self funds for which there is an impairment provsion are written off in case the measures for their collection are ineffective. In this respect, they are deducted from the provsion, and any provision surplus is transferred to the consolidated statement of income / Prior funding is written off to income.

Financial instruments

Initial recognition and measurement:

Financial assets and liabilities are recognized in the Bank's consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Moreover, funds are recognized to customers credited to the customer's accounts.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities, and are added to the fair value of the financial asset or financial liability or, where appropriate, deducted from the financial asset at initial recognition. Furthermore, transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized directly in the consolidated statement of income.

Financial assets Initial recognition and measurement:

All financial assets are recognized on the trade date when the purchase or sale of a financial asset under a contract requires the delivery of the financial asset within a time frame determined by the relevant market and is initially measured at fair value plus transaction costs except for those financial assets designated at fair value through the Consolidated Statement of Income. Transaction costs directly attributable to the acquisition of financial consolidaded statement of assets designated at fair value through income are recognized in the Consolidated Statement of Income.

Subsequent measurement:

The measurement of all recognized financial assets that fall within the scope of IFRS 9 application Instructions No. (13/2018) issued by the Central Bank of Jordan is subsequently carried at amortized cost or fair value based on the entity's business model for managing financial assets and contractual cash flow characteristics of financial assets. Specifically:

- Finance instruments held in a business model intended to collect contractual cash flows that have contractual cash flows and are subsequently measured at amortized cost; and
- All other financing instruments, such as:
 - o Financial assets managed on a fair value basis through the unrestricted investment account holders are measured at fair value through the rights of the joint investment holders equity.
 - o Financial assets at fair value through shareholders equity are subsequently measured at fair value through other comprehensive income.
 - o Financial assets at fair value through the statement of income are subsequently measured at fair value through the statement of income.

Evaluation of the business model

An assessment of the business model for managing the financial assets is essential for their classification. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. Moreover, the Bank's business model does not rely on management intentions in relation to an individual instrument, and therefore the business model is assessed at a group level and not on an instrument-by-instrument basis.

The Bank adopts a business model to manage its financial instruments that reflects how the Bank manages its financial assets in order to generate cash flows. In addition, the Bank's business model



determines whether cash flows will result from the collection of contractual cash flows or the sale of financial assets or both.

The Bank also takes into considration all relevant information available when conducting an evaluation of the business model. However, this assessment is not made on the basis of scenarios that the Bank does not reasonably expect, such as the so-called «worst case» or «stress» scenarios. Furthermore, the Bank takes into account all relevant evidence available, such as:

- The stated policies and objectives of the portfolio and the application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate, matching the period of financial assets with the period of financial liabilities that finance those assets. or achieving cash flows through the sale of assets;
- How to evaluate the performance of the business model and financial assets held in this business model and to report to key management personnel;
- Risks affecting the performance of the business model (and the financial assets of that model), in particular, the manner in which such risks are managed; and
- How to compensate business managers (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows received).

Upon initial recognition of a financial instrument, the Bank determines whether the newly recognized financial asset is part of its existing business model or whether it reflects the beginning of a new business model. In this respect, the Bank evaluates its business model for each reporting period to determine whether the business model needs to be changed from the prior period.

When the instruments measured at fair value through shareholders equity-self are derecognised, the cumulative gain / loss previously recognized in other comprehensive income in equity is reclassified to the consolidated statement of income. On the other hand, for equity investments measured at fair value through shareholders[,] equity, the cumulative gain / loss previously recognized in other comprehensive income is not subsequently reclassified to the consolidated statement of income but transferred directly to equity.

In respect of Sukuk and equity instruments within joint investments, when these financial assets are derecognized which are measured at fair value through the unrestricted investment account holders, the cumulative gain / loss previously recognized in the fair value reserve - joint in the unrestrieted investment account holders equity is reclassified to the consolidated statement of income and comprehensive income.

Sukuk subsequently measured at amortized cost or at fair value are subjected to the impairment test.

Reclassification

If the business model in which the Bank retains financial assets is reclassified, the financial assets that have been affected are reclassified. The classification and measurement requirements relating to the new class are effective from the first day of the first reporting period after the change in the business model resulting in the reclassification of the Bank's financial assets. Moreover, the changes in contractual cash flows are considered .

The accounting policy framework for the adjustment and disposal of financial assets is described below:

Financial assets at fair value through the statement of income

Financial assets at fair value through the statement of income are:

- Assets with contractual cash flows that are not payments on assets and returns on the principal outstanding amount; and / or
- Assets held in a business model other than those held to collect contractual cash flows or held for collection and sale; or .

These assets are measured at fair value with any gain / loss arising on remeasurement recognized in the consolidated statement of income.

Financial assets at fair value through shareholders, equity-self financed.

These assets represent investments in equity instruments and sukuk instruments financed from the Bank's own funds for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and subsequently revalued at fair value. The change in fair value is included in the fair value reserve under shareholders, equity .

In case of sale of these assets or part thereof, the resulting gain or loss is recognized in retained earnings as equity.

Gains and losses arising from foreign exchange differences on these assets, if any, are recognized in the fair value reserve in shareholders, equity.

Financial assets at fair value through the equity of the joint investment account holders

These assets represent investments in equity and Sukuk instruments financed from the joint investment accounts for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and are subsequently revalued at fair value. The change in fair value under fair value reserve is shown in the unrestrieted investment account holders equity .

The impairment loss previously recognized in the consolidated statement of income and comprehensive income can be reversed if it is objectively determined that the increase in fair value occurred in a subsequent period to record impairment losses through the fair value reserve that is reflected in the joint investment accounts.

As the joint investment accounts on a continuous joint Mudaraba basis are characterized by a discontinuity at the beginning and end of the deposits in the accounts, the profit of the deferred operations over subsequent periods is distributed over the entire term of maturity and proportionality with each period.

Gains and losses arising from the foreign currency translation differences of these assets, if any, are recognized in the fair value reserve – joint within joint investment accounts.

Financial assets for which fair value can not be reliably measured are stated at cost. Impairment of these assets is carried out at the end of each financial period, and any impairment is recognized in the consolidated statement of income and comprehensive income. And the impairment loss can't be retrieved on subsequent periods.

Financial assets at amortized cost

These are the financial assets that the Bank's management, in accordance with its business model, intends to maintain to collect contractual cash flows that represent fixed or determinable payments to the capital and profits of such assets.

These assets are recognized at cost, plus acquisition costs, and are revalued at the end of the current period using the effective profit rate method. Moreover, any gain or loss arising from amortization is recognized in the consolidated statement of income and comprehensive income. Additionally, any expected credit losses regarding self-finaced instruments are recognized in the consolidated statement of income and comprehensive income. As for joint investments, the calculated expected credit losses are set against the investment risk fund balance.

The amount of impairment in the value of these assets represents the difference between the carrying amount and the present value of the expected cash flows calculated on the basis of the original effective profit rate and any impairment provisions .

Gain and loss on sale, purchase and valuation of foreign currencies

Transactions in foreign currencies are recorded during the year at the rates prevailing at the transaction date (Trading) .

The balances of financial assets and financial liabilities are translated at the average foreign exchange rates prevailing at the consolidated statement of financial position date, as announced by the Central Bank of Jordan.

In order to present the consolidated financial statements, the assets and liabilities of the Bank's foreign operations are translated at the rates of exchange prevailing at the consolidated statement of financial position date. Income is also converted at the average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates on the date of the transactions are used. The exchange differences arising therefrom, if any, are recognized in the consolidated statement of income and comprehensive income.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies at fair value are translated on the date when the fair value is determined.

Foreign exchange gains and losses are recognized in the consolidated statement of income and comprehensive income.

Translation differences on non-monetary assets and liabilities in foreign currencies (such as equity) are recorded in the fair value reserve-self within the shareholders equity of the financial assets financed by the Bank's own funds and within the fair value reserve – joint within the unrestrieted investment account holders equity.

Lease contracts

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

Bank As a lessor:

Operating lease income is recognized using the straight-line method over the life of the lease. The direct costs incurred in the discussion and arrangement of the operating contract are recognized in the carrying amount of the leased asset according to the straight-line method over the lease term.

Bank As a lessee:

Assets acquired through finance leases are recognized initially at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Financial lease liabilities are recorded at the same value. The lease payments are divided between the finance expenses and amortization of financial lease liabilities n order to achieve a fixed rate of return on the remaining balance of financial lease liabilities. Moreover, direct financing expenses are recognized in the consolidated statement of income.

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

Investment in an associate

An associate is a company in which the Bank exercises effective influence over its financial and operating policy decisions, and which is not held for trading. In this respect, the investments in the associate are accounted for using the equity method.

Investments in the associate are included in the consolidated statement of financial position at cost, in addition to the Bank's share of changes in the net assets of the associate. Goodwill arising on investment in an associate is recognized as part of the investment account of the associate and is not amortized. The Bank's share of the associate's income is recognized in the consolidated statement of income and comprehensive income. If there is a change in the equity of the associate, such a change is recognized in the statement of changes in shareholders[,] equity. Gains and losses arising from transactions between the Bank and the associate are eliminated to the extent of the Bank's interest in the associate.

In the separate financial statements of the Bank as an independent entity, investments in the associate are stated at cost.

Ijara and Ijara Muntahia Bittamleek

Ijara is ownership of the benefit of return and is divided into:

Operating Ijara: Ijara contracts that do not end with Ijara Muntahia Bittamleek

Ijarah Muntahia Bittamleek: Ijarah which ends with the lessee owning the leased assets and taking several types as stated in the Ijara and Ijarah Muntahia Bittamleek standard No. 8 issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.

Assets acquired for the purpose of leasing are measured at historical cost, including direct expenses, to make them usable. The leased assets are depreciated in accordance with the Bank's depreciation policy.

When the recoverable amount of any asset acquired for Ijara is less than its net carrying amount, the amount is reduced to the recoverable amount, and the impairment loss is recognized in the Consolidated Statement of Income and Comprehensive Income.

The income of Ijara shall be distributed in proportion to the financial periods covered by the lease contract.

Basic insurance and maintenance expenses of leased assets are recognized in the financial period in which they arise.



Transfer of assets

Any transfers of tangible and financial assets made between the assets financed from the joint investment accounts, shareholders, equity, restricted investment accounts, investment funds, conversion bases and accounting policies adopted for this purpose shall be disclosed. Disclosure shall also be made of the related financial effect, balances of any assets transferred to the beginning of the financial period, changes that occurred during the financial period, and the balance at the end of the period.

All transfers to related parties are disclosed, and description is made of the nature of the relationship, type of transactions carried out, and total value of the operations at the beginning and end of the financial period, indicating the financial implications.

The Bank's bases for asset valuation are disclosed when transfers are made.

Differences resulting from foreign currency transactions and financial implications are also disclosed.

The nature and terms of the transferred assets are disclosed as to whether they are separable, and any related provisions are disclosed as well.

The reasons and principles governing the transfer of assets between different investment accounts are disclosed.

Obligations and restrictions required by the contractual relationship between investment account holders and equity holders, if any, are disclosed.

Unristricted Investment Risk Fund

During 2018, the Bank deducted for joint investment a proportion of 10% (during 2017:10%) of the net profits of the joint investment realized on various operations during the period. The percentage is increased based on the instructions of the Central Bank of Jordan. In this regard, the amended rate is effective in the year subsequent to the financial year in which such amendment is decided.

The unristricted investment risk fund balance is transferred to the Zakat Fund after covering all the expenses and losses the Fund has been established to cover or extinguish. This leads to the conclusion that the investors have no right to the amounts deducted in respect of the investment risk fund, and these amounts are meant to cover the losses to which the joint investment operations are exposed.

If losses are incurred in certain joint investment operations that are started and completed in a certain year, these losses are covered by the profits of other joint investment operations that are started and completed in the same year. If the losses are more than the profits in the same year, they are covered by the investment risk fund.

If joint investment operations have started and continued in prior years, and it is found, in a certain year, that the results of such investment operations are a loss, then such a loss shall be covered from the investment risk fund, as such operations are deemed to have been completed in a prior year or prior years.

The Shari'ah Supervisory Board verifies the accuracy of the Bank's claim of any loss in the scope of the investment operations to the Unristricted Investment Risk Fund.

Profit equalization reserve

This reserve is created / set up with a view to allocating appropriate and competitive rates of return to

the Joint/Restricted Investment Account holders and to the shareholders in the event of exceptional circumstances and sharp fluctuations in the markets that actually make the actual profit rates less than what the holders of the Joint Investment Accounts expect. The same applies to the Bank's shareholders. This reserve is established based on the pre-approval of the Shari'a Supervisory Board and approval of the holders of the joint investment accounts.

This reserve shall be allocated to the share of the profits of the holders of the Joint Investment Accounts holders equity and the shareholders equity before the deduction of Mudarib's share. The balance available in the reserve account shall be invested in the aggregated joint money account. The profits from the investment shall be credited to the reserve account.

If the balance in the profit equalization reserve account is insufficient to meet the competition, the shareholders may give part of their share of profits to the holders of the joint investment accounts based on the Bank's Board of Directors' decision and approval of the Shari'a Supervisory Board. The profit equalization reserve is transferred to the shareholders and holders of the joint investment accounts holders equity each according to its share of the deduction.

Fair value of financial assets

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration, upon determining the price of any asset or liability, whether market participants are required to take these factors into account at the measurement date. The fair value for the purposes of measurement and / or disclosure is determined for these financial statements on the same basis.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1), (2) or (3) based on the extent to which the inputs are clear regarding the fair value measurements and the importance of inputs to the full fair value measurements. The details are as follows:

- Level (1) inputs are induced inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;
- Level (2) inputs are induced inputs derived from data other than quoted prices used at level (1) and observable for assets or liabilities, either directly or indirectly;
- Level (3) inputs are induced inputs to assets or liabilities that are not based on observable market prices.

Impairment of financial assets

The Bank applies the expected credit loss requirements and the amendments relating to the classification and measurement of financial instruments. The effect of following the instructions of the Central Bank of Jordan related to the application of IFRS 9 is recognized by recording the impact on the consolidated statement of income and comprehensive income in respect of assets and financing in respect of assets and co-financing. The expected credit losses are offset against the Investment Risk Fund Balance.

The expected credit loss provisions are calculated on the following financial instruments:

- Balances wakala at banks and financial institutions.
- International investment agencies
- Direct credit financing (self and joint).



- (Sukuk) within financial assets at amortized cost.
- (Sukuk) within financial assets at fair value through equity self
- (Sukuk) within financial assets at fair value through investment account holders, rights joint
- Off-balance sheet exposures subject to credit risk (self and joint).

No impairment loss is recognized in equity instruments.

The expected credit losses should be measured through an impairment provision equivelant of:

- The expected 12-month credit loss, ie, the expected life of the expected credit losses resulting from those default events on financial instruments that can be achieved within (12) months after the reporting date, referred to as stage1.
- or
- Expected 12-month credit loss, ie, the expected life of expected credit losses arising from all possible default events over the life of the financial instrument referred to the stage2 and stage3.

A provision for the expected long-term credit loss of a financial instrument is required if the credit risk on that instrument increases substantially since initial recognition. For all other financial instruments, the expected credit loss is measured at an amount equivalent to the expected credit loss for a period of 12 months.

The expected credit losses are a possible weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank is expected to receive arising from the weighting of several future economic scenarios, discounted at the effective yield rate of the asset.

For unutilized limits, the expected credit losses are the difference between the present value of the difference between the contractual cash flows payable to the Bank, if the borrower withdraws the financing, and cash flows that the Bank expects to receive, if the financing is utilized; and

The Bank measures the expected credit losses on an individual basis or on a collective basis for funding that shares the characteristics of similar economic risks. The measurement of the provision for loss is based on the present value of the expected cash flows of the asset using the original effective rate of return of the asset, irrespective of whether it is measured on an individual or collective basis.

Credit-impaired financial assets

A financial asset is considered to be «credit- impaired» when one or more events have an adverse effect on the estimated future cash flows of the financial asset. Credit-impaired financial assets are referred to as third stage assets. Evidence of credit impairment includes observable data on the following events:

- Significant financial difficulties faced by the borrower or issuer .
- Breach of contract, e.g. deficit or delay in payment .
- The Bank gives the borrower, for economic or contractual reasons related to the borrower's financial difficulty, a concession .
- The disappearance of an active market for this financial asset due to financial difficulties; or
- Buying a financial asset at a significant discount that reflects the credit losses incurred.

If a single event can not be identified, instead, the combined effect of several events may cause the financial assets to turn into assets with a credit-impaired value. The Bank assesses whether there has been a decline in credit of financial instruments measured at amortized cost or fair value through comprehensive income at each reporting date. To assess whether there is credit impairement to corporate debt instruments. Futhermore, a combination of factors such as sukuk proceeds, credit rating, and the borrower's ability to increase funding is considered.

Finance is considered to be impaired when the customer is granted a concession due to deterioration of his financial position, unless there is evidence that as a result of the concession, the risk of non-receipt of contractual cash flows has declined significantly, and there are no further indications of impairment. For financial assets where concessions are contemplated but not granted, the asset is considered to be impaired when there is clear evidence of credit impairment, including the definition of default. The definition of default includes indications of possible non-payment and discontinuation if the amounts are due for 90 days or more. However, cases where the asset's impairment is not recognized after 90 days of maturity are supported by reasonable information.

Default

The definition of default is very important in determining the expected credit loss. It is used to measure the expected credit loss and determine whether the less provision for loss is based on the expected 12-month or lifetime loss, as default is a component of the probability of default that affects both the measurement of expected credit losses and determine the significant increase in credit risk below:

The Bank considers the following as an event of default:

- Failure to pay ofr more than 90 days for any important credit commitment to the Bank;
- It is unlikely that the customer will pay his entire credit obligations to the Bank.

The definition of default is designed to reflect the different characteristics of different types of assets.

In assessing whether a customer is unlikely to pay his credit commitment, the Bank takes into account qualitative and quantitative indicators. The information is based on the type of asset, and the Bank uses various sources of information to assess defaults that are internally developed or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, financial liabilities, and financial guarantee contracts that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there is a significant increase in credit risk, the Bank will measure the allowance for loss on a life-long basis rather than the expected 12-month credit loss.

The Bank does not consider financial assets with «low» credit risk at the reporting date if they have not been exposed to a significant increase in credit risk. As a result, the Bank monitors all financial assets and liabilities of financing issued and financial guarantees contracts that are subject to impairment for the significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased substantially since initial recognition, the Bank compares the risk of default of the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default for the remaining maturity period at the date of the current report when the financial instrument is recognized for the first time. In making such an assessment, the Bank considers both quantitative and qualitative information that is reasonable and reliable, including historical experience and future information available at no cost or undue effort, based on the Bank's historical experience and the assessment of the credit expert, including future information.

Multiple economic scenarios represent the basis for determining the probability of default on initial recognition and subsequent reporting dates. Various economic scenarios will result in a different probability of default. The weighting of the different scenarios is the basis of the weighted average probability of default that is used to determine whether the credit risk has increased significantly.



The qualitative factors that indicate a marked increase in credit risk are reflected in the probability of default models at the appropriate time. However, the Bank is still looking separately at some qualitative factors to assess whether the credit risk has increased significantly. With regard to corporate finance, there is a particular focus on the assets included in the «watch list» where exposure is included in the watch list when there are concerns about the deterioration of creditworthiness. With regard to individual financing, the Bank takes into account expectations of the non-payment periods and defaults, and signs of low credit.

Quantitative information is a key indicator of the significant increase in credit risk and is based on a change in the probability of default over a lifetime by comparing:

- The probability of remaining life-long defaults at the reporting date; and
- The probability of life-long defaults remaining at this point from the time estimated on the basis of facts and circumstances at initial recognition of exposure.

The Bank uses the same methodologies and data used to measure expected credit loss provisions.

Provision for credit loss is presented in the consolidated statement of financial position

The expected credit loss provisions are presented in the consolidated statement of financial position as follows:

For joint financial assets: as a deduction from the total value of the assets; this is offset by the balance of the investment risk fund.

Direct and indirect direct self-financing: The provision for credit losses is recognized as a deduction from the balance of self-financing, and off-balance sheet items are presented in other liabilities.

Joint direct and indirect financing: The provision for credit losses is recognized as a deduction from the balance of joint financing, and off balance sheet items are presented in other liabilities.

Write-off

Financial assets are derecognized when there is no reasonable expectation of recovery, such as a failure to participate in a payment plan with the Bank. The Bank classifies funds or amounts due to be written off after all possible payment methods have been exhuasted. However, if the financing or receivables are written off, the Bank continues its enforcement activity to attempt to recover the receivable, which is recognized in the consolidated statement of income upon recovery.

Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment (excluding land) are depreciated when they are ready to be used on a straight-line basis over the estimated useful life using the following annual rates:

Buildings	2%
Furniture, deviceces and furniture	15%
Vehicles	15%
Computers	20%
Others	4 - 10%

Where the estimated recoverable amount of any property and equipment is less than its net carrying amount, the carrying amount of the asset and equipment is written down to its recoverable amount, and the amount of impairment is recognized in the consolidated statement of income and comprehensive income statement.

The useful life of property and equipment is reviewed at the end of each year. If the expected useful life is different from the previous estimates, the change in estimate for subsequent years is recorded as a change in estimates.

Property and equipment are derecognized upon disposal or when no future benefits are expected to arise from its use or disposal.

Intangible assets

Intangible assets are classified on the basis of their estimated useful lives for a specified period or unspecified period. Intangible assets with a finite useful life are amortized over a period of up to four years, and the amortization is recognized in the consolidated statement of income and comprehensive income. Intangible assets with an indefinite useful life are reviewed for impairment at the consolidated statement of financial position date, and any impairment loss is recognized in the consolidated statement of income and comprehensive income.

Intangible assets arising from the Bank's business are not capitalized, and are recognized in the consolidated statement of income and comprehensive income for the same period.

Any indications of impairment of intangible assets are reviewed at the date of consolidated statement of financial position date. The life of the asset is reviewed, and any adjustments are made in the subsequent periods.

The amortization rate for the Bank's intangible assets item is as follows:

Computers systems & Softwares	25%
-------------------------------	-----

Seized assets by the Bank against debts

Assets acquired by the Bank are stated in the consolidated statement of financial position under «other assets» at the lower of their carrying amount or fair value and are re-measured at the consolidated statement of financial position at their individual fair value. Any decrease in their fair value is recorded as a loss in the consolidated statement of income and comprehensive income; however, an increase in their fair value is not recognized as income. A subsequent increase in the consolidated statement of income and comprehensive income is recognized to the extent that it does not exceed the previously recorded impairment loss.



Provisions

Provisions are recognized when the Bank has obligations as of the date of the consolidated statement of financial position arising from past events, and the payment of the liability is probable and can be reliably measured.

Income tax

Tax expenses represent amounts of accrued taxes and deferred taxes.

Due taxes are calculated based on taxable profits, which differ from those declared in the financial statements. In this regard, declared profits include non-taxable income or expenses not deductible in the fiscal year but deductible in subsequent years, deductible accumulated tax losses, or items not subject to tax or tax deductible.

The Bank deducts taxes and establishes a provision for income tax in accordance with Income Tax Law No. 34 of 2014 and IAS 12, which recognizes deferred taxes arising from time differences in the fair value reserve.

Deferred taxes are the taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the financial statements and the amount on which the taxable profit is calculated. Deferred taxes are calculated using the method that complies with the consolidated statement of financial position, and they are calculated according to the tax rates expected to be applied when the tax liability is settled or deferred tax assets are realized. A 38% rate has been used, effective from 1 January 2019, to calculate deferred taxes in accordance with the Income Tax Law No. 38 of 2019. As such deferred taxes should be calculated according to the prescribed rate or expected rates for future periods.

The balance of deferred tax assets is reviewed at the date of the consolidated financial statements, and is reduced in case that it is not probable that the tax asset will be fully or partially utilized.

Offsetting

Financial assets are offset against financial liabilities, and the net amount is recognized in the consolidated statement of financial position only when the legally binding rights are available and settled on an offsetting basis, or the asset is realized and the liability settled simultaneously.

Wakala Investment account

The accounts managed by the Bank are represented by Wakala within a specific program with the Central Bank of Jordan. Funds invested in the Wakala are shown off-side the consolidated statement of financial position, and the Bank's share of the Wakala (returns) is included in the consolidated statement of income and comprehensive income.

Realization of revenues and recognition of expenses

Revenues and expenses are recognized on the accrual basis except for non-performing deferred sales revenue and financing which are recognized in the suspended revenue account.

Commission income and expenses

Commissions are recognized as income, when the related services are provided, in the consolidated

statement of income and comprehensive income. Commissions are charged in respect of banking services and financing services when they are met.

Net trading income

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

Dividend income

Dividend income is recognized when the right to receive payment is established, which is the earlier date of the earnings per share, and is usually the date on which the shareholders approve the dividend for unquoted equity. Dividend distribution in the consolidated statement of income depends on the classification and measurement of equity investment, i.e.:

- o With respect to equity instruments held for trading, dividend income is recognized in the consolidated statement of income and comprehensive income (loss) on financial assets at fair value through the statement of income;
- o For equity instruments classified at fair value through shareholders, equity, equity is recognized in the consolidated statement of income and comprehensive income under the Bank's self financed revenue;
- o For equity instruments that are not classified at fair value through share holders equity self and not held for trading, equity gains are recognized in the consolidated statement of income and consolidated comprehensive income under other income; and
- o With respect to equity instruments classified at fair value through the joint investment accounts holders' equity, the income from equity is included in the consolidated statement of income and comprehensive income under profit from financial assets at fair value through the equity of the investment account holders equity.

Cash and cash equivalents

Cash and cash balances maturing within three months, including: cash and balances with the Central Bank, balances with banks and banking institutions, and deposits of banks and banking institutions with maturities of three months and restricted balances.

(3) SIGNIFICANT ACCOUNTING ESTIMATED AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and to disclose potential liabilities. These estimates and judgments also affect income, comprehensive income, equity and equity holders of joint investment accounts. In particular, the Bank's management is required to issue significant judgments to estimate the amounts and timing of future cash flows. These estimates are necessarily based on assumptions and multiple factors that have varying degrees of estimation and uncertainty and that the actual results may differ from the estimates as a result of changes resulting from the circumstances and circumstances of those estimates in the future.



Annual Report 2018

Judgments, estimates, and assumptions are reviewed periodically. The effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period, and the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods In case the change affects the financial period and future financial periods.

We believe that our estimates in the consolidated financial statements are reasonable, and the estimates are summarized as follows:-

- Provision for impairment of sales and financing receivables: During the year 2018, the Bank deducted 10% (in 2017: 10%) of the net income from the joint investment accounts and transferred it to the fund to meet investment risks in accordance with Article (55) of the Banks Law and then compared to the loss of impairment and expected credit losses for these receivables and financing within the guidelines and instructions given by the Central Bank of Jordan.
- Impairment in value of sized assets: Impairment of property acquired is recorded on the basis of recent real estate valuations and approved by accredited valuers for the purpose of calculating the impairment in value of the asse, and the properties are periodically reviewed for impairment.
- The productive lives of tangible assets and intangible assets: The management periodically recalculates the useful lives of tangible assets and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and estimated future useful lives. Moreover, impairment losses are recognized in the consolidated statement of income and comprehensive income for the year.
- Income tax provision: The income tax expense is charged to its financial year according to the accounting regulations, laws and standards. Deferred tax assets, liabilities, and required tax provison are recognized and calculated.
- Legal Provisions: A provision is taken to meet any potential legal obligations based on the legal study prepared by the Bank's legal counsel and by the Bank's legal department, which identifies the risks that may arise in the future and reviews the study periodically.
- The management periodically reviews financial assets stated at cost to assess any impairment in their value, which is taken to the consolidated statement of income and comprehenisve income for the period for self-investments or investment risk fund in the consolidated statement of financial position for the joint investments.

Provision for credit losses

Requires management to use significant judgments and estimates to estimate the amounts and timing of future cash flows and to estimate the risks of an increase in credit risk for financial assets after initial recognition and future measurement information for expected credit losses. The most important policies and estimates used by the Bank's management are detailed in Note 49.

Evaluation of business model

The classification and measurement of financial assets depends on the test results of the principal amount and profit payment on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the asset, measure its performance and the risks that affect the performance of the asset and how it is managed, and how the asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through income - equity or fair value through the rights of the holders of the joint investment that have been derecognised before maturity to understand the reasons for derecognition and whether the reasons are consistent with the objective of the business being retained. The control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model and therefore a future change is made in the classification of those assets.

Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS 9 does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates and uses by the Bank's management of the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are explained in detail in Note 49.

Establish groups of assets with similar credit risk characteristics

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

Re-division of portfolios and movements between portfolios

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected), and therefore assets are transferred from expected credit losses of between 12 months to the end or vice versa. This may also occur in portfolios that continue to be measured on the same basis as expected credit losses for a period of 12 months or a lifetime, but the amount of the expected credit loss changes due to the varying credit risk of portfolios.

Models and assumptions used

The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note 49. The judgment is applied when determining the best models for each type of asset, as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

A) Classification and measurement of financial assets and liabilities

The Bank classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability or as an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument in the consolidated financial statements for its substance and not for its legal form.



Annual Report 2018

The Bank shall determine the classification at initial recognition, as well as the reassessment of such determination, if possible and appropriate, at each balance sheet date.

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

B) Fair value measurement

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

Key sources of uncertainty estimates

The principal estimates used by management in applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determining the number and estimated weight of scenarios of the outlook for each type of product / market and the identification of future information relevant to each scenario.

When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic effects and how these affect each other.

The probability of default

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

Loss given default

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

Fair value measurement and valuation procedures

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

The effect of implementing the Application instructions of IFRS 9 on the opening balance for the year 2018 : A - Self financed

Item	Balance as at 1st January 2018 JD	Reclassified amount JD	Expected credit losses * JD	Amended balance as at 1st January 2018 After implementing IFRS (9) JD	Effect of implementation resulting from reclassification JD	Financial position items affected by the implementation JD
Cash and balances with central bank	119,934,135	I	I	119,934,135	I	I
Balances at banks and financial institutions	6,570,709	ı	I	6,570,709	1	I
Direct credit facilities	5,740,583	ı	(1,873)	5,738,710	I	Retained earnings
Financial letter of guarantees **	2,392,834		(12,628)	2,392,834	ı	Retained earnings
Letters of credit and acceptances **	47,499,285	·	(177,102)	47,499,285	ı	Retained earnings

B- Jointly financed

ltem	Balance as at 1st January 2018 JD	Reclassified amount JD	Expected credit losses * JD	Amended balance as at 1st January 2018 After implementing IFRS (9) JD	Effect of implementation resulting from reclassification JD	Financial position items affected by the implementation JD
International wakala investments	33,861,572	I	(391,359)	33,470,213	1	Investment risk fund
Direct credit facilities	666,670,988	-	(1,533,432)	665,137,556	ı	Investment risk fund
Financial assets at fair value through unrestricted investment accounts holders' equity	38,875,345	ı	(150,593)	38,724,752	ı	Investment risk fund
Financial assets at amortized cost(guaranteed by the Government of the Hashemite Kingdom of Jordan)	54,878,000	-	-	54,878,000	ı	I
Unutilized credit limits **	82,461,132	ı	(384,299)	82,461,132	ı	Investment risk fund

* The expected credit loss of this item is calculated after classification.

** The balance of the provision for expected credit losses relating to contingent liabilities and commitments off-the statement of financial position is shown in other liabilities.

Expected credit losses for 1 st January 2018 (after comparing the strictness):

A - Self-financed

	Stage 1	ge 1	Stage 2	ge 2	Stage 3	Total
	Individual JD	Collective JD	Individual JD	Collective JD	۵ſ	qŗ
Direct credit facilities	-	2,389		22	54,197	56,608
Financial letter of guarantees	7,369	-	5,259	1	1	12,628
Letters of credit and acceptances	173,370	I	3,732	ı	ı	177,102

B - Jointly financed

	Stage 1	je 1	Stage 2	ge 2	Stage 3	Total
	Individual JD	Collective JD	Individual JD	Collective JD	۵ſ	q
International wakala investments	391,359	1	1	1		391,359
Direct credit facilities	979,752	152,000	658,995	37,617	12,995,646	14,824,010
Financial assets at fair value through unrestricted investment accounts' holders equity	150,593	I	ı	I	1	150,593
Unutilized credit limits	369,705	I	14,594	I	I	384,299

Expected credit losses for the year ended 31 December 2018 :

A - Self financed

	Stage 1	ge 1	Stage 2	ge 2	Stage 3	Total
	Individual JD	Collective JD	Individual JD	Collective JD	٥ſ	۵ſ
Direct credit facilities	126	5,716	2,477	419	212,955	221,693
Financial letter of guarantees	25,851	ı	5,217	ı	1	31,068
Letters of credit and acceptances	29,795	ı	4,144	ı	ı	33,939

B - Jointly financed

	Stage 1	le 1	Sta	Stage 2	Stage 3	Total
	Individual JD	Collective JD	Individual JD	Collective JD	۵ſ	ę
International wakala investments	86,311	I	ı	ı	1	86,311
Direct credit facilities	1,175,575	274,924	2,698,884	133,092	14,223,542	18,506,017
Financial assets at fair value through unrestricted investment accounts' holders equity	137,753	I	I	I	ı	137,753
Unutilized credit limits	171,286	I	48,100	I	ı	219,386

Opening balances for expected credit losses after implementation of IFRS (9) :

A - Self-financed

Item	Provision of current balances JD	Difference due to re-mea- surement JD	Balance in accordance with IFRS 9 application instructions JD
Cash and balances with the Central Bank	-	-	-
Balances at banks and the banking institutions	-	-	-
Direct credit facilities *	54,735	1,873	56,608
Financial letter of guarantees	-	12,628	12,628
Letters of credit and acceptances	-	177,102	177,102

* The current provision balance is distributed between watch list credit facilities of JD 538 and non-performing credit facilities of JD 54,197 .

B - jointly financed

Item	Provision of current balances JD	Difference due to re-mea- surement JD	Balance in accordance with IFRS 9 application instructions JD
International wakala investments	-	391,359	391,359
Direct credit facilities *	13,290,578	1,533,432	14,824,010
Financial assets at fair value through unrestricted investment accounts' holders equity	-	150,593	150,593
Unutilized credit limits	-	384,299	384,299

* The current provision balance is distributed between watch list credit facilities of JD 294,932 and non- performing credit facilities of JD 12,995,646.

(4) CASH AND BALANCES AT THE CENTRAL BANK

The details of this item are as follows:

	31 Dec	ember
	2018	2017
	JD	JD
Cash on hand	15,994,902	11,169,468
Balances at the Central Bank of Jordan:		
Current accounts	40,430,074	54,875,638
Statutory cash reserve	62,342,382	53,889,029
Total	118,767,358	119,934,135

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2018 and 31 December 2017.

- All balances at the Central Bank are classified as stage(1) in accordance with the application instructions of IFRS (9). There are no transfers between the (first, second and third) stages or written-off balances during the nine months ended 30 September 2018. There is no need to record a provision for the expected credit losses for balances at the Central Bank of Jordan.

The movement on balances at the Central Bank of Jordan is as follows:

	Stage 1 (individual)
	for the year ended 31 December 2018 JD
Balance at the beginning of the year	108,764,667
New balances during the year	-
Repaid balances	(5,992,211)
Balance at the end of the year	102,772,456

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

	Local ba financial in 31 Dec	stitutions		anks and nstitutions ember	Tot 31 Dece	
	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD
Current and on -Demand accounts	6,888,614	647,126	6,376,309	5,923,583	13,264,923	6,570,709
Total	6,888,614	647,126	6,376,309	5,923,583	13,264,923	6,570,709

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

- There are no balances at banks and financial institutions on which the bank receives returns as at 31 December 2018 and 31 December 2017.
- All balances at banks and banking institutions are classified as stage(1) in accordance with the application instructions of IFRS(9). There are also no transfers between the(first, second and third) stages or written -off balances during the nine months ended 30 September 2018. Moreover, there is no need to record a-provision for expected credit losses for balances at banks and banking institutions.

The movement on balances at banks and banking institutions is as follows:

	Stage 1 (individual) for the year ended 31 December 2018 JD
Balance at the beginning of the year	6,570,709
New balances during the year	8,605,120
Repaid balances	(1,910,906)
Balance at the end of the year	13,264,923

(6) INTERNATIONAL WAKALA INVESTMENTS - NET

The details of this item are as follows:

	Jointly f 31 Dec	
	2018 JD	2017 JD
Matures:		
Within a month	52,076,050	26,771,572
From a month to three months	2,771,656	4,963,000
From three to six months	1,259,461	2,127,000
Total International Wakala Investments	56,107,167	33,861,572
Less: Expected credit losses	86,311	-
Net International Wakala Investments	56,020,856	33,861,572

The movement on International Wakala Investments was as follows:

	Fo	r the year ended	31 December 20)18
Item	Stage 1 (Individual) JD	Stage 2 (Individual) JD	Stage 3 JD	Total JD
Balance at the beginning of the year	33,861,572	-	-	33,861,572
New balances and deposits during the year	56,107,167	-	-	56,107,167
Repaid balances and deposits	33,861,572	-	-	33,861,572
Total balance at the end of the year	56,107,167	-	-	56,107,167

- There are no transfers between the stages or non-existent balances -

The movement on the Expected Credit Losses provisions for the international Wakala investments as at the end of the year was as follows:

	For the	year ended 3	1 Decembe	r 2018
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total
	JD	JD	JD	JD
Total balance as at 1 January 2018	-	-	-	-
Effect of IFRS application instructions	391,359	-	-	391,359
Amended balance at the beginning of the year	391,359	-	-	391,359
Impairment loss of new balances during the year	86,311	-	-	86,311
Recoverable from impairment loss on balances and outstanding deposits	391,359	-	-	391,359
Total balance at the end of the year	86,311	-	-	86,311

(7) FINACIAL ASSETS AT FAIR VALUE THROUGH THE STATEMENT OF INCOME

The details of this item are as follows:

	Jo	int
	31 Dec	ember
	2018 JD	2017 JD
Islamic sukuk listed in financial markets	688,489	-
Total	688,489	-

(8) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES- NET

The details of this item are as follows:

	Jointly f	inanced	Self fir	nanced	To	tal
	31 Dec	ember	31 Dec	ember	31 December	
	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD
Individuals (retail)						
Murabaha to the purchase orderer	156,188,787	133,919,513	1,529,463	1,313,278	157,718,250	135,232,791
ljara Muntahia Bittamleek - receivables	797,483	508,358	-	2,872	797,483	511,230
Other receivables	-	-	312,981	232,415	312,981	232,415
Real estate facilities	25,225,628	13,208,972	-	-	25,225,628	13,208,972
Corporate						
International Murabaha	14,526,427	7,122,702	-	-	14,526,427	7,122,702
Murabaha to the purchase orderer	206,386,137	194,099,725	-	-	206,386,137	194,099,725
ljara Muntahia Bittamleek - receivables	1,996,093	1,370,908	-	-	1,996,093	1,370,908
Other receivables	-	-	326,550	16,629	326,550	16,629
Small and medium enter- prises						
Murabaha to the purchase orderer	14,362,941	4,573,484	-	-	14,362,941	4,573,484
ljara Muntahia Bittamleek - receivables	27,560	12,576	-	-	27,560	12,576
Other receivables	-	-	16,889	70,781	16,889	70,781
Government and the public sector	95,355,159	117,888,781	-	-	95,355,159	117,888,781
Total	514,866,215	472,705,019	2,185,883	1,635,975	517,052,098	474,340,994
Less: deferred revenue	48,249,840	43,743,497	233,379	210,143	48,483,219	43,953,640
Suspended revenue	1,054,808	897,260	-	-	1,054,808	897,260
Expected credit losses	18,506,017	13,290,578	210,930	43,972	18,716,947	13,334,550
Net deferred sales receiv- able and other receivables	447,055,550	414,773,684	1,741,574	1,381,860	448,797,124	416,155,544

 The non- performing deferred sales receivables, other receivables, facilities and Ijara Muntahia bittamleek receivables amounted to JD 19,350,246 as at 31 December 2018, representing 2.29% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 15,809,173 as at 31 December 2017, representing 2.17% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables).

- The non- performing deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables after deducting the suspended revenue amounted to JD 18,295,438 as at 31 December 2018, representing 2.17% of deferred sales receivable, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 14,911,913 as at 31 December 2017, representing 2.05% of deferred sales receivable, other receivables, facilities and Ijara Muntahia bittamleek receivables).
- The balance of the investment risk fund, according to Article (55) of the Banking Law, amounted to JD 20,959,845 as at 31 December 2018 (JD 17,441,008 as at 31 December 2017). The provision for impairment of the jointly financed facilities portfolio, which is calculated based on the Central Bank of Jordan's Instructions No.(47/2009) and based on (watch list) amounted to JD 665,405. Moreover, the provision calculated based on the "individual customer" (non-performing) amounted to JD 14,223,543 as at 31 December 2018 (JD 294,932 and JD 12,995,646, respectively as at 31 December 2017).
- The deferred sales receivables and other receivables and facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 95,355,159 as at 31 December 2018, representing 18.44% of the balance of deferred sales receivables, other receivables and facilities (JD 117,888,781 as at 31 December 2017, representing 24.85% of the balance of deferred sales receivables, other receivables and facilities).
- The expected credit losses provision for the self-financed facilities, which is calculated based on the «individual customer» (non-performing) amounted to JD 212,956 as at 31 December 2018 (JD 54,197 as at 31 December 2017).

1) Impairment losses on credit facilities - Major companies:

A) Self (Deferred sales receivables and other receivables, un-convertible loans and Qard Hassan

- Disclosure of distribution of total funds according to the Bank's internal rating categories (After deducting deferred and suspended revenue):

		31 Decen	1ber 2018		31 December 2017
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD	Total JD
Acceptable risk	6,099	-	-	6,099	-
Not rated	-	153,629	177,585	331,214	87,987
Total	6,099	153,629	177,585	337,313	87,987

- Disclosure on the movement on funding :

	For the year ended 31 December 2018							
Item	Stage 1 Stage 2 (individual) (individual) JD JD		Stage 3 (individual) JD	Total JD				
Balance at the beginning of the year*	67,721	380	19,886	87,987				
New facilities during the year	6,028	86,407	157,699	250,134				
settled facilities	(428)	(380)	-	(808)				
Transfer to Stage 1	-	-	-	-				
Transfer to Stage 2	(67,222)	67,222	-	-				
Transfer to Stage 3	-	-	-	-				
Changes resulting from modifica- tions	-	-	-	-				
Total balance at the end of the year	6,099	153,629	177,585	337,313				

- Disclosure on the movement on impairment provision:

	For the year ended 31 December 2018						
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD			
Balance at the beginning of the year*	-	-	19,886	19,886			
Loss on new financing during the year	126	48	1,658	1,832			
Recoverable from the loss of im- pairment on reimbursements	-	(1)	-	(1)			
Transfer to Stage 1	-	-	-	-			
Transfer to Stage 2	-	-	-	-			
Transfer to Stage 3	-	-	-	-			
Changes resulting from modifica- tions	-	2,430	156,041	158,471			
Total balance at the end of the year	126	2,477	177,585	180,188			

B- joint

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and outstanding revenue):-

	For t	31 Decem- ber 2017			
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD	Total JD
Little risk	-	-	-	-	-
Semi empty risk	2,003,042	-	-	2,003,042	-
Low risk	13,297,855	-	-	13,297,855	-
Normal risk	61,580,955	2,938,203	-	64,519,158	-
Acceptable risk	76,319,441	4,281,631	406,352	81,007,424	-
Acceptable with due care	3,228,308	5,767,378	-	8,995,686	-
Watch list	-	18,193,834	-	18,193,834	-
Substandard	-	-	2,816,318	2,816,318	-
Doubtful	-	-	-	-	-
Loss	-	-	8,715,819	8,715,819	-
Unrated	14,732,146	87,697	66,094	14,885,937	194,103,462
Total	171,161,747	31,268,743	12,004,583	214,435,073	194,103,462

- Disclosure on the movement on funding For the year ended 31 December 2018

Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD
Balance at the beginning of the year*	165,317,304	19,483,254	9,302,904	194,103,462
New facilities during the year	66,008,621	1,647,210	721,889	68,377,720
settled facilities	(22,324,650)	(24,699,263)	(1,022,196)	(48,046,109)
Transfer to Stage 1	2,530,635	(2,530,635)	-	-
Transfer to Stage 2	(37,368,177)	37,368,177	-	-
Transfer to Stage 3	(3,001,986)	-	3,001,986	-
Changes resulting from modifica- tions	-	-	-	-
Defaulted facilities	-	-	-	-
Adjustments due to change in exchange rates	-	_	-	-
Total balance at the end of the year	171,161,747	31,268,743	12,004,583	214,435,073

- Disclosure on the movement on impairment provision: For the year ended 31 December 2018

Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD
Balance at the beginning of the year	975,914	179,200	10,951,330	12,106,444
Loss on new financing during the year	245,716	1,184	20,650	267,550
Recoverable from the loss of im- pairment on reimbursements	(19,890)	(60,069)	-	(79,959)
Transfer to Stage 1	417,996	(417,996)	-	-
Transfer to Stage 2	(514,866)	514,866	-	-
Transfer to Stage 3	(18,594)	-	18,594	-
Changes resulting from modifica- tions	82,919	395,851	621,832	1,100,602
Total balance at the end of the year	1,169,195	613,036	11,612,406	13,394,637

* The beginning balance for the year does not include ijarah muntahia biltamlek balance.

2) Impairment Loss on Credit Financing - Small and Medium Enterprises:

A-Self financed

Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

ltom			31 Decen	nber 2018			31 December 2017
Item	Stag	Stage 1 Stage 2		Stage 3	Total	Total	
	individual JD	Collective JD	individual JD	Collective JD	JD	JD	JD
Not rated	-	10,068	-	3,095	3,726	16,889	5,772
Total	-	10,068	-	3,095	3,726	16,889	5,772

- Disclose the movement on funding

		For the	year ended	31 Decembe	er 2018	
Item -	Stage 1		Stag	ge 2	Stage 3	Total
	individual JD	Collective JD	individual JD	Collective JD	JD	JD
Balance at the beginning of the year*	-	343	-	3,124	2,305	5,772
New facilities during the year	-	10,068	-	3,095	3,668	16,831
settled facilities	-	(343)	-	(3,066)	(2,305)	(5,714)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	(58)	58	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	-	10,068	-	3,095	3,726	16,889

- Disclosure on the movement on impairment provision:

	For the year ended 31 December 2018							
_	Stage 1		Sta	Stage 2		Total		
Item	individual JD	Collective JD	individual JD	Collective JD	JD	JD		
Balance at the beginning of the year	-	-	-	8	2,305	2,313		
Loss on new financing during the year	-	32	-	57	2,896	2,985		
Recoverable from the loss of impairment on reimbursements	-	-	-	(51)	(2,305)	(2,356)		
Transfer to Stage 1	-	-	-	-	-	-		
Transfer to Stage 2	-	-	-	-	-	-		
Transfer to Stage 3	-	-	-	(9)	9	-		
Changes resulting from modifications	-	-	-	52	107	159		
Total balance at the end of the year	-	32	-	57	3,012	3,101		

B - Joint

Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):-

ll e se			31 Decem	nber 2018			31 December 2017
Item	Sta	ge 1	Stag	ge 2	Stage 3	Total	Total
	individual	Collective	individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
unrated	-	12,267,031	-	372,111	491,328	13,130,470	4,091,848
Total	-	12,267,031	-	372,111	491,328	13,130,470	4,091,848

- Disclosure on the movement on funding: For the year ended 31 December 2018

	Stage 1		Stage 2		Stage 3	Total
Item	individual JD	Collective JD	individual JD	Collective JD	JD	JD
Balance at the beginning of the year*	-	3,622,294	-	379,249	90,305	4,091,848
New facilities during the year	-	11,623,068	-	329,833	272,471	12,225,372
settled facilities	-	(2,857,616)	-	(298,132)	(31,002)	(3,186,750)
Transfer to Stage	-	-	-	-	-	-
Transfer to Stage 2	-	(76,787)	-	76,787	-	-
Transfer to Stage 3	-	(43,928)	-	(115,626)	159,554	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	-	12,267,031	-	372,111	491,328	13,130,470

- Disclosure on the movement on impairment provision: For the year ended 31 December 2018

	Stag	ge 1	Sta	ge 2	Stage 3	Total
Item	individual JD	Collective JD	individual JD	Collective JD	JD	JD
Balance of beginning of the year	-	7,473	-	978	22,482	30,933
Loss on new financing during the year	-	51,907	-	15,265	46,581	113,753
Recoverable from the loss of impairment on reimbursements	-	(14,168)	-	(445)	-	(14,613)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	(2,683)	-	2,683	-	-
Transfer to Stage 3	-	(1,559)	-	(4,059)	5,618	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	-	20,867	-	3,185	32,087	56,139
Total balance at the end of the year	-	61,837	-	17,607	106,768	186,212

*The beginning balance for the year does not include ijara muntahia biltamlek balance.

3) Impairment loss on credit facilities - Individual portfolio (retail):

A-Self financed

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

		31 December 2017				
Item	Stage 1 (collective) JD	(collective) (collective) Total				
Unrated	1,550,842	26,509	32,481	1,609,832	1,380,584	
Total	1,550,842	1,380,584				

- Disclosure on the movement on funding:

	For	the year ended	31 December 20)18
Item	Stage 1 (collective) JD	Stage 2 (collective) JD	Stage 3 (collective) JD	Total JD
Balance at the beginning of the year*	1,340,790	4,852	34,942	1,380,584
New facilities during the year	720,672	23,803	21,986	766,461
settled facilities	(489,360)	(2,884)	(44,969)	(537,213)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,301)	1,301	-	-
Transfer to Stage 3	(19,959)	(563)	20,522	-
Changes resulting from modifications	-	-	-	-
Defaulted facilities	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of the year	1,550,842	26,509	32,481	1,609,832

- Disclosure on the movement on impairment provision:

	For th	ne year ended	31 December	2018
Item	Stage 1 (collective) JD	Stage 2 (collective) JD	Stage 3 (collective) JD	Total JD
Balance at the beginning of the year	2,391	12	32,005	34,408
Loss on new financing during the year	5,267	375	11,703	17,345
Recoverable from the loss of impairment on reimbursements	(1,368)	(49)	(11,932)	(13,349)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(30)	30	-	-
Transfer to Stage 3	(576)	(6)	582	-
The effect on the provision as at the end of the year as a result of the change between the three stages during the year	-	-	-	-
Changes resulting from modifications	-	-	-	-
Defaulted facilities	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of the year	5,684	362	32,358	38,404

B-Joint

Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and outstanding revenue):

		31 December 2017			
Item	Stage 1 (collective) JD	Stage 2 (collective) JD	Total JD	Total JD	
Unrated	123,984,494	2,334,651	2,214,196	128,533,341	110,785,985
Total	123,984,494	110,785,985			

- Disclosure on the movement on funding:

	For	the year ended	31 December 2	018
Item	Stage 1 (collective) JD	Stage 2 (collective) JD	Stage 3 (collective) JD	Total JD
Balance at the beginning of the year*	107,751,014	1,805,689	1,229,282	110,785,985
New facilities during the year	48,229,883	92,412	225,650	48,547,945
settled facilities	(29,553,020)	(912,873)	(330,726)	(30,796,619)
Transfer to Stage 1	88,436	(82,965)	(5,471)	-
Transfer to Stage 2	(2,172,695)	2,387,458	(214,763)	-
Transfer to Stage 3	(359,124)	(955,070)	1,314,194	-
Changes resulting from modifications	-	-	-	-
Defaulted facilities	-	-	(3,970)	(3,970)
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of the year	123,984,494	2,334,651	2,214,196	128,533,341

- Disclosure on the movement on impairment provision:

	For the	e year ended	31 Decembe	er 2018
Item	Stage 1 (collective) JD	Stage 2 (collective) JD	Stage 3 (collective) JD	Total JD
Balance at the beginning of the year	144,299	36,639	1,233,178	1,414,116
Loss on new financing during the year	94,363	4,723	34,241	133,327
Recoverable from the loss of impairment on reimbursements	(10,159)	(372)	(191,028)	(201,559)
Transfer to Stage 1	3,753	(3,753)	-	-
Transfer to Stage 2	(9,868)	187,032	(177,164)	-
Transfer to Stage 3	(946)	(40,169)	41,115	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-
Changes resulting from modifications	(10,367)	(68,640)	739,001	659,994
Defaulted facilities	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of the year	211,075	115,460	1,679,343	2,005,878

* The beginning balance for the year does not include ijara muntahia biltamlek balance.

4) Impairment loss on credit facilities - Real estate financing:

A-Self financed

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

_			31 December 2017							
Item	Stage 1 Stage 2			ge 2	Stage 3	Total	Total			
	individual	Collective	individual							
	JD						JD			
Total	-									

- Disclosure on the movement on funding:

	For the year ended 31 December 2018							
Item	Stag	ge 1	Stage 2		Stage 3	Total		
nem	individual JD	Collective JD	individual JD	Collective JD	JD	JD		
Total balance at the beginning of the year	-	-	-	-	-	-		
Total balance at the end of the year	-	-	-	-	-	-		

- Disclosure on the movement on impairment provision:

	For the year ended 31 December 2018							
Item	Stage 1		Stage 2		Stage 3	Total		
	individual JD	Collective JD	individual JD	Collective JD	JD	JD		
Total balance at the end of the year	-	-	-	-	-	-		

B - Joint

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

	31 December 2018								
Item	Stag	ge 1	Sta	ge 2	Stage 3	Total	Total		
	individual JD	Collective JD	individual JD	Collective JD	JD	JD	JD		
Little risk	-	-	-	-	-	-	-		
Semi empty risk	2,198,023	-	-	-	-	2,198,023	-		
Low risk	-	-	64,860	-	-	64,860	-		
Normal Risk	116,811	-	-	-	-	116,811	-		
Acceptable risk	1,869,708	-	1,706,117	-	-	3,575,825	-		
Acceptable with due care	23,661	-	25,977	-	-	49,638	-		
Watch list	-	-	8,109,919	-	-	8,109,919	-		
Substandard	-	-	-	-	-	-	-		
Doubtful	-	-	-	-	-	-	-		
Loss	-	-	-	-	329,531	329,531	-		
Unrated	-	5,802,598	36,015	134,308	3,190	5,976,111	11,792,894		
Total	4,208,203	5,802,598	9,942,888	134,308	332,721	20,420,718	11,792,894		

- Disclosure on the movement on Funding:

Item	Sta	ge 1	Stag	je 2	Stage 3	Total
	individual JD	Collective JD	individual JD	Collective JD	JD	JD
Total balance at the beginning of the year *	1,741,632	3,973,000	5,804,015	-	274,247	11,792,894
New facilities during the year	2,915,132	2,612,946	9,859,835	-	176,827	15,564,740
Settled facilities	(638,102)	(640,283)	(5,531,421)	(8,757)	(118,353)	(6,936,916)
Transfer to Stage 1	193,981	-	(193,981)	-	-	-
Transfer to Stage 2	(4,440)	(143,065)	4,440	143,065	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Defaulted facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	4,208,203	5,802,598	9,942,888	134,308	332,721	20,420,718

- Disclosure on the movement on impairment provision:

		For the	e year ended	31 Decembe	r 2018	
Item	Sta	Stage 1		Stage 2		Total
	individual JD	Collective JD	individual JD	Collective JD	JD	JD
Balance at the beginning of the year	3,838	228	479,795	-	788,656	1,272,517
Loss on new financing during the year	3,640	377	2,077,900	-	-	2,081,917
Recoverable from the loss of impairment on reimbursements	(129)	-	(582,034)	-	(149,404)	(731,567)
Transfer to Stage 1	3,830	-	(3,830)	-	-	-
Transfer to Stage 2	(87)	(9)	87	9	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(4,712)	1,416	113,930	16	185,773	296,423
Total balance at the end of the year	6,380	2,012	2,085,848	25	825,025	2,919,290

*The beginning balance for the year does not include ijarah muntahia biltamlek balance.

5) Impairment loss on credit facilities - Government and public sector:

A- Self financed

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

Item		31 Decen	nber 2018		31 December 2017
	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD	Total JD
Low risk	509,660	-		509,660	509,660
Total	509,660	-	-	509,660	509,660

- Disclosure on the movement on funding:

	For the year ended 31 December 2018						
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD			
Total balance at the beginning of the year*	509,660	-	-	509,660			
Total balance at the end of the year	509,660	-	-	509,660			

- Disclosure on the movement on impairment provision:

	For th	ne year ended	31 December	[.] 2018
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD
Balance at the beginning of the year	-	-	-	-
Total balance at the end of the year	-	-	-	-

B - Joint

- Disclosure of the distribution of total funds according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

Item		31 Decen	nber 2018		31 December 2017
	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD	Total JD
Low risk	89,041,965	-	-	89,041,965	107,290,073
Total	89,041,965	-	-	89,041,965	107,290,073

- Disclosure on the movement on funding:

	For th	ne year ended	31 December	2018	
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD	
Total balance at the beginning of the year *	107,290,073	-	-	107,290,073	
New facilities during the year	-	-	-	-	
settled facilities	(18,248,108)	-	-	(18,248,108)	
Transfer to Stage 1	-	-	-	-	
Transfer to Stage 2	-	-	-	-	
Transfer to Stage 3	-	-	-	-	
Changes resulting from modifications	-	-	-	-	
Defaulted facilities	-	-	-	-	
Adjustments due to change in exchange rates	-	-	-	-	
Total balance at the end of the year	89,041,965	-	-	89,041,965	

* The beginning balance for the year does not include Ijara muntahia bitamlek balance.

- Disclosure on the movement on impairment provision:

	For the year ended 31 December 2018						
Item	Stage 1 (individual) JD	Stage 2 (individual) JD	Stage 3 (individual) JD	Total JD			
Balance at the beginning of the year	-	-	-	-			
Total balance at the end of the year	-	-	-	-			

The movement on credit financing after deducting suspended and deferred revenue : A- Self-financed

	For the year ended at 31 December 2018								
Item	Sta	Stage 1		ge 2	Stage 3	Total			
Kein	individual JD	Collective JD	individual JD	Collective JD	JD	JD			
Total balance at the beginning of the year*	577,381	1,341,133	380	7,976	57,133	1,984,003			
New facilities during the year	6,028	730,740	86,407	26,898	183,353	1,033,426			
Repaid facilities	(428)	(489,703)	(380)	(5,950)	(47,274)	(543,735)			
Transfer to Stage 1	-	-	-	-	-	-			
Transfer to Stage 2	(67,222)	(1,301)	67,222	1,301	-	-			
Transfer to Stage 3	-	(19,959)	-	(621)	20,580	-			
Changes resulting from modifications	-	-	-	-	-	-			
Defaulted facilities	-	-	-	-	-	-			
Adjustments due to change in exchange rates	-	-	-	-	-	-			
Total balance at the end of the year	515,759	1,560,910	153,629	29,604	213,792	2,473,694			

- The movement of the credit loss provision / self financed:

	For the year ended at 31 December 2018								
Item	Corporate's JD	Small and medium enterprises JD	Retail JD	Real estate Ioans JD	Government and the public sector JD	Total JD			
Balance at the beginning of the year	19,945	2,566	32,224	-	-	54,735			
Effect of implementing IFRS(9) application instructions	(59)	(253)	2,184	-	-	1,872			
Amended balance at the beginning of the year	19,886	2,313	34,408	-	-	56,607			
Impairment loss on new facilities during the year	1,832	2,985	17,345	-	-	22,162			
Recovered from impairment loss on repaid facilities	(1)	(2,356)	(13,349)	-	-	(15,706)			
Transfer to Stage 1	-	-	-	-	-	-			
Transfer to Stage 2	-	-	-	-	-	-			
Transfer to Stage 3	-	-	-	-	-	-			
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-			
Changes resulting from modifications	158,471	159	-	-	-	158,630			
Defaulted facilities	-	-	-	-	-	-			
Adjustments due to change in exchange rates	-	-	-	-	-	-			
Total balance at the end of the year *	180,188	3,101	38,404	-	-	221,693			
Redistribution:									
Provisions on an individual basis	180,188	3,012	32,358	-	-	215,558			
Provisions on a collective basis	-	89	6,046	-	-	6,135			

*Of which an amount of JD 10,763 belongs to non-converted loans. *The beginning balance for the year does not include ijara muntahia biltamlek balance.

- The movement on credit facilities (after deducting deferred revenue and suspended revenue) was as follows :

B- Jointly financed For the year ended 31 December 2018

	Stag	ge 1	Stag	ge 2	Stage 3	Total	
Item	individual JD	Collective JD	individual JD	Collective JD	JD	JD	
Total balance at the beginning of the year	274,349,009	115,346,308	25,287,269	2,184,938	10,896,738	428,064,262	
New facilities during the year	68,923,753	62,465,897	11,507,045	422,245	1,396,837	144,715,777	
Repaid facilities	(41,210,860)	(33,050,919)	(30,230,684)	(1,219,762)	(1,502,277)	(107,214,502)	
Transfer to Stage 1	2,724,616	88,436	(2,724,616)	(82,965)	(5,471)	-	
Transfer to Stage 2	(37,372,617)	(2,392,547)	37,372,617	2,607,310	(214,763)	-	
Transfer to Stage 3	(3,001,986)	(403,052)	-	(1,070,696)	4,475,734	-	
Changes resulting from modifications	-	-	-	-	-	-	
Bad facilities	-	-	-	-	(3,970)	(3,970)	
Adjustments due to change in exchange rates	-	-	-	-	-	-	
Total balance at the end of the year	264,411,915	142,054,123	41,211,631	2,841,070	15,042,828	465,561,567	

- Disclosure on the movement on expected credit loss / jointly financed: For the year ended 31 December 2018

Item	Corporate's JD	Small and medium enterprises JD	Retail JD	Real estate Ioans JD	Government and the public sector JD	Total JD
Balance at the beginning of the year	10,987,156	33,890	1,346,095	923,437	-	13,290,578
Effect of implementing IFRS(9) application instructions	1,119,288	(2,957)	68,021	349,080	-	1,533,432
Amended balance at the beginning of the year	12,106,444	30,933	1,414,116	1,272,517	-	14,824,010
Loss on new facilities during the year	267,550	113,753	133,327	2,081,917	-	2,596,547
Recovered from impairment loss on repaid facilities	(79,959)	(14,613)	(201,559)	(731,567)	-	(1,027,698)
Transfer to Stage 1	-	-	_	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	1,100,602	56,139	659,994	296,423	-	2,113,158
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	13,394,637	186,212	2,005,878	2,919,290	-	18,506,017
Redistribution:						
Provisions on an individual basis	13,394,637	106,768	-	2,917,253	-	16,418,658
Provisions at a collective basis	-	79,444	2,005,878	2,037	-	2,087,359

*The beginning balance for the year does not include ijarah muntahia biltamlek balance.



Suspended revenue :

The movement on suspended revenue is as follows:

	Jointly financed									
	For the	ne year ended	31 December	2018	For the	e year ended (31 December	2017		
	Retail JD	Corporates JD	Small and medium enterprises JD	Total JD	Retail JD	Corporates JD	Small and medium enterprises JD	Total JD		
Balance at the beginning of the year	203,447	693,320	493	897,260	150,326	481,972	-	632,298		
Add: suspended revenue during the year	152,655	194,703	3,496	350,854	158,956	211,348	498	370,802		
Less: suspended revenue transferred to revenue	126,167	66,695	444	193,306	105,835	-	5	105,840		
Balance at the end of the year	229,935	821,328	3,545	1,054,808	203,447	693,320	493	897,260		

The following are credit exposures in accordance with IFRS (9) as at 31 December 2018

A- Self-financed

		Sta	Stage 1			St	Stage 2			Sta	Stage 3			Ω	Total	
	Total JD	JD ECL	Suspended Deferred revenue revenue JD JD	Deferred revenue JD	Total JD	JD L	Suspended revenue JD	Deferred revenue JD	Total	JD LC	Suspended revenue JD	Deferred revenue JD	Total JD	JD ECL	Suspended revenue JD	Deferred revenue JD
Corporates	6;099	126	'	'	153,629	2,477	'		184,697	177,585	7,112	'	344,425	180,188	7,112	,
Small and medium enterprises	10,068	32	1	1	3,095	57	1		3,726	3,012	,	,	16,889	3,101	,	1
Retail	1,784,221	5,684	1	233,379	26,509	362	1		32,481	32,358			1,843,211	38,404	,	233,379
Real estate loans	1		I	1	,		1		ı		,	1	1		ı	
Government and public sector	509,660	1	1	I	1	1	1	ı	I	1	1	1	509,660	,	ı	1
Total	2,310,048	5,842	•	233,379	183,233	2,896	•	•	220,904	212,955	7,112	•	2,714,185	221,693	7,112	233,379

- The financing amount in accordance with IFRS 9 application instructions does not include the amount of JD (4,214,264), representing Ijara Muntahia Bittamleek.

B - Jointly financed

		Stage 1	e 1			Stage 2	je 2			Stage 3	e 3			Total	al	
	Total JD	JD ECL	Suspended revenue JD	Deferred revenue JD	Total JD	L L L	Suspended revenue JD	Deferred revenue JD	Total JD	JD EC	Suspended revenue JD	Deferred revenue JD	Total JD	P EC	Suspended revenue JD	Deferred revenue JD
Corporates	177,509,768	1,169,195		6,348,021	31,953,001	613,036		684,258	12,712,547	11,612,406	692,916	15,048	222,175,316	13,394,637	692,916	7,047,327
Small and medium enterprises	13,494,278	61,837	1	1,227,247	379,339	17,607	r	7,228	505,825	106,768	3,545	10,952	14,379,442	186,212	3,545	1,245,427
Retail	151,522,296	211,075	I	27,537,802	2,643,614	115,460	ı	308,963	2,712,484	1,679,343	229,935	268,353	156,878,394	2,005,878	229,935	28,115,118
Real estate loans 12,443,274	12,443,274	8,392	I	2,432,473	13,173,497	2,085,873	ı	3,096,301	461,133	825,025	128,412		26,077,904	2,919,290	128,412	5,528,774
Government and public sector	95,355,159	1	I	6,313,194	ı	1	I	I	ı	ı	1		95,355,159	I	I	6,313,194
Total	450,324,775 1,450,499	1,450,499	•	43,858,737 48,149,451	48,149,451	2,831,976		4,096,750	16,391,989	14,223,542 1,054,808	1,054,808	294,353	514,866,215	18,506,017	1,054,808	48,249,840

- The financing amount in accordance with IFRS 9 application instructions does not include the amount of JD (323,038,208), representing Ijara Muntahia Bittamleek .

The following are credit exposures in accordance with IFRS (9) as at 31 December 2017

A- Self-financed

		Sta	Stage 1			Sta	Stage 2			Sta	Stage 3			Τc	Total	
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	۵ſ	ą	٩	٩٢	đ	٩	đ	đ	٩	qŗ	đ	q	٩	ą	Ð	Ð
Corporates	67,721		1	1	380				26,998	19,886	7,112		95,099	19,886	7,112	ı
Small and medium enterprises	343	ı	I	'	3,124	8	ı	ı	2,305	2,305	ı		5,772	2,313	ı	ı
Retail	5,362,248	2,391	ı	210,143	4,852	12	1		34,942	32,006	1		5,402,042	34,409	1	210,143
Real estate loans	-		I	1		ı	1	ı			1	ı	ı	,	1	I
Government and public sector	509,660		1	'		1	ı				1	ı	509,660	,	1	I
Total	5,939,972	2,391		210,143	8,356	20	ı		64,245	54,197	7,112		6,012,573	56,608	7,112	210,143

- The financing amount in accordance with the classification instructions number (47/2009) includes an amount of JD (3,811,315), representing Ijarah munthia Bittamleek

B - Jointly financed

		Stage 1	e 1			Stage 2	je 2			Stage 3	e 3			Total	al	
	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	đ	ę	۵ŕ	đ	ę	ę	đ	۵ŕ	٩ŕ	ę	ę	ę	đ	đ	ą	đ
Corporates	177,381,156	975,914		3,278,841	33,594,988	179,200		4,896,563	12,092,805	10,951,330	568,594		223,068,949	12,106,444	568,594	8,175,404
Small and medium enterprises	8,580,191	7,473	I	326,575	85,821	978	ı	9,759	90,798	22,482	493	,	8,756,810	30,933	493	336,334
Retail	332,182,374	144,299		23,434,844	3,526,268	36,639	ı	213,737	2,132,426	1,233,178	203,447	144,987	337,841,068	1,414,116	203,447	23,793,568
Real estate loans	14,055,413	4,066		313,275	21,544,528	479,795	1	526,208	1,446,774	788,656	124,726		37,046,715	1,272,517	124,726	839,483
Government and public sector	117,888,781	ı	I	10,598,708	1	,	I	I	I	ı	ı	1	117,888,781	I	1	10,598,708
Total	650,087,915	1,131,752	•	37,952,243	58,751,605	696,612	•	5,646,267	15,762,803	12,995,646	897,260	144,987	724,602,323	14,824,010	897,260	43,743,497

- The financing amount in accordance with the classification instructions number (47/2009) includes an amount of JD (251,897,304), representing liarah munthia Bittamleek

(9) UNCONVERTED LOANS - NET

This item includes unconverted loans in accordance with the accepted financing methods and in compliance with sharia - law. Moreover, the Sharia Supervisory Board issued a Fatwa regarding these loans. This Fatwa states that these loans should remain in shareholders' account until either settled or converted, and should not be included in the joint pool. The proceeds of these loans are considered to be a right for the shareholders and to be reinvested again in the joint pool.

The details of this item are as follows:

			Self fir	anced		
	31	December 2	018	31	December 2	017
	Retail	Corporate	Total	Retail	Corporate	Total
	JD	JD	JD	JD	JD	JD
Gross unconverted loans	767	17,875	18,642	37,748	17,875	55,623
Less: suspended revenues	-	7,112	7,112	-	7,112	7,112
Less: Unconverted loans Impairment provision	-	10,763	10,763	-	10,763	10,763
Net unconverted loans	767	-	767	37,748	-	37,748

Unconverted loans impairment provision - self financed

The movement on unconverted loans provision is as follows:

	Corporate	
	For the year ende	d at 31 December
	2018	2017
	JD	JD
Beginning balance for the year	10,763	10,763
Ending balance for the year	10,763	10,763

Suspended revenues

		Self financed	
	For the yea	ar ended at 31 Dece	ember 2018
	Retail JD	Corporate JD	Total JD
Beginning balance for the year	-	7,112	7,112
Ending balance for the year	-	7,112	7,112

		Self financed	
	For the yea	ar ended at 31 Dece	mber 2017
	Retail JD	Corporate JD	Total JD
Beginning balance for the year	-	7,112	7,112
Ending balance for the year	-	7,112	7,112

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH SHAREHOLDERS' EQUITY -SELF FINANCED

The details of this item are as follows:

	31 Dec	ember
	2018 JD	2017 JD
Quoted Financial Assets :		
Corporates share	340,500	17,700
Total quoted Financial Assets	340,500	17,700
Total Financial Assets at fair value through shareholders' equity -self-financed	340,500	17,700

(11) FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS' EQUITY - NET

The details of this item are as follows:

	Jointly f	inanced
	31 Dec	ember
	2018 JD	2017 JD
Quoted Financial Assets :		
Corporate Shares	210,477	1,112,385
Islamic Sukuk	20,786,749	29,311,683
Total quoted Financial Assets	20,997,226	30,424,068
Unquoted Financial Assets		
Corporate Shares	1,063,725	194,477
Islamic Sukuk	6,192,600	8,256,800
Total unquoted financial assets	7,256,325	8,451,277
Total Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity- Net	28,253,551	38,875,345
Less: Expected Credit Losses provision of financial assets	137,753	-
Net Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity	28,115,798	38,875,345

- Quoted financial assets shown at cost because their fair value cannot be determined.

The movement of the total financial assets at fair value through unrestricted investment accounts holders' equity for the year ended 31 December 2018:

Item	Stage1 -Individual JD	Stage2 -Individual JD	Stage3 JD	Total JD
Fair value as at the beginning of the year	38,875,345	-	-	38,875,345
New investments during the year	5,334,931	-	-	5,334,931
Matured and sold investments	(15,956,725)	-		(15,956,725)
Total balance at the end of year	28,253,551	-	-	28,253,551

Movement on the Expected Credit Losses provision for the financial assets at fair value through unrestricted investment accounts holders' equity for the year ended 31 December 2018:

Item	Stage1 -Individual JD	Stage2 -Individual JD	Stage3 JD	Total JD
Balance at the beginning of the year	-	-	-	-
Effect of implementing IFRS (9)	150,593	-	-	150,593
Amended balance as of the beginning of the year	150,593	-	-	150,593
Impairment loss on new investments during the year	9,770	-	-	9,770
Recovered from loss of Matured and sold investments	(25,783)	-	-	(25,783)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-
Changes resulting from modifications	3,173	-	-	3,173
Bad investments	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of year	137,753	-	-	137,753

(12) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly f	inanced
	31 Dec	ember
	2018 JD	2017 JD
Unquoted Financial Assets:		
Islamic Sukuk	92,191,000	54,878,000
Total unquoted Financial Assets	92,191,000 54,878,000	
Total Financial Assets at Amortized Cost- Net	92,191,000	54,878,000

- The assets mentioned above mature during the years 2021 , 2022 and 2023.

- No need to record expected credit losses provision against financial assets at amortized cost since these sukuk are guaranteed by the Jordanian Government.

(13) INVESTMENT IN ASSOCIATE

Investment in associated company (joint) :

	Doroontogo		Dringing	31 Dec	ember
	Percentage of ownership	Country	Principal activity	2018 JD	2017 JD
Jordan Blending and Packing of Fertilizers Company	25%	Jordan	Manufacturing	376,618	377,262

- Cash dividend from the associate amounted to JD 9,000 as at 31 December 2018 (10,000 as at 31 December 2017).

The movement on the investment in associate is as follows:

		inanced
	31 Dec	ember
	2018 JD	2017 JD
Beginning balance	377,262	370,362
Share of profit	14,071	27,350
Share of taxes	(5,715)	(10,450)
Dividends received	(9,000)	(10,000)
Ending balance for the year*	376,618	377,262

* The latest audited and approved financial statements of the associate have been approved for the purpose of valuation.

		Jointly financed			Self financed			Total	
31 December 2018	Cost JD	Accumulated Depreciation JD	Net Value JD	Cost JD	Accumulated Depreciation JD	Net Value JD	Cost JD	Accumulated Depreciation JD	Net Value JD
ljara Muntahia Bittamleek assets-Real Estate	343,062,891	(65,245,240)	277,817,651	5,646,183	(1,431,919)	4,214,264	348,709,074	(66,677,159)	282,031,915
Ijara Muntahia Bittamleek assets-Machines	49,952,588	(4,732,031)	45,220,557	-	-	T	49,952,588	(4,732,031)	45,220,557
Total	393,015,479	(69,977,271)	323,038,208	5,646,183	(1,431,919)	4,214,264	398,661,662	(71,409,190)	327,252,472
		Jointly financed			Self financed			Total	
31 December 2017	Cost JD	Accumulated Depreciation JD	Net Value JD	Cost JD	Accumulated Depreciation JD	Net Value JD	Cost JD	Accumulated Depreciation JD	Net Value JD
Ijara Muntahia Bittamleek assets-Real Estate	313,499,944	(65,464,859)	248,035,085	4,942,319	(1,131,004)	3,811,315	318,442,263	(66,595,863)	251,846,400
Ijara Muntahia Bittamleek assets-Machines	6,206,973	(2,344,754)	3,862,219	I	I	ı	6,206,973	(2,344,754)	3,862,219
Total	319,706,917	(67,809,613)	251,897,304	4,942,319	(1,131,004)	3,811,315	324,649,236	(68,940,617)	255,708,619

(14) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

-The accrued ljara installments amounted to JD 2,821,136 as at 31 December 2018 (JD 1,894,714 as at 31 December 2017). Moreover, the accrued ljara installments were presented under deferred sales receivables and other receivables-Net (Note 8).

-The non-performing ljara Muntahia Bittamleek amounted to JD 4,447,134 as at 31 December 2018, representing 1.36% of the balance of ljara Muntahia Bittamleek assets). Muntahia Bittamleek assets (JD 4,538,172 as at 31 December 2017, representing 1.77% of the balance of ljara Muntahia Bittamleek assets).

(15) PROPERTY AND EQUIPMENT - NET

For the year ended at 31 December 2018	Lands JD	Buildings JD	Equipment, Devices and furniture JD	Vehicles JD	Computers JD	Others JD	Total JD
Cost:		I					
Beginning balance for the year	2,747,021	12,882,553	11,603,947	151,701	3,561,030	1,137,449	32,083,701
Additions	-	-	2,985,456	108,700	501,989	2,500	3,598,645
Disposals	-	-	30,113	-	15,431	-	45,544
Ending balance for the year	2,747,021	12,882,553	14,559,290	260,401	4,047,588	1,139,949	35,636,802
Accumulated depreciation							
Beginning balance for the year	-	1,156,223	7,888,420	140,195	2,013,326	35,592	11,233,756
Depreciation for the year	-	257,649	1,131,518	19,443	496,400	66,680	1,971,690
Disposals	-	-	30,111	-	6,764	-	36,875
Ending balance for the year	-	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Net book value for property and equipment	2,747,021	11,468,681	5,569,463	100,763	1,544,626	1,037,677	22,468,231
«Advance payments on purchasing property and equipment	-	-	133,055	-	1,323,666	-	1,456,721
Projects under construction	-	-	326,474	-	-	-	326,474
Net property and equipment at the end of year	2,747,021	11,468,681	6,028,992	100,763	2,868,292	1,037,677	24,251,426
For the year ended at 31 December 2017							
Cost:							
Beginning balance for the year	2,747,021	12,786,638	11,281,916	302,944	2,793,001	-	29,911,520
Additions	_	97,280	552,314	_	770,559	1,137,449	2,557,602
Disposals	-	1,365	230,283	151,243	2,530	-	385,421
Ending balance for the year	2,747,021	12,882,553	11,603,947	151,701	3,561,030	1,137,449	32,083,701
Accumulated depreciation							
Beginning balance for the year	-	899,596	6,530,073	156,748	1,617,349	-	9,203,766
Depreciation for the year	-	256,776	1,500,236	25,277	397,496	35,592	2,215,377
Disposals	-	149	141,889	41,830	1,519	-	185,387
Ending balance for the year	-	1,156,223	7,888,420	140,195	2,013,326	35,592	11,233,756
Net book value for property and equipment	2,747,021	11,726,330	3,715,527	11,506	1,547,704	1,101,857	20,849,945
Advance payments on purchasing property and equipment	-	-	-	-	440,831	-	440,831
Projects under construction	-	-	8,996	-	-	-	8,996
Net property and equipment at the end of year	2,747,021	11,726,330	3,724,523	11,506	1,988,535	1,101,857	21,299,772
Annual depreciation rate	_	2%	15%	15%	20%	4 - 10%	

- Fully depreciated property and equipment amounted to JD 7,228,347 as of 31 December 2018 (2017: JD4,485,136).

- The total estimated cost to complete projects under construction amounted to JD 961,386 as at 31 December 2018.

(16) INTANGIBLE ASSETS-NET

The details of this item are as follows:

	Computer Syste	ms & Soft wares	
	31 Dec	ember	
	2018 2017 JD JD		
Beginning balance for the year	1,449,583	1,742,566	
Additions	703,296	321,630	
Amortization for the year	(551,972)	(614,613)	
Ending balance for the year	1,600,907	1,449,583	
Annual amortization rate	25% 25%		

(17) OTHER ASSETS

The details of this item are as follows:

	31 Dec	ember
	2018 JD	2017 JD
Seized assets by the Bank against debts-Net *	4,917,783	3,977,948
Prepaid expenses	1,431,923	1,380,945
Accrued revenue	731,690	833,834
Stationery and printing inventory	145,898	140,861
withholding income tax	119,578	61,660
Petty cash	74,425	84,465
Other account receivables	444,068	254,646
Advance payments on investments	-	65,628
Others	626,929	727,189
Total	8,492,294	7,527,176

* The movement of the seized assets by the Bank against debts was as follows:

	For the year	ended 31 Dece	ember 2018	For the year ended 31 December 2017
	Seized real estates -self financed JD	Seized real estates- jointly financed JD	Total JD	Total JD
Net balance at the beginning of the year	964,652	3,356,737	4,321,389	4,312,796
Additions	-	3,830,958	3,830,958	599,629
Amortization	(282,209)	(2,544,533)	(2,826,742)	(591,036)
Total	682,443	4,643,162	5,325,605	4,321,389
Provision for real estate	(229,397)	-	(229,397)	(229,397)
Provision for impairment losses	(114,044)	(64,381)	(178,425)	(114,044)
Net balance at the end of the year	339,002	4,578,781	4,917,783	3,977,948

- The Central Bank of Jordan's regulations require disposal of seized assets during a maximum period of 2 years from the date of repossession, and in some cases the Central Bank of Jordan can extend the period for additional 2 years.

- The recorded provision for seized assets against debts that violate Article (48) of the Banks Law No.(28) for the year 2000 and its amendments. Moreover, the provision for seized real estates /self-financed amounted to JD 229,397 as at 31 December 2018 and 31 December 2017.

(18) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

The details of this item are as follows:

	3	1 December 201	8	31 December 2017
	Inside the Kingdom JD	Outside the Kingdom JD	Total JD	Total JD
Current accounts	-	436,283	436,283	876,288
Total	-	436,283	436,283	876,288

(19) CUSTOMERS' CURRENT ACCOUNTS

The details of this item are as follows:

		3	1 December 2	018	
	Retail JD	Corporate JD	Small and medium companies JD	Governmental and Public sector JD	Total JD
Current accounts	102,452,974	21,091,378	19,668,052	396,179	143,608,583
Total	102,452,974	21,091,378	19,668,052	396,179	143,608,583

		3	1 December 2	017	
	Retail JD	Corporate JD	Small and medium companies JD	Governmental and Public sector JD	Total JD
Current accounts	83,181,658	17,680,323	18,942,041	264,943	120,068,965
Total	83,181,658	17,680,323	18,942,041	264,943	120,068,965

- Public sector deposits inside the Kingdom as at 31 December 2018 amounted to JD 396,179

, representing 0.28 % of the total customers, current accounts (As at 31 December 2017: JD 264,943 , representing 0.22% of the total customers, current accounts).

- The restricted accounts as at 31 December 2018 amounted to JD 865,965, representing 0.60% of the total customers' current accounts (As at 31 December 2017: JD 248,482, representing 0.21% of the total customers' current accounts).

- The dormant accounts as at 31 December 2018 amounted to JD 12,373,346 (As at 31 December 2017 : JD 4,674,953).

(20) CASH MARGIN ACCOUNTS

The details of this item are as follows:

	31 Dec	cember
	2018 JD	2017 JD
Margins against deferred sales receivables and finances	10,495,841	10,903,966
Margins against indirect facilities	1,661,516	11,514,952
Other margins	312,907	327,130
Total	12,470,264	22,746,048

(21) OTHER PROVISIONS

The details of this item are as follows:

	31 December 2018							
	Beginning balance JD	Provided during the year JD	Used during the year JD	Reversed to income JD	Ending balance JD			
End of service indemnity	23,818	-	8,554	15,264	-			
Provision of lawsuits against the bank	60,785	-	-	-	60,785			
Provision for contingent liabilities	-	320,000	-	-	320,000			
Total	84,603	320,000	8,554	15,264	380,785			

	31 December 2017							
	Beginning balance JD	Provided during the year JD	Used during the year JD	Reversed to income JD	Ending balance JD			
End of service indemnity	23,818	-	-	-	23,818			
Provision of lawsuits against the bank	60,785	-	-	-	60,785			
Total	84,603	-	-	-	84,603			

(22) INCOME TAX PROVISION

A- Income tax provision

The movement on the income tax provision is as follows:

	For the year end	led 31 December
	2018 JD	2017 JD
Beginning balance for the year	2,603,048	2,438,733
Income tax expense	4,488,873	3,043,382
Add: Previous years adjustments	354,909	-
Less : income tax paid for previous years	(2,532,960)	(2,312,785)
Less: Income tax paid for the year	(882,846)	(566,282)
Ending balance for the year	4,031,024	2,603,048

B- The income tax expense presented in the Consolidated Statement of Income and Comprehensive Income consists of the following:

	For the year end	ed 31 December
	2018 JD	2017 JD
Income tax expense for the year	(4,488,873)	(3,043,382)
Edit deferred tax assets	(8,336)	-
Add: Previous years income tax	(354,909)	-
Effect of implementation the new tax regulation *	132,127	-
Total	(4,719,991)	(3,043,382)

The Bank (Parent Company):

The Bank obtained a final settlement from the Income and Sales Tax Department up to the year 2013. The years 2014 and 2015 tax returns were audited by the Income and Sales Tax Department, but are still pending at court since the Income and Sales Tax Department did not approve the legal expenses for the related years. In addition, the said department did not deduct the gain from the sale of real state, as such gain should be considered as a capital gain. A settlement was mad by the income and sales tax department before the end of the year 2018 for a part of this issue relating to the sale of a property during the year 2015.

The Bank submitted its tax declarations for the years ended 2016 and 2017. However, they have not been audited by the income and sales department yet up to the date of the preparation of the consolidated financial statements.

The Subsidiary:

Misc for Financial Brokerage : The company submitted its tax declarations for the years 2011 ,2012 and 2013 which were audited by the Income and Sales Tax department. However, the said declarations are still pending a court decision to carry forward the accumulated losses without any tax effect. The tax declarations related to the years ended 2014,2015,2016 and 2017 were submitted . Furthermore, a final settlement was obtained in relation to the tax for the year 2014. The years 2015, 2016 and 2017 were accepted according to the sampling system issued by the Income and Sales Tax Department.

In the opinion of the Bank's management, and the bank's tax consultant all provisions taken in the consolidated financial statements are sufficient for all tax liabilities.

* 38% was used to calculate deferred taxes for the year in accordance with the Income Tax Law No. 38 of 2019, which will be effective from 1 January 2019. Deferred taxes should be calculated according to the expected or expected rates for future periods.

C- Deferred tax assets

The details of this item are as follows:

	For the year ended 31 December					
			2018			2017
	Beginning Balance for the year JD	Released Amounts JD	Additional Amounts JD	Ending Balance for the year JD	Deferred tax JD	Deferred tax JD
Deferred tax assets						
Deferred tax assets - self financed						
End of services indemnity provision	23,818	23,818	-	-	-	8,336
Provision of lawsuits against the bank	60,785	-	-	60,785	23,098	21,275
Impairment provision for seized assets	343,441	-	-	343,441	130,508	120,204
Legal expenses	1,500,000	-	-	1,500,000	570,000	450,000
Total	1,928,044	23,818	-	1,904,226	723,606	599,815

The movement on self-financed deferred tax assets is as follows:

	For the year end	ed 31 December
	2018 JD	2017 JD
Balance at the beginning of the year	599,815	599,815
Effect of implementation the new tax regulation *	132,127	-
Amortized during the year	(8,336)	-
Balance at the End of the year	723,606	599,815

* 38% was used to calculate deferred taxes for the year in accordance with Income Tax Law No. 38 of 2019, which will be effective from 1 January 2019. Deferred taxes should be calculated according to the expected or stated rates for future years.

D- Reconciliation between tax profit and accounting profit were as follow:

	For the year end	ed 31 December
	2018 JD	2017 JD
Accounting profit for the Bank	13,070,652	8,750,732
Less: Non-taxable profit	(971,077)	(746,538)
Add: Non-deductible expenses	780,964	769,277
Less: Accumulated losses/ previous year	(5,925)	(115,004)
Tax profit for the Bank	12,874,614	8,658,467
Attributable to :		
Tax profit for the Bank (separated)	12,722,949	8,695,377
Subsidiaries tax (losses) gain	151,665	(36,910)
Statutory tax rate- bank	35%	35%
Statutory tax rate- subsidiaries	24%	24%
Effective tax rate	34.3%	34,8%

(23) OTHER LIABILITIES

The details of this item are as follows:

	31 December		
	2018 JD	2017 JD	
Accrued expenses and not paid	377,339	892,499	
Certified cheques	3,171,553	1,489,006	
Expected credit losses on off - balance sheet items-self financed(Note 54)*	65,007	-	
Expected credit losses on off balance sheet items - Jointly financed(Note 54)**	219,386	-	
Shareholders and customers deposits	4,228,408	2,841,316	
Customers' share of profits from unrestricted investment	9,637,646	7,211,310	
Temporary deposits	9,798,244	1,356,383	
Visa Claims	714,920	460,845	
Others	606,905	1,080,094	
Total	28,819,408	15,331,453	

• Expected credit losses

Expected credit loss of indirect facilities

A-Self-financed

Movement on indirect facilities for the year ended 31 December 2018:

	Stag	ge 1	Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Total balance at the beginning of the year	48,149,990	-	1,692,129	-	50,000	49,892,119
New exposures during the year	41,424,780	-	550,913	-	-	41,975,693
Accrued exposures	(44,145,570)	-	(1,085,097)	-	-	(45,230,667)
Transfer to Stage 1	834,117	-	(834,117)	-	-	-
Transfer to Stage 2	(1,502,331)	-	1,502,331	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	44,760,986	-	1,826,159	-	50,000	46,637,145

Movement on the provision for expected credit loss(indirect facilities /self financed) for the year ended 31 December 2018:

	Stage 1		Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS (9)	180,739	-	8,991	-	-	189,730
Amended balance of the beginning of the year	180,739	-	8,991	-	-	189,730
Loss on new exposures during the year	43,092	-	5,036	-	-	48,128
Loss of matured / derecognized exposures	(142,575)	-	(2,777)	-	-	(145,352)
Transfer to Stage 1	1,539	-	(1,539)	-	-	-
Transfer to Stage 2	(4,146)	-	4,146	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year		-	-	-	-	-
Changes resulting from modifications	(23,003)	-	(4,496)	-	-	(27,499)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates		-	-	-		-
Total balance at the end of the year	55,646	-	9,361	-	-	65,007

• Expected credit losses

* Expected credit loss of indirect facilities / guarantees

Distribution of total indirect facilities / guarantees for the year ended 31 December 2018

	31 December 2018						31 December 2017
Item	Staç	ge 1	Sta	ge 2	Stage 3	Total	Total
	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD	JD
Little risk	-	-	-	-	-	-	-
Semi empty risk	-	-	-	-	-	-	-
Low risk	10,396	-	-	-	-	10,396	-
Normal Risk	-	-	-	-	-	-	-
Acceptable risk	300	-	-	-	-	300	-
Acceptable with due care	-	-	-	-	-	-	-
Watch list	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Not rated	19,651,013	-	798,463	-	50,000	20,499,476	2,392,834
Total	19,661,709	-	798,463	-	50,000	20,510,172	2,392,834

Movement on indirect facilities / guarantees for the year ended 31 December 2018

	Staç	ge 1	Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	1,308,902	-	1,033,932	-	50,000	2,392,834
New exposures during the year	18,251,003	-	550,913	-	-	18,801,916
Accrued exposures	(119,636)	-	(564,942)	-	-	(684,578)
Transfer to Stage 1	260,440	-	(260,440)	-	-	-
Transfer to Stage 2	(39,000)	-	39,000	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	19,661,709	-	798,463	-	50,000	20,510,172

- Movement on the provision for expected credit loss(indirect facilities / guarantees) for the year ended 31 December 2018:

	Sta	ge 1	Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS (9)	7,369	-	5,259	-	-	12,628
Amended balance of the beginning of the year	7,369	-	5,259	-	-	12,628
Loss on new exposures during the year	19,033	-	5,036	-	-	24,069
Loss of matured / derecognized exposures	(633)	-	(2,298)	-	-	(2,931)
Transfer to Stage 1	1,155	-	(1,155)	-	-	-
Transfer to Stage 2	(2)	-	2	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(1,071)	-	(1,627)	-	-	(2,698)
Total balance at the end of the year	25,851	-	5,217	-	-	31,068

• Expected credit losses

- Expected credit loss of indirect facilities / Credits and acceptance

Distribution of total on indirect facilities / credits and acceptance

	31 December 2018							
Item	Stage 1		Stage 2		Stage 3	Total	Total	
	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD	JD	
Little risk	-	-	-	-	-	-	-	
Semi empty risk	-	-	-	-	-	-	-	
Low risk	-	-	-	-	-	-	-	
Normal risk	-	-	-	-	-	-	-	
Acceptable risk	-	-	-	-	-	-	-	
Acceptable with due care	-	-	-	-	-	-	-	
Watch list	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Loss	-	-	-	-	-	-	-	
Not rated	25,099,277	-	1,027,696	-	-	26,126,973	47,499,285	
Total	25,099,277	-	1,027,696	-	-	26,126,973	47,499,285	

- Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2018:

	Stag	je 1	Stag	ge 2	Stage 3	Total
Item	Individual	Collective	Individual	Collective		
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	46,841,088	-	658,197	-	-	47,499,285
New exposures during the year	23,173,777	-	-	-	-	23,173,777
repaid exposures	(44,025,934)	-	(520,155)	-	-	(44,546,089)
Transfer to Stage 1	573,677	-	(573,677)	-	-	-
Transfer to Stage 2	(1,463,331)	-	1,463,331	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	_	-
Total balance at the end of the year	25,099,277	-	1,027,696	-	-	26,126,973

- Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2018:

	Sta	ge 1	Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS (9)	173,370	-	3,732	-	-	177,102
Amended balance of the beginning of the year	173,370	-	3,732	-	-	177,102
Loss on new exposures during the year	24,059	-	-	-	-	24,059
Loss of matured / derecognized exposures	(141,942)	-	(479)	-	-	(142,421)
Transfer to Stage 1	384	-	(384)	-	-	-
Transfer to Stage 2	(4,144)	-	4,144	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(21,932)	-	(2,869)	-	-	(24,801)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	29,795	-	4,144	-	-	33,939

• Expected credit losses

- Expected credit loss of indirect facilities

B - Jointly financed

Movement on indirect facilities for the year ended 31 December 2018:

	Stage 1		Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	78,912,677	-	3,548,455	-	-	82,461,132
New exposures during the year	28,019,266	-	4,059,710	-	-	32,078,976
Accrued exposures	(48,546,500)	-	(3,606,893)	-	-	(52,153,393)
Transfer to Stage 1	734,954	-	734,954	-	-	1,469,908
Transfer to Stage 2	(365,013)	-	365,013	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	58,755,384	-	5,101,239	-	-	63,856,623

- Movement on the provision for expected credit loss(indirect facilities /jointly financed) for the year ended 31 December 2018:

	Stage 1		Stage 2		Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS (9)	369,705	-	14,594	-	-	384,299
Amended balance of the beginning of the year	369,705	-	14,594	-	-	384,299
Loss on new exposures during the year	122,528	-	43,274	-	-	165,802
Loss of matured / derecognized exposures	(146,700)	-	7,418	-	-	(139,282)
Transfer to Stage 1	4,735	-	(4,735)	-	-	-
Transfer to Stage 2	(3,009)	-	3,009	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(175,973)	-	(15,460)	-	-	(191,433)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates			-	-	-	-
Total balance at the end of the year	171,286	-	48,100	-	-	219,386

• Expected credit losses

* Expected credit loss of indirect facilities / unutilized credit limits

Distribution of total on indirect facilities / unutilized credit limits for the year ended 31 December 2018:

		31 December 2017					
Item	Sta	ge 1	Sta	ge 2	Stage 3	Total	Total
	Individual	Collective	Individual	Collective			
	JD	JD	JD	JD	JD	JD	JD
Little risk	-	-	-	-	-	-	-
Semi empty risk	-	-	-	-	-	-	-
Low risk	-	-	-	-	-	-	-
Normal risk	991,996	-	-	-	-	991,996	-
Acceptable risk	1,473,616	-	-	-	-	1,473,616	-
Acceptable with due care	-	-	-	-	-	-	-
Watch list	-	-	870,771	-	-	870,771	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Not rated	56,289,772	-	4,230,468	-	-	60,520,240	82,461,132
Total	58,755,384	-	5,101,239	-	-	63,856,623	82,461,132

- Movement on the unutilized credit limits for the year ended 31 December 2018:

	Stag	je 1	Sta	ge 2	Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	78,912,677	-	3,548,455	-	-	82,461,132
New exposures during the year	28,019,266	-	4,059,710	-	-	32,078,976
repaid exposures	(48,546,500)	-	(3,606,893)	-	-	(52,153,393)
Transfer to Stage 1	734,954	-	734,954	-	-	1,469,908
Transfer to Stage 2	(365,013)	-	365,013	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	58,755,384		5,101,239	-	-	63,856,623

Financial Statements and Notes About Them

- Movement on the provision for expected credit loss (indirect facilities) /unutilized credit limits for the year ended 31 December 2018:

	Sta	ge 1	Sta	ge 2	Stage 3	Total
Item	Individual JD	Collective JD	Individual JD	Collective JD	JD	JD
Balance at the beginning of the year	-	-	-	-	-	-
Effect of implementing IFRS (9)	369,705	-	14,594	-	-	384,299
Amended balance of the beginning of the year	369,705	-	14,594	-	-	384,299
Loss on new exposures during the year	122,528	-	43,274	-	-	165,802
Loss of matured / derecognized exposures	(146,700)	-	7,418	-	-	(139,282)
Transfer to Stage 1	4,735	-	(4,735)	-	-	-
Transfer to Stage 2	(3,009)	-	3,009	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(175,973)	-	(15,460)	-	-	(191,433)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	171,286	-	48,100	-	-	219,386

(24) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

	-	31 December 2018						
	Retail JD	Corporate JD	Small and medium enterprises JD	Governmental and Public sector JD	Banks and Financial Institutions JD	Total JD		
Saving accounts	67,321,480	11,995,514	1,641,543	673,954	266,520	81,899,011		
Term accounts/ Investing deposits	425,635,661	90,179,907	64,270,710	36,750,026	986,353	617,822,657		
Certificates of investing deposit	35,266,956	1,365,094	3,321,280	12,514,968	9,526,270	61,994,568		
Total	528,224,097	103,540,515	69,233,533	49,938,948	10,779,143	761,716,236		
Depositors' share from investments' revenue	17,167,511	3,381,306	2,428,326	1,805,532	487,377	25,270,052		
Total unrestricted investment accounts	545,391,608	106,921,821	71,661,859	51,744,480	11,266,520	786,986,288		

		31 December 2017							
	Retail JD	Corporate JD	Small and medium enterprises JD	Governmental and Public sector JD	Banks and Financial Institutions JD	Total JD			
Saving accounts	51,991,272	4,610,509	138,518	10,606	-	56,750,905			
Term accounts/ Investing deposits	388,232,370	64,112,259	61,793,069	21,895,787	-	536,033,485			
Certificates of investing deposit	16,843,403	8,733,479	2,426,506	7,764,818	4,845,927	40,614,133			
Total	457,067,045	77,456,247	64,358,093	29,671,211	4,845,927	633,398,523			
Depositors' share from investments' revenue	13,856,152	2,433,966	2,115,902	962,523	154,073	19,522,616			
Total unrestricted investment accounts	470,923,197	79,890,213	66,473,995	30,633,734	5,000,000	652,921,139			

- Unrestricted investment accounts share of profit is calculated as follows:

- 20% to 31% of the minimum balance of saving accounts in Jordanian Dinar.

- 14% to 25% of the minimum balance of saving accounts in foreign currencies.

- 39% to 90% of the average term accounts in Jordanian Dinar.
- 16% to 47% of the average term accounts in foreign currencies.
- 90% of the average balances of investing certificates of deposit in Jordanian Dinar.

- 80% to 85% of average balances of certificates of investing deposit in foreign currencies .

- The percentage of the profit on the Jordanian Dinar for the period ended 31 December 2018 is 3.79% (for the period ended 31 December 2017: 3.30%).
- The percentage of the profit on USD for the period ended 31 December 2018 is 1.70% (for the period ended 31 December 2017: 1.30%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD

51,744,480 as at 31 December 2018, which represents 6.58% of the total unrestricted investment accounts (As at 31 December 2017: JD 30,633,734, which represents 4.69% of the total unrestricted investment accounts).

- The restricted accounts amounted to JD 53,249 as at 31 December 2018, which represents 0.01% of the total unrestricted investment (As at 31 December 2017: JD 72,052 which represent 0.01% f the total unrestricted investment).
- The dormant accounts as at 31 December 2018 amounted to JD 10,250,490 (As at 31 December 2017 : JD 1,177,489)

(25) INVESTMENT RISK FUND

A -The movement of the investment risk fund was as follows:

	For the year ende	d at 31 December
	2018 JD	2017 JD
Balance at the beginning of the year	17,441,008	14,563,298
Additions: transferred from unrestricted investment revenues during the year	6,217,148	5,097,073
Less : written-off debts	3,970	-
Less: losses from sale financial assets at fair value through unrestricted investment accounts holders equity related to previous years *	394,371	669,827
Less : previous years tax - jointly revenues*	263,388	-
Less: accrued income tax	2,036,582	1,549,536
Balance at the end of the year	20,959,845	17,441,008

- The investment risk fund balance will be transferred to the Zakat fund in case of liquidation.

- The Central Bank of Jordan approved the deduction of the percentage of 10% starting from 1 January 2018 (2017:10%).

* These represent prior years, losses arising from the sale of shares and sukuk of the portfolio of financial assets at fair value through unrestricted investment accounts holders' equity based on Articles (12.4) and (15) of the policy outlining the relationship of the Bank as Mudarib and the owners of unrestricted investments(Rab-al-mal). In this respect, the said Article stipulates that if losses arsing from unrestricted investment transactions are initiated in prior years, and it is found in a certain year that these investments would result in losses, then these losses would be covered through the Investment Risks Fund.

B - Investment risks fund balance is distributed as follows:

		For the year ended 31 Dece		
	Note	2018 JD	2017 JD	
Balance at the end of the year		20,959,845	17,441,008	
Against ECL for Financial assets at fair value through unrestricted investment accounts' holders equity	11	137,753	-	
Against ECL for International Wakala investments	6	86,311	-	
Against ECL for Ijara Muntahia Bittamleek receivable	8	3,061,871	3,103,632	
Against ECL for deferred sales receivables	8	15,444,146	10,186,946	
Against ECL for unutilized credit limits/ Jointly financed	23	219,386	-	
Against impairment of seized assets by the Bank	17	64,381	-	
Remaining balance		1,945,997	4,150,430	

- The remaining balance (the undistributed part) relates to the unrestricted investment accounts.

C - Income tax provision for investment risk fund:

	For the year end	ed 31 December
	2018 JD	2017 JD
Balance at the beginning of the year	1,695,297	1,597,067
Income tax on transferred revenue from investment accounts	2,036,582	1,549,536
Less: Income tax paid	1,679,313	1,451,306
Balance at the end of the year	2,052,566	1,695,297

- The Bank reached a final settlement with the Income and Sales Tax Department up to the year 2013. The tax returns for the years 2014 and 2015 were audited by the Income and Sales Tax Department; however, they are still pending at court, as the Income and Sales Tax Department did not approve the legal expenses for the related years. In addition, the said department did not deduct the gain from the sale of real state, even though they should be considered as capital gain. A settlement has been reached with the Income and Sales Tax Department at the end of 2018 concerning a part of this case related to the gain on the sale of real estate during the year 2015.

- The Bank submitted its tax declarations for the years ended 2016 and 2017, which have not been audited yet up to the date the preparation of the consolidated financial statements.

(26) FAIR VALUE RESERVE

The details of this item are as follows:

A-self financed

Financial coacto at fair value through charabalders?	For the year end	ed 31 December
Financial assets at fair value through shareholders' equity - self finance	2018 JD	2017 JD
Beginning balance	(576)	(576)
effect of implementation IFRS (9)	-	-
effect of implementation IFRS (9) on differed assets and liabilities	-	-
Balance as in 1 Jan 2019	(576)	(576)
Unrealized losses stocks	(24,510)	-
Losses on sale of financial assets	(4,172)	-
Losses of equity instrument at fair value trough stockholder rights - self financed are transferred to the retained earnings as a result of sale	4,748	-
Ending balance	(24,510)	(576)

B - jointly financed

Financial access at fair value through uprestricted	For the year end	ed 31 December
Financial assets at fair value through unrestricted investment accounts reserves - jointly financed	2018 JD	2017 JD
Beginning balance	(820,121)	(976,767)
Effect of implementing IFRS (9)	-	-
Effect of implementing IFRS (9) on differed assets and liabilities	-	-
Balance at the beginning of the year adjusted as at 1 January 2018	(820,121)	(976,767)
Unrealized (Losses) on debt instruments	(70,210)	(232,145)
Losses on equity instruments at fair value through the rights of the joint ventures transferred to the fund against the investment risk as a result of the sale	394,371	669,827
Unrealized (Losses) on shares	(49,082)	(233,966)
Gains on sale of financial assets	(7,623)	(47,070)
Ending balance	(552,665)	(820,121)

(27) PAID IN CAPITAL

The authorized and paid-in capital amounted to JD 100,000,000, consisting of 100,000,000 shares, at a par value of JD 1 per share as at 31 December 2018 and 31 December 2017.

(28) RESERVES

Statutory reserve :

The accumulated amounts in this account represent the transferred 10% of annual profits before taxes during the years, according to the Banks and Companies Laws. This reserve is not available for distribution to shareholders.

General banking risk reserve:

This item represents the general banking risks reserve for deferred sales receivables and the Bank's self-financings in accordance with the Central Bank of Jordan's regulations.

The following reserves are restricted:

	31 December 2018 2017 JD JD		
Reserve name			Note
Statutory reserve	24,181,881	22,874,816	Law's requirement
General banking risk reserve	-	300,000	Central Bank of Jordan regulations

(29) RETAINED EARNINGS

	31 Dec	ember
	2018 JD	2017 JD
Beginning balance of the year	14,971,250	10,132,368
Effect of implementing IFRS (9)	(191,603)	-
Transferred from general banking risk reserve	300,000	-
The amended balance as at 1 January 2018	15,079,647	10,132,368
(Loss) on sale of financial assets through shareholders' equity-self financed	(4,748)	-
(Transferred) to statutory reserves	(1,307,065)	(875,073)
Dividends distributed	(5,000,000)	-
Disposal of a subsidiary company	19,116	6,605
Profit for the year	8,350,661	5,707,350
Balance at the end of the year	17,137,611	14,971,250

- The retained earnings balance as at 31 December 2018 includes an amount of JD723,606 (2017: JD 599,815). It is restricted from use in accordance with the Central Bank of Jordan regulations.

Proposed dividend to shareholders

The Board of Director proposed, in their February 11,2019 meeting, to distribute cash dividends of JD 7,000,000 to shareholders for the year 2018, representing 7% of paid-up and authorized capital from distributable retained earnings. This proposed percentage is subject to the approval of the General Assembly of Shareholders.

(30) DEFERRED SALES REVENUES

The details of this item are as follows:

	For the year ended 31 December					
	20)18	2017			
	Jointly financed Self financed JD JD		Jointly financed JD	Self financed JD		
Individuals(Retail)						
Murabaha to the purchase orderer	11,848,624	92,176	10,688,189	84,754		
Real estate facilities	1,608,660	-	1,069,564	-		
Corporate						
International Murabaha	352,531	-	173,035	-		
Murabaha to the purchase orderer	16,303,472	-	15,659,762	-		
Small and medium enterprises						
Murabaha to the purchase orderer	821,358	-	307,948	-		
Total	30,934,645	92,176	27,898,498	84,754		

(31) IJARA MUNTAHIA BELTAMLEEK REVENUES

The details of this item are as follows:

	For the year ended 31 December				
	20	18	2017		
	Jointly financed JD	Self financed JD	Jointly financed JD	Self financed JD	
ljara Muntahia Beltamleek – real state	67,927,915	622,426	61,888,345	524,079	
ljara Muntahia Beltamleek – machines	3,487,602	-	100,077	-	
Depreciation for Ijara Muntahia Beltamleek assets	(45,316,422)	(462,631)	(42,854,737)	(375,202)	
Total	26,099,095	159,795	19,133,685	148,877	

(32) INTERNATIONAL WAKALA INVESTMENT PROFITS

	Jointly f	inanced	
	For the year end	ed 31 December	
	2018 2017 JD JD		
	JD	JD	
International Wakala investment profits	1,091,469	440,240	
Total	1,091,469 440,240		

(33) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS' HOLDERS EQUITY

The details of this item are as follows:

	Jointly f	inanced	
	For the year end	ed 31 December	
	2018 JD		
Shares dividends	46,633	55,562	
Gains on sale of financial assets	35,885	74,867	
Islamic Sukuk profits	1,251,061	1,016,473	
Total	1,333,579	1,146,902	

(34) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

The details of this item are as follows:

	Jointly financed For the year ended 31 December							
	2018 2017							
	Realized gains JD	Unrealized losses JD	Dividends JD	Total JD	Realized gains JD	Unrealized losses JD	Dividends JD	Total JD
Sukuk	688	19,547	-	20,235	-	-	-	-
Total	688	19,547	-	20,235	-	-	-	-

(35) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

	Jointly f	Jointly financed For the year ended 31 December	
	For the year end		
	2018 JD	2017 JD	
Sukuk	2,107,731	1,656,940	
Total	2,107,731	1,656,940	

(36) FOREIGN CURRENCIES REVALUATION LOSSES

The details of this item are as follows:

	Jointly	Jointly financed	
	For the year end	For the year ended 31 December	
	2018	2017	
	JD	JD	
Foreign currencies revaluation losses	(697)	(8,643)	
Total	(697)	(8,643)	

(37) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

The details of this item are as follows:

	Jointly f	Jointly financed	
	For the year end	ed 31 December	
	2018 JD	2017 JD	
Customers			
Revenues on saving accounts	690,450	490,408	
Revenues on term accounts	22,058,756	17,794,783	
Revenues on certificates of deposit	2,033,469	1,083,352	
Total Customers Revenues	24,782,675	19,368,543	
Banks			
Banks and financial Institutions accounts	487,377	154,073	
Total Banks revenues	487,377	154,073	
Total	25,270,052	19,522,616	

(38) BANK'S SHARE OF REVENUES FROM UNRESTRICTED INVESTMENT ACCOUNTS AS MUDARIB AND RAB MAL

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December	
	2018 JD	2017 JD
Bank's share as Mudarib *	19,632,921	16,488,714
Bank's share as Rab Mal	11,051,362	9,862,324
Total	30,684,283	26,351,038

* The Bank's share of the revenue from unrestricted investments a accounts as a Mudarib amounted to JD 19,798,707. A total of JD 165,786 was donated to Unrestricted Investment Accounts' Holders with the approval of the Shari'a Supervisory Board .

(39) BANK SELF FINANCED REVENUE

The details of this item are as follows:

	Note	Self financed	
		For the year end	ed 31 December
		2018 JD	2017 JD
ljara Muntahia Bittamleek revenue	31	622,426	524,079
Deferred sales revenue	30	92,176	84,754
Cash dividends - financial assets at fair value through shareholders' equity- self financed		500	-
Total		715,102	608,833

(40) BANKS SHARE FROM THE RESTRICTED INVESTMENT REVENUE AS AGENT (WAKEEL)

The details of this item are as follows:

	For the year ende	For the year ended 31 December	
	2018 JD	2017 JD	
Deferred sales revenues	287,351	24,726	
Less: Muwakel's share	(104,402)	(6,605)	
Banks share as agent (wakeel) - List (A)	182,949	18,121	

- This item represents revenues from Murabaha to purchase order within the Restricted Wakala Investment agreement signed with the Central Bank of Jordan.

(41) GAIN FROM FOREIGN CURRENCIES

	For the year ended 31 December	
	2018 JD	2017 JD
As a result of trading and Dealing foreign currencies	510,533	442,579
Total	510,533	442,579

(42) BANKING SERVICES REVENUES

The details of this item are as follows:

	For the year ended 31 December	
	2018 JD	2017 JD
Indirect facilities commissions	981,323	997,165
Direct facilities commissions	1,877,206	1,138,437
Other commissions	2,125,744	1,565,949
Total	4,984,273	3,701,551

(43) OTHER REVENUES

The details of this item are as follows:

	For the year ended 31 December	
	2018 JD	2017 JD
Gain from sale of fixed assets	4,372	-
Gain from sale of seized assets	217,791	12,682
Revenues from liquidation of invested companies	15,288	120,000
Compensation for the acquisition of the Ministry of Works from land owned by the Bank	14,770	-
Membership in the Board of Directors of Jordan Fertilizer Processing Company	10,146	-
Edited from other provisions	15,264	-
Other revenues	14,627	3,286
Total	292,258	135,968

(44) EMPLOYEES' EXPENSES

	For the year end	For the year ended 31 December	
	2018 JD	2017 JD	
Salaries, benefits, allowances and bonuses	10,161,062	9,333,859	
Bank's contribution for social security	1,126,297	971,089	
Medical expenses	564,789	521,548	
Training	189,025	224,481	
Insurance expenses	38,769	37,820	
Other employees «expenses	388,285	326,467	
Total	12,468,227	11,415,264	

(45) OTHER EXPENSES

	For the year ended 31 December	
	2018 JD	2017 JD
Rent and vacancy compensation	1,526,349	1,271,705
Stationery and printing materials	302,945	365,321
Telecommunications	496,272	474,117
Utilities	449,450	402,233
Travel and transportation	181,106	127,451
Marketing and advertising	792,165	1,102,613
Subscription and fees	398,168	275,079
Maintenance and Cleaning expenses	531,896	420,753
Licences and governmental fees	474,195	353,045
Board of Directors' meetings expenses	474,761	437,532
Information technology expenses	928,314	895,511
Security and insurance expenses	310,385	266,649
Donations	96,842	76,619
Management and consulting fees	178,721	340,584
Professional fees	92,269	79,008
Board of Directors' remunerations	53,438	55,000
Hospitality expenses	98,053	114,852
Money transportation expenses	91,272	82,379
Electronics cards expenses	521,926	432,184
Legal expenses - Self financed	116,079	42,092
Contingent liabilities expense	320,000	-
Others	369,258	247,055
Total	8,803,864	7,861,782

(46) EARNINGS PER SHARE

The details of this item are as follows:

	For the year ended 31 December	
	2018 JD	2017 JD
Profit for the year	8,350,661	5,707,350
Weighted average number of shares	100,000,000	100,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	0/084	0/057

(47) CASH AND CASH EQUIVALENTS

	For the year end	ed 31 December
	2018 JD	2017 JD
Cash balances with CBJ maturing within three months	118,767,358	119,934,135
Add: cash at banks and banking institutions maturing within three months	13,264,923	6,570,709
Less: banks and financial banking accounts maturing within three months	(436,283)	(876,288)
Total	131,595,998	125,628,556

48) RELATED PARTY TRANSACTIONS

The Bank entered into transactions with shareholders, board members, and senior management within its normal operations using normal rates of Murabaha and trade commissions. All deferred sales receivables and facilities granted to related parties are performing, and no provisions were taken or these balances. The related parties, transactions are as follows :

			Board of	Al-Etihad	Shari'a	Total	tal
	Main	Senior	Directors	Islamic	Supervisory	31 December	ember
	snare notders JD	management JD	members JD	company lor investment* JD	board members JD	2018 JD	2017 JD
Consolidated statements of financial position items							
Balances at banks and banking institutions	I	I	I	6,094,619	I	6,094,619	33,280
Unrestricted investments accounts and current accounts	16,243	668,921	14,975,031	18,251,108	12,133	33,923,436	26,375,277
Deferred sales receivables and facilities	I	471,924	298	I	I	472,222	491,395
Ijara Muntahia Bittamleek assets	I	747,121	I	I	I	747,121	703,721
Off-statement of consolidated financial position items							
Letter of guarantees	I	I	I	I	I	1	I
Consolidated statement of Income and Comprehensive Income items	morehensive Inc	ome items					

Consolidated statement of Income and Comprehensive Income items

						For the year ended 31 December	r ended 31 nber
						2018 JD	2017 JD
Dividends	114	6,701	611,175	486,792	92	1,104,877	743,894
Salaries and bonuses	ı	2,093,830	53,438	I	52,471	2,199,739	2,784,995
Transportation	I	I	434,445	I	25,308	459,753	440,458

AI Etihad Islamic For Investment Company which owns 61,8% of Safwa Islamic Bank,

The lowest and highest received Murabaha rate were 3.43% and 6.63% respectively.

-The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.81% and 8% respectively.

-The lowest and highest distributed profit rate were 1.08% and 3.92% respectively.

Executive management salaries and benefits for the period ended 31 December 2018 amounted to JD 2,093,830 (JD 2,701,635 as at 31 December 2017).

There are no provisions on the facilities granted to related parties.

(49) Risk Management

Safwa Islamic Bank implements a risk management methodology that adopts an effective comprehensive risk management concept that streamlines and organizes the Bank's risk management regarding all of its operations in accordance with the concept of organized management that adopts prevention before treatment. The Bank adopts the concept of a documented enterprise risk management framework that is approved by the Board of Directors. This framework is the base for other risk policies related to the acceptable level of risks and the policies concerning the management of all types of risks that the Bank might be exposed to. It is also a key reference for the preparation of the ICAAP and Stress Testing.

Risk management is one of the Board of Directors' responsibilities, and risks are managed through the Risk Management Committee, which adopts the general framework for risk management at the Bank. In addition, the Risk Management Department is the department responsible for risk management through implementing the general framework approved by the Board of Directors. In this respect, the Risk Management Department prepares the policies to manage, analyze, and measure all types of risks, as well as develop the appropriate measurement techniques to hedge against risks that affect the profitability and capital adequacy of the Bank in line with the approved general framework. Moreover, the Risk Management Department provides the Board with periodic reports through the Risk Management Committee to inform them about the latest developments related to risk management at the Bank for their evaluation and recommendations in this regard.

Furthermore, the Internal Audit Department sends reports to the Board's Audit Committee to verify that all departments adhere to the policies and procedures of risk management, audits the results of the Risk Management Department, and sends the related reports to the competent authorities.

The Bank applies the Central Bank's instructions for risk management, whereby the Risk Department prepares a plan for the Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, in addition to conducting stress testing yearly.

Currently, the Bank uses advanced technological programs to improve the quality of risk management for all major potential types of risks in proportion to the nature and size of the Bank's activities. In this regard, IFRS 9 implementation instructions have been applied by the Risk Management Department in coordination with the Financial Department and all related Bank units according to the best practical practices through applying an integrated and automated system to calculate the expected credit losses for all different bank portfolios interconnected with the basic banking system. Meanwhile, this system automatically extracts all reports required by regulators. The Bank also accords extreme care to human resources through developing the skills of personnel and enlisting them in training courses related to the proper application of Basel 2 and Basel 3.

Moreover, Risk Management adopts an integrated methodology for managing the risks to which the Bank is exposed. Through this methodology, all risks the Bank is exposed to are identified, and then each type of risk is managed within an integrated cycle that includes the following:

- A. Identifying each type of risk.
- B. Identifying the strategic objectives for managing this type of risk.
- C. Determining the acceptable risk level.
- D. Assessing and measuring these risks.
- E. Managing the assumed risk.
- F. Monitoring and reporting

• Risks the Bank might be exposed to include the following:

1- Credit Risk

Credit risks are generally defined as the risks arising from the borrower's inability and/or unwillingness to fulfill his liabilities (principal amount and/or profits) according to the agreed conditions and based on the terms and maturity dates – a matter which causes financial losses to the Bank.

The Risk Management Department manages credit risk according to the credit manual which regulates and governs the credit process related to corporate department clients, the credit policy for each of the retail banking and small businesses department clients, and the policy on determining credit limits for financial institutions in line with the policies and regulations issued by the Central Bank of Jordan and Basel 2 and Basel 3 standards.

• Credit risks in the Bank arising from financing and investing operations carried out by the Bank, including:

- Risks related to the customer and nature of his activity.
- Risks relating to granting and implementing of facility.
- Concentration risks.
- Islamic financial instruments risks

• In this area, the Bank monitors and controls credit risk through:

- Managing and controlling the credit portfolio risk through a number of committees, particularly the Board Risk Management Committee.

- Reviewing and approving applications for banking facilities through the credit committees in accordance with specific, documented, and terms of reference approved by the Board of Directors. The individual terms of references restricted into small amounts .
- Applying credit rating methodologies according to the best practical practices.
- Monitoring credit limits, permitted credit facilities limits, and issuing the necessary reports to ensure that no override of limits occurs and to control credit quality.
- Diversifying financing and investing activities to avoid credit concentration risks for individuals, groups, or clients in specific geographic areas or related to a certain economic activity; or in financial instruments or products; or in the financing period.
- Managing non-performing loans, and thereby reducing the expected credit losses.
- Separating the tasks between marketing tasks -entrusted with the business segments- and credit decision.
- Segregating the duties related to the granting of facilities and monitoring of credit.

Credit Risk Measurement

The Bank applies the standardized method to measure credit risk through measuring credit riskweighted assets included in the statement of financial position according to the degree of risk that is set out in IFRS 9 implementation instructions. Currently, the Bank is preparing to move on to another method of assessment which is the Foundation Internal Risk Based Approach (FIRB). According to this approach, a special system for credit risk rating for corporate clients is applied to determine the credit quality for each client at the time of granting and monitoring this quality throughout the financing period on a periodic basis. This is performed to identify any drop that may occur in the quality of granted facilities and evaluate the quality of the credit facilities portfolio on a periodic basis, and that is reflected on the basis of credit granting and pricing. The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing a suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals form the different departments.

Credit Risk Mitigation

The Bank uses a variety of Credit Risk Mitigation (CRM) techniques such as (real estate and financial collaterals, etc.) in accordance with the approved CRM policy, which is intended to hedge and reduce credit risks through determining the size and value of required collaterals based on the CRM policy standards.

Governance of IFRS 9 Implementation Instructions

The Bank adopts an integrated system of corporate governance regarding the implementation of IFRS 9. Accordingly, the Bank's Board of Directors is responsible for ensuring compliance with IFRS 9 through adopting the standard implementation methodology and policies, including determining the roles of committees and departments, adopting the IFRS 9 system, and providing the necessary infrastructure to ensure implementation of the standard.

The Board of Directors is also responsible for approving the periodic results of the calculation of the expected credit loss in accordance with IFRS 9 requirements.

Definition of the Bank's Implementation of Default and Default Handling Mechanism

The Instructions of the Central Bank of Jordan regarding the concept of default are applied. Accordingly, a credit facility is considered (non-performing) if its maturity or the maturity of one of its installments is equal to or more than 90 days, or there are clear indications that the facility may be non-performing. The probability of default also includes non-payment of the financial Sukuk, International Murabaha, and International Wakala at banks and banking institutions.

Payment of due installments is monitored through the specialized departments within the general framework and policies approved for this purpose.

The Bank's Internal Credit Rating System and Working Mechanism

The credit rating system is considered a tool for evaluating creditworthiness and improving the quality of the decision making. This system is also considered a springboard to improving the risk management system in accordance with Basel requirements and IFRS9 implementation instructions.

Safwa Islamic Bank applies an Internal Credit Rating System for the Corporate Banking Services Department clients, which is a standard process for classifying clients in terms of the degree of credit risk to which the Bank is exposed on a periodic and regular basis. In this respect, the classification process is based on qualitative and quantitative credit criteria, and the related approach is approved by the Bank's Board of Directors.

The credit rating includes two ratings one of them at the client level (Obligor Risk Rating ("ORR") and the other at the facilities level (Facility Risk Rating "FRR"). The credit rating system is the base for calculating the probability of default (PD) as well as the losses at default within the concept of loss given default (LGD).



The Credit Rating System (ORR) is defined into ten grades as follows:

- From level 1 to level 6 for performing facilities where the first grade is the best.
- Level 7 for watch-list credit facilities.
- From level 8 to level 10 for non-performing credit facilities.

The client is rated at least once a year if no credit event occurs during the year.

The Bank continuously seeks to review and develop the credit rating system in accordance with international best practices and to meet international and local legislative requirements.

The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing the suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals form the different departments.

Mechanism of Calculating the Expected Credit Losses (ECL)

The mathematical model for calculating the expected credit loss in accordance with IFRS 9 implementation instructions:

Expected Credit Loss = Probability of Default * Exposure at Default * Loss Given Default The calculation of expected credit loss (ECL) depends on the calculation of the following variables:

A. Probability of Default (PD)

Definition and mechanism of calculating and monitoring the Probability of Default (PD):

The probability of default is the probability of irregularity in repayment whereby it is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions based on historical data that reflect the historical default rates as well as stress testing associated with macroeconomic factors. In this regard, the probability of default is calculated for a 12-month period for stage (1) credit facilities and for lifetime for stage (2) & (3) credit facilities. The Bank has set a PD ratio for corporate and investment portfolio on an individual basis, while it has set a general PD ratio for each product of the retail portfolio on a collective basis.

B. Exposure at Default (EAD)

Definition and mechanism of calculating and monitoring the Exposure at Default (EAD):

The exposure at default is the amount of potential exposure- uncovered guarantee balances- at risks within IFRS 9 implementation instructions through a future outlook based on the period during which the default is likely to occur. EAD is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions. Meanwhile, the exposure at default (EAD Haircut) factor is used for on-balance sheet exposures. For off-balance sheet exposures, (financial letters of guarantee, letters of credit and acceptances, and unutilized credit Limits), exposure at default (EAD) is calculated by the total facilities for the first and second stage and net facilities for the third stage.

C. Loss Given Default (LGD)

Definition and mechanism of calculating and controlling the Loss Given Default (LGD):

The loss given default is the amount of loss that arises as a result of default calculated based on the statistical model that analyzes the historical collections of debt for each portfolio. As such, LGD is measured for expected credit losses for each stage of IFRS 9 implementing instructions through

calculating the recoverable amount of the different collaterals (cars, real estate, cash margins, land, machinery, equipment, and vehicles) provided to the Bank against the facilities granted and legally documented into credit contracts through a conversion factor for each type of collateral, taking into account the timing of access to the collateral and its conversion into cash (expected cash flow and timing).

The Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are periodically reviewed through preparing reports for the Risk Management Committee and the Board of Directors' Risk Management Committee and making recommendations needed, if necessary.

The Bank's policy for determining the elements on which credit risk and expected credit loss are calculated on a collective basis.

The expected credit loss (ECL) methodology has been constructed by classifying it on an individual or collective basis whereby the collective basis has been adopted for the retail portfolio. In this regard, a general PD ratio has been adopted for each product, and the expected credit loss has been calculated for each retail portfolio product. Meanwhile, the individual basis has been adopted for the corporate portfolio and for each investment in the Bank's investment portfolios subject to the requirements of the IFRS 9 implementation instructions through adopting a PD ratio for each corporate and investment portfolio.

Determinants of the significant change in the credit risk on which the Bank depended on for calculating expected credit losses

A set of standards for significant changes in credit risk have been identified in the automated system for calculating expected credit losses on individual or collective basis at the portfolio level, where in IFRS 9 the accounts are classified into three stages and based on a set of standards/determinants such as: Number of dues installments, the credit rating of client, the legal account status, the number of restructuring and/or rescheduling and accordingly the expected credit losses are calculated.

The Main Economic Factors Used by the Bank in Calculating the Expected Credit Loss (PD)

The main economic factors (macroeconomic factors) were included in the automated system of CBJ instructions since the probability of default (PD) is based on the calculation of stress testing of the country's macroeconomic factors such as the GDP growth rate. Three scenarios (Baseline Scenario, Medium Scenario, Severe Scenario) were conducted and determine the impact of these scenarios on the probability of default and therefore on the calculation of expected credit losses.

2- Market Risks

The Bank defines market risk as the risk that the Bank might be exposed to as a result of changes in the prices of returns, and fluctuations in exchange rates and prices of securities.

The Bank adopts a conservative policy to reduce the Bank's exposure to risk factors and keep them to minimum by achieving alignment and symmetry between assets and liabilities and by maintaining the minimum of financial positions in currencies and securities.

3- Operational Risks

Operational risk is defined as the risks of loss arising from the inadequacy or failure of the Bank's internal operations, personnel, or systems, or from external events.

Operational Risk factors are managed in accordance with the general framework adopted by the Board. This framework includes policies and procedures that illustrate the mechanism for identifying, assessing, and evaluating the risk factors and the existing controls to determine the adequacy of these controls to mitigate risk and reduce the probability of its occurrence.



The Bank has adopted the Risk and Control Self-assessment Methodology (RCSA) and implemented it through workshops in order to identify, assess and manage the risk factors related to the Bank's processes/ activities, products, and services, and assess the efficiency of the existing controls in addressing these risks, and to develop practical plans to treat the related control gaps that might appear. Such mthodology will enhance the accountability principles of the different business unit and working areas in managing the risk factors related to their areas. Furthermore, this methodology will enhance the continuous monitoring and reporting of the risk factors. Meanwhile, risk profiles have been developed for all units, which currently test controls periodically and provide the Risk Management Department with the test results.

Moreover, the Risk Management Department reviews the internal audit report of the Bank's business units and includes the notes concerning operational risks in the risk profile of each unit, together with the Internal Audit Department's notes during its field visit to the departments and units.

The Bank adopts and implements the operational loss data collection methodolgy for operational events. The related policy has been approved by the Board of Directors. Currently, the data on such events is collected, analyzed, and linked with risk factors, and the related reports are prepared in this regard. With regard to the risk awareness and risk culture, the Risk Management Department conducts training courses and dispatches awareness emails periodically to all of the Bank's employees.

For the purposes of capital adequacy, Operational Risk is measured using the (Basic Indicator Approach) in accordance with the Central Bank of Jordan's regulations.

• Information Security

In order to maintain the confidentiality and availability of customer information and the highest level of safety and security within our banking services and products, integrated strategies, standards and policies have been developed based on the best international standards for information security in order to reach a secure working environment and achieve our goals for protecting information assets and continuously reinforcing its confidentiality, integrity, and availability.

Several projects related to Information Security have been initialed and implemented in order to adopt the best solutions to protect and monitor the Bank's information systems, as well as to ensure the Bank's commitment to global standards and practices (Information Security Management System ISO 27001 Standard, and the Payment Card Industry Data Security Standard (PCI DSS).

Also, the Bank's information technology risks are managed through maintaining and updating the risk profile system related to information technology and information security and adopting the risk and self-assessmen methodology. This is achieved by testing the current controls and following up on the treatment of current control gaps within our environment.

Moreover, the Bank endeavors to achieve the principles of continious control over security events of the systems and networks through developing a Security Operations Management Unit.

The Bank also complies with the instructions of the Central Bank of Jordan related to cybersecurity risks through starting an integrated project with the participation of the related departments.

In the field of security assessment, a number of assessments have been made of the networks and systems. A specialized examination has been conducted for online banking and mobile banking, and the related results are being handled.

Business Continuity

In order to deal with external events as mentioned within the definition of Operational Risk in the Bank, the Business Continuity Plan (BCP) has been updated to enhance the Bank's ability to provide services/

products during the emergency period.

The plan includes the identification of resources, action plans and alternative producers, as well as recovery producers to return to the normal working conditions.

A Business Continuity Steering Committee and specialized teams have been constituted to handle this issue.

The plan is subject to regular testing and updating to ensure the completeness and applicability of the plan as a tool to enhance the Bank's readiness to handle external risk factors. The Bank has been subjected to audit and review, as regards its business continuity plan, by an external auditor, and the outcome of the audit and review has been positive. Meanwhile, yearly training session are held for the Bank's employees to spread awareness about information security and business continuity.

4- Reputation Risks

Reputation risks are viewed by the Bank as negative effects on the Bank's reputation arising from non- compliance with the Islamic rules and regulations and/or failure to fulfill its duties toward all cash providers, and/or manage its affairs in an efficient and effective manner, and/or manage all other risks faced by the Bank. This will lead to several negative impacts, including loss of confidence and accordingly decrease in the customers' base, an increase in expenses, and a decrease in profits.

5- Non-Compliance Risks

Non-compliance risks are the risks related to regulatory, legal, financial, and reputational matters which the Bank might face as a result of non-compliance with the laws, regulations, standards, and proper financial practices.

Non-compliance leads to warnings by the Central Bank, fines, legal proceedings, financial losses, or harm to the Bank's reputation as a result of its failure to comply with the laws, instructions, rules, circulars, and code of ethics related to its business (collectively, referred to as "non-compliance risks").

Accordingly, the Bank's compliance with the regulatory bodies- requirements is deemed as one of the most important factors of success and development of the Bank's operations and quality of services offered to customers. The Bank has established the Compliance Control Department, which is concerned with reviewing the requirements of regulatory bodies and ensuring their application on internal procedures and policies. This protects the Bank from risks arising from non-compliance with these requirements.

This Department also plays an effective role in protecting the Bank's products and services from money laundering and terrorism financing, in addition to familiarizing the Bank with customers and verifying the legality of their activities and recourses of funds to ensure dealing with good customers only. The department reviews the policies and procedures for the products to ensure compliance with anti-money laundry regulations.

6- Legal Risk Related to Operations

Legal risks are those risks that may arise directly or indirectly from one or more events stated in the Operational Risks Definition (human resources, internal operations, systems, and external events), or from the Bank's non-compliance with the laws and regulations, which may cause the Bank to incur fines or financial liabilities. Moreover, legal risks may arise from judicial procedures raised by third parties against the Bank. Insufficient documents, absence of legal capacity, and invalidity or unenforceability of contracts resulting from improper documentation are deemed as causes of legal risks.

The Legal Department is responsible for these risks through verifying all contracts and documents related to the Bank's transactions. The said department should conduct a legal follow-up on the Bank's

debtors in coordination with the Risk Management Department and closely and directly follow-up on the lawsuits to which the Bank is a party.

7- Non-Compliance with Sharia Risk

These are the risks faced by Islamic banks that result in non-recognition of income and losses as well as Reputational Risk arising from non-compliance with Islamic Shari'a. These risks are managed through an integrated and sound sharia regulation system for the Sharia Control Department that is supervised by the Sharia Board, Shari'a regulation system within the scope of Sharia Compliance Department, and the Risk Management Department.

<u>The Bank's risk management culture and the role of policies and strategies of risk management</u> <u>in supporting and nominating the Bank's risk management culture.</u>

The Bank's risk management culture is key for the framework of comprehensive risk management, as it reinforces understanding and communication among all of the Bank's employees, thus enabling them to perform their daily work and decision making based on a risk management methodology. The Bank's comprehensive risk management framework includes special focus on reinforcing the understanding of risk management culture through the support of the Board of Directors and Executive Management in this regard and the importance of raising awareness about the risk management culture at all management levels. In addition, integrated training about the risk management culture should be developed for all of the Bank's employees.

The Bank's acceptable risk limits in line with business models approved by the Bank

The Bank uses a documented and integrated manual for the acceptable risk level approved by the Bank's Board of Directors, whereby such level aims to link the Bank's strategic objectives with the risk management system, in addition to linking this system with the business models adopted by the Bank.

Including the concept of acceptable risk limits within the risk management culture at the Bank and involving different management levels in this leads to linking the strategic objectives with the risk management methodology at the different management levels.

Acceptable limits of risks have been consistently set for each type of risk according to the Bank's strategic instructions and the Central Bank of Jordan's mandatory requirements, in addition to studying and analyzing the historical data for each type of risk. An integrated monitoring system has been adopted for the acceptable risk level to follow up on all of these levels periodically as specified in the approved manual, in addition to issuing control reports related to the acceptable risk level to the Board of Directors and the different committees and specifying the parties authorized to follow up on violations.

Stress Testing

Stress testing is one of the most important tools used by the Bank in measuring the ability to tolerate high risks and shocks it might face. This test aims to evaluate the financial position and capital adequacy of the Bank within different and possible scenarios.

The Bank relies on an integrated methodology for stress testing where it includes the following:

Sensitivity Analysis Test: aims to measure the effect of different economic factors and internal risk factors on the Bank's financial position and capital adequacy. Such test covers credit risk, market risk, operating risk, liquidity risk, and any other type of risk which the Bank considers important for stress testing purposes.

Scenarios testing: aims to evaluate the Bank's level of tolerance of economic crisis and shocks arising from the State's macro economy, such as changes in growth rates, unemployment rates, increases in

return prices, and the related effect on the Bank's financial position and capital adequacy. Stress testing policies have been developed, and approved by the Board of Directors to cover all requirements for stress testing and selecting the methodology approved in applying these tests and their period.

The Bank seeks to consider the stress results as a main reference for setting future plans and proper strategies. Currently, the concept of stress testing is included in the monthly reports of the department to create a comprehensive culture of the new risk management concept.

The Bank adopts an integrated system related to the governance of stress testing. In this regard, the Risk Management Department periodically performs stress testing, and then presents it to the Risk Management Committee, and to the Board of Directors' Risk Management Committee for its proper recommendations. After that, stress testing is present to the Board of Directors for their approval. This system is in line with the best practices, as it involves the Bank's Board of Directors and Executive Management in the stress testing methodology and its effect on the Bank's strategic decisions.

(50/ A) Credit Risk

1- (Credit risk exposure (After impairment provision and before collateral and other risk reducers):

	31	December 20	18
	Joint JD	Self financed JD	Total JD
Balances with Central Bank	-	102,772,456	102,772,456
Balances at banks and financial institutions	-	13,264,923	13,264,923
International Wakala investments	56,020,856	-	56,020,856
Deferred sales receivables and other receivables			
Retail	126,527,463	1,570,661	128,098,124
Real estate financing	17,501,428	-	17,501,428
Corporate	201,040,436	157,125	201,197,561
Small and medium companies	12,944,258	13,788	12,958,046
Public and governmental sectors	89,041,965	-	89,041,965
Unconverted loans			
Retail	-	767	767
Corporate	-	-	-
Sukuk			
Within financial assets at fair value through statement of income	688,489	-	688,489
Financial assets at fair value through unrestricted investments accounts	26,841,596	-	26,841,596
Financial Assets at Amortized Cost	92,191,000	-	92,191,000
Qard hasan	-	509,660	509,660
Other assets	716,383	728,220	1,444,603
Total consolidated statement of financial position items	623,513,874	119,017,600	742,531,474
Off-consolidated statement of financial position items:			
Letters of guarantees	-	20,510,172	20,510,172
Letters of credit	-	25,498,756	25,498,756
Acceptances	-	628,217	628,217
Unutilized limits	63,856,623	-	63,856,623
Total	687,370,497	165,654,745	853,025,242

	31	December 20	17
	Joint JD	Self financed JD	Total JD
Balances with Central Bank	JD -	JD 108,764,667	JD 108,764,667
Balances at banks and financial institutions	_	6,570,709	6,570,709
International Wakala investments	33,861,572	-	33,861,572
Deferred sales receivables and other receivables			
Retail	317,257,024	5,117,513	322,374,537
Real estate financing	34,916,614	-	34,916,614
Corporate	198,871,406	7,447	198,878,853
Small and medium companies	8,335,871	68,215	8,404,086
Public and governmental sectors	107,290,073	-	107,290,073
Unconverted loans			
Retail	-	37,748	37,748
Corporate	-	-	-
Sukuk			
Financial assets at fair value through unrestricted investments accounts	37,568,483	-	37,568,483
Financial Assets at Amortized Cost	54,878,000	-	54,878,000
Qard hasan	-	509,660	509,660
Other assets	816,671	517,111	1,333,782
Total consolidated statement of financial position items	793,795,714	121,593,070	915,388,784
Off-consolidated statement of financial position items:			
Letters of guarantees	-	2,392,834	2,392,834
Letters of credit		5,515,404	5,515,404
Acceptances	-	41,983,881	41,983,881
Unutilized limits	82,461,132	-	82,461,132
Total	876,256,846	171,485,189	1,047,742,035

Distribution of credit exposures

A. Distribution of credit exposures - self:

		31 Dece	ember 2018			
Internal rating of the Bank JD	Category Classification by Instructions (47/2009) JD	Total exposure value JD	Expected credit loss JD	The probability of loss (PD) JD	Exposure at default (EAD) per million dinars JD	Average loss at default (LGD)%
Little risk	Worker exposure	509,660	-	0%	-	0%
Semi empty risk	Worker exposure	-	-	0%	-	0%
Low risk	Worker exposure	10,396	98	4%	-	60%
Normal Risk	Worker exposure	-	-	0%	-	0%
Acceptable risk	Worker exposure	6,399	128	7%	-	60%
Acceptable with due care	Worker exposure	-	-	0%	-	0%
Watch list	Worker exposure	-	-	0%	-	0%
Not rated	Worker exposure	165,137,027	73,520	3%	7	59%
Total		165,663,482	73,746		7	
Not rated	Non - worker exposure	212,955	212,955	100%	-	60%
Sub Total		165,876,437	286,701		7	

B. Distribution of credit exposures - Joint:

		31 Dec	ember 2018			
Internal rating of the Bank JD	Category Classification by Instructions (47/2009) JD	Total exposure value JD	Expected credit loss JD	Probability of loss (PD) JD	Exposure at default (EAD) per million dinars JD	Average loss at default (LGD)%
Little risk	Worker exposure	89,041,965	-	0%	82	60%
Semi-empty risk	Worker exposure	4,201,065	1,620	0%	4	60%
Low risk	Worker exposure	13,362,715	33,820	5%	13	60%
Normal Risk	Worker exposure	65,627,965	293,029	5%	67	60%
Acceptable risk	Worker exposure	86,056,865	896,071	7%	86	60%
Acceptable with due care	Worker exposure	9,045,324	53,058	15%	9	60%
Watch list	Worker exposure	27,174,524	2,605,628	31%	28	60%
Not rated	Worker exposure	396,923,278	842,699	3%	325	71%
Total		691,433,701	4,725,925		614	
Substandard	Non - worker exposure	2,816,318	958,809	100%	3	100%
loss	Non - worker exposure	9,045,350	11,457,971	100%	9	83%
Not rated	Non - worker exposure	2,805,209	1,806,763	100%	3	58%
Sub Total		706,100,578	18,949,468		629	

A. Distribution of the fair value of collateral against credit exposures - for total credit exposure - common according to the following table: 2. Classification of deferred sales and other receivables according to the degree of risk and in accordance with the provisions of IFRS 9:

					31 December 2018	iber 2018				
				Fair	Fair value of collateral	teral			Net	
Item	Total exposure value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	exposure after collateral	Expected credit loss
Balances with Central Bank	2))	2	5 '	2	,	2	8 -	6 '	
Balances at banks and financial institutions								'		'
Deposits with banks and financial institutions				'	,			'	,	'
International Wakala investments	56,107,167	1	1	,	1	1	 1	1	56,107,167	86,311
Direct credit financing - net										
Retail	128,533,341	2,365,581		'	1,156,358	78,230,470		81,752,409	46,780,932	2,005,878
Real estate financing	20,420,718	662,539			11,511,534			12,174,073	8,246,645	2,919,290
For corporate	199,908,645	3,094,497			38,706,890	948,378		42,749,765	157,158,880	13,373,513
Corporate	14,526,428	1			1			'	14,526,428	21,124
Small and medium companies	13,130,470	589,292		'	2,900,773	1,419,692		4,909,757	8,220,713	186,212
Public and governmental sectors	89,041,965							'	89,041,965	
Sukuk										
Within financial assets at fair value through statement of income	t 688,489				1			1	688,489	
Financial assets at fair value through unrestricted investments accounts -net	26,979,349	ı	,	1	ı	,	,	1	26,979,349	137,753
Financial Assets at Amortized Cost-net	92,191,000							'	92,191,000	
Derivatives of financial instruments		1		-	ı			-		
Financial assets encumbered (debt instruments)	,	ı	ı	1	ı		ı	'	1	ı
Other assets	716,383			'				'	716,383	
Total	642,243,955	6,711,909	•	•	54,275,555	80,598,540	•	141,586,004	500,657,951	18,730,081
Bank guarantees		1	ı	,	1		1	'	1	
Credits and acceptance			·	1	1					
Unutilized credit limits	63,856,623	I	1	1	I	,	ı	'	63,856,623	219,386
Total	706,100,578	6,711,909		•	54,275,555	80,598,540		141,586,004	141,586,004 564,514,574	18,949,467

B. Distribution of the fair value of collateral against credit exposure - for total credit exposures - self according to the following table:

					31 December 2018	ber 2018				
				Fair v	Fair value of collateral	eral			Net	
Item	Total exposure value JD	Cash margin JD	Traded shares JD	Bank guarantees JD	Real estate financing JD	Cars and mechanics JD	Other JD	Total value of collateral JD	exposure after collateral JD	Expected credit loss JD
Balances with Central Bank	102,772,456							-	102,772,456	
Balances at banks and financial institutions	13,264,923	-		I	'	ı	ı	I	13,264,923	
Direct credit financing - net										
Retail	1,609,832	19,446		-	-	630,776		650,222	959,610	38,404
Real estate financing	I					ı			-	
For corporate	337,313	-		-	ı	-	ı	-	337,313	180,188
Corporate	1	-		-	-	-	ı	-	-	
Small and medium companies	16,889			-		594		594	16,295	3,101
Public and governmental sectors	509,660	-		-		-	•	-	509,660	
Other assets	728,220	-		-	-	-	ı	-	728,220	
Total	119,239,293	19,446	•	•	•	631,370		650,816	118,588,477	221,693
Bank guarantees	20,510,172	1,169,559		-	-	ı		1,169,559	19,340,613	31,068
Credits and acceptance	26,126,973	445,107	-		ı	I	ı	445,107	25,681,866	33,939
Unutilized credit limits	I	ı		ı	ı	ı			-	
Total	165,876,438	1,634,112	•	•	•	631,370		2,265,482	163,610,956	286,700

C. Distribution of the fair value of collateral against credit exposures - for credit exposures included in the third stage - joint according to the following table:

					31 December 2018	ber 2018				
				Fair	Fair value of collateral	teral				
Item	Total exposure	Cash	Shares	Bank guarantees are	Real	Cars and Mechanice	C. Hor	Total value of collateral	Net exposure after	Expected Credit
		JD	JD	JD	JD			ar		JD
Balances with Central Bank	1						ı	,	1	,
Balances at banks and financial institutions						1		1		,
Deposits with banks and financial institutions		1			ı				ı	
Investment by an international agency - net	,			,	ı	ı	ı	1	I	,
Direct credit facilities -net										
Retail	2,214,196	1	ı	1	92,643	1,324,109	ı	1,416,752	797,444	1,679,343
Real estate financing	332,721	ı		,	447,237		ı	447,237	(114,516)	825,025
For corporate	12,004,583			,	2,153,130	42,045		2,195,175	9,809,408	11,612,406
Corporate					-	ı		1	ı	
Small and medium companies	491,328				-	74,069		74,069	417,259	106,768
Public and governmental sectors	-	-			-				-	1
Sukuk:										
Within financial assets at fair value through statement of income		ı	ı		ı	I	ı	,	ı	'
Within financial assets at fair value through the holders of the joint investment accounts - net	1	ı	ı	ı	I	I	I	ı	I	ı
Within financial assets at amortized cost-net	ı	ı	ı	ı	ı	ı	ı	ı	ı	1
Derivatives of financial instruments			1	1	-		ı	,		-
Financial assets encumbered (debt instruments)	-				-			,	1	
Other assets	1			1	-				1	1
Total	15,042,828	•	•	•	2,693,010	1,440,223		4,133,233	10,909,595	14,223,542
Bank guarantees	,	1		1	ı	,	ı	ı	ı	,
Credits and acceptance	,	ı		1	I	ı	I	ı	I	
Unutilized credit limits	,	I	ı	ı	I	I	I	I	I	ı
Total	15,042,828	·	•	•	2,693,010	1,440,223		4,133,233	10,909,595	14.223.542

D. Classifications of the deferred sales receivables and other receivables, based on the level of risks according to the Central Bank of Jordan's regulations :

					31 Decen	31 December 2018				
				Fair	Fair value of collateral	teral				
ltem	Total exposure value JD	Cash Insurance JD	Shares traded JD	Bank guarantees are acceptable JD	Real estate JD	Cars and Mechanics JD	Other JD	Total value of collateral JD	Net exposure after collateral JD	Expected Credit Loss (ECL) JD
Balances with Central Bank	'	ı	1	,	,	,	ı	'	1	
Balances at banks and financial institutions	ı	ı	ı		ı		ı	ı	ı	ı
Direct credit facilities -net										
Retail	32,481	1,582	-	1	-	-	ı	1,582	30,899	38,404
Real estate financing	I	ı	I	ı	I	I	I	I	I	I
For corporate	177,585	I	-	ı	-	-	ı	I	177,585	180,188
Corporate	I	ı	I	I	I	I	I	I	I	I
Small and medium companies	3,726	ı	I	ı	ı	594	ı	594	3,132	3,101
Public and governmental sectors	I	I	I	I	I	I	I	I	I	I
Other assets	728,220	I	I	ı	I	ı	I	ı	728,220	I
Total	942,012	1,582		•	•	594	•	2,176	939,836	221,693
Bank guarantees	50,000	ı	I	ı	ı	ı	I	I	50,000	ı
Credits and acceptance	I	ı	I	ı	I	I	I	I	I	I
Unutilized credit limits	I	I	I	ı	I	I	I	I	I	I
Total	992,012	1,582	ı	•	I	594	I	2,176	989,836	221,693

3- sukuk

The following table illustrates sukuk grading under financial assets at fair value through unrestricted investment accounts holders in accordance with foreign grading institutions.

Classification grade	Grading institution	31 December 2018 JD	31 December 2017 JD
A3	Moody's	2,797,089	2,820,686
A3	Moody's	2,793,177	2,830,895
BBB+	Fitch	-	6,856,218
B1	Moody's	489,862	491,337
A3	Moody's	-	1,774,272
A+	Fitch	1,419,858	-
А	Fitch	6,569,295	6,536,335
А	Fitch	1,383,741	-
BB+	Fitch	-	3,190,819
BB	S&P's	1,263,481	-
N/R	-	3,932,493	4,811,121
Government	-	6,192,600	8,256,800
	Total	26,841,596	37,568,483

B- Financial assets at amortized cost

On Government bail	-	92,191,000	54,878,000
	Total	92,191,000	54,878,000

C- Financial assets at fair value through income statement

BB	Fitch	688,489	-
	Total	688,489	-
	Grand total	119,721,085	92,446,483

Deferred sales and other receivables and scheduled financing:

Are those that have previously been classified as non-performing financing and are eliminated from the balance of non-performing loans and borrowings under a fundamental schedule whether they are still under control or transferred to a transaction. Moreover, they are classified as cash and cash equivalents. Deferred sales and other receivables are as follows: JD 1,383,283 as at 31 December 2018 (JD 440,603 as at 31 December 2017).

Deferred sales and other receivables and restructured financing:

Restructuring means a rearrangement of the status of the receivables / financing in terms of instalment adjustment, extension of the life of the receivables / financing, postponement of certain instalments, or extension of the grace period. They were classified as receivables / financing under control. Deferred sales and restructured receivables amounted to JD 32,994,073 as at 31 December 2018 (JD 26,837,518 as at 31 December 2017).

4 -Concentration in credit exposures by geographical distribution as follows:

lced
finar
-self
hical region-self financ
sures by geographical i
geogr
ą
ribution of exposures by geographical region-self financed
ę
ition
1. The total distribut
total
. The

				31 December 2018	ber 2018			
ltem	Within the Kingdom	Other Middle Eastern countries .ID	Europe	Asia .ID	Africa	America	Other countries .ID	Total
Cash and balances with central banks	102,772,456		1	,	I.	1		102,772,456
Balances at banks and financial institutions	6,888,614	1,597,076	1,550,496	204,210	1	2,985,949	38,578	13,264,923
Deposits with banks and financial institutions	1	I	I	I	I	1	I	ı
Direct credit facilities -net	2,252,001	ı	I	I	I	I	ı	2,252,001
Sukuk:								
Within financial assets at fair value through statement of income			I	ı	I	I	ı	•
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	I	·	I	ı	ı	I	I	ı
Within financial assets at amortized cost -net	1	I	1	1	1	1	I	ı
Other assets	728,220	I	1	1	T	1	1	728,220
Total / current period	112,641,291	1,597,076	1,550,496	204,210	I	2,985,949	38,578	119,017,600
Letter of guarantees	20,510,172	I	I	I	I	I	I	20,510,172
Letters of credit and acceptances	26,126,973	ı	I	ı	ı	I	ı	26,126,973
Unutilized credit limits	I	I	I	I	I	1	I	I
Sub Total	159,278,436	1,597,076	1,550,496	204,210	•	2,985,949	38,578	165,654,745

2. Distribution of exposures according to the implementation instructions of IFRS 9:

			31 Decem	31 December 2018		
ltem	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	٩ſ	۵ſ	٩	٩	Ð	٩
Within the Kingdom	155,665,909	1,555,194	1,977,311	29,185	50,837	159,278,436
Other Middle Eastern countries	1,597,076	I	ı	I	I	1,597,076
Europe	1,550,496	I	I	I	I	1,550,496
Asia	204,210	I	ı	I	I	204,210
Africa	ı	I	ı	I	I	•
America	2,985,949	I	I	I	I	2,985,949
Other countries	38,578	I	I	I	I	38,578
Total	162,042,218	1,555,194	1,977,311	29,185	50,837	165,654,745

sures by geographical region-jointly financed	
ð	
of e)	
3. Total distribution o	

				31 Decen	31 December 2018			
ltem	Within the Kingdom JD	Other Middle Eastern countries JD	Europe JD	Asia JD	Africa JD	America JD	Other countries JD	Total JD
Cash and balances with central banks	1		1	ı	-	1	-	•
Balances at banks and financial institutions	I	I	I	ı	ı	I	ı	I
Deposits with banks and financial institutions	I	I	I	ı	ı	ı	ı	I
International wakala investments -net	I	52,020,135	4,000,721	I	ı	ı	I	56,020,856
Direct credit facilities -net	432,550,247	14,505,303	I	I	I	I	I	447,055,550
Sukuk:	I	I	I	I	I	I	I	I
Within financial assets at fair value through statement of income	I	ı	688,489	I	I	I	ı	688,489
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	6,192,600	20,648,996	ı	I	I	ı	r	26,841,596
Within financial assets at amortized cost -net	92,191,000	I	I	ı	ı	ı	ı	92,191,000
Other assets	716,383	I	I	I	I	I	I	716,383
Total / current period	531,650,230	87,174,434	4,689,210		ı	•	I	623,513,874
Letter of guarantees	I	I	I	ı	I	I	I	I
Letters of credit and acceptances	I	I	I	I	ı	ı	ı	·
Unutilized credit limits	63,856,623	I	ı	ı	ı	I	I	63,856,623
Sub Total	595,506,853	87,174,434	4,689,210	•	•	•		687,370,497

4.Distribution of exposures according to the implementation instructions of IFRS 9:

			31 December 2018	iber 2018		
ltem	Stage 1 - Individual JD	Stage 1 - Collective JD	Stage 2 - Individual JD	Stage 2 - Collective JD	Stage 3 JD	Total JD
Within the Kingdom	406,586,404	141,779,199	43,613,986	2,707,978	819,286	595,506,853
Other Middle Eastern countries	87,174,434	1	1	1	I	87,174,434
Europe	4,689,210	1	1	1	I	4,689,210
Asia	I	1	I	1	I	I
Africa	I	1	1	1	I	I
America	I	I	I	1	I	I
Other countries	I	ı	ı	I	I	ı
Total	498,450,048	141,779,199	43,613,986	2,707,978	819,286	687,370,497

••
sectors
economic
by ecc
0
ures
I of expose
of
ution
istrib
Δ
μ

1. Total distribution of exposures by financial instrument - self financed:

					31 Decen	31 December 2018				
ltem	Financial JD	Industry JD	Trade JD	Real estates JD	Agriculture JD	Shares JD	Retail JD	Government and public sector JD	Other JD	Total JD
Cash and balances with central banks	102,772,456	ı	'	I		-	ı	1	1	102,772,456
Balances at banks and financial institutions	13,264,923	I	1	I	I	ı	I	I	ı	13,264,923
Direct credit facilities -net	ı	I	1	I	-	917,460	653,967	509,660	170,914	2,252,001
Other assets	728,220	ı	-	I	ı	ı	I	-	ı	728,220
Total / current year	116,765,599	1	•	•	•	917,460	653,967	509,660	170,914	119,017,600
Financial letter of guarantees		91,224	1,894,138	ı	I	I	114,550	1	18,410,260	20,510,172
Letters of credit and acceptances	330,961	4,296,005	4,296,005 16,878,075	I	ı	,	ı	ı	4,621,932	26,126,973
Unutilized credit limits	I	ı	ı	I	ı	ı	I	I	ı	I
Sub Total	117,096,560	4,387,229	4,387,229 18,772,213	I	•	917,460	768,517	509,660	23,203,106	165,654,745

2. Distribution of exposures according to the implementation instructions of IFRS 9:

			31 Decen	31 December 2018		
ltem	Stage 1 - Individual JD	Stage 1 - Collective JD	Stage 2 - Individual JD	Stage 2 - Collective JD	Stage 3 JD	Total JD
Financial	117,096,560		1	1	'	117,096,560
Industry	4,367,329	1	19,900	1	,	4,387,229
Trade	18,758,900	I	13,313	1	1	18,772,213
Real estates	1	1	1	1	,	•
Agriculture	I	I	1	1	1	•
Share's	I	917,460	1	1	1	917,460
Retail	114,550	627,696	1	26,149	122	768,517
Government and public sector	509,660	1	1	I	1	509,660
Other	21,195,219	10,038	1,944,098	3,036	50,715	23,203,106
Total	162,042,218	1,555,194	1,977,311	29,185	50,837	165,654,745

ð
ance
fin
Ę
oin
Ξ
ument
instr
-
inancial inst
by 1
ês
5
S
of exposures t
Ð
of ex
oution
j
sti
ij
Total
З. То

					31 Decei	31 December 2018				
ltem	Financial JD	Industry JD	trade JD	real estates JD	Agriculture JD	Share's JD	Retail JD	Government and public sector JD	Other JD	Total JD
International wakala investments -net	56,020,856					'		ı		56,020,856
Direct credit facilities -net	14,505,303	14,505,303 54,507,615 104,763,	104,763,967	17,501,428	1	37,490,115	82,806,591	89,041,965	46,438,566	447,055,550
Sukuk:										
Within financial assets at fair value through statement of income	688,489	ı	ı	ı	ı	ı	ı	ı	ı	688,489
Within financial assets at fair value through unrestricted investment accounts' holders equity -net	20,648,996	ı	,	ı	ı	ı		6,192,600	ı	26,841,596
Within financial assets at amortized cost -net	I	I	I	I	ı	I	T	92,191,000	I	92,191,000
Other assets	716,383			1			-	I		716,383
Total / current period	92,580,027	54,507,615	104,763,967	17,501,428	•	37,490,115	82,806,591	187,425,565	46,438,566	623,513,874
Letter of guarantees	1	,		,	,	,	,		,	
Letters of credit and acceptances	1									ı
Irrevocable commitments to extend credit	I	7,755,955	30,947,033	ı	ı	ı	ı	ı	25,153,635	63,856,623
Sub Total	92,580,027	62,263,570	135,711,000	17,501,428	•	37,490,115	82,806,591	187,425,565	71,592,201	687,370,497

4 . Distribution of exposures according to the implementation instructions of IFRS9 :

			31 December 2018	iber 2018		
ltem	Stage 1 - Individual JD	Stage 1 - Collective JD	Stage 2 - Individual JD	Stage 2 - Collective JD	Stage 3 JD	Total JD
Financial	92,580,027		'			92,580,027
Industry	55,500,700	1,565,999	5,195,339	1,532	I	62,263,570
trade	107,911,471	7,543,813	19,800,325	234,072	221,319	135,711,000
real estates	4,201,823	5,800,586	7,857,040	134,283	I	17,993,732
Agriculture	1	ı	1		ı	•
Shares	1	36,944,319		343,704	202,092	37,490,115
Retail	1	81,196,203		1,277,628	332,760	82,806,591
Government and public sector	187,425,565	ı	1	1		187,425,565
Other	50,830,462	8,728,279	10,761,282	716,759	63,115	71,099,897
Total	498,450,048	141,779,199	43,613,986	2,707,978	819,286	687,370,497

6- Credit exposures that have been reclassified:

1. Total credit exposures classified:

			31 Decen	nber 2018		
	Sta	ge 2	Sta	ge 3		
Item	Total exposure value JD	The exposures that have been reclassified JD	Total exposure value JD	The exposures that have been reclassified JD	Total exposures that have been reclassified JD	Percentage of rated exposures
A. Self financed						
Direct credit facilities-net	183,233	67,902	213,792	20,580	88,482	22.29%
Total	183,233	67,902	213,792	20,580	88,482	22.29%
Letter of guarantees	798,463	(221,440)	50,000	-	(221,440)	(26.10%)
Letters of credit and acceptances	1,027,696	889,654	-	-	889,654	86.57%
Sub Total	2,009,392	736,116	263,792	20,580	756,696	33.29%

			31 Decen	nber 2018		
	Sta	ge 2	Sta	ge 3		
Item	Total exposure value JD	The exposures that have been reclassified JD	Total exposure value JD	The exposures that have been reclassified JD	Total exposures that have been reclassified JD	Percentage of rated exposures
B. Jointly financed						
Direct credit facilities-net	44,052,701	36,101,650	15,042,828	4,255,500	40,357,150	68.29%
Total	44,052,701	36,101,650	15,042,828	4,255,500	40,357,150	68.29%
Unutilized credit limits	1,826,159	1,099,967	50,000	-	-	0.00%
Sub Total	45,878,860	37,201,617	15,092,828	4,255,500	40,357,150	66.19%

2. Credit losses expected for exposures that have been reclassified:

				31 December 2018	iber 2018			
	The exp	The exposures that have been reclassified	ive been	Expected c	redit loss on e reclas	Expected credit loss on exposures that have been reclassified	t have been	Total
ltem	Total exposures that have	Total exposures that have heen	Total	Starra 0 -	Starre 0 -	Stade 3 -	Ctarte 3	
	reclassified rated from Stage 2 JD	reclassified rated from Stage 3 JD	that have been reclassified JD	JD	Collective JD	JD	Collective JD	ę
A.Self financed								
Direct credit facilities	67,902	20,580	88,482		15		591	606
Total	67,902	20,580	88,482	ı	15	-	591	606
Letter of guarantees	(221,440)		(221,440)	(1,153)	-		I	(1,153)
Letters of credit and acceptances	889,654	I	889,654	3,760	I	I	I	3,760
Sub Total	736,116	20,580	756,696	2,607	15	-	591	3,213
				31 December 2018	1ber 2018			
	The exp	The exposures that have been reclassified	ive been	Expected c	redit loss on e reclas	Expected credit loss on exposures that have been reclassified	t have been	Total
Item	Total exposures that have been reclassified rated from JD	Total exposures that have been reclassified rated from Stage 3 JD	Total exposures that have been reclassified JD	Stage 2 - Individual JD	Stage 2 - Collective JD	Stage 3 - Individual JD	Stage 3 - Collective JD	ę
B. Jointly financed								
Direct credit facilities	36,101,650	4,255,500	40,357,150	93,127	141,743	18,594	(130,431)	123,033
Total	36,101,650	4,255,500	40,357,150	93,127	141,743	18,594	(130,431)	123,033

(50/B) Market Risks

The Bank follows certain financial policies to manage different risks within a specific strategy. There is also a committee concerned with managing assets and liabilities in the Bank. This committee is charged with monitoring and controlling risks, and conducting the best strategic distribution of assets and liabilities whether on- or off -the statement of financial position. Its responsibilities include:

- Updating the investment policy followed by the Bank, submitting it to the Board of Directors to be approved on a regular basis, reviewing the implemented investment policy, and assessing its results against the banking market and competitive indicators.
- Forming investment decision-making committees and related authorities, according to the Bank's investment policy.
- Preparing the annual investment plan, in line with the Assets and Liabilities Committee's expectations of revenues and changes in market rates, including low-risk investment instruments available in the market.
- Preparing a report including market prices and presenting it to the Asset and Liabilities Committee to monitor any sudden change in prices of financial instruments and avoid changes in market prices.

1- Rate of Return Risks

- Risks of rate of return arise from the unexpected changes in the market rates. Necessary procedures must be taken to ensure the existence of administrative procedures related to reviewing, measuring, and monitoring of rate of return risks.
- The Bank is exposed to rate of return risks as a result of the gap between assets and liabilities according to their terms and re-pricing the rate on subsequent transactions.
- The Bank manages these risks by determining the rates of future profits according to the expectations of market conditions and developing new instruments that comply with the Islamic rules and regulations through the Bank's risk management strategy:
 - 1. .Attaining the best returns available in the market based on market indicators as a standard and Benchmarks for both the portfolios an investments managed by the Bank
 - 2. Tacking into account the risks resulting from these investments, depending on the diversification option based on countries and institutions to ensure mitigation of the impact of risks.
 - 3. The Bank is committed to managing investments based on matching the Bank's liabilities represented by deposits term accounts) and assets in foreign currencies (represented by investments in foreign currencies).

2) Foreign Currency Risks

foreign currency centers are managed by treasury and investment department on a daily basis in a accordance with the principles of Islamic shari>a . The bank's policy of managing foreign currency centers is a conservative policy based on clearing the centers first and covering the required positions according to .customers needs

The maximum positions in foreign currencies shall not exceed 5% of shareholders' equity for each currency except for the US Dollar at no more than 15% o total shareholders' equity. The total foreign currencies position shall not exceed 15% of total equity

Below is the effect of foreign currency exchange against JD with other variables being constant:

2018	Increase in the indicator	Impact on profit and losses	Impact on equity
currency	(5%)	JD	JD
USD	-	-	-
Euro	(4,820)	(4,820)	(4,820)
GBP	(2,028)	(2,028)	(2,028)
Japanese Yen	3,557	3,557	3,557
Other currencies	8,466	8,466	8,466
2017	Increase in the indicator	Impact on profit and losses	Impact on equity
2017 currency			Impact on equity JD
-	indicator	losses	
currency	indicator	losses	
currency USD	indicator (5%) -	losses JD -	JD -
Currency USD Euro	indicator (5%) - 146	Iosses JD - 146	- 146

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

Concentration in foreign currencies risks:

			31 Decer	nber 2018		
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Assets :						
Cash and balances with Central Banks	43,514,151	13,094,216	1,075,520	-	152,732	57,836,619
Balances at banks and financial institutions	8,551,120	1,245,731	230,172	71,140	2,678,885	12,777,048
Deferred sale receivables	29,600,475	-	1,800,162	-	-	31,400,637
International Wakala Investment	52,076,050	972,426	3,058,691	-	-	56,107,167
Financial assets at fair value through unrestricted investment accounts	20,786,749	-	-	-	-	20,786,749
In financial assets at amortized cost - net	688,489	-	-	-	-	688,489
Other assets	278,363	124,105	5,668	-	-	408,136
Total assets	155,495,397	15,436,478	6,170,213	71,140	2,831,617	180,004,845
liabilities:						
Banks and financial institutions' accounts	114,861	60,465	-	-	23,953	199,279
Customers' accounts (current, saving, term)	141,142,196	15,099,895	6,179,630	-	2,638,354	165,060,075
Cash margins accounts	1,387,904	13,870	-	-	-	1,401,774
Other liabilities	9,267,377	358,649	31,151	-	-	9,657,177
Total liabilities	151,912,338	15,532,879	6,210,781	-	2,662,307	176,318,305
Net concentration in current year's financial position	3,583,059	(96,401)	(40,568)	71,140	169,310	3,686,540
Contingent liabilities outside current year's financial position	23,059,353	1,902,448	-	1,519,672	16,343,297	42,824,770
			31 Decer	nber 2017		
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Total Assets	116,175,143	4,542,564	1,950,275	312,549	1,923,433	124,903,964
Total Liabilities	102,728,703	4,539,632	1,921,637	122,229	1,718,974	111,031,175
Net concentration in current year's financial position	13,446,440	2,932	28,638	190,320	204,459	13,872,789
Contingent liabilities outside current year's financial position	46,473,918	615,368	-	-	-	47,089,286

3- Financial assets price risk:

Financial assets price risk is related to the supply and demand in the financial markets which causes a change in the fair value of the investments portfolio. The Treasury Department uses scientific and advanced financial bases to mitigate the risk of price change and to ensure that the Bank and the Bank's customers get better rates of return on their investments. The Department uses segmental and geographical distribution methodology and the credit ratings of the best credit rating agencies (Moody's, Standard & Poor, etc...). Moreover, the department analyses the financial indicators of these prices and evaluates them with a fair estimate of the weighted weight for the total investment portfolios managed by the bank to manage them accurately to ensure than the risk of price fluctuations.

Below is the effect of market index movement by 5% with the other variables being constant:

2018	increase in the indicator (5%)	Impact on profit and losses	Impact on equity
Indicator		JD	JD
Amman Stock Market	10,524	-	10,524
Foreign markets	-	-	-
2017	increase in the indicator (5%)	Impact on profit and losses	Impact on equity
Indicator		JD	JD
Amman Stock Market	56,504	-	56,504
Foreign markets	-	-	-

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

4- Commodities Risks

Commodities risks are caused by any fluctuations in the prices of tradable or leasable assets, and relate to the current and future fluctuations in the market values of specific assets. The Bank is exposed to fluctuations in prices of fully-paid commodities after concluding the sale contracts during the year of possession, in addition to being exposed to the fluctuation in the residual value of leased asset at the end of the lease term.

(50/C) Liquidity Risks

The Cash Liquidity Division ensures the Bank's ability to meet short- and long-term cash obligations. The Bank's cash liquidity is reviewed and managed regularly. The cash obligations and available funds are assessed daily by the finance department and treasury department. Moreover, review and analysis of cash liquidity of the Bank's assets and liabilities are performed on a monthly basis. Moreover, the maturity of assets and liabilities is analysed. This also includes analysis of the sources of funds according to the nature of the sources and their uses.

First: below is a summary of the maturities of the Bank's undiscounted liabilities, based on the contractual payment date as of the date of the consolidated financial statements :

31 December 2018	Less than one month JD	1-3 months JD	3-6 months JD	6 months to 1 year JD	1-3 year JD	More than 3 years JD	Without maturity JD	Total JD
Bank and financial institutions' accounts	436,283	ı	ı	ı	ı	ı	I	436,283
Customers' current accounts	143,608,583	ı	ı	ı	ı	ı	ı	143,608,583
Cash margins accounts	11,213,695	I	301,457	1,015,676	I	I	I	12,530,828
Income tax provisions	4,031,024	I	I	I	I	I	I	4,031,024
Other provisions	380,785	T	1	1	I	I	I	380,785
Other liabilities	17,286,081	10,597,012	747,645	188,670	I	I	I	28,819,408
Unrestricted investment accounts	125,725,323	164,273,112	165,899,137	285,281,833	55,383,965	ı	I	796,563,370
Total	302,681,774	174,870,124	166,948,239	286,486,179	55,383,965	I	·	986,370,281
Total assets maturities as expected due dates	248,879,352	81,084,841	99,417,216	87,365,474	235,080,410	343,793,889	25,852,333	1,121,473,515
31 December 2017								
Bank and financial institutions' accounts	876,288	-	I	1	ı	,	I	876,288
Customers' current accounts	120,068,965	ı	ı	I	ı	ı	ı	120,068,965
Cash margins accounts	20,710,864	1,044,550	50,139	1,003,541	1	-	I	22,809,094
Income tax provisions	2,603,048	-	1	1	I	I	1	2,603,048
Other provisions	84,603	ı	I	I	I	ı	I	84,603
Other liabilities	10,315,629	4,346,449	223,125	446,250	I	ı	I	15,331,453
Unrestricted investment accounts	112,358,077	163,863,339	146,796,611	215,194,552	21,856,824	ı	ı	660,069,403
Total	267,017,474	169,254,338	147,069,875	216,644,343	21,856,824	ı	I	821,842,854
Total assets maturities as expected due dates	203,363,112	85,294,263	88,917,839	64,831,186	183,978,433	308,668,452	22,749,355	957,802,640

Second: Off statement of financial position items

	Up to	1 year
	2018 JD	2017 JD
Letters of credit and acceptances	26,126,973	47,499,285
Guarantees	20,510,172	2,392,834
Unutilized limits	63,856,623	82,461,132
Total	110,493,768	132,353,251

(51) SEGMENT INFORMATION

a. Information on the Bank's Activities

The Bank is structured for administrative purposes whereby sectors are measured according to the reports used by the executive director and main decision maker at the Bank through three major business sectors :

Retail Accounts:

This sector follows up on the unrestricted investment accounts, deferred sales receivables, financings, and other services related to retail.

Corporate Accounts:

This sector handles unrestricted investment accounts, deferred sales receivables, financings, and other banking services related to corporate customers.

Treasury:

This sector handles the services of brokerage, treasury and management of the Bank's funds.

Information on the Bank's segments according to activities is shown as follows:

	Retail	Corporate	Treasury	Other	2018	2017
	JD	JD	JD	JD	Total JD	Total JD
Total revenues (joint and self financed)	20,795,117	16,682,971	5,245,235	863,223	43,586,546	36,355,163
Investment risks fund share of joint Investment accounts revenues	-	-	-	(6,217,148)	(6,217,148)	(5,097,073)
Results of segment's operations	20,795,117	16,682,971	5,245,235	(5,353,925)	37,369,398	31,258,090
distributed expenses	(1,796,108)	(942,053)	(364,426)	-	(3,102,587)	(2,846,882)
Undistributed expenses	-	-	-	(21,196,159)	(21,196,159)	(19,660,476)
Profit for the year before tax	18,999,009	15,740,918	4,880,809	(26,550,084)	13,070,652	8,750,732
(Income tax expense) for the year	-	-	-	(4,719,991)	(4,719,991)	(3,043,382)
Profit for the year	18,999,009	15,740,918	4,880,809	(31,270,075)	8,350,661	5,707,350
					2018 JD	2017 JD
Segments' assets	390,539,642	347,539,568	194,825,477	-	932,904,687	793,499,400
Undistributed assets	-	-	-	188,568,828	188,568,828	164,303,240
Total assets	390,539,642	347,539,568	194,825,477	188,568,828	1,121,473,515	957,802,640
Segments' liabilities and total equity of unrestricted investment accounts holders	703,108,578	123,889,128	103,791,896	-	930,789,602	797,733,422
Undistributed liabilities	-	-	-	49,388,931	49,388,931	21,923,728
Total liabilities and Total equity of unrestricted investment accounts holders	703,108,578	123,889,128	103,791,896	49,388,931	980,178,533	819,657,150
					2018 JD	2017 JD
Capital expenditure					5,635,309	2,258,332
Depreciation and amorti	ization				2,523,662	2,829,990

Geographical Distribution Information

The following disclosure represents the geographical distribution. The Bank performs its operations mainly inside the Kingdom.

Distribution of the Bank's revenues, assets and capital expenditure according to geographical area is as follows:

	31	December 20)18	31 December 2017			
	Inside Jordan JD	Outside Total Jordan JD JD		Inside Jordan JD	Outside Jordan JD	Total JD	
Total assets	1,022,988,374	98,485,141	1,121,473,515	881,583,100	76,219,540	957,802,640	
Total revenues	41,033,463	2,553,083	43,586,546	34,984,036	1,371,127	36,355,163	
Capital expenditure	5,635,309	-	5,635,309	2,258,332	-	2,258,332	

(52) CAPITAL MANAGEMENT

The Bank's management takes into consideration the Central Bank of Jordan's requirements which require the Bank to have sufficient self-financed recourses to cover a certain percentage of its risk-weighted assets based on the nature of the finance granted and direct investment made. Accordingly, the capital considered as per the Central Bank of Jordan's requirements is the regulatory capital (both basic and additional capital).

Capital management aims to invest the Bank's fund in various risk-weighted investments (low and high risk) to ensure that the Bank obtains a better rate of return and to maintain a capital adequacy of 12% as required by the Central Bank of Jordan.

The capital adequacy ratio is calculated as at 31 December 2018 in accordance with Instructions No. (72/2012) issued by the Central Bank of Jordan in accordance with amended IFRS 15 issued by the IFSB in accordance with Article (B/99) of the Banks Law . Moreover, the calculation is based on capital as at December 31 2017 based on the instructions related to the capital of Islamic Banks No. (50/2010) issued by CBJ in accordance with Article (B/99) of the Banks Law . The following capital is in thousands:

	31 December		
	2018 JD"000	2017 JD"000	
Basic capital items	132,349	130,243	
Authorised and Paid in capital	100,000	100,000	
Retained earnings	17,138	14,371	
Statutory reserve	24,182	22,875	
Voluntary reserve	-	-	
proposed dividends	(7,000)	(5,000)	
Full fair value reserve - self financed	(25)	-	
The bank's share of the fair value reserve in full if the fund's are mixed	(285)	-	
The interim profits after tax and the projected cash dividends	-	-	
Intangible assets	(1,601)	(1,450)	
The Bank's share in the banks and financial institutions capital (50%)	-	-	
The bank's share in the capital of insurance companies (50%)	(12)	(7)	
The Bank's share in the investment risk fund deficit	-	(546)	
Investments in the capital of non-consolidated subsidiaries are accounted for with the Bank's accounts	(48)	-	
Additional capital	-	2,452	
The Bank's share in fair value reserve	-	(397)	
General banking risk reserve	-	2,856	
The Bank's share in the banks and financial institutions capital (50%)	-	-	
The Bank's share in the capitals of insurance companies (50%)	-	(7)	
Supporting capital	971	-	
General self-interest risk reserve and the Bank's share of the general banking risk reserve (joint) (not to exceed 1.25%) of credit risk-weighted assets	1,011	-	
The Bank's share in the capital of insurance companies	(8)	-	
Investments in the capital of non-consolidated subsidiaries are accounted for with the Bank's accounts	(32)	-	
Total regulatory capital	133,320	132,695	
Total risk weighted assets	522,436	429,521	
Capital adequacy ratio (%)	25.52 %	30.89 %	
Basic capital ratio (%)	25.33 %	30.32 %	
Tier 1 ratio (%)	25.33 %	-	
Tier 2 ratio (%)	0.19 %	-	
Rate of leverage	26.41 %		

(53) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Analysis of both assets and liabilities, expected to be received or settled, is detailed per period as follows :

31 December 2018	Within one year JD	More than one year JD	Total JD
<u>Assets</u>			
Cash and balances with Central Bank	118,767,358	-	118,767,358
Balances at Banks and financial institutions	13,264,923	-	13,264,923
International Wakala investments	56,020,856	-	56,020,856
Financial assets at fair value through statement of income	-	688,489	688,489
Deferred sale receivables and other receivables, net	267,147,908	181,649,216	448,797,124
Unconverted loans-net	767	-	767
Financial assets at fair value through unrestricted investment accounts	9,753,218	18,362,580	28,115,798
Financial assets at fair value through shareholders' equity -self financed	340,500	-	340,500
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	376,618	-	376,618
Net investment in a subsidiary under liquidation	79,717	-	79,717
ljara Muntahia Beltamleek assets, net	41,779,118	285,473,354	327,252,472
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	24,251,426	24,251,426
Intangible assets-Net	-	1,600,907	1,600,907
Deferred tax assets	723,606	-	723,606
Other assets	8,492,294	-	8,492,294
Total assets	516,746,883	604,726,632	1,121,473,515
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	436,283	-	436,283
Customers' current accounts	143,608,583	-	143,608,583
Cash margins accounts	12,470,264	-	12,470,264
Income tax provision	4,031,024	-	4,031,024
Other provisions	380,785	-	380,785
Other liabilities	28,819,408	-	28,819,408
Fair value reserve – net	(552,665)	-	(552,665)
Unrestricted investment accounts	731,602,323	55,383,965	786,986,288
Investment risk fund	-	1,945,997	1,945,997
Provision of investment risk fund tax	2,052,566	-	2,052,566
Total liabilities and equity of unrestricted investment accounts holders	922,848,571	57,329,962	980,178,533
Net	(406,101,688)	547,396,670	141,294,982

31 December 2017	Within one year JD	More than one year JD	Total JD
Assets			
Cash and balances with Central Bank	119,934,135	-	119,934,135
Balances at Banks and financial institutions	6,570,709	-	6,570,709
International Wakala investments	33,861,572	-	33,861,572
Deferred sale receivables and other receivables, net	230,401,314	185,754,230	416,155,544
Unconverted loans-net	18,874	18,874	37,748
Financial assets at fair value through unrestricted investment accounts	13,128,172	25,747,173	38,875,345
Financial assets at fair value through shareholders' equity -self financed	17,700	-	17,700
Financial Assets at Amortized Cost- Net	-	54,878,000	54,878,000
Investment in associate	377,262	-	377,262
ljara Muntahia Beltamleek assets, net	29,969,671	225,738,948	255,708,619
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	21,299,772	21,299,772
Intangible assets-Net	-	1,449,583	1,449,583
Deferred tax assets	599,815	-	599,815
Other assets	7,527,176	-	7,527,176
Total assets	442,406,400	515,396,240	957,802,640
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	876,288	-	876,288
Customers' current accounts	120,068,965	-	120,068,965
Cash margins accounts	22,746,048	-	22,746,048
Income tax provision	2,603,048	-	2,603,048
Other provisions	84,603	-	84,603
Other liabilities	15,331,453	-	15,331,453
Fair value reserve – net	(820,121)	-	(820,121)
Unrestricted investment accounts	631,064,315	21,856,824	652,921,139
Investment risk fund	-	4,150,430	4,150,430
Provision of investment risk fund tax	1,695,297	-	1,695,297
Total liabilities and equity of unrestricted investment accounts holders	793,649,896	26,007,254	819,657,150
Net	(351,243,496)	489,388,986	138,145,490

(54) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)

A- Contingent credit and commitments/self financed* :

	31 December 2018 JD	31 December 2017 JD
Letters of credit	25,498,756	5,515,404
Acceptances	628,217	41,983,881
Letters of guarantees:		
Payment	1,362,013	1,249,115
Performance	7,454,186	1,080,654
Others	11,693,973	63,065
Total	46,637,145	49,892,119

B. Contingent credit and commitments/jointly financed

	31 December 2018 JD	31 December 2017 JD
Direct unutilized credit limits	63,856,623	82,461,132
Total	63,856,623	82,461,132

*Indirect unutilized credit limits / self financed amounted to JD (69,936,234) as of 31 December 2018 .

The expected credit losses recorded against contingent credit commitments/self financed amounted under the implementation instructions of IFRS9 to JD 65,007 as at 31 December 2018 and recorded in the other liabilities (note23).

The expected credit losses recorded against contingent credit commitments/jointly financed amounted under the implementation instructions of IFRS9 to JD 219,386 as at 31 December 2018 and recorded in other liabilities (note 23).

A letter was received by the Bank from the Central Bank of Jordan on 9 March 2016 along with a copy of the Prime Minister's letter and the legal opinion issued by the Legislation and Opinion Bureau regarding the balances of the so-called "The accounts of differences in interest rate of the loans granted to the Industrial Development Bank previously". In response, the Bank's management confirms that, during the year 2010, the Bank recorded all balances of the Interest differences deposits (which relate to external loans granted to Jordanian institutions) to favor of the Ministry of Planning and International Cooperation upon their request. As for the subject of interest differences on the loans granted to the Industrial Development Bank previously, in the opinion of management and its legal advisor, all the procedures followed by the Bank on this subject are correct and have no effect on the accompanying consolidated financial statements.

(55) LAWSUITS AGAINST THE BANK

The Bank is a defendant in a number of lawsuits, which amounted to JD 2,638,686 as at 31 December 2018 (JD 2,512,624 31 as at December 2017) and that is within the bank's normal activity. In the opinion of the Bank's Management and its legal advisor, the related provision of JD 60,785 is adequate should any liabilities arise therefrom.

(56) COMPARATIVE FIGURES

The comparative figures for the year 2017 balances in the consolidated financial statements were reclassified to correspond with 31 December 2018 presentation. The reclassifications did not have any effect on profit and equity for the year 2017.

(57) ANALYSIS OF THE IMPACT OF STANDARDS ISSUED AND NOT YET EFFECTIVE

Islamic Accounting Standards:

AAOIFI has issued the following Islamic accounting standards:

- The new Islamic standard IAS28 (deferred sales receivables and other receivables)aims to determine the accounting principles and proper reporting of recognition, measurement and disclosure for application in respect of Murabaha and other forward selling transactions of the seller and the buyer. The mandatory date of application of the standard is January 1, 2019.

- IAS 30 ""Impairment in value and credit losses and liabilities expected to result in losses". This Standard sets out the accounting treatment of expected impairment and credit losses for financing, investments and high risk commitments in Islamic financial institutions. The requirements of this Standard with respect to expected credit losses Is substantially similar to the requirements of IFRS 9 Financial Instruments (IFRS 9). The Bank has implemented the Central Bank's instructions in this regard and has been reversed On the consolidated financial statements, as the mandatory application of the Islamic Financial Accounting Standard No. (30) is the first of January 2020 with earlier application permitted.

- Islamic Accounting Standard No. 31, "Investment Agency". The Standard aims at determining the requirements for the preparation of reports related to the Investment Agency and the transactions that are in line with best practices of both the agent and the client. The mandatory implementation date of the Standard is January 1, 2020.

- Islamic Accounting Standard No. 33, ""Investments in Sukuk, Shares and Similar Instruments"", which replaces Islamic Accounting Standard No. 25, aims to improve the classification, measurement, presentation and disclosure of investments in sukuk, equities and similar financial instruments. The requirements of Islamic Financial Accounting Standard No. 33 are effective on January 1, 2020, with early application permitted.

- The new standard aims to ensure transparent and fair reporting to all stakeholders, particularly sukuk holders. The mandatory date of application of Islamic Financial Reporting Standard No. 34 is January 1, 2020 with early application allowed.

- IAS 35 ""Risk reserve"". This accounting standard and financial reporting on risk reserves have been developed to mitigate the various risks faced by stakeholders, particularly investors. The mandatory date for applying IFRS 35 is January 1, 2021, with early application allowed.



International Financial Reporting Standards:

IFRS 16 "Leases" This Standard specifies the accounting treatment of leases. The effective date of the application of the Standard is January 1, 2019. The Bank may also apply the Standard retroactively, so that all prior periods' financial statements are adjusted. Furthermore, the Bank may do so according to the modified application method whereby the effect of the Standard is adjusted regarding the opening balances of owners' equity. Moreover, the Bank will apply the standard to the contracts previously designated as rental contracts in accordance with IAS 17 and IFRS 4 interpretations.

(58) FAIR VALUE HIERARCHY

The standard requires the identification and disclosure of a level in the fair value hierarchy in which fair value measurements are categorized in full, and the fair value measurements are classified according to the levels specified in IFRC4. The difference between level (2) and level (3) for fair value measurements means assessing whether information or inputs are observable and the importance of information that is not observable. This requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors affecting the asset or liability.

A.Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair value of these financial assets and financial liabilities is determined(valuation techniques and key inputs).

	Fair value as at			Valuation		Relationship	
Financial Assets/Financial Liabilities	31 December 2018 JD	31 December 2017 JD	Fair value hierarchy	techniques and key inputs	Significant unobservable	of unobservable inputs to fair value	
Financial assets at fair	value throug	gh sharehold	ers' equity	-self finan	ced		
Quoted shares	340,500	17,700	Level 1	Quoted rates in financial markets	Not applicable	Not applicable	
Financial assets at fair	value throug	gh unrestrict	ed investm	nent accour	nts' holders	equity	
Quoted shares	210,477	1,112,385	Level 1	Quoted rates in financial markets	Not applicable	Not applicable	
Quoted sukuk	20,786,749	29,311,683	Level 1	Quoted rates in financial markets	Not applicable	Not applicable	
Financial assets at fair value through statement of income	688,489	-	Level 1	Quoted rates in financial markets	Not applicable	Not applicable	
Financial assets at fair	value throug	gh unrestrict	ed investm	nent accour	nts' holders	equity	
Unquoted shares	1,063,725	194,477	Level 2	A similar financial instrument	Not applicable	Not applicable	
Unquoted sukuk	6,192,600	8,256,800	Level 2	A similar financial instrument	Not applicable	Not applicable	
Total	29,282,540	38,893,045					

There were no transfer between level 1 and 2 during the year ended 31 December 2018 and the year 2017.

B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis:

Except for what is detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Bank's financial statements approximate their fair values .

	31 December 2018		31 Decen	nber 2017	Fair value
	Book value	Fair value	Book value	Fair value	hierarchy
	JD	JD	JD	JD	
Financial assets not	calculated at f	air value			
Deferred sales receivables and other receivables	448,797,124	497,280,343	416,155,544	460,109,184	Level 2
Financial assets at amortized cost	92,191,000	92,633,447	54,878,000	55,315,243	Level 2
Total financial assets not calculated at fair value	540,988,124	589,913,790	471,033,544	515,424,427	
Financial liabilities no	ot calculated a	t fair value			
Customers' current accounts and unrestricted investment accounts	930,594,871	940,232,517	772,990,104	780,201,414	Level 2
Cash margin accounts	12,470,264	12,470,264	22,746,048	22,746,048	Level 2
Total financial liabilities not calculated at fair value	943,065,135	952,702,781	795,736,152	802,947,462	

Our Determination is derived from your Support



Board of Directors' Report

Achievements of the Bank and Description of Important Events in 2018	169
Contributions of the Bank to Local Community Service and Environment Protection in 2018	173
Financial Position Analysis and Most Important Financial Ratios	178
Time Series (Profit and Loss ,Dividends, Net Shareholders' Equity and Share Price)	180
Competitive Position in the Banking Sector	182
The financial effect of non-frequent operations, occurred during the Financial year, and don't enter into the Bank's main activity	183
Bank Capital Investment Volume	183
Important Future Developments and the Strategic Plan	183
Names of the Board of Directors members, their representation, date of designation and their profiles:	185
Members of the Shari'a Supervisory Board and a Profile of each of them	190
Members of the Senior Executive Management and Profile of each of them	192
Number of securities owned by members of the Board of Directors, Top Management, Their Relatives or Companies owned	
by them as end of year 2018 compared to the previous year	196
Names of major shareholders and the number of shares they own compared to the previous year	198
Shareholders, who own 1% or more from the bank capital and the final beneficiary for these shares as of 31/12/2018	199
Rewards and bonuses of the Board of Directors Chairman and Members	200
Declarations of the Board of Directors	201
Declarations of the Board of Directors	202
Declaration	203
Advantages and rewards enjoyed by the Chairman and members of the Shari'a Supervisory Board	204
Declarations of not receiving any benefits (Shari'a Supervisory Board)	205
Rewards and Bonuses of the Top Management	206
Number of employees of the Bank by categories of qualifications as at 31/12/2018	207
Training programs for Bank employees in 2018	208
Safwa Bank geographic locations and number of employees in each branch	209
The Bank Bonus Policy	211
Subsidiaries	211
Fees of Bank and Subsidiaries' Auditors	211
Reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively	212
Description of any government protection or any privilege enjoyed by the Bank or any of its products, in accordance with the laws and regulations,	
where there are no patents or privileges obtained by the Bank	212
Description of resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities	212
A statement of the contracts, projects or agreements concluded by the Bank with its subsidiaries, subsidiaries, affiliates, chairman, members	
of the Board of Directors, general managers or any of the employees of the Bank or their relatives	212
The international quality standards apply to the Bank, as it acquired	212
Donations and grants made by the Bank during 2018	213
Most Important Lawsuits Filed by and against Safwa Islamic Bank	214
Safwa Bank Risks	215
Risk Management Description, Structure and Nature of its operation	215
Developments of the Risk Management Department	215
Risk Management Structure	217
Organizational Structure	218
Executive Management's Evaluation of the Effectiveness of Internal Control Systems	219
Description of Bank main activities as well as the most important services and products provided by Safwa Islamic Bank	222
Statistics of the complaints received from the clients during 2018 through different channels as follows	224
Summary of the policy of regulating the relation between the Bank (the Mudarib) and the Investment Accounts Holders Safwa Islamic Bank	225

Board of Directors' Report

Distinguished Shareholders,

The Board of Directors of Safwa Islamic Bank is pleased to review the annual financial statements, achievements, services and products developed during 2018, which have brought the Bank many successes and achieved more strategic objectives that have been identified in advance and their positive results will be reflected on the shareholders of the Bank and its clients.

Since Safwa Islamic Bank was established in 2010. It has been providing integrated Islamic banking solutions that combine established Islamic values and the latest technologies in order to provide high quality service of personal touch so as to meet the needs of its clients. This is embodied in the philosophy of the Bank that is based on «well-established principles, innovative solutions».

Achievements of the Bank and Description of Important Events in 2018

The Bank has set up a network of branches, which to date includes thirty three branches across the Kingdom, offering a series of Sharia-compliant banking solutions within modern foundations. Bank's operations have grown so that Bank assets reach 1.1 milliard JD with a growth rate of 17% in the year 2018. Bank's financing portfolio increased to 776 million JD by 15%. Deposits of Bank clients amounted to 931 million JD with a growth rate of 20%.

The most prominent achievements of the Bankys various departments are as follows:

Corporate Banking

In 2018, the Corporate Banking Department achieved good growth in its direct and indirect financing portfolio. The client base was expanded in various economic sectors by building a diversified portfolio of new clients in the sectors of large and medium-sized companies, as well as various fields and sectors (commercial, industrial, service, contracting and governmental).

Due to the fact that our first interest in Safwa Islamic Bank is to provide distinguished services to our customers, we have launched a unique and innovative package of services that meet the needs of customers in a modern way, including internet banking service for corporates, as well as cash management service in a modern and distinct way. New products and services are to be launched for the corporate sector next year.

We, at Corporate Banking Department in Safwa Islamic Bank, are always keen to focus on establishing strategic and comprehensive relationships with our clients in the Jordanian market, which are centered on providing outstanding service for them, understanding their special financing needs and building long term relationships with these companies.

Retail Banking

In Safwa Islamic Bank, we are keen to strengthen our presence and spread our network of branches throughout the Kingdom to provide services to the largest possible category. Bank network of branches has increased to reach 33 branches in Amman, Irbid, Zarqa, Aqaba, Salt, Jerash and Madaba, offering a full range of services and products to meet the needs and desires of a wide range of customers. In terms of deposits, the Bank provides current account services, savings accounts, investment deposits and certificates of deposit whose terms are designed with maximum flexibility. The Bank has been able to expand its customer base as accounts are more than 100,000, due to Bank's diversified and innovative accounts and distribution of the highest returns.



The Bank has launched a strategic partnership with the Hajj Fund for Savings and Investment by signing an agreement with the Fund to receive savers, requests through bank branches and invest them in accordance with Islamic investment methods.

In terms of financing services and products, the Bank offers a range of financing solutions for individuals including: car financing; Murabaha financing; residential financing; land and office financing upon leaseto-own agreement; and service financing packages such as education, Hajj, ...etc. The Bank offers card services such as debit cards: "Visa Electron", monthly payment cards: "Visa Gold" and "Visa Classic" as well as Visa Signature cards for Safwa Gold customers.

In order to enhance the bargaining outcome, the Bank has signed agreements with major traders in the Jordanian market in the field of electrical appliances, furnishings, auto spare parts, renewable energy systems, treatment and weddings to include most of customer requirements.

In order to provide the best services to the Bank customers, a more modern and sophisticated waiting system has been activated in all Bank branches. The Bank can immediately review customer and visitor numbers in the branches along with most requested services and can measure the speed of delivering these services. In addition, a system to simply and easily evaluate the experience of the customer in the bank is also in place, «Customer Feedback», which will be reflected positively on the speed delivery and quality of provided services.

As part of its constant efforts to provide distinguished products and services to its clients. Safwa Islamic Bank launched the first Islamic revolving card in the region in the beginning of 2019.

The year 2018 witnessed the adoption of a new design of the new branches of the bank. What distinguishes the new design is that it primarily depends on Customer Journey, which is reflected positively on the satisfaction of branch customers and visitors with service method and granted privacy.

Electronic Banking Services

The Bank continuously aims at providing its customers with the latest means to complete their banking transactions easily and around the clock through its electronic channels, which include ATMs, online banking services, SMS services, mobile banking, electronic waiting systems and customer feedback system which are installed in all Bank branches.

Moreover, the call center provides assistance to customers with regard to their accounts; Bank products and offers; as well as dealing and following-up of complaints to ensure the provision of distinguished services to customers. In 2018, the Bank has developed the call center and increased the working days to include Fridays and Saturdays to serve customers.

During the year, the Bank has launched the new mobile banking application in its new format and distinguished services. Instant transfer service to local banks through ACH has been activated on both internet banking and mobile banking. In addition, the automatic subscription to electronic service has been activated. It becomes possible to automatically subscribe to SMS service. The internet banking project has been achieved and eFAWATEERcom service has been completed to help bank and nonbank customers to pay their invoices through the trustees of funds in our branches.

The number of ATM machine reached 73, forty of which are located in shopping malls, mosques and petrol stations, and 33 in Bank branches to serve a wide range of bank and non-bank customers.

Small Business Banking

As part of the Bank's plan to expand and provide services to various society categories, Safwa Islamic

Bank has developed the financing banking services offered to small businesses and companies operating in various economic sectors through various products such as car and truck financing as well as renewable energy financing, emerging companies financing, commercial properties financing upon lease-to-own and Murabaha agreements.

A new financing product for small business sector has been launched in the form of a one-time Murabaha, a renewable ceiling based on the annual POS sales value and for all sectors without exception. This product aims at relieving customers with regard to the request of collateral.

In Safwa Islamic Bank, our priority is to serve customer at the highest level of speed and quality, three centers specialized in financing small businesses were established and distributed geographically as follows:

- Amman Center, which serves all areas of Amman.
- Irbid and Zarqa Center, which serves northern governorates and Zarqa.
- The South Center, which will be operational in the first quarter of 2019 to serve southern governorates and Aqaba.

In addition, all basic information is provided through the staff of branches all over the Kingdom.

Treasury and Investment

The Department of Treasury and Investment plans, organizes and controls cash in the Bank, in order to achieve the best possible return and reduce the cost of used funds. One of the most important roles of the Department is to balance financial positions in foreign currencies and effectively manage cash and related risks.

In order to enhance the role of the Department of Treasury and Investment in helping to achieve Bank objectives and strategies, the Department has expanded Bank network with global correspondent banks in 2018 to meet the needs of the Bank and its customers at the lowest possible cost. In addition, the Custody service has been added for VIP customers. Deposit certificates have been issued in Jordanian Dinars and United States Dollars for periods of two, three and five years.

We believe in the role of Safwa Islamic Bank and its commitment to support the national economy and the necessity of activating the partnership between the public and private sectors. Consequently, the bank has signed an investment agreement with the Central Bank of Jordan which aims mainly to provide medium-term financing sources to various economic sectors, which work in the fields of tourism, renewable energy, agriculture, information technology and engineering consultancy so as to conduct its duties at low cost.

Human Capital Management

Safwa Islamic Bank cares for the human element as a capital of the bank and an added value to our institution. Hence, the Human Capital Department has undertaken the following achievements in 2018:

- In order to ensure better services for Bank employees, all the services of Bank employees have been automated through a special system that saves time and effort to request any service.
- In order to maintain the distinctive competencies of Bank employees and build a distinguished career for them, local studies are conducted on the Jordanian market to determine the benefits and privileges for employees. Besides, the best local practices are studied.
- In order to promote the principle of participation, an incentive system has been developed for various business sectors to motivate employees and make them participate in developing Bank business and attracting new customers.
- Out of our care for our employees and their opinions, we measured job satisfaction and the results were better than the previous year.

 As part of the human capital strategy to build a highly qualified and professional team, examination system has been applied on job candidates. The candidates are subjected to intensive training programs to test their performance and behavior in advance as well as to train them intensively before they join the actual work at the bank, so that suitable and qualified employees with the best competencies available in the labor market are recruited.

Support Services (Central Operations/ Institutional and Engineering Services/ Internal Control/ Total Quality Management):

In Safwa Islamic Bank, we seek to achieve quick performance and accurate results in order to raise the level of services provided to customers, reduce operational errors and costs and increase profitability. Thus, the Central Operations Department has organized some banking operations that are managed according to required quality standards, including necessary control procedures in compliance with adopted instructions and policies. For the purposes of quality control and efficiency of operations, the organizational structure is being studied in cooperation with other concerned departments to implement a new operational model based on developing the internal structure of the department and keeping pace with the digital changes in order to automate all possible operations so as to achieve the objectives and goals of the bank to provide the best services to customers, which will be reflected in the reduction of the standard time of services provided while maintaining control aspects.

In line with the Bank strategic plan, the Department of Institutional and Engineering Services has completed and equipped eight new branches (Marka, Makkah Mall, Aqaba, Al Hurriya Street, Jerash, Salt, Madaba and Sports City). The sites of 11 new bankers have been equipped and necessary decorations for then have been also installed in different locations in the Kingdom. The expansion of the scope of the renewable energy plant (solar energy) to include supplying the new branches of the bank with electric power within the jurisdiction of the Jordan Electricity Company is being studied, in conjunction with the rationalization of expenses and the optimal use of resources while preserving the environment.

Out of our belief in Safwa Islamic Bank that the regulatory aspects should be given great importance alongside with the development of business and the reduction of operational errors, the scope of work of the internal control unit in the Bank has been expanded by developing new control reports, intensifying and redeploying filed visits to ensure comprehensive and efficient control rules.

In Safwa Islamic Bank, one of our priorities is that the ratio of our client satisfaction is among the highest ratios. To achieve this objective, the Total Quality Management Department is constantly working on studying and analyzing customer complaints to address their causes and prevent their recurrence. We are currently studying the engineering of various operations in the bank, including (engineering of post selling operations through the transaction tracking system, cheque operations and corporate remittance operations) to be distinguished and reach the top rank among banks operating in Jordan with regard to the speed and quality of provided banking services.

Department of Information Technology

The Bank believes that the future of banking depends on its ability to work flexibly and adopt appropriate digital transformation skills. In 2018, the Bank took great strides in this direction by identifying and prioritizing the short-term and long-term transformation strategy in this area, providing comprehensive solutions that ensure providing the best services to its customers in a highly effective way for companies of all types or individuals, in addition to enabling customers to carry out transactions faster and safer.

In the framework of control and in line with the instructions of the Central Bank of Jordan, Bank management has been keen to complete the technological projects to achieve the required level of compliance with the information technology governance (COBIT 5). The IT Department has also

achieved the automated control of systems and servers through specialized systems (Solar Winds and SCCM) in addition to enhancing the availability of services at the alternative site.

Shari'a Supervisory Department

The Shari'a Supervisory Department draws its strength from the presence of a Shari, a Supervisory Board with outstanding banking expertise in the Islamic world. The Department is keen to ensure that the opinions and decisions of the Sharia, a Supervisory Board with regard to all Bank activities are followed, through monitoring and auditing all work and conducting a comprehensive study of contract models, product policies, work procedures and executed transactions.

The Shari'a Supervisory Department continued to communicate effectively with the Shari'a Supervisory Board to present all developments and sensitive issues, obtain relevant answers and opinions and ensure that their directives and decisions are implemented by the concerned departments.

The Department also communicates daily with Bank various departments and divisions and its staff to review any issues that may arise during the application and to answer them in accordance with the decisions of the honorable Shari'a Supervisory Board.

Achievements of the Shari'a Supervisory Department in 2018:

- Innovate the mechanism of hedging and reducing the risk of currency exchange in cooperation with the Treasury and Investment Department.
- Develop and prepare the product manufactured by proxy with the relevant departments.
- Develop a bargaining product to include bargaining services.
- Develop and prepare the product of investment by proxy in partnership with the relevant departments.
- Provide innovative solutions for some corporate customers to obtain appropriate financing in legitimate formats.

Department of Institutional Communication and Marketing

The Department of Institutional Communication and Marketing continued to implement its strategic plan to meet the needs of internal and external stakeholders. It has developed and implemented several promotional campaigns for current and new Bank products and services in addition to the main role that the Department seeks to achieve in the area of community responsibility to achieve sustainable development through strategic and real partnerships with various civil society organizations.

In 2018, the Department launched the Digital Signage project, which aims to deliver media and advertising messages to the public and customers through the screens in its branches, in order to minimize the use of paper, preserve the environment and follow the best global practices in marketing and advertising.

Contributions of the Bank to Local Community Service and Environment Protection in 2018

Based on Bank values and vision, which aim to serve the community of all its categories, the Bank has continued to pursue the approach it has taken in recent years, which focused on enhancing its role in promoting the local community and participating in its development through contributing to providing material and moral support to community initiatives in the educational, humanitarian, community fields. Examples of the contributions Safwa Islamic Bank to community service include:

Educational and religious initiatives:

• Sponsorship of the Sixth International Conference of Economic and Administrative Sciences students at the University of Applied Sciences.



- Donation to Al-Aman Fund for the Future of Orphans to educate two university students of the Fund students for four years.
- Provide support to the Arab Women Organization for the ceremony honoring the students with special needs who succeeded in the general secondary school certificate examinations.
- Donation to the Ministry of Endowments and Islamic Affairs and Sanctities to set up a conference hall.
- Donation to the Endowment of Education- Ministry of Education- to support education projects and contribute to the provision of an appropriate learning environment.

Humanitarian and health initiatives:

- Blood donation campaign for bank employees in cooperation with the Ministry of Health/ Blood Bank.
- Implementation of the initiative of Heaters and Clothes in cooperation with Charity Clothes Bank/ Jordan Hashemite Charity Organization.
- Donation to the fund supporting the families of armed forces martyrs.
- Donation to the Charity Breakfast of Ibn Sina Foundation for Cerebral Palsy, whose income is dedicated to support children with disabilities and foundation beneficiaries.
- Implement "A Jacket for Each Student" initiative in cooperation with the Charity Clothes Bank/ Jordan Hashemite Charity Organization.
- Distribute charity packages to needy families in cooperation with the Orphans Fund Development Foundation.
- Participate in Goals For Life (GFL) tournament through King Hussein Cancer Foundation.
- A strategic partnership with Tkiyet Um Ali (TUA) in order to implement several initiatives during the year, including Mawayed Al-Rahman, which will be held during Ramadan, and the distribution of food parcels to needy families.
- Sponsoring scientific and professional activities established by the Jordan Pharmaceutical Association.
- Sponsorship of Al Salt Medical Conference of the Pharmaceutical Association.

Sports Support Initiatives:

• Donation to Al Jazira Sports Club- football team .

Environmental Initiatives:

- Sponsor Paper Recycling Initiative in cooperation with Princess Alia Bint Al Hussein Foundation.
- Support Environment Friends Society.

Initiatives to support and empower women:

- Donation to the charity lunch of the Jordanian National Commission for Women to support the Initiative of My Project from My Home.
- Donation to the dinner of the Jordan River Foundation in Women Empowerment Program.



Blood Donation Campaign



Distributing Eid clothes on orphans with clothing Bank



Mecca Mall Branch opening ceremony



Education Endowment Support



Digitalization Course

Financial Position Analysis and Most Important Financial Ratios



Acceta	JOD (N	Aillion)	Difference	(0/)	
Assets	2018	2017	Difference	(%)	
Cash and balanc- es with Bank	132	127	5	4%	
Investments	178	128	50	39%	
Deferred sales receivables	449	416	33	8%	
ljara	327	256	71	28%	
Fixed and other assets	35	31	4	13%	
Total	1,121	958	163	17%	

Liabilities and	JOD (N	dillion)	Difference	(0/)
Shareholders' Equity	2018	2017	Difference	(%)
Customers' Current Accounts and Cash Margin	157	144	13	9%
Unrestricted investment accounts	786	652	134	21%
Provisions and Other liabilities	37	24	13	55%
Shareholders' Equity	141	138	3	2%
Total	1,135	958	163	17%

• Safwa bank maintained the earning assets ratio at 85%.

• In the liabilities and owners' equity side, the equity to assets ratio decreased from 14% to 12% to reflect the growth of assets and deposits, and at the same time, maintain a high capital adequacy ratio.

Most Important Financial Ratios

		2014	2015	2016	2017	2018
	Return on Equity (ROE)	1.5%	2.5%	4.3%	4.2%	6.0%
Profitability	Return on Assets (ROA)	0.3%	0.5%	0.7%	0.6%	0.8%
Promability	Earnings Per Share (JOD / share)	0.019	0.033	0.057	0.057	0.084
	Cost to Income Ratio	68%	68%	59%	62%	56%
	Non Performing Financing %	2.5%	1.5%	1.8%	2.2%	2.3%
Assets Quality	Coverage Ratio	80%	145%	129%	116%	111%
	Equity / Assets	20%	17%	14%	14%	12%
	Financial Operating Leverage *	1.7	1.6	1.5	1.4	1.3
Productivity	Assets /Branches number (JD m)	38.7	37.1	38.3	38.3	34.0
	Assets /Employees number (JD m)	1.8	1.8	1.9	1.7	1.9

Profitability	 Safwa bank showed positive indicators in profitability after an enhancement in ROA and ROE ratio from year to year. The bank reached a leading position in net income growth in the banking sector
Assets Quality	 The prudent management of credit risk and the diversification of facilities portfolio have led the bank to occupy a leading position in assets quality indicators in the banking sector. Safwa bank is keen to build adequate provisions to meet default risks to cover all facilities that showed irregular settlement of repayments.
Productivity	 Safwa bank succeeded from year to year in enhancing covering the fixed expenditure as the operating leverage indicators enhanced. The productivity indicators for staff showed improving figures due to banks effort to reallocate human resources, while branch indicators showed slight decline due to opening new branches in the second half of year.

Financial Operating Leverage *

- A tool used to measure the ability of a firm to cover it's fixed costs, and equal to total of gross income plus other revenues after deducting the fixed general and administrative expenses divided by total of gross income plus other revenues, as this figure declined, the effect of the fixed expenses declined in the net income.

Time Series (Profit and Loss ,Dividends,Net Shareholders' Equity and Share Price)

A- Time Series (Financial Position)

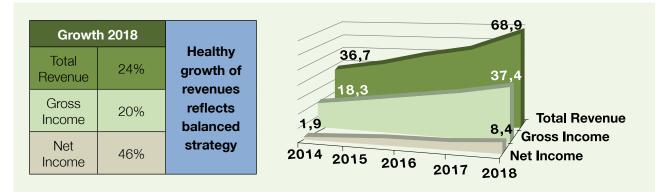
459	931 776 41 Assets Deposits						
459	Assets			Assets	17%		
1			Stable and Ambitious Growth	Deposits	20%		
1				Financing	16%		
2014 2015 2016	141 Deposits Financing			Shareholders' Equity	2%		
2015 2016 2017 20	Shareholders'	Equity					
JOD (million)	2014	2015	2016	2017	2018		
ssets	658	780	920	958	1,121		
Deposits	484	612	756	773	931		
inancing	459	512	602	672	776		
hareholders' Equity	131	134	132	138	141		
Denesite	a growth of JO	Safwa Bank continued his effort to attract more deposits with a growth of JOD 158 Million distributed between common investment accounts, current accounts, and saving accounts					
Deposits	to reflect the society's increased needs to banking products and services which are compliant with sharia.						
		 During the year, Safwa bank reviewed his policies and procedures to facilitate the grant process which has been reflected in the facilities growth with an amount of JOD 104 million. This growth is in line with banks view for optimal resources usage. 					
Financing	procedures to reflected in the million. • This growth is	facilitate t facilities ç	he grant prod growth with a	cess which has an amount of J(been OD 104		

B - Time Series (Share Price and Dividends)

JOD (million)	2014	2015	2016	2017	2018
Share Price	0,95	1,07	1,28	1,22	1,12
Dividends	-	7% Cash	-	5% Cash	7% Cash *

* Proposed Dividends

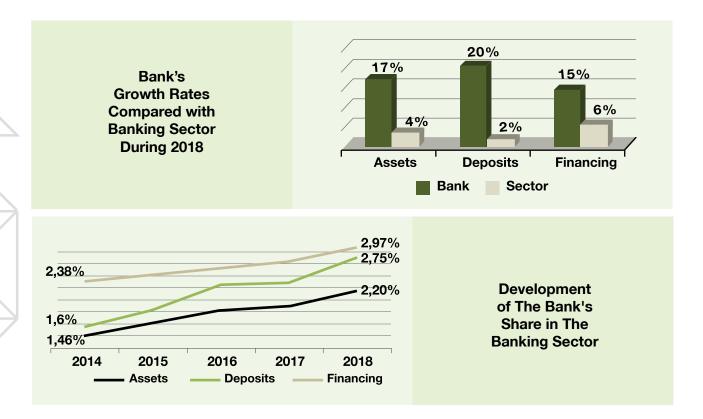
C - Time Series (Profit and Loss)



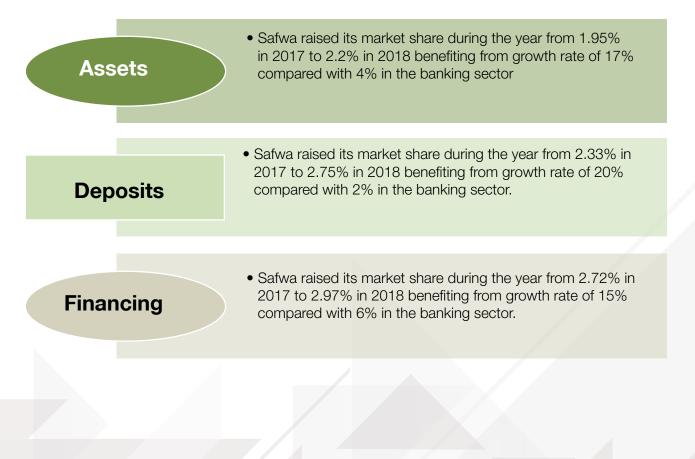
JOD (million)	2014	2015	2016	2017	2018
Total Revenue	36,7	42,0	49,6	55,5	68,9
Gross Income	18,3	22,7	27,6	31,3	37,4
Net Income	1,9	3,3	5,7	5,7	8,4

Total Revenue	• Total revenues grew by 24% as result of the growth of earning assets, and as a result of the increased profit rate for this year compared with previous one.
	• The increase of gross income was a percentage of 20 %
Gross Income	with and amount of JD 6.1 million, as a result of assets and deposits growth.
	 The growth of net income has reached a substantial growth
Net Income	by 40%, a higher percentage than total revenue growth percentage, which showed the bank's control over its operational expenses, this was reflected in the continuous enhancement of cost to income ratio.

Competitive Position in the Banking Sector



Safwa bank continued to increase his market share achieving growth rates better than the banking sector



The financial effect of non-frequent operations, occurred during the Financial year, and don't enter into the Bank's main activity

In 2018, the Bank, as part of it non-recurring activities, sold repossessed assets by the Bank against debts. The selling process resulted in capital profit of JD 217,791.

Bank Capital Investment Volume

The volume of capital investment for the bank reached to JD 25,8 million at the end of year 2018 (represent net fixed and intangible assets) compared with JD 22,7 million at the end of year 2017.

Important Future Developments and the Strategic Plan

A Bank strategy of 2018-2022 has been developed based on a set of objectives that we aim to achieve, and that will be reflected positively on bank stakeholders including customers, shareholders and employees. When developing this strategy, we have considered all internal and external factors and developments that will grant Safwa Islamic Bank a prestigious position among Jordanian banks. The strategic plans of the Bank are grounded on several dimensions:

Customer and Network:

- Increase and diversify Bank client base by targeting new and different sectors and segments and varying the range of products and services offered to them.
- Enhance the role of the Bank in providing a full range of products and services for the corporate sector of different sizes; apply the principle of partnership and attain success with customers.
- Improve the performance of branches and facilitate the operations of customers at different bank branches.
- Develop the electronic channels available to Bank customers and ensure maximum protection and privacy.
- Expand the network of branches in other vital areas in the Kingdom.
- Monitor the quality of provided services; measure customer satisfaction and continuously improve service quality indicators.

Technology and Digital Services:

The financial services industry is undergoing drastic changes as a result of the change of customer behavior and the increase of new innovations and technologies. The strategy of digital transformation is primarily focused on meeting the growing needs of customers and updating the banking experience in all its aspects, without ignoring the significant developments in customer service.

Hence, the Bank has embarked on a comprehensive internal transformation to ensure that its core operations are fully updated so as to improve the level of banking services and raise the rate of turnout, which contributes to decrease costs for the bank and clients, improve the efficiency of the performance of bank staff, raise the level of confidence in the bank and support its position among competitors.

Internal Control and Risk Management:

Bank management believes that the understanding, measurement and management of risks are the basis of all sound banking practices. Bank management seeks to study and manage risks related to banking operations and to minimize their impact on the Bank customers and shareholders through risk management system, application of best local and international practices and standards on risk management, mitigation of concentration, default, liquidity and other risks.

Human Resources:

An innovative and advanced approach has been followed to exploit and optimize employee competencies, which is the cornerstone of sustaining distinctive results and providing development opportunities and succession planning. The Human Capital Department is responsible for attracting competent human resources, continuous development and education of employees and qualifying the most competent cadres and leaders for leadership in business, in order to achieve the satisfaction of all employees, which has positive reflection on achieving the best service for Bank customers.

Functional harmony, empowerment promotion, change management, innovation, productivity increase, optimal investment of systems, innovative solutions of human capital, and the promotion of employee excellence can be achieved through:

- Developing an effective system of new benefits for employees in light of competition in the banking sector,
- Leadership development; Succession planning,
- Creating a new generation of leaders; Shadow Management,
- Consolidating and promoting a culture of excellence by promoting job satisfaction and engagement, building internal identity and managing change,
- Supporting institutional development through regular market surveys and keeping abreast of developments,
- Establishing a culture of innovation and creativity in the work environment to simulate the ideas of employees and reward innovators.
- Providing a positive work environment that enhances team spirit and aligns employees' objectives with the Bank strategic plan through effective planning and promoting a high performance culture.
- Meeting the needs of employees in accordance with the highest standards of excellence, transparency and clarity of procedures and regulations.

Institutional Identity and Social Responsibility:

The strategy was developed to highlight Bank position and promote achieved successes over the past years by marketing bank trademark; highlighting its image and its corporate identity in order to be a distinguished Islamic bank competing with its peers of Islamic and traditional banks in Jordan; making advertising campaigns for various innovative products and services offered by the Bank in all traditional and modern media means to ensure that they reach the widest possible numbers of target audience.

In the area of social responsibility of the Bank, we will seek to diversify and innovate in initiatives that will effectively contribute to strengthening Bank position in the local community and will have a positive impact on building a bright image in line with the principles of the Islamic religion.

We are looking forward to attaining further achievements and resuming the way of excellence at a steady pace in order to reflect our corporate identity intelligently, embodying our motto "Solid Principles and Innovative Solutions" to represent a leading bank in Islamic banking distinct in applying social responsibility, and committed to its optimum values: knowledge, creativity, quality, service, value.

Financial Aspect:

Bank strategy has been developed through detailed plans of the above dimensions, which will be positively reflected on Bank financial results and the achievement of outstanding returns for Bank shareholders and depositors while maintaining solvency and liquidity ratios that enable the Bank to continue improving, commit applicable legislation and regulations, and control operational and capital expenditures to ensure optimal utilization of resources.

Bank management will seek to maintain the pace of growth in its financial position items and maximize profits in the coming year and afterwards.

Names of the Board of Directors members, their representation, date of designation and their profiles:



Dr. "Mohammed Nasser" Abu Hammour Chairman of the Board

Representative of: Al-Etihad Islamic for Investment Co. Date of designation in the Board: 4/1/2017. Date of birth: 20/12/1961.

Qualifications:

- PhD. in Economics/Financial, University of Surrey,UK, 1997.
- Master in Economics, University of Jordan, 1989.
- Bachelor in Economics, Yarmouk University, 1984.

Practical experience and memberships:

- Ministry of Finance, Minister 14/12/2009 -17/10/2011.
- The Arab Potash Company, Chairman of the Board of Directors 1/11/2007-14/12/2009.
- Executive privatization commission, Chairman, 11/7/2005-20/11/2007.
- Ministry of Finance, Minister 25/10/2003 5/4/2005.
- Ministry of Industry and Trade, Minister 21/7/2003 22/10/2003.
- Ministry of Finance, Secretary General 8/2/2000 21/7/2003.
- Ministry of Finance, Advisor to the Minister of Finance 8/11/1998 7/2/2000 and head of Financial control unit and vice president of monetory, financial, and economic evaluation Committee.
- University of Jordan, Part time lecturer/graduate students in Economics 1998 2003.
- Member of committees discussing master's degrees dissertations, 1998-1999.
- Central Bank of Jordan, several administrative positions.
- Chairman of the Board of Al Salam Transport Company.



Hamdan Al-Fawair

Deputy Chairman of the Board.

Representative of: Orphans Fund Development Foundation. Date of designation in the Board: 13/4/2017. Date of birth: 2/3/1960.

Qualifications:

• Bachelor of Law from Alexandria University in 1985.

Practical experience and memberships:

- General Manager of Orphans Fund Development Foundation from 2/10/2017 until now.
- Orphans Fund Development Foundation, several administrative positions 2008 till 1/10/2017.
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008.
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau

2005-2007.

- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 2005.
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004.
- Assistant Director, Internal Control, Audit Bureau 1999-2001.
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999.





Basem Salfiti

Representative of: AI-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017. Date of birth: 29/4/1972.

Qualifications:

- 1998-2000 COLUMBIA BUSIENSS SCHOOL New York, NY MBA, Finance and Corporate Strategy.
- 1989-1993 BROWN UNIVERISTY Providence, RI. BS, Honors, Electrical Engineering

Practical experience and memberships:

- General Partner and Co Manager, Hummingbird Ventures London, UK 2013-2017.
- Managing Director, Head of European Technology Investment Banking, Perella Weinberg Partners London, UK 2006-2013.
- Executive Director, Technology Investment Banking, Morgan Stanley & Co. London, UK 2000-2006.
- Chief Operating Officer, BEST IC Laboratories, Inc. Sunnyvale, CA 1994-1998.
- Non-Executive Board Member, Bank Al-Etihad Amman, Jordan 2009-Present.
- Non Executive Board Member of Delta Insurance and Advisory.
- Board Member of the King Hussein foundation.

Deema Aqel

Representative of: AI-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017. Date of birth: 13/2/1968.

Qualifications:

- Master in Business Administration 2001, Imperial College, School Of Management,London,U.K.
- Master of Science (M.Sc.) in Banking & Financial Studies/Capital Markets 1998.
- B.Sc. in Electrical Engineering, 1990.

Practical experience and memberships:

- Deputy General Manager, Bank Al Etihad from 01/2012.
- Assistant General Manager, Risk Management and Compliance, Bank Al Etihad until 01/2012.
- Assistant General Manager Risk Management and Compliance Division, Jordan Ahli Bank 2005- 2007.
- Head of Credit Policy Risk Management Division, Housing Bank for Trade and Finance 2004 2005.
- Credit Risk Manager ARAB BANK 1990 2004.
- Member of the Board of Directors, AL Etihad Brokerage Company.
- Member of the Board of Directors, AL Etihad Leasing Company.
- Member of the Board of Directors, Palestine Commercial Bank 9/2011-7/2013.



Khaled Al-Gonsel

Representative of: AI-Etihad Islamic for Investment Co.

Date of designation in the Board: 4/1/2017. Date of birth: 13/8/1973.

Qualifications:

- Masters in Banks and Finance, The European University 2003.
- Masters in Financial Accounting, Libyan Academy 1996.
- Bachelor in Financial Accounting, College in Accounting, Gharian, Libya 1992.

Practical experience and memberships:

- Managing Director and Board Member, Libyan Foreign Investment Company (LAFICO) 2012 -2018.
- Board Member, Arab Petroleum Investment Corporation (APICORP) 2012-2018.
- Board Member, International company for Hotel Investment 2015-2018.

Dr. Ahmed Amneisi

Representative of: AI-Etihad Islamic for Investment Co.

Date of designation in the Board: 13/4/2017. Date of birth: 28/12/1938.

Qualifications:

- PhD in Economics from the University of Cologne / Germany in 1972.
- Bachelor of Economics from the Libyan University in 1963.

Practical experience and memberships:

- Chairman of the Board, Libyan Economists Association 1990-1999.
- Chairman of the Board and General Manager of Al-Wahda Bank- Libya 9/9/2000-23/3/2001.
- Governor of the Central Bank of Libya 3/3/2006-23/3/2011.
- Secretary of the Public General Committee for Finance (Minister of Finance) 3/3/2006 3/1/2007.
- Ambassador of Libya to the State of Austria 1/7/2007-4/4/2012.
- Professor at the Department of Economics, University of Garyounis-Libya, 1973 2001.

Dr. Nofan Al-Aqeil

Representative of: Government Contributions Management Company.

Date of designation in the Board: 3/8/2016. Date of birth: 1/1/1971.

Qualifications:

- PhD in public law (Administrative law/Administrative Jurisdiction) Ain Shams University Egypt in 2005.
- Master in Public Law (administrative law) Al al-Bayt University, 1997.
- Bachelor in Law , Mu'tah University, 1994.

Practical experience and memberships:

- Head of Legislation and Opinion Bureau Prime Ministry Jordan, 30/6/2013 up to date.
- Acting Chairman of the Board of Grievances from 31/12/2014 until 18/10/2015.
- Minister of State for Prime Ministry Affairs from 8/10/2012 until 30/03/2013.
- Minister of Political Development from 2/5/2012 until 07/10/2012.
- Associate professor of Public Law at the University of Jordan since 2006 present.
- Lawyer and legal advisor from 2006 to 2012.
- Head of the legal department / Telecommunications Regulatory Authority from 8/1/2003 until 20/1/2004.
- Legal Researcher in the Office of the Jordanian accounting from 1/1/1999 until 8/12/1999
- Member at the company of Aldamaan for Energy Investment .









Samir Abu Lughod/ Independent

Date of designation in the Board: 13/4/2017. Date of birth: 7/12/1951.

Qualifications:

Bachelor's Degree in Accounting 1976.

Practical experience and memberships:

- Chairman of the Audit Committee The International Criminal Court / The Hague, Netherlands March 2017 till now.
- Member of the Audit Committee The International Criminal Court / The Hague, Netherlands January 2016 till March 2017.
- Country Senior Partner PWC, Jordan 2009-2012.
- Managing Partner EY, Jordan, 2002-2009.
- Office Managing Partner Arthur Andersen, Jordan, 1979-2002.
- Senior Auditor Saba&Co 1976-1979.

Dr. Ibrahim Saif/ Independent

Date of designation in the Board: 22/10/2017. Date of birth: 10/8/1965.

Qualifications:

- BA in Economics and Accounting from Yarmouk University 1986
- MSc. in Economics from University of London 1988.
- PhD in Economics from University of London 2001.

Practical experience and memberships:

- Minister of Planning and International Cooperation 2013 –2015, and in March 2015 assumed the position of Minster of Energy and Mineral Resources till June 2017.
- Researcher at Carnegie Middle East Center, as his researches focused on Middle East Economics, 2012-2015.
- Secretary General, Economic and Social Council, Jordan 2009 -2012 .
- Professor of Economics, and manager of the Center for Strategic Studies, Jordan University, 2002-2008.

Salem Burgan/ Independent

Date of appointment to the Board: 17/12/2018 Date of birth: 1/1/1952

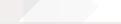
Qualifications:

• Bachelor of Accounting / University of Jordan, Amman / Jordan.

Practical experience and memberships:

- Chief Executive Officer and then Chairman of Arab Islamic International Bank.
- Important administrative positions at the Arab Bank in Jordan and abroad.
- Vice Chairman of the Board of Directors of Arab National Leasing Company
- Member of the Board of Directors of Al-Nisr Al-Arabi Insurance Company and then Chairman of its Board of Directors.
- Chairman of the Board of Directors of the Jordanian Group of Maritime Agencies.
- Chairman of the Board of Directors of Arab Investment Group / Palestine & Member of the Board of Directors of Al-Arabi Investment Group / Jordan.
- Financial and Administrative Manager / Arab Insurance Company.
- Senior Auditor Saba&Co.
- Board of Directors of several important companies in the Kingdom.







Dr. Khaled Al Zantouti

Representative of: AI-Etihad Islamic for Investment Co.

Date of appointment to the Board: 17/12/2018

Date of birth: 24/12/1954

Qualifications:

- PhD in Finance Administration and Management of Organization and Marketing , Bosphorus University Turkey 1992.
- MBA in Management Accounting University of Hartford C.T USA (Hons) 1982.
- Bachelor of Accounting, Faculty of Economics, Qaryounis University, Benghazi, Libya 1976.

Practical experience and membership:

- (1988 2000) Different positions, as Manager and DM in different companies owned by Libyan Arab Foreign Investment Company (LAFICO) in Turkey, Italy, Germany, Pakistan, Egypt.
- (2000 2002) State Secretary Investment and International Cooperation Libyan Cabinet.
- (2002 2004) Chairman and General Manager Libyan Arab Foreign Investment Co. (LAFICO).
- (2012 2016) Full time Ass. Proff. Of Finance and Accounting at PUST University Amman Jordan.
- General Manager and Chairman of the Management Committee / Long Term Investment Portfolio / Libya Tripoli 2004/2012.
- Advisor to the Union Bank Union Bank Amman / Jordan 2012 -2016.
- Financial, Economic and Investment Consultant for long term portfolio Amman, Jordan, 2016 till now.
- Vice Chairman of the Board of Directors of the British Arab Bank London / Britain 2004/2012.
- Vice Chairman / Union Bank Amman Jordan 2007/2012.
- Vice Chairman of the Board / Libyan Foreign Bank / Tripoli Libya 2009/2012.
- Member of the Board of Directors of the Arab Banking Corporation ABC Manama Bahrain 2010/2012.

Members of the Shari'a Supervisory Board and a Profile of each of them:



His Eminece Prof. Dr. Hussein Hamed Hassan

Chairman of the Shari'a Supervisory Board and Executive Member Date of birth: 25/07/1932

Date of appointment: 28/04/2018

Certificates:

- PhD in Jurisprudence and Principles of Islamic Jurisprudence (Islamic law and Sharia), Al-Azhar University, Egypt 1965.
- Master of Comparative Jurisprudence, International Institute of Comparative Law, University of New York, USA 1964.
- Diploma in Comparative Law, International Institute of Comparative Law, New York University, USA 1963.
- Diploma in Islamic Law, Cairo University, Egypt 1962.
- Diploma in Private Law, Al-Azhar University, Egypt 1961.
- High degree in Sharia, Al-Azhar University, Egypt 1959.

Experiences:

- Chairman of the Shariah Supervisory Board of more than 13 Islamic financial institutions.
- Member of the Shariah Supervisory Board of more than 9 Islamic financial institutions and Islamic banks.
- Chairman of Assembly of Muslim Jurists in America.
- Member of Islamic Jurisprudence Complex of the Islamic World League.

Jobs currently held outside the bank:

- Member of the Sharia Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.

His Eminece Prof. Dr. Ali Muhieddin Al-Qaradaghi

Deputy Chairman of the Shari'a Supervisory Board

Date of Birth: 01/01/1949

Date of appointment: 28/04/2018

Certificates:

- PhD in Shariah and law in the field of contracts and financial transactions, Al-Azhar 1985.
- Master of Comparative Jurisprudence, Faculty of Sharia and Law, Al-Azhar University, 1980.
- BA in Islamic Sharia, Baghdad 1975.
- Certificate of Scientific of Completion (Ijaza) in Islamic Sciences by Sheikhs in 1970.
- Graduated from the Islamic Institute in 1969.

Experiences:

- Secretary General of the World Union of Muslim Scholars.
- Expert of the Islamic Jurisprudence Complex related to the Organization of the Islamic Conference in Jeddah.
- Vice President of the European Council for Fatwa and Research.
- Professor and Head of the Department of Jurisprudence and Principles of Islamic Jurisprudence, Faculty of Sharia, Law and Islamic Studies, University of Qatar (formerly).
- Member of the Shari, a Board of the Audit Authority for Islamic Financial Institutions.
- Chairman and executive member of the Fatwa and Shari, a Supervisory Board for a number of Islamic banks, Islamic insurance companies in Qatar such as Qatar Islamic Insurance, and outside Qatar such as Dubai Islamic Bank, Investors Bank of Bahrain and First Investment in Kuwait.

Jobs currently held outside the bank:

- Chairman or executive member of the Fatwa and Shari>a Supervisory Board of a number of Islamic banks outside Jordan.





His Eminence Sheikh Abdul Karim Al-Khasawneh Member of the Shari'a Supervisory Board

Date of birth: 02/10/1944

Date of appointment: 28/04/2018

Certificates:

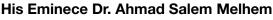
- BA in Sharia, University of Damascus.

Experiences:

- His Eminence the Chief Justice of the Hashemite Kingdom of Jordan.
- The Grand Mufti of the Hashemite Kingdom of Jordan (formerly).

Jobs currently held outside the bank:

- Member of the Fatwa Board.
- Member of the General Secretariat of the world Fatwa institutions and advisory bodies.
- Member of the Council of the Ministry of Endowments and Islamic Affairs and Sanctities.
- Member of the Board of Trustees of the International Islamic University.
- Member of the Council of Education.
- Chairman of the Board of Directors of Orphans Fund Development Foundation.
- Chairman of the Board of Alimony Fund.



Member of the Shari'a Supervisory Board

Date of birth: 15/02/1961

Date of appointment: 28/04/2018

Certificates:

- PhD in comparative jurisprudence 1994.
- Master of Jurisprudence and Legislation 1987.
- BA in jurisprudence and legislation 1982.

Experiences:

- Legal Advisor in the Shariah Supervisory Board of the World Federation of Takaful Companies and Islamic insurance in Khartoum.
- Legal Advisor in the Advisory Board of the North African Bank in Libya.
- Part time lecturer at Al Zaytouna Private University.
- Legal Advisor in the Shariah Supervisory Board of the Islamic insurance company (formerly).

Jobs currently held outside the bank:

- Board of Commissioners of Securities Commission.
- Legal Advisor in the Shariah Supervisory Board of the Jordan Engineers Association.
- Legal advisor in the Shariah Supervisory Board of Orphans Fund Development Foundation.



Members of the Senior Executive Management and Profile of each of them:



Samer Saadi Hassan Al Sahib Tamimi/ General Manager, Chief Executive Officer

Mr. Samer Tamimi joined Safwa Islamic Bank Since 01/03/2018 with extensive banking and management experience in banks and financial institutions for more than 29 years during which he worked in prominent financial institutions in the Hashemite Kingdom of Jordan, United Arab Emirates, State of Qatar, and United States of America.

Mr. Samer is holding Master's degree in accounting. Mr. Samer is the Executive Director of Safwa Islamic Bank. He was Executive Director of the United Arab Bank from 2015 to 2018. He held various positions at Arab Bank from 1993 to 2015. He was Senior Auditor at Global Audit Group from 1991 to 1993. He also worked at Deloitte & Touche from 1990 to 1991.

Mr. Samer Tamimi is a member of the Board of Directors of the Zakat Fund. He is the Chairman of Misc Financial Brokerage. He also was a member of the Board of Directors of Europe Arab Bank in London and Arab Bank Australia. As well as a member of the board of directors and investment in the University of Science and Technology.

Rami Ziad Abdelfattah Khayyat, Deputy CEO, Chief of Corporate Banking

Mr. Rami Al Khayyat joined the Bank on 01/03/2010 as Deputy CEO, Chief of Corporate Banking, with more than 24 years of experience in corporate banking in prestigious commercial and Islamic Jordanian and regional banks.

Mr. Rami started his career as a Credit Officer at Cairo Amman Bank in 1995, Then he moved to Saudi Arabia as Head of Commercial Banking Division in the Western Region at the Arab National Bank. In 2008 he was the Head of Corporate Banking Division for Dubai and North Emirates at Abu Dhabi Islamic Bank. In addition to this he worked as a part-time lecturer at the Arab Academy for Banking and Financial Sciences.

Mr. Rami Al- Khayyat is a member of the Board of Directors of MISC for Financial Brokerage Company. He is also heading and a member of the board of directors of several foreign companies. Mr. Rami holds a master's degree in Banking from the Arab Academy for Financial and Banking Sciences and a bachelor's degree in Accounting from Yarmouk University in Jordan.



Hani Mohammad Sobhi Ahmad AI - Zrari, Deputy CEO , Chief of Central Operations

Mr. Hani Al - Zrari joined the Bank on 01/07/2010 as Deputy CEO, Chief of Central Operations and Information Technology, with more than 25 years of experience in Central Operations and Information Technology.

He started his career at Cairo Amman Bank till he became the head of Remittance and Foreign Exchange Department. Then he joined Citibank where he held many positions, such as Central Operations, Compliance and Internal Control. He then moved to UAE to work for Dubai Islamic Bank as the head of International Project Support Unit.

Mr. Hani holds a Bachelor's degree in Economics from Yarmouk University in Jordan in 1985.





Ziad Said Khalil Kokash, Deputy CEO, Chief Risk Management

Mr. Ziad Kokash joined the bank on 16/09/2012 as Deputy CEO, Chief Risk Officer supported by 27 years of experience in Risk Management.

He started his career with Cairo Amman Bank in Credit Department as a Credit Officer. in ABC Bank, he became as a senior Credit officer, then in Ahli Bank, he left as Assistant General Manager, Head of Risk Management Group.

Mr. Kokash holds a Master degree in Financial Management from Arab Academy for Banking and Financial Sciences in Jordan 2006, and a Bachelor's degree in Banking and Finance Sciences from Yarmouk University in 1992.

Mr. Ziad Kokash is a Board of Directors Member of MISC for Financial Brokerage Company.



Ibrahim Salah Mohammad Samha, Deputy CEO, Chief of Finance & Corporate Strategies

Mr. Ibrahim Samha joined the Bank on 31/03/2013 as Deputy CEO, Chief Of Finance & Corporate Strategies with 24 years of experience in financial management.

He started his career at HSBC Bank in the Financial Control Department. Then he moved to work for Capital Bank as Assistant General Manager, Chief of Financial Control. He later moved to work for Al Rajhi Bank as Chief Financial Officer.

Mr. Ibrahim holds a Master's degree in Finance and Banking Sciences from the Institute of Banking Studies in 2005 and a Bachelor's degree in Accounting from Jordan University in 1994.

Mr. Ibrahim Samha is the Deputy Chairman of the Board of Directors of MISC for Financial Brokerage Company



Nesfat Kamal Salama Taha, Head of Retail Banking

Mr. Nesfat joined the bank on 21/02/2010 as head of Branch Network with 25 years of extensive experience in Retail banking.

He started his professional career at Arab Bank. The last position he held was Area Manager, Jordan Branches / VIP customers Department.

Mr. Nesfat holds a Bachelor's Degree in Business Administration from the American University in Cairo (1993).





Wael Osama Mohammed Mousa Al-Bitar, Head of Treasury and Investment

Mr. Wael Al-Bitar joined the bank on 03/01/2010 as senior manager/ head of financial Institution Relations with a broad experience of up to 24 years.

He worked in many fields including corporate, treasury, investment, credit and financial institutions at several banks in Jordan (Arab Bank, Bank ABC, Capital Bank of Jordan) and has gradually advanced in several important positions in the field of banking.

Mr. Wael Al-Bitar holds a Master's Degree in Business Administration / Finance from the University of Jordan (1999), and a Bachelor's Degree in Economics / Finance from Yarmouk University (1994).

Mr. Wael Al-Bitar is currently a member of several companies (Deputy Chairman of Sukuk National Electricity Owners', Deputy Chairman of Sukuk of Ministry of Finance, Member of the Board of Directors of MISK Brokerage Company, and member of the Board of Directors of Group of Jordan Banks).

Rami Riyad Hasan Al-Kilani, Head of Information Technology

Mr. Rami Kilani joined the bank on 02/10/2011 as Senior Manager, Deputy Chief of Information Technology with 25 years of experience in the field of Information Technology.

He started his career as a Systems Analyst at the Housing Bank and then moved to Cairo Amman Bank as Head of Banking Application Support and later joined Audi Bank as Head of Information Technology.

Mr. Rami Kilani is holding a Bachelor's Degree in Computer Engineering from Amman Private University in 1993 and a Master's Degree in Business Administration from Heriot Watt University in Edinburgh. He got the following certificates of competence: TOGAF, CISSP, CPP, COBIT5, ITIL, PMP, ISO27001.



Ahmad Darwish Mustafa Tarteer, Head of Compliance and Anti-Money Laundering

Mr. Ahmad Tarteer joined the Bank on 21/06/2015 as Senior Manager, Head of Compliance and Anti-Money Laundering with 11 years of experience in the field of banking.

He started his career at Bank ABC as an internal auditor. Then, he became Assistant Manager/Compliance and Anti-Money Laundering Department at Arab Bank. His last position was the Head of Compliance and Anti Money Laundering at the National Bank of Kuwait in Jordan.

Mr. Tarteer holds a Bachelor's Degree in Accounting and Commercial Law from the Hashemite University in 2007. He is a Certified Anti-Money Laundering Specialist by the ACAMS - Miami, USA. And he holds the following international certificates: CAMS, CAMS AUDIT CCM, CCOS, CPT.





Masoud Ismail Masoud Sakf al-Hait, Chief of Legal & Board Secretariat

Mr. Masoud Sakf al-Hait joined the bank on 01/04/2012 as head of the legal department with 26 years of experience in legal affairs.

He started his career as a lawyer at Arab Bank and then moved to Capital Bank as head of the legal department. Later, he worked as lawyer at Ali Sharif Al Zoubi's Office.

Mr. Masoud holds a Bachelor's degree in Law from Jordan University in Jordan in 1992.

Muneer Mohammad Fayyad Faroneyah, Head of Shari'a Supervision

Mr. Muneer Faroneyah joined the bank on 01/08/2010 as a Sharia auditor with extensive experience of 23 years in Islamic banking and Sharia audit.

Mr. Muneer worked at the Jordan Islamic Bank in several positions and departments and His last position was senior Auditor, Internal and Sharia Audit.

Mr. Muneer holds a Master's degree in Finance and Banking speciality Islamic banks from the Arab Academy for Banking and Financial Sciences and a Bachelor's degree in Finance and Banking from Yarmouk University. He has got the certificate of Certified Shari'ah Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain (AAOIFI).



Mohammad Ahmad Salem Hawari, Head of Human Capital Management

Mr. Mohammad Hawari joined the bank on 18/01/2010 as Human Resources Operations Manager with 15 years experience in banking.

He started his career at Jordan Kuwait Bank in the Finance Department and his last job was an Assistant Financial Manager.

Mr. Hawari holds a Bachelor's Degree in Accounting from Mu'tah University in 2003 and a Master's Degree in Accounting from Amman Arab University for higher Studies in 2005. He holds Certified Human Resources Manager Certificate (CHRM).



Khalid Khalil Mohammed Al-Issa, Head of Internal Audit

Mr. Khalid Al-Issa joined the Bank on 20/02/2011 as a Financial Manager of the Financial Audit and Operations Department with an extensive experience of 14 years.

He started his career working at the Housing Bank in the Internal Audit Department and his last job was an Operations Auditor.

Mr. Al-Issa holds a bachelor's degree in Accounting from Al-Bayt University in 2004. He Also holds a number of International certificates: CIA, DIP-IFRS, CCSA, CGAP.



Number of Securities owned by Members of the Board of Directors, Top Management, their relatives or Companies owned by Them as Of end of year 2018 compared to the previous year

			31/12/2018				
Member's Name (representative of legal entity)	Nationality	executive /not executive	independent / not independent	Name of representative of the legal person	Nationality	Number of shares held by the legal entity	Percentage of shares held in the Bank's capital %
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	not executive	not independent				
Basem Salfiti	Jordanian	not executive	not independent				
Deema Agel	Jordanian	not executive	not independent	Al-Etihad Islamic for	-		10100
khaled Al-Gonsel	Libyan	not executive	not independent	Investment Co.	Jordanian	01,794,249	01./94%
Dr. Ahmed Amneisi	Libyan	not executive	not independent				
Dr. Khaled Al Zantouti	Libyan	not executive	not independent				
Dr. Nofan Al- Ageil	Jordanian	not executive	not independent	Government Contributions Management Company	Jordanian	5,550,000	5.550%
Hamdan Al-Fawair	Jordanian	not executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%
Name of Board Member (representing his personal capacity)	Nationality			Number of shares owned by a member of the Board of Directors	Percentage of shares held in the Bank⁄s capital%		
Samir Abu Lughod	Jordanian	not executive	independent	1,500	0.002%		
Salem Burgan	Jordanian	not executive	independent	2,000	0.002%		
Dr. Ibrahim Saif	Jordanian	not executive	independent	1,500	0.002%		
Member of the Board of Directors who owns shares in the Bank in his or her personal capacity	Nationality	Number of shares owned by a member of the Board of Directors	es owned by a ard of Directors	%Percentage of shares held in the Bank∕s capital			
Dr. Nofan Al- Aqeil	Jordanian	1,000	00	0.001%			
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	64,950	50	0.065%			
Basem Salfiti	Jordanian	T		-			
Deema Aqel	Jordanian	T					
khaled AI-Gonsel	Libyan	I		1			
Dr.Ahmed Amneisi	Libyan						
Dr. Khaled Al Zantouti	Libyan						
Hamdan Al-Fawair	Jordanian	I		ı			

			31/12/2017				
Member's Name (representative of legal entity)	Nationality	executive /not executive	independent / not independent	Name of representative of the legal person	Nationality	Number of shares held by the legal entity	Percentage of shares held in the Bank's capital %
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	not executive	not independent				
Basem Salfiti	Jordanian	not executive	not independent				
Deema Aqel	Jordanian	not executive	not independent	AI-Etihad Islamic for	-		
khaled Al-Gonsel	Libyan	not executive	not independent	Investment Co.	Jordanian	01,794,249	01.734%
Dr. Ahmed Amneisi	Libyan	not executive	not independent				
Fayez Al-Maremi	Libyan	not executive	not independent				
Dr. Nofan Al- Aqeil	Jordanian	not executive	not independent	Government Contributions Management Company	Jordanian	5,550,000	5.550%
Hamdan Al-Fawair	Jordanian	not executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%
Name of Board Member (representing his personal capacity)	Nationality			Number of shares owned by a member of the Board of Directors	Percentage of shares held in the Bank⁄s capital%		
Samir Abu Lughod	Jordanian	not executive	independent	1,500		0.002%	
Haytham Kamhiyah	Jordanian	not executive	independent	2,000		0.002%	
Dr. Ibrahim Saif	Jordanian	not executive	independent	1,500		0.002%	
Member of the Board of Directors who owns shares in the Bank in his or her personal capacity	Nationality	Number of shares owned by a member of the Board of Directors	es owned by a ard of Directors	%Percentage of shares held in the Banks capital			
Dr. Nofan Al- Aqeil	Jordanian	1,000	00	0.001%			
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	T		T			
Basem Salfiti	Jordanian	-		-			
Deema Aqel	Jordanian	I		1			
khaled Al-Gonsel	Libyan	I		I			
Dr. Ahmed Amneisi	Libyan	I		I			
Fayez Al-Maremi	Libyan	I		I			
Hamdan Al-Fawair	Jordanian	1		I			



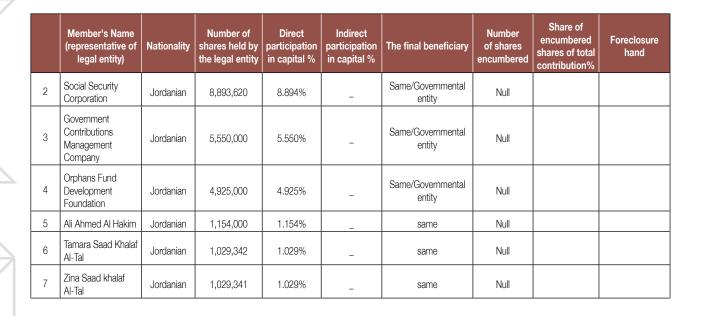
- * There is no ownership for any of the top managment or their relatives or companies owned by them as of end of year 2018 and end of yesr 2017.
- * There is no ownership of companies owned by any of Board members as of end of year 2018 and end of year 2017.
- * There is no ownership of securities owned by relatives of the BOD except ownership of sons Dr. Nofan Al- Aqeil(Abdullah,Noor,Noof and Omar) a total of 1000 share in Safwa Islamic Bank for each one of them as of end of year 2018 and end of year 2017.

Names of major shareholders and the number of shares they own compared to the previous year

		31/12/	/2018			31/12/	/2017
Name	Nationality	Percentage of shares held in the Bank's capital %	Number of shares held by the legal entity	Name	Nationality	Percentage of shares held in the Bank's capital %	Number of shares held by the legal entity
Al-Etihad Islamic for Investment Co.	Jordanian	61.794%	61,794,249	Al-Etihad Islamic for Investment Co.	Jordanian	61.794%	61,794,249
Social Security Corporation	Jordanian	8.894%	8,893,620	Social Security Corporation	Jordanian	5.968%	5,967,651
Government Contributions Management Company	Jordanian	5.550%	5,550,000	Government Contributions Management Company	Jordanian	5.550%	5,550,000

Shareholders, who own 1% or more from the bank capital and the final beneficiary for these shares as of 31/12/2018

	Member's Name (representative of legal entity)	Nationality	Number of shares held by the legal entity	Direct participation in capital %	Indirect participation in capital %	The final beneficiary	Number of shares encumbered	Share of encumbered shares of total contribution%	Foreclosure hand
1	AI-Etihad Islamic for Investment Co.	Jordanian	61,794,249	61.794%			Null		
1.1	Bank al Etihad	Jordanian	35,840,664	35.841%	58%		Null		
						Owned by companies: Bank of New York Mellon, 34.37%			
1.1.1	Blom Bank	Lebanese	35,550,094	7.963%	22.219%	Banorabe SA SPF, 17.86% (No shareholder owns more than 10% each)			
						Others shareholders, 26.37% (No shareholder owns more than 10% each)			
1.1.2	Libyan Foreign Investment Company	Libyan	32,413,763	7.261%	20.259%	Owned by Libyan government	Null		
						Owned by companies:			
						Rajai Salfiti Holding			
						TRHS Holding (Tareq Rajai Salfiti)			
1.1.3	RS FINANCE	Cayman	24,149,840	5.410%	15.094%	ZRS Holding (Zaid Rajai Salfiti)	10,000,000	41.408%	The Housing Bank for Trade
1.1.0		Islands	24,140,040	0.41070	10.00470	FRS Holding (Faisal Rajai Salfiti)	10,000,000	41.40070	and Finance
						DRS Holding (Dina Rajai Salfiti)			
						SRHS Holding (Samia Rajai Salfiti)			
							1,392,564		
1.1.4	Essam Halim Salfiti	Jordanian	12,707,886	2.846%	7.942%	Same	Jordanian		MULTIPLE BRANCHES THROUGHOUT
	1	1	1	1	1	Total	5,105,580	40.176%	Societe Generale Bank
1.1.5	Social Security Corporation	Jordanian	8,473,212	1.898%	5.296%	Same/Governmental entity	Null		
1.1.6	Jordan Valley Company for Livestock Development	Jordanian	4,526,848	1.014%	2.829%	 Hammoudeh Group (Sami, Maher, Sammer and "Mohammad Nabil" Jordan Chemicals Co. (Sami, Maher, Sammer and "Mohammed Nabil" Hammoudeh) Sami Abdel-Hadi Hammoudeh Maher Abdel-Hadi Hammoudeh Sammer Abdel-Hadi Hammoudeh Sammer Abdel-Hadi Hammoudeh "Mohammad Nabil" Abdel-Hadi Hammoudeh 	Null		
1.2	Libyan Foreign Investment Company	Libyan	25,953,585	25.954%	42%	Owned by Libyan government	Null		



Rewards and bonuses of the Board of Directors Chairman and Members

Board of Directors Members	Mobility Allowances & attending BOD meetings	Membership of committees	Paid bonuses	Total
Dr. "Mohammed Nasser" Abu Hammour	104,400	18,500	5,000	127,900
Hamdan Al-Fawair	20,400	7,500	3,589	31,489
Dr. Nofan Al- Aqeil	-	7,500	-	7,500
Government Contributions Management Company	20,400	-	5,000	25,400
Deema Aqel	20,400	21,500	5,000	46,900
Basem Salfiti	20,400	22,000	5,000	47,400
khaled Al-Gonsel	20,400	5,500	5,000	30,900
Dr. Ahmad Amneisi	20,400	2,000	3,589	25,989
Samir Abu Lughod	20,400	10,500	3,589	34,489
Dr. Ibrahim Saif	20,400	5,500	959	26,859
Dr. Khaled Al Zantouti (Member since 17/12/2018)	823	500	_	1,323
Salem Burgan (Member since 17/12/2018)	823	500	-	1,323
Haytham Kamhiyah (Quit on 29/11/2018)	18,700	13,000	3,589	35,289
Fayez Maremi (Quit on 1/11/2018)	17,000	15,000	5,000	37,000
Total	304,946	129,500	45,315	479,761

* Members of the Board of Directors not received any salaries other than the allowance and the afore mentioned bonues

Declarations of the Board of Directors

Each of the under signed Board of Directors declares that he / she did not gain any benefits, either cash or in -kind as a result of his position at the bank and was not declared whether for himself or any of his related parties during the year 2018.

Chairman Salem Mohammad Abu-Hammour Dr."Moh'd Naser

Deputy Chairman

Hamdan Mustafa Alfayad Al Fawair

Basem Isam Halim Salfiti

Deema Mufleh Mohammad Agel

Dr. Noufan Mansour Ageel Alaqil

Khaled Amr E Algonsel

Dr. khaled F M Zentuti

Dr. Ahmed Menesi Menesi

Salem Abdel-Monem Salem len Burgan

Samir H.A Abu Lughod

Dr. Ibrahim Hassan Mustafa Saif 5

Declarations of the Board of Directors

 The Board of Directors hereby declares that there are no material issues that may affect the Bank's continuity during the next financial year 2019.

 The Board of Directors declares its responsibility for the financial statements and that the bank has an effective control system.

Chairman Dr. "Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman

Hamdan Mustafa Alfayad Al Fawair

Basem Isam Halim Salfiti

Deema Mufleh Mohammad Agel

Dr. Noufan Mansour Ageel Alaqil

Khaled Amr E Algonse

Dr. khaled FM Zentuti

Dr. Ahmed Menesi Menesi

Salem Abdel-Monem Salem lem Burgan

Samir H.A Abu Lughod

Dr. Ibrahim Hassan Mustafa Saif

٦

Declaration

We, the undersigned, declare that all information and data provided in this annual report for the year 2018 are complete, accurate and comprehensive.

Mergyad Chairman

4

Chief Executive Officer

Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Samer Sa'di Hasan Al-Saheb Al Tamimi

Chief of Finance & Corporate Strategies Ibrahim Salah Mohammad Samha

Advantages and rewards enjoyed by the Chairman and members of the Shari'a Supervisory Board

Members of The Shari›a Supervisory Board	Transportation and attending the meetings of the Shari'a Supervisory Board	Number of sessions of the Commission attended	Paid bonuses	Total
Prof. Dr. Hussein Hamed Hassan	6,608	4	31,090	37,698
Prof. Dr. Ali Muhieddin Al Qaradaghi	5,500	5	7,090	12,590
Dr. Ahmad Salem Melhem	6,600	6	7,090	13,690
His Eminence Sheikh Abdul karim Al-Khasawneh (Member since 28/4/2018)	3,300	3	-	3,300
Dr. Ali Mohammed Al-Sawa (Resigned on 28/4/2018)	3,300	3	2,367	5,667
Total	25,308		47,637	72,945

- The number of meetings of the Shari, a Supervisory Board during the year 2018 (6) meetings.

- The Shari'a Supervisory Board met twice with the Board of Directors in 2018.

- The Shari'a Supervisory Board met twice with the External Auditor during 2018.

In the Name of Allah, Most Gracious, Most Merciful

Declaration of not receiving any benefits

Peace be upon you,

Referring to Corporate Governance's instructions of Islamic Banks No (64/2016), we, the Sharia Supervisory Board Members, did not get any benefits which we didn't disclose during our work, whether materialistic or non-materialistic, whether to our personal benefit or to any of the stakeholders, in the past year 2018.

Chairman Prof. Dr. Hussein Hassan

Deputy Chairman Prof. Dr. Ali Al Quradaghi

Member dis

Sheikh Abdul Karim khasawneh

Member

Dr. Ahmad Melhem



Rewards and Bonuses of the Top Management

Name	Job	The total annual Salaries	Transportation Allowances	2017 Bonuses	Total
Samer Tamimi	Chief Executive Officer	471,889	-	-	471,889
Rami Khayat	Depuity CEO, Chief of Corporate Banking	162,086	3,300	14,000	179,386
Hani Al-Zrari	Depuity CEO, Chief of Centeral Operations	149,723	3,300	17,000	170,023
Ziad Kokash	Depuity CEO, Chief Risk Management	149,240	3,300	25,000	177,540
Ibrahim Samha	Depuity CEO, Chief of Finance and Corporate Strategies	150,103	3,300	30,000	183,403
Nesfat Taha	Head of Retail Banking	102,191	1,400	12,000	115,591
Wael Al - Bitar	Head of Treasury and Investment	66,450	1,900	10,000	78,350
Rami Al-Kilani	Head of Information Technology	98,337	2,900	10,000	111,237
Ahmad Tarteer	Head ofCompliance and AML	67,123	1,400	6,000	74,523
Masoud "Sakf al-hait"	Chief of legal & Board secretariat	121,369	3,300	13,000	137,669
Muneer Faroneyah	Head of Shari'a Supervision	58,831	2,900	8,000	69,731
Mohammed Hawari	Head of Human Capital Management	51,064	1,400	6,576	59,040
Khalid Al - Issa	Head of Internal Audit	45,046	1,400	7,000	53,446
Total		1,693,452	29,800	158,576	1,881,828

The total bonues which were paid to members of the Executive Management at the end of the year amounted to 212 thousand dinars

Number of employees of the Bank by categories of qualifications as at 31/12/2018

Qualification	No. of Employees
PhD	2
Master's Degree	42
Higher Diploma	3
Bachelor Degree	520
Diploma	21
General Secondary Education	8
Pre-Secondary Education	12
Total	608

Training programs for Bank employees in 2018

Pograms Name	Pograms No.	No. of participants	General description of program objectives
Shari'a Education Programs	7	130	These programs aim to develope employee skills in terms of Shari'a banking and to provide them with Shari'a banking bases and foundations that enable them to serve the clients properly.
Policies, Laws and Procedures Education Programs	54	2134	Bank management is keen to adhere to all adopted policies and laws, which contributes to comply with relevant regulations and legislations.
Following Positive behaviors, Communication Skills and Personal Skills	24	320	These programs aim to develop the personal and managerial skills of employees.
Best Practice Programs in Customer Service and Sales	10	184	These programs aim to emphasize employee skills to the level of excellence in customer service, maintaining customers, dealing with complaints, focusing on the Bank's mission to provide innovative and distinguished services so as to build a lasting partnership and introduce them to the right basics of sales according to the highest quality standards.
New Employees Orienation Program	2	69	These programs aim to qualify new employees and provide them with all necessary information and support to ensure their integration into the work environment and to achieve the expected performance.
Development of Leadership and Management Skills	14	82	These programs aim to develop leadership skills of managers, help leaders to achieve bank objectives and provide them with the skills necessary for performing their work professionally.
Specialized Programs in Banking	98	770	These programs aim to emphasize and enable employees knowledge in their specialized work fields and to keep up the latest developments and updates with regard to their work and to increase the efficiency and effectiveness in carrying out their various duties.
Specialized Professional Certificates	28	78	These programs aim to qualify employees, enhance their knowledge and skills through obtaining specialized professional certificates.
Conferences and Seminars	37	56	Attend a multiple of conferences and seminars.
	274	3823	

Safwa Bank geographic locations and number of employees in each branch

No.	Branch	District Name	Street	Building No	Telephone	Fax	Number of Employees
1	Main Administration Building	Abdali / Boulevard project	Suleiman Nabulsi	38	4602100	4647821	272
2	Management Building Jabal Amman	Jabal Amman neighborhood / Zahran area	Islamic Islamic Scientific College	31	4602100	4602184	62
3	Abdali	Abdali / Boulevard project	Suleiman Nabulsi	38	4602100	4602728	10
4	Jabal Amman	Jabal Amman neighborhood / Zahran area	Islamic Scientific College	31	4602100	4602723	7
5	Al-Bayader	Al Rawnq / Wadi Sir area	Hosny Suber	33	4602100	4602711	9
6	Al Madina Al Munawwarah	Al Salam neighborhood / Tla ‹Al Ali area	Al Madina Al Munawwarah	121	4602100	4602712	9
7	Shmeisani	Shmeisani district / Abdali area	Ilya Abu Madi	6	4602100	4602713	8
8	Al Wehdat	Alawda / Yarmouk area	Prince Al Hassan	313	4602100	4602714	8
9	Sweifiyeh	Sweifieh district / Wadi al-Seer area	Abdul Rahim Al-Haj Mohammed	70	4602100	4602718	7
10	Al Khaldi	Al-Radwan neighborhood / Zahran area	lbn Khaldun	38	4602100	4602719	5
11	Khalda	Khalda District / Tlaa Al Ali Area	Amer bin Malik	49	4602100	4602720	7
12	Taj Mall	Southern Abdoun district / Zahran area	Saad Abdo Shammout	2	4602100	4620721	13
13	Al Jbaiha	Al-Fadila neighborhood / Sweileh area	Qween Rania Al Abdullah	329	4602100	4602722	7
14	Al Hashemi	Raghadan district / Basman area	Batha	97	4602100	4602725	7
15	Jabal Al - Hussein	Jabal Al Hussein neighborhood / Abdali area	Khalid ibn al- Walid	203	4602100	4602726	6
16	Gardens	Baraka District / Tla ‹Al Ali Area	The martyr Wasfi al - Tal	110	4602100	4602109	12
17	Dabouq	Al-Bashaer district / Sweileh area	King Abdullah II	149	4602100	4602734	9
18	Istiklal Mall	Jabal Al Nozha / Basman area	Istiklal Street	1	4602100	4602730	10

No.	Branch	District Name	Street	Building No	Telephone	Fax	Number Employe
19	Abu Naseer	Al-Amana neighborhood / Abu Nseir area	Abu Nseir Street	145	4602100	4602731	7
20	Tabarbour	Tarek area	Tarek Street	78	4602100	4602733	11
21	Al Rabiah	Al Salam neighborhood / Tla Al Ali area	Abdullah bin Rawaha Street	17	4602100	4602735	8
22	Mecca Mall	Mecca Mall	Abdullah Al- Daoud Street	20	4602100	4602736	13
23	Al Hureyye Street	Mqablain	Al Hureyye Street	150	4602100	4604770	7
24	Marka	Al Zahraa district	King Abdullah Street	440	4602100	4602739	7
25	Sports City	Al Hussein Youth City neighborhood	Sarh Al Shaheed Street	90	4602100	4604774	7
26	Sahab	King Abdullah II City	Banks	254	4602100	4602724	6
27	Marj Al Hamam	Marj Al Hamam area	Princess Taghreed Mohammed	47	4602100	4602729	7
28	Madaba	West District	Al Yarmouk Street	-	4602100	4604773	7
29	Al Zarqa - Saadeh Street	The first area	Saadeh Street	74	4602100	4602735	8
30	New Zarqa	New Zarqa / Fifth Area	Street 36	36	4602100	4602716	9
31	Salt	Al-Kharabsheh neighborhood	Amreya Bridge	-	4602100	4604772	7
32	Jerash	District of Kairouan	Kairouan roundabout	-	4602100	4604771	7
33	Irbid	Hashemi	Al Hashemi Street	84	4602100	4602715	10
34	Irbid City Center	City Center Mall	Prince Hassan	-	4602100	4602727	11
35	Aqaba	Hotel Area	Al Nahda Street	722	4602100	4602738	8
						Total	608

The Bank Bonus Policy

The Bank adopts a clear-cut bonus policy which aims at creating excellent results through promoting the employees' excellence and high performance culture; that in return contributes to attracting distinctive, high-qualified and skilled calibres', in addition to maintaining, supporting and developing and the incumbent efficiencies to upgrade the Bank and increase its competitiveness.

The bonuses are annually distributed over the employees based on the annual performance assessment and the extent of achieving goals determined at the beginning of the year; while the bonus system is characterized by transparency and fairness; and is in line with the human capital policies and the institutional governance instructions.

Subsidiaries

Misc For Brokerage (Misc)

- Established in 2011, with a capital of JOD 750,000.
- Its capital stood at JD 2 million by 2018-end.
- The company's major business is financial brokerage on the Amman Stock Exchange (ASE).
- The Bank owns a 100% stake in Misc.
- Jabel Amman Area, next to the Islamic Scientific College.
- Staff number: seven
- Misc's objectives: Trading securities on behalf of other persons and a broker for its account.

Alahjar Real Estate For Construction Company* (Jordan Dubai Real Estate For Construction Company Previously)

*A decision was issued by the General Assembly for Alahjar Real Estate For Construction Company, in their extraordinary meeting held on 23 May 2018, to liquidate the Company. The Company's management moved to the designated liquidator. Therefore, the Company's balances have been deconsolidated when preparing the consolidated financial statements. An impairment provision was recorded for the investment in Alahjar Real Estate for Construction Company, with reference that The Bank owns a 100% stake in the company and Its capital is JD 100,000.

Fees of Bank and Subsidiaries' Auditors

The fees of Bank and subsidiaries' auditors reached JOD 105,270 in 2018.

Also, the fees of Bank and subsidiaries' auditors for additional services reached JOD 32,422 in 2018 as follows:

-The fees of Bank and subsidiaries' tax auditors reached JOD 14,500.

- The fees of reviewing business continuity plan for the Bank reached JOD 12,992.

- The fees for reviewing the policies of anti-money laundering and terrorism finance for the subsidiary (MISC For Financial Brokerage Co) reached JOD 4,930

The audit committee that emerged from the bank board of directors reviewed engagement letters and contracts with external auditors and the due measures were adopted in order to maintain the independency of the external auditor.



Reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively

• There is no reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively.

Description of any government protection or any privilege enjoyed by the Bank or any of its products, in accordance with the laws and regulations, where there are no patents or privileges obtained by the Bank

• There is no government protection or any privileged enjoyed by the Bank or any of its products, subject to the laws and regulations, as there are no patents or franchises acquired by the Bank.

Description of resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities.

• There are no resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities.

A statement of the contracts, projects or agreements concluded by the Bank with its subsidiaries, subsidiaries, affiliates, chairman, members of the Board of Directors, general managers or any of the employees of the Bank or their relatives.

• There are no contracts, projects or agreements held by the Bank with subsidiaries, sister companies, affiliate companies, chairman, board members, general managers or any of Bank employees, or their relatives.

The international quality standards apply to the Bank, as it acquired:

1- Certificate of the international standard «PCI DSS» for applying the best international standards of information security in banking card transactions. And to provide the highest level of protection and confidentiality of data on electronic payment cards, within the latest version (V3-2-1).

2- ISO-9001:2008 certificate, for applying the international quality standards by SGS Company, with authorization from UKAS, United Kingdom.

3- ISO-27001:2013 certificate for information security by SGS Company, with authorization from UKAS, United Kingdom.

Numbar	the beneficiary	Total			
1	The Jordanian Hashemite Fund	26,978			
2	Jordan River Foundation	10,000			
3	Support Fund for Families of Martyrs of the Armed Forces	10,000			
4	Foundation for the Development of Orphans' Funds	10,000			
5	Tkiyet Umm Ali	10,000			
6	Ministry of Awqaf and Islamic Affairs and Holy Sites	8,000			
7	Jordan Hashemite Charity Organization	6,520			
8	Endowment of education	6,500			
9	Trust Fund for the future of orphans	3,600			
10	King Hussein Cancer Foundation	2,000			
11	Al Jazeera Sports Club	1,000			
12	Ibn Sina Society	600			
13	Salt Charity Association	500			
14	Environment Friends Association and New Generation Club	494			
15	Gathering women's committees	350			
16	Support the conference of challenges to transport reality and future aspirations	300			
	Total				

Donations and grants made by the Bank during 2018

Most Important Lawsuits Filed by and against Safwa Islamic Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court	
1871/2017	preventing claim	JD 1,996,651	Amman First Court of Instance	
1292/2017	invalidating procedures of implementation of debt bonds worth	JD 200,000 for the purposes of fees	Irbid First Court of Instance	
3155/2017	damage for the purposes of fees	JD 200,000 for the purposes of fees	Amman First Court of Instance	
201/2018	invalidating procedures of implementation of debt bonds worth	JD 140,000 for the pur- poses of fees	Jerash First Court of Instance	

First: Below are the most important lawsuits filed against the Bank

The Bank management and lawyer believe that lawsuits provision, which amounts JOD 60,785 is enough for facing the liabilities that may be imposed on the Bank as a result of all lawsuits filed against the same.

Second: Below are the most important lawsuits filed by the Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court
91/2016	financial claim	JD 379,970	Amman First Court of Instance
2728/2017	financial claim	JD 2,932,000	Amman First Court of Instance
660/2016	financial claim	JD 672,696	Amman First Court of Instance
354/2016	claim of compensation for acquisition	JD 102,176	Irbid First Court of Instance
29/2016	claim of compensation	JD 379,970	Amman First Court of Instance
6764/2018	financial claim for checks	JD 107,074	Amman Magistrates Court
6765/2018	financial claim for checks	JD 235,819	Amman Magistrates Court

The Bank management and lawyer believe that the Bank has a very strong opportunity to win such cases and collect the due debts.

Safwa Bank Risks

The risks that Safwa Islamic Bank exposed to are within the risk appetite from the Board of Directors. Board Risk Committee determines the frameworks of risk management strategies and policies which are approved by the Board of Directors. Operationally, the Bank's risk is managed by a specialized department with qualified staff in line with the Board's guidelines and overall strategy. This department applies international best practices in risk management (Basel II & III) and in line with the requirements and directives of the Central Bank of Jordan.

Risk Management Description, Structure and Nature of its operation

The Risk Management Department is responsible for the Bank's risk management process. It prepares and reviews policies, procedures, controls and limits on the Bank's to manage all types of risks such as credit risks, market risks, liquidity risks, operational risks, rate of return risks, reputation risks, non compliance risks, non-compliance with Shari'a risks , other risks and analyzing and measuring and developing an appropriate measurement methods to mitigate these risks that affect the Bank's profitability and capital adequacy in line with the approved risk management framework which is the base for other policies such as risk appetite as well as is the basic reference for the preparation of the internal capital adequacy assessment process (ICAAP) and Stress Testing. Risk department prepares the risk appetite for all bank activities, approves them from the Board of Directors and compares these levels with the actual levels periodically.

The Risk Management Department prepares periodic reports to the Board of Directors through the Risk Management Committee to inform them with the latest developments related to risk management for their evaluation and recommendations. The Risk Management Department reviews the credit rating process and control the quality of credit on a periodic basis to determine any deterioration in the credit quality and to assess the quality of portfolio facilities which is reflected on the basis of granting and pricing through the implementation of a credit risk rating system,. Also risk management control the credit through reviewing the bank-s clients credit reports before and after the credit decision to ensure the completion of the conditions for granting facilities and administrative approvals.

The Risk Management Department consists of the following departments:

- 1. Risk Policy, Portfolio Management and Market Risk department.
- 2. Operational risk department.
- 3. Corporate Credit Department.
- 4. Department of Credit Control.
- 5. Retail Credit Department.
- 6. Collection Department and Special Assets.

Developments of the Risk Management Department

The Risk Management Department in coordination with the Finance Department and all relevant units completed the implementation of IFRS 9 in accordance with the instructions of the Central Bank of Jordan and best practices through the implementation of an integrated automated system to calculate the expected credit loss for the various portfolios of the Bank and in conjunction with the core banking system. IFRS 9 system includes the automatic extraction of all the required disclosures from the regulatory authorities.

As part of the Department ongoing efforts to develop the credit risk management system, the Scoring System project has been initiated, which is an essential tool for credit decisions and determining the

appropriate pricing. Retail scoring system is a part of an Integrated workflow system includes all phases of applications and approvals in different departments.

The Risk Management Department implied the operational risk management methodologies in terms of completing the implementation of Risk & Control Self-Assessment (RCSA) workshops across all departments and business units and the newly established departments as per the organizational structure of the Bank. Risk department also followed up the departments' commitment to apply corrective Action Plans that related to current control gaps. Also, a follow-up process is conducted on compliance test of controls across all units, department and branches in coordination with other control units to ensure that the controls are tested and documented as part of the self-assessment process. The department also updated the Risk Profiles of the bank departments and make sure that such Profiles are available to the Internal Audit department and Internal Control Unit, which will enhance the implementation of Risk based methodologies in audit and revision. The department collects and analyzes Operational Loss Data and Operational Events to be linked with Risk Profiles.

Regarding the Information Security, the Risk Management Department managed the compliance project with the PCI DSS (PCI DSS) within the third version (3.2.1) and obtaining the certification and following up the annual compliance process.

In addition, an integrated strategy for information security has been developed through updating the Information Security policies in light of best practices and managing the related projects that enhance and improve the controls within bank technical environment and in accordance with the instructions of the Central Bank of Jordan.

Risk Department also participated in the implementation of COBIT5 in accordance with the instructions of the Central Bank.

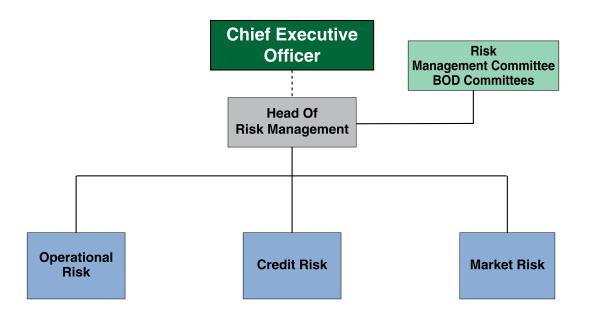
The Department has managed the projects of establish a Security Operations Center to achieve the principle of continuous monitoring of the security events records of systems and networks. Also, risk department managed the project of compliance with the Cyber security Risk instructions issued by the Central Bank of Jordan and with the participation of the different departments within the Bank.

In the area of Security Penetration Testing, a number of tests were conducted for the networks and systems and a specialized testing was conducted for a certain banking applications (Internet Banking and Mobile Banking).

With regard to the bank wide awareness of Information Security and Business Continuity, the Department conducted many workshops for Bank employees on an annual basis.

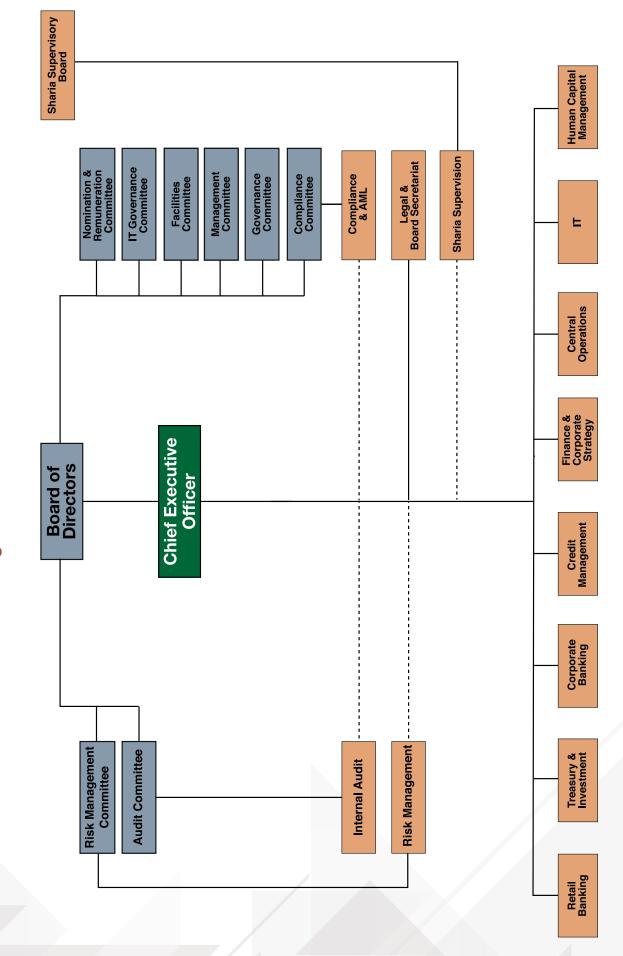
In terms of Business Continuity Plans, the Department has managed the project of developing and updating Business Continuity Plans as a response to the external risk factors and tests were initiated to ensure the readiness of the alternative locations. Payment systems have been checked in coordination with the Central Bank. The Bank Business Continuity Plan has been audited and reviewed by the External Auditor with a positive result.

Risk Management Structure



The credit Management department has been separated from the risk management department by Board of Directors resolution No. (1) dated 11/2/2019.

Organizational Structure



Executive Management's Evaluation of the Effectiveness of Internal Control Systems:

The Bank's strategy, operational plans emanating from it, and related policies in various fields (credit, risk, human resources, information technology) are adopted by the Board of Directors. The Bank's Executive Management prepares the working procedures that govern all the Bank's operations, works to implement the policies adopted efficiently and effectively, conducts periodic review of these procedures, ensures alignment with the environment and work requirements, and makes sure of their ability to optimally implement the policies adopted.

The Board of Directors of Safwa Islamic Bank and the Executive Management are responsible for the development, implementation and maintenance of control systems and internal control at the Bank and is able to ensure and achieve the following:

- The accuracy of the information mentioned in the annual report.
- The accuracy and integrity of the financial and operating statements issued by the Bank.
- Efficiency and effectiveness of the Bank's operations.
- The effectiveness of procedures for protecting the assets and property of the Bank.
- Compliance with internal policies and procedures and applicable laws and regulations.
- The adequacy of the systems of Sharia controls.

This comes from the Bank's belief in the importance of having adequate and effective internal controls which is the responsibility of the executive management to develop, implement and verify its effectiveness after adoption of the Board of Directors, in addition to the Executive Management of the Bank to develop strategies and policies and work on them to be applied after approval by the Board, in addition to the preparation and updating of work procedures in a manner that ensures the identification, measurement and control the risks facing the Bank and the application of these procedures, and the Board of Directors of the Bank is continuously monitoring And assess the efficiency and effectiveness of these systems and their ability to achieve the desired objectives and work to strengthen them.

In this context, the Board has outlined strategic objectives of the Bank as well as oversight of its executive management which is responsible for day-to-day operations. The Board also approves internal control and verification systems of their effectiveness and the Bank's compliance with the strategic plan, policies and procedures adopted or required by law and the instructions issued thereunder, in addition to ensuring that all the Bank's risks have been properly managed.

The implementation of supervision and internal control procedures is achieved through the following authorities:

Shari'a Supervisory:

Shari'a Supervisory is an essential part of the control systems falling within the Bank's organizational structure, as the Shari'a Supervisory Board examines all issues, inquiries and funding formulas that the Bank handles.

The Shari'a Supervisory Department within the Bank examines and assesses the extent of the institution's adherence to the principles and provisions of the Islamic

Shari'a, Fatwas, guidelines and instructions issued by the Shari'a Supervisory Board of the Bank and the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The Shari'a Supervisory Board issues a report attached to the annual report of the Bank about the Sharia opinion on the Bank's work and activities.

Human Capital Management:

Human Resources Department activities include the development and activation of all controls to place every employee in the proper position, according to the qualifications and job requirements, in addition to the continuous follow-up of his performance and evaluation on a semi-annual basis. This



will be achieved by the preparation of a job description specifically for each employee in line with the organizational structure of the Bank and the human capital management policy, as well as what can be achieved through continuous training for all Bank employees in order to promote their competencies to make sure they possess the qualifications required to perform their job professionally.

Internal Audit:

The basis for the process of internal audit are the internal audit policy, the Charter of the Internal Audit Committee, the internal audit, and the annual plan approved for the audit process within the Bank. A documented audit process is conducted for all operations, branches and departments of the Bank periodically to ensure the accuracy of work in each of them to determine the extent of progress in achieving the target in work, and to prepare a report that includes the extent of the correction required in each area. The Internal Audit Department also develops its working methods towards risk-based audit approach in order to increase its effectiveness, and the audit procedures are implemented with complete independence and reports are submitted to the Audit Committee of the Board.

The charter of the internal audit was approved by the Board of Directors which includes functions of the Audit Department, its responsibilities, powers and working methodology, The Charter has been circulated within the Bank and in accordance with the amended instructions of the Institutional Governance of Islamic Banks No. 64/2016 issued by the Central Bank of Jordan on 25/9/2016.

The activity of the department includes all the work centers, activities and operations of the bank and its subsidiaries in a way that the department can assess the adequacy and effectiveness of internal control systems, risk management processes, ;and compliance with the Bank's internal policies, international standards and relevant legislation in accordance with the established annual audit plan. The Audit Committee prepares an annual plan according to systems Internal control and in accordance with the instructions of the internal control and control systems No. 35/2007 issued by the Central Bank of Jordan on 25/9/2007.

Risk Management:

The general framework of risk management includes the main umbrella for risk management at the Bank, An integrated set of credit management policies , and risk management policies.

It must also be noted that any new product or action is prepared by the concerned party, referred to the Department of Risk / Operational Risk Management in advance to make sure it contains all the necessary controls and ensure their effectiveness in reducing the perceived risk.

The Department exercises through its various sections diligent oversight to facilities activities upon granting them, including dealers assessment on «Optimist Rating System». Focused reviews on the credit portfolios and their evaluation are also performed from the risk management perspective. The level of privileges and completeness of guarantees offered to the Bank will be ascertained before using any credit facilities through various levels of control. Existing guarantees whose value is prone to change, and guarantees associated with specific deadlines are also reviewed.

Credit facilities will only be activated on the basic banking system after ensuring the safety of all granting procedures and proper legal documentation.

The adoption of IFRS 9 as part of an automated and integrated system has also contributed to the strengthening of controls and the identification of expected credit losses.

As for the accounts that show signs of delinquency, the early warning procedures and applicable vigorous follow-up ensure taking the necessary corrective and preventive steps, and these procedures adopt too conservative standards in order to allow for quick move to ward off the risk of delinquency.

Finance Department:

The consolidated financial statements of the Bank and its subsidiaries are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in accordance with the applicable laws and regulations of the Central Bank of Jordan, The aim is to show the financial position of the Bank in a just and true manner and provide the necessary information needed for the decision-maker to take the appropriate decision.

The quarterly performance of the Bank is assessed objectively and impartially based on the targets specified in work plans and estimated budget. The Department of Finance also follows the implementation of policy approved for the measures to adjust current and capital expenses at the Bank, which include all relevant aspects in terms of the privileges, limits, approvals, exceptions, methods of measurement and analysis and monitoring of compliance with the action plans and estimated budget for the expenses of all departments, either the expenditure of new projects or ongoing expenses.

Support Departments (Operations /Corporate and Engineering services/ Internal control / Total Quality Management) :

The Operations Department is keen through its various sections to apply integrated steps in banking operations, the primary objective of which is to make sure that the implementation of these operations is in accordance with the banking principles and within an effective control framework. All procedures which show the implementation mechanisms of various banking operations that are prepared in accordance with international quality standards, including the necessary regulatory procedures are also documented. The Internal Control Unit also undertakes the tasks of reviewing reports and daily audit engagements to records, reconciliations, bank accounts, foreign balances, investments, etc. and ensures compatibility of implementation with the instructions adopted. The Bank is committed to the enforcement of strict requirements of security and safety in accordance with the best international and regulatory standards, and this is checked routinely and continuously.

Information Technology Department:

The Information Technology Department operates according to a methodology through which it determines owners of systems, thus specifying the responsibilities, so as to ensure the safety of the use of the automated system in accordance with effective controls in systems subject to constant monitoring, including system maintenance operations, and any emerging applications are made within strict procedures ensuring the protection of the systems and data at all times.

Compliance & AML Department

The Department as part of it's functions ensures the Bank Commitment to rules, laws and instructions which organise it's work, and related reports are delivered to Compliance & AML Committee deprived from the Board as well as revision of policies & procedures and products to make sure the comply with compliance & AML plicy & Sharia Compliant. Holding the necessary training courses.

The Department also submits special reports to the Compliance Committee and the Corporate Governance Committee of the Board of Directors.

Through these procedures, the Executive Management can ascertain that the departments concerned with oversight and internal control had carried out their set plans, and that work was at a high level of discipline and professionalism.



Description of Bank main activities as well as the most important services and products provided by Safwa Islamic Bank

Corporate Banking:

Safwa Islamic Bank offers various Sharia-compliant financing products including direct financing such as Murabaha, Murabaha proxy and rentals, as well as indirect financing such as documentary credits and different types of letters of guarantee.

The Corporate Banking Department provides the first account of its kind in Jordan, which is the investment savings account for companies and institutions (corporate savings account).

In this year, Safwa Islamic Bank has launched internet banking service for companies, the cash management service for customers in a modern and distinguished way, in addition to providing innovative financial solutions to customers under the umbrella of Islamic banking systems, including financing large and medium companies in various economic sectors. Corporate Banking focuses on establishing strategic and comprehensive relationships with customers that are centered on their outstanding service and understand their own financing needs.

Retail Banking:

The Retail Banking Department provides the following services:

VIP Customer Services (Safwa Gold):

Safwa Islamic Bank is the first bank in the Kingdom to provide clients with distinguished Sharia-compliant services.

The Bank is committed to providing a range of superior and distinctive services that are tailored to meet the expectations of its VIP customers through six centers (Safwa Gold) that are designed and structured in order to provide the highest standards of comfort and service speed. Such service also provides a special relationship manager to assist customers in completing their banking transactions, advice and guide through banking consultations related to all Bank products and services.

In addition, the Bank has signed strategic partnerships with leading institutions in the Jordanian market to offer various benefits and discounts, especially to Safwa Gold customers, such as

e-Gate service that is available at airports.

Financing Services and Products: The Retail Banking Department offers a variety of Sharia-compliant personal financing products that are designed to suit the needs and requirements of various clients, as follows:

Murabaha financing products:

- Personal financing for purchasing goods such as furniture, electrical appliances and building materials.
- Competitive equity financing in Islamic banks, which provides the option to purchase assets (shares) in companies with a permitted activity and in accordance with the criteria of forensic financial analysis prescribed by the Shari a Supervisory Board.
- In terms of car financing, the Bank has successfully built strategic relationships with suppliers and offered competitive financing offers upon convenient terms.
- Financing travel expenses for Hajj and Umrah, as well as financing tourist tour expenses, covering the cost of wedding halls and study expenses, through the Ijara service financing program, which is concluded by a beneficial ownership contract between the bank and the client.
- Commodity financing product in the form of bargaining, which allows customers to finance their

purchase of goods at the same cash price and without profits through the network of merchants approved by the Bank.

Financing products upon lease-to-own agreement:

- Financing the purchase of apartments and prefabricated houses.
- Financing the purchase of land to build on it and financing the farms and industrial lands.
- Financing commercial offices such as clinics and engineering offices.
- Refinancing owned properties.

Accounts and deposits services:

They include current accounts, savings, children savings accounts (Kanzy) and ladies savings accounts («Harir»). The Bank is also distinguished in the banking sector to provide investment bond product in terms of competitive price and product characteristics. The bank allows customers to link deposits on a monthly basis and pay quarterly dividends, which is a competitive advantage for the bank. In addition, the Bank provides Islamic deposit certificate product for individuals and financial institutions, namely for customers who want to obtain a suitable return. Besides, the service of leasing iron safes of different sizes is available in several branches to enable customers to save their valuable possessions.

E-Banking:

The Bank continuously aims at providing its customers with the latest means to complete their banking transactions easily and around the clock through its electronic channels, which include ATMs, online banking services, SMS services, mobile banking, including a number of advanced services such as fingerprint or face signing, instant transfers of all types, bill payment and more.

The bank also provides a call center to serve customer and meet their needs and requirements by answering their phone inquiries regarding their accounts and Bank products and offers, as well as handling following-up complaints to ensure the provision of distinguished services to customers.

Bank Cards:

The Bank provides free debit cards which enable customers to perform many services on their accounts such as cash withdrawals, payment of purchases at merchants locally and abroad, inquiry about accounts and others.

The bank also provides monthly payment cards, both classic and gold, that are designed to suit different purchasing needs of customers and can be used inside and outside Jordan. In addition, the Bank provides Visa Signature cards for Safwa Gold customers, which offers exclusive benefits and rewards to its holders as entering VIP lounges in 500 airports in the world, in addition to many services, offers and discounts around the world.

Small Business Banking:

Small Business Banking Department in Safwa Islamic Bank offers financing banking services to small businesses and companies operating in various economic sectors through various products such as financing purchases and fixed assets, financing machines and appliances, financing the purchase of commercial properties in the form of Murabaha and Ijara to help them to grow and expand their activities. Financing programs and products for the following small business sector were also launched:

- Purchases financing product based on POS sales value.
- Renewable energy financing product.
- Emerging company financing product.

• Car and truck financing product.

Treasury and Investment Department:

The Treasury and Investment Department provides regular and innovative financial services, that comply with Shari, a principles, for various Bank departments and customers, and help to invest cash surpluses and manage the financial risks to which the Bank and its customers are exposed. The most important of these services are:

- Foreign currency exchange.
- Foreign currency exchange at forward rate based on promise.
- Investment in international agencies and international Murabaha.
- Investment in international and local instruments as well as local and regional stocks.
- Investment in deposit certificates issued by the Bank to its clients and financial institutions.
- Arranging and managing instrument issuance for local companies and issuance secretariat service.
- Custody service.

Statistics of the complaints received from the clients during 2018 through different channels as follows

Classification of complaints	Number of complaints
electronic services	28
Commissions and fees	19
Interest rates / returns	27
Professional conduct	84
Bank Cards	19
products and services Marketing	3
Contracts and terms of dealing	101
Work Environment	240
Transfers	15
Other	25
Total	561

Safwa Islamic Bank grants importance to customer complaints, which is one of the most important indicators of the quality of services and performance of the products offered by the bank to its customers. The Complaints Unit is part of the compliance department according to the regulatory requirements. The Unit deal with all complaints with professionally and in an effective way, it follow up with the concerned departments and division within the bank once the complaints are received In order to ensure that such complaints are delivered to the concerned units and thus processed, as well as working to find radical solutions and avoid recurrence with other clients.

Summary of the policy of regulating the relation between the Bank (the Mudarib) and the Investment Accounts Holders Safwa Islamic Bank

First: Definition of the Investment Accounts:

Investment Accounts (Investment Deposits):

The amounts which the Bank receives from the investors on the basis of Mudaraba and their owners authorize the Bank to invest them on the basis of Mudaraba. The investment accounts are divided into investment accounts that are managed on the basis of unrestricted Mudaraba where the Mudarib is authorized to invest the money as its deems appropriate, and the investment accounts that are managed on the basis of restricted Mudaraba where the Mudarib is restricted by the type and method of certain investment determined by the owner of the money(Rub Al Mal). The relationship between the owners of these accounts and the Bank is a relation between the owner of the money and the Mudarib. In case the Mudarib is one and the owners of the money are more than one, the relation shall be subject to the Islamic Sharia controls on joint Mudaraba.

Joint Investment Accounts:

The amounts which the Bank receives from the investors where the owners of such amounts authorize the Bank to invest such amounts on the basis of unrestricted Mudaraba without linking with project or certain investment program. The accounts holders and the Bank share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The accounts holders bear all losses pro rata to their shares in the capital, except the losses resulting from negligence, willful misconduct or breach of conditions where such losses shall be borne by the Bank (Mudarib).

Restricted Investment Accounts:

The amounts which their owners authorize the Bank to invest them on the basis of restricted Mudaraba in a certain project or particular investment program. The Bank and account holder share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The owner of each account bears the loss pro rata to its shares in the capital, except the losses resulting defaultfrom negligence, willful misconduct or breach of conditions where such losses shall be borne by the institution.

Second: Investment Priority / Equal Investment Opportunities:

The principle of equal investment opportunities is applied between the funds of the shareholders and the funds of investment accounts holders in the joint Mudaraba. The Bank's self-investments are reflected in accounts separated from the joint investment accounts.

Third: Elements / Basics of Profits Distribution:

- -Calculate the net profits of the common pool.
- -Determine the amounts of the shareholders invested in the common pool.
- -Determine the amounts of the owners of the unrestricted / restricted investment accounts in the common pool.
- -Determine the points (Allocation of weightages to average balances).
- -The profits allocation before reserves and the Mudarib's share of the profits and the shareholders contribution in certain deposit categories.
- -Transfers to or from the investment risks Reserve (IRR).
- -Allocation of the Mudarib share in the common pool profits.
- -Transfers to or from the Profit Equalization Reserve (PER).
- -Allocation of share from the shareholders' profits to the unrestricted / restricted investment accounts holders.

-The income tax of the unrestricted / restricted investment holders "withholding tax".

Fourth: Zakat:

The responsibility for paying Zakat rests with shareholders and the unrestricted/restricted investment accounts holders where the Bank's Management is not authorized to pay it directly and due to the absence of a law to collect it. In addition, as the Bank's article of association or the decision of the General Assembly don't stipulate and due to the absence of authorization from the shareholders, the shareholder and the unrestricted/restricted investment account holder pay zakat on his shares and funds when the zakat requirements and legal controls are met.

Fifth: Profit Equalization Reserve (PER):

This reserve is created / composed in order to distribute appropriate and competitive rates of return to the unrestricted / restricted investment accounts holders as well as to the shareholders in case of exceptional circumstances and sharp fluctuations in the markets that make the realized profits rates less than the expectations of the unrestricted / restricted investment accounts holders. This also applies to the Bank's shareholders. This reserve is composed with the prior approval of the Sharia Supervisory Board and the consent of the unrestricted investment accounts holders.

This reserve is allocated from the profits of the unrestricted / restricted investment accounts holders and shareholders from the common pool before deducting the share of the Mudarib.

The remaining balance in the reserve account is invested in the common pool and the profits realized from investing this balance are added to the reserve account.

Sixth: Points (Allocation of weightages to average balances:

"It is implicitly agreed that the return on deposits is paid on the full value of the deposit and the weighting weights are just a means to calculate the investor's share of the joint common pool revenues."

The weighting weight is allocated based on:

- The deposit value (according to a preset schedule determines the weights and explained to the customers)
- Deposit Term.
- Recurrent payment of profits to the customer: Will the payment be recurrent during the period of retaining the investment deposit or it will be only paid on the final maturity date of the deposit.

Seventh: Investment Risks Reserve (IRR):

The Bank is committed to maintain investment risks reserve in the joint investment accounts to cover any losses in excess of the total investment profits in a given year. This reserve is fed as follows:

- Deduct not less than (10%) of the net investment profits realized from different current operations during the year.
- Increase the percentage specified above upon the order of the Central Bank where the increase will take place in the fiscal year following the year in which it was decided to make the amendment.
- Stop the deduction when the amount in the reserve becomes two times the Bank's paid-up capital, or any other amount determined by the Central Bank.
- The balance of the investment risks reserve shall be devolved upon the Zakat Fund / Ministry of Awqaf and Islamic Affairs and Holy Places after paying and covering all expenses and losses for which the Reserve was established in case of liquidating the Bank.

Eighth: Allocation of the Mudarib share in the common pool profits:

After calculating the profits for each deposit category and making transfers to the investment risks Reserve, the Mudarib share of the profits will be calculated by applying (fixed percentage) the agreed upon Mudarib share to the net profit after transfers to or from the investment risks Reserve.

After deducting the Mudarib's share from the profit, the annual profit rate for each category after the Mudarib share will be concluded in contrast to the deduction in each deposit category (proportionally). The annual profit rate for each category after the Mudarib share = the annual profit rate for each category after the Mudarib share = the annual profit rate for each category after the Nudarib share %).

Ninth: Transfers to or from Profit Equalization Reserve (PER):

If the rate of return of the unrestricted / restricted investment accounts holders during the period of distributing certain profits is significantly higher than the market rates, the Management of Safwa Islamic Bank will be allowed, after taking the approval of the Sharia Supervisory Board, to deduct part of the common pool before deducting the Mudarib share and transfer it to the Profit Equalization Reserve (PER).

If the rate of return of the unrestricted / restricted investment accounts holders during the period of distributing certain profits is lower than the market rates, the Management of Safwa Islamic Bank will be allowed to compensate the unrestricted / restricted investment accounts holders and the shareholders by transferring the required amount from the said reserve account to increase the return of the unrestricted / restricted investment accounts holders.

Any movement on the Profit Equalization Reserve (PER)account must obtain the prior approved of the Sharia Supervisory Board.

Tenth: The income tax of the unrestricted / restricted investment accounts holders "withholding tax":

5% income tax will be deducted from all profits of the unrestricted / restricted investment accounts holders upon the decision of the official concerned department (the Jordanian Income and Sales Tax Department) unless these deposits are exempted by law.

Eleventh: Profits Realization:

To achieve the distributable profits, it is conditioned that:

The soundness of the capital where the profits on the investment accounts cannot be realized without hedging the capital.

The investment accounts profit is realized after liquidating the Mudaraba assets, whether it is actual by transferring all assets into cash and collecting all debts, or legally by evaluating the non-cash assets and evaluating the debt in terms of collectability and allocating provisions for the bad debts. Regarding the cash, it is stated in its amounts.

Covering the following expenses:

The expenses of investing the investment accounts balances to credit the direct costs to each process to implement it. With respect to the investment of the investment accounts balances from the joint expenses without regard to the Bank's activity.

The investment accounts don't bear the expenses of the business which should be performed by the Mudarib, including the general and administrative expenses for the financing and investment departments, the administrative departments at the Bank such as, for example but not limited to, the Risk Management Department, the Retail Finance Department, the Corporate Finance Department, and the Financial Department.

Deducting the provisions and reserves related to the investment from investment income to reach the distributable profit, such as the investment risks Reserve and the Profit Equalization Reserve which are deducted from the gross profit before deducting the share of the Mudarib.

The following shall be considered in the profit realization:

If losses are incurred in some joint investment operations which began and completed in a given year,



such losses shall be covered from the profits realized by the other joint investment operations which began and completed in the same year. If the losses are higher than profits in the same year, they will be covered from the investment risks Reserve.

If the joint investment operations began and continued in previous years, and it was found in a given year that these investment operations suffered losses, such losses will be covered from the investment risk Reserve.

As the unrestricted investment accounts on the basis of ongoing joint Mudaraba are characterized by non-synchronization at the beginning and end of the deposits in the accounts, the profit of the deferred operations over subsequent periods will be distributed to their full terms pro rata to each period.

Twelfth: Profit Entitlement:

The Bank shall announce all types of accounts managed within the common pool portfolio as well as the ratios approved for distribution for each of these accounts at all Bank's branches in a prominent place clear to the customers.

"the unrestricted investment accounts holders shall be entitled to the profit upon sharing on the basis of the ratio and it may not be determined as a lump sum". The Bank may determine ratios differ from ratios of different segments of investment account holders, and the profit ratio may be unified between the Bank and all investment accounts holders.

The profits ratios could be unified between the investment accounts holders, and may be different and determined on the basis of known weights.

If the Bank mixes the Mudaraba funds with its own funds (idiomatically), it becomes a partner and Mudarib in the others' funds and the realized profit will be distributed to both funds, the Bank will take the profit of its work and funds. What applies to the other investment accounts holders shall apply to the Bank's share of profit.

Thirteenth: Disengagement / Discharge:

An account holder may exit all or some of his amount in a reconciliation of his share in the Mudaraba assets, and not as a recovery of his cash amount (deposited in the account) in whole or in part. If the Bank determines the discharged amount to win nothing or to win less than it deserves if it has remained, this will permissible, and not a deprivation of profit; rather, it is a disengagement per the supply and demand and the joint investment account holder discharges the other investors (investment accounts holders) upon the disengagement from any undistributed or unrealized profit, from the provisions for the investment risks, from the Profit Equalization Reserve, and the investment risks Reserve, and donate the remaining amount to the Zakat Fund upon the liquidation of the investment pool, and the investment accounts holders discharge the investor (the withdrawing investor) from any unrealized loss. The investor shall bear the loss pro rata to the period in which the amount remains participating in the investment account before its recovery and shall not bear the loss of the remaining period in the year after its recovery.

Fourteenth: New products within the joint pool:

If the Bank launches any new product (obligations) falling under the concept of joint investment deposits and having impact on the profitability of the unrestricted investment accounts holders such as the Islamic deposit certificatesetc., this would require the prior approval of the Sharia Supervisory Board to be launched in accordance with the limitations and conditions approved by the Bank's Sharia Supervisory Board

Our business Flourishes with you



Corporate Governance Manual & Governance Report

Information and details regarding applying the provisions of Corporate Governance and Companies Governance Guidelines

The Bank Corporate Governance Manual and Governance Report have been prepared in line with the amended Corporate Governance Directives of Islamic banks no. (64/2016), which is issued by the Central Bank of Jordan and the Corporate Governance Regulations of listed companies for the year 2018 issued by Jordan Securities Commission. The Bank top management and under the supervision of the committees emerging from the Board of Directors perform the tasks and procedures necessary to comply with the instructions of the Central Bank of Jordan and the Jordan Securities Commission in addition to submitting periodic reports to the Board of Directors on the extent of compliance with the instructions and procedures taken in this regard.

Corporate Governance Manual Contents

Introduction	234
Article 1: Definitions	234
Article 2: Dissemination of Corporate Governance Manual	235
Article 3: Composition of the Board of Directors	235
Article 4: Meetings of the Board of Directors	236
Article 5: General Assembly Meeting	236
Article 6: Duties and Responsibilities of the Board	237
Article 7: Limits of liability and accountability	241
Article 8: Board of Directors Committees	241
Article 9: Shari'a Supervision Board	246
Article 10: Suitability	248
Article 11: Suitability of Board Members	248
Article 12: Suitability of Top Executive Management Members	249
Article 13: Suitability of the Sharia Supervision Board	249
Article 14: Performance Appraisal of administrators and Shari'a Supervision Board Members	250
Article 15: Financial Remunerations of Directors and Shari'a Supervision Board's Members	251
Article 16: Conflict of Interests	251
Article 17: Internal Audit	252
Article 18: Shari'a Internal Audit	252
Article 19: External Audit	253
Article 20: Risk Management	254
Article 21: Compliance Department	254
Article 22: Rights of Stakeholders	255
Article 23: Disclosure & Transparency	255
Article 24: General Provisions	256

Introduction

This corporate governance manual has been prepared in line with the modified instructions of the Islamic Bank's corporate governance No (64/2016) issued by the Central Bank of Jordan dated 25/9/2016, as well as the corporate governance principles issued by the Organization of Economic Cooperation & Development (OECD) and the directions issued by Basel Committee with a view to reinforce the corporate governance in banking institutions and in conformity with the applicable banking best practices in a manner to coincide with the Bank's needs and policies.

The application of corporate governance within the Bank provides a basis for future corporate development and performance; supports confidence in the Bank's activities and dealings, and enables the Bank to successfully contribute to the Jordanian banking system development which would enhance the efficiency of the National Economy and create an atmosphere of assurance to both the shareholders and clients.

This manual is based on a number of key principles that will effectively contribute to the application of the best practices of the corporate governance within the Bank, most notably:

- Fairness in dealing with all stakeholders like: depositors, shareholders, funders, Bank employees, and control authorities.
- Transparency and disclosure in a manner that enables related parties of evaluating the Bank-s position and financial performance.
- Accountability in the relationship between the Bank-s executive management and the Board of Directors; the Board of Directors and the shareholders; and the Board of Directors and other related parties.
- Responsibility in terms of clear segregation between responsibilities and delegation of powers.

Article 1: Definitions

The following words and phrases, wherever remunerated in this manual, shall have the meanings ascribed hereunder:

Phrase	Definition
Corporate governance	The system that guides and manages the Bank and aims to define and achieve the Bank's corporate objectives, in order to safely manage its operations and safeguard interests of the depositors and holders of investment accounts, and to comply with the due liability vis-à-vis shareholders and other stakeholders, and the Bank's commitment with its policies and internal regulations.
Suitability	Existence of certain requirements among the Bank's board members, its top executive management, and members of the Sharia Supervision Board .
Board (BOD)	The Bank-s Board of Directors
The Authority	The Sharia Supervision Board of the Bank
Stakeholders	Any party of interest in the Bank like the depositors, holders of investment accounts, shareholders, employees, creditors, clients, or the concerned control authorities.

Major shareholder	The person who holds 5% or more of the Bank-s capital whether directly or indirectly
Executive director	A member of the board of directors who participates in the daily operations of the Bank and receives payments for his work.
Independent member	A member of the board of directors who is not subject to any influences that limit his ability to make objective decisions for the interest of the Bank, and possesses the requirements set forth in this manual.
Top executive management	Includes the general Manager of the Bank, deputy general manager, CFO, Chief operations officer, chief risk officer, chief internal audit officer, director of Sharia internal audit department, chief treasury officer (investment), chief compliance officer, in addition to any Bank employee assuming executive authority equal to any of the authorities of any of the aforementioned and reports directly to the general manager without contravening the human capital policies.

Article 2: Dissemination of Corporate Governance Manual

Safwa Islamic Bank shall post its manual on its website and disseminate it in any other mean suitable to introduce it to the public. The Bank discloses in its annual report the existence of the corporate governance manual and discloses the information that concerns the stakeholders including the Manual as well as the extent of commitment to applying its provisions.

Article 3: Composition of the Board of Directors

- a- The number of the Board Members should not be less than eleven.
- b- None of the members may be an executive director.
- c- The number of independent directors may not be less than four.
- d- The conditions to be met and satisfied by the independent directors are as follows:
 - 1) The member was/is not an executive director in the Board during the three years preceding his election,
 - 2) The member was not employed by the Bank or by any of its subsidiaries during the last three years preceding his election.
 - 3) The member is not related to any of the other Board members, or to any member of the Board of directors of the Bank's subsidiaries or to one of the major shareholders in the Bank in any kinship up to the second degree.
 - 4) The member has no relatives among the members of the top executive management of the Bank or any member of the top executive management of the Bank's subsidiaries up to the second degree.
 - 5) The member is not a partner or employee of the external auditor of the Bank or was not a partner or employee during the three years preceding the date of his/her election as a member of the Board and he has no kinship with the partner in charge of the audit process up to the first degree.
 - 6) The member is not a major shareholder in the Bank or proxy of a major shareholder or an ally to a major shareholder in the Bank, or his/her contribution with the ally contribution would constitute an amount equal to a major shareholder, s share or a major shareholder in one of the Bank, s subsidiaries, Or a main shareholder in the Bank, s ownership group.
 - 7) The member has not assumed membership of the Bank's Board of director or its subsidiaries or

has not been a Board director for more than eight consecutive years.

- 8) The member or any company in which he is a director of the Board or owner thereof or a major shareholder therein has not received a trust from the Bank in excess of 5% of the subscribed capital of the Bank and he/she is not a guarantor of a facilities from the Bank of value that exceeds that percentage.
- 9) The member is highly qualified and experienced in financial and banking matters.

Article 4: Meetings of the Board of Directors

- a) The Board of Directors shall hold their meetings by written invitation from the Chairman of the Board of Directors or his deputy, Or by a written request to the Chairman of the Board of Directors from at least the quarter of its members. In the attend of the absolute majority of its members.
- b) The board shall take its decisions by the absolute majority of the members. If the votes are equal, the side voted by the head of meeting shall prevail.
- c) The Board of Directors shall hold at least one meeting every two months, in total six meetings at least through financial year.
- d) Members of the Board shall attend the Board's meetings in person, if the member cannot personally attend the meeting; the member may express his/her viewpoint via phone or videoconference, after obtaining the consent of the Chairman of the Board, but without having the right to vote or sign the minutes of meeting.
- e) The Bank shall record the minutes of meetings of the Board and its committees comprehensively and accurately as well as any reservations raised by any member. The Bank shall properly maintain such minutes of meetings.
- f) The top executive management, in an adequate time prior to the Board's meeting, shall provide the Board's members with complete and accurate information about the items of the meeting's agenda; the Chairman shall verify such action.

Article 5: General Assembly Meeting

- a) The General Assembly shall consist of all shareholders entitled to vote.
- b) The General Assembly of the Bank should hold an ordinary meeting at least once a year, the meeting must be held within the four months following the end of the bank's financial year, also the General Assembly of the Bank may hold an abnormal meeting at any time in accordance with the applicable regulations.
- c) The Board of Directors should invite the Jordanian Securities Commission and each shareholders to attend the General Assembly meeting by hand or by registered mail or e-mail of the shareholder at least 21 days before the date of the meeting, Providing the appropriate arrangements and procedures for holding the meeting, including the choice of place and time, must be will prepared to encourage the invited attendance as many shareholders as possible.
- d) The date and place of the meeting should be mentioned in the invitation with the General Assembly agenda as attachment, including the points that will be discussed during the meeting in a detailed and clear manner, in addition to any documents or attachments related to these subjects.
- e) To include any new topics during the General Assembly meeting that is not mentioned in the agenda of the General Assembly, which has been sent previously to the shareholder
- f) The shareholder who desires to be nominated to the Board of Directors shall provide the Bank with a brief identification before the end of the financial year of the Bank which precedes the year in which the meeting of the General Assembly to elect the Board of Directors, In this case, the Board of Directors should attach this brief identification with the invitation to shareholders who will attend the meeting of the General Assembly, The Bank should inform all those who desires to be nominate that there is evidence that the Central Bank of Jordan has non-objection to their candidacy, The Bank shall obtain the non-objection of the Central Bank of Jordan to nominate them before the date of the General Assembly meeting of the shareholders of the Bank for a period of not less than two weeks.
- g) The Board of Directors should announce the date and place of the General Assembly meeting in two

daily local newspapers and at least two times and on the Bank's website.

- h) The shareholder may delegate another shareholder to attend the meeting of the General Assembly on his behalf by a power of attorney or to appoint another person under legal Power of attorney, in accordance applicable regulations.
- i) The meeting of the General Assembly must be leaded by the Chairman of the Board of Directors or his Deputy in the absence of him, or by any delegate member by the board of director in their absence, The members of the Board of Directors must also attend the General Assembly meeting at no less than the limit which achieves the quorum for any Board meeting.
- j) The General Assembly must be managed in a manner that allows shareholders to actively participate and express their views freely, to receive answers to their questions and to provide sufficient information to enable them to make their decisions.

Article 6: Duties and Responsibilities of the Board

- 1) The Board shall oversee and follow-up the top executive management's performance and ensure integrity of the Bank's financial situations and its solvency. It shall adopt proper policies and procedures to oversee and control the Bank's performance.
- 2) The Board shall define the strategic objectives of the Bank and instruct the executive management to set a strategy to achieve these objectives, approve it together with any business plan in line with that strategy.
- 3) The Board shall endorse a policy to monitor and review the executive management's performance through setting the key performance indicators (KPIs) to determine, measure, and monitor the performance and progress towards achieving corporate objectives.
- 4) The Board shall ensure that the Bank has policies, procedures and action plans which include all the activities. The policies, procedures and action plans should be in line with the related regulations, circulated to all administrative levels, and regularly reviewed.
- 5) The Board shall determine the corporate values of the Bank; set clear lines of responsibility and accountability to all Bank's activities, and shall establish a high culture of ethical, impartial, and professional conduct standards among the managers of the Bank.
- 6) The Board shall assume liability for integrity of all the operations of the Bank, including the financial situation; liability for implementing requirements set forth by the Central Bank as well as the requirements of the other regulatory and control authorities, and shall observe the stakeholders and that the Bank is managed and governed under the framework of regulations and policies of the Bank and the effective control is in place at all times over the Bank, s activities including those outsourced to external parties.
- 7) The Board shall, based on recommendations submitted to it by the competent committee, appoint the internal audit manager, the head of the risk management, and compliance officer and accepts their respective resignations or service termination. (Regarding the internal sharia auditing manager, the recommendation shall be given to the Board by the Sharia Supervision Board). The Central Bank's approval on the resignation or service termination of the above-mentioned should be obtained. The Central Bank is entitled to investigate the reasons behind the resignation or service termination of any management member.
- 8) The Board shall adopt internal control regulations; review them annually and make sure that the internal auditor and external auditor review the structure of these regulations at least once a year.
- 9) The Board shall ensure independence of the external account auditor at all times.
- 10) The Board shall ensure independence of the Sharia Supervision Board members from commencement and at all times in accordance with the conditions set forth in this manual.
- 11) The Board shall adopt and oversee the implementation of a risk management strategy. The proposed strategy includes level of risk appetite and ensures that the Bank will not be prone to high risks. The Board should be familiar with the operating business environment of the Bank and the associated risks; to ensure the presence of appropriate risk management tools and infrastructure in the Bank in order to determine, measure, control, and oversee all kinds of risks which the Bank is exposed to.
- 12) The Board shall ensure that the adequate and reliable management information systems (MIS) are

in place and are covering all the Bank-s activities.

- 13) The Board shall verify that the Bank's credit policy includes an assessment of the type of corporate governance used by companies, clients not least the public joint stock companies so that the risks to the clients may be assessed by strengths and weaknesses in accordance with their exercising in the governance field.
- 14) The Board shall make sure that the Bank adopts proper social initiatives in the field of environment protection, health, and education and observes the provision of funding to the small and medium-sized businesses at appropriate prices and terms.
- 15) The Board shall take the necessary procedures to create a clear segregation between the authorities of shareholders³ who own influential interests and the executive management; with a view to promote the sound corporate governance. It shall find proper mechanisms to eliminate impacts of shareholders who own influential interests through the following, examples include but are not limited to:
 - a) None of the shareholders who possess an influential interest may hold a job in the top executive management.
 - b) The top executive management shall derive its authority only from the Board and shall work within the delegations granted to it by the Board.
- 16) The Board shall adopt the organizational structure of the Bank setting out the admin hierarchy including the committees of the Board, Sharia Supervision Board, and executive management.
- 17) The Board shall determine the banking operations that require its approval taking into account the non-expansion thereof in order not to violate the control role of the Board. The Bank shall not delegate executive authorities to the Board's directors, or the Chairman, including the authority to individually grant credit.
- 18) The Board set special internal charter to be reviewed on an annual basis, specifying in details the functions and Permissions authority of the Board of Directors and its responsibilities.
- 19) The Board adopt the Governance Report and includes it in the Bank's Annual Report.
- 20) The Board appoint a contact officer with the Jordan Securities Commission to oversee matters related to the Bank-s governance Implementations.
- 21) The Board adopt the Bank's disclosure and transparency policy and follow up its implementation in accordance with the requirements of the Regulators and the applicable regulations.
- 22) The Board set a clear delegation policy in the Bank specifying the authorized persons and the limits of delegated authority.
- 23) The Board adopt the replacement and career progression policy and adopt the Human Resources and Training Policy in the Bank.
- 24) The Board adopt the Bank's social responsibility policy and programs towards the local community and the environment.
- 25) The Board set up a mechanism to receive complaints and Suggestions that submitted by the shareholders, in addition to their Suggestions for including a specific topics on the agenda of the General Assembly, in a manner that ensures consideration and appropriate decision on them within a specified period.
- 26) The Board set up a mechanism to allow shareholders who holding at least 5% of the Bank's underwriting shares to add items on the agenda of the Ordinary General Assembly Meeting before sending it to the shareholders, and should Provide the Securities Authority with this mechanism.
- 27) The Board set a policy that regulates the relationship with the stakeholders to ensure the implementation of the Bank's obligations towards them, the preservation of their rights, the provision of the necessary information and the establishment of good relations with them.
- 28) The Board evaluate the implementation of the provisions of the Corporate Governance of listed companies and review them annually, in a manner not conflict with the amended instructions of the institutional governance of Islamic banks.
- 29) In case of any conflict between the recommendations of any of the Committees and the board's decisions, the Board shall include in the Governance Report a statement clearly detailing these recommendations and the reasons for non-compliance by the Board.
- 30) The Bank shall determine the duties of the Secretary of the Board so that they include the following:a) Attends all the Board's meetings; record all deliberations, suggestions, objections, and

reservations, along with the voting means on the draft decisions of the Board. b) Determines the dates of the Board's meetings in coordination with the Chairman.

- c) Ensures that the members of the Board sign the minutes of meetings and decisions.
- d) Follows up the implementation of the decisions passed by the Board, and follows up the tackling of any topic that was not brought up in previous meetings.
- e) Keeps records and documents of the Board's meetings.
- f) Takes necessary procedures to ensure that the draft decisions intended to be passed by the Board are in harmony with the legislations.
- g) Prepares for the ordinary general meetings and cooperates with the Board's committees.
- h) Provides the Central Bank with the proper declarations signed by the members of the Board.
- 31) Members and committees of the Board must have direct communication with the executive management and secretary of the Board and facilitate their undertaking of the duties and tasks vested in them including outsourcing, when needed, at the expense of the Bank in coordination with the Chairman while making sure none of the members may influence the decisions of the executive management except through deliberations held within the meetings of the Board or its committees.
- 32) The Board shall undertake the following:
 - a) Ensures the presence of a suitable Sharia Supervision Board, and Sharia Controls system that includes the internal Sharia regulatory system through ensuring the existence of an effective Sharia supervision independent from all the Bank units.
 - b) Verifies that all banking activities are carried out in accordance with the provisions of Islamic principles, in particular Sharia Fatwas and Sharia decisions issued by the Sharia Supervision Board.
 - c) Ensures that the Sharia Supervision Board is provided with adequate, necessary, and timely information in order to assist it to exercise its duties and assignments represented in verifying the extent of the Bank's commitment by the provisions and principles of Islamic sharia, and formulating an independent opinion in this regard.
 - d) Ensures having opinion of the Sharia Supervision Board pertaining to all contracts, transactions, agreements and products, services, investment policies, dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
 - e) Adopts policy to regulate relations between the Bank/shareholders, and holders of investment accounts provided that it is reviewed by the Sharia Supervision Board. The Bank shall be committed by posting the policy on its website.
 - f) Approves the policies and procedures manual relating to the compliance with the provisions of Islamic principles provided that the manual shall at least include the following:
 - 1) A mechanism to present any related topics to Sharia Supervision Board for Sharia Fatwa and/ or decisions thereabout.
 - 2) Manual/procedures of the Sharia Supervision Board business.
 - 3) Mechanism to ensure compliance with the Sharia Fatwas or decisions issued by the Sharia Supervision Board.
 - 4) A mechanism to facilitate the communication between the different units of the Bank and the clients with the Sharia Supervision Board.
 - g) Ensures the presence of a mechanism to provide the Bank clients, upon request, with explanations to any Sharia Fatwa issued by the Sharia Supervision Board.
 - h) Commit by posting Sharia Fatwas and decisions issued by the Sharia Supervision Board on the Bank-s website, and in case of bringing up a product or service or adapting a remedy or a mechanism pertaining to the product or service for which Sharia Fatwas and decisions have been issued, they shall be disseminated within a period of no more than six months from the bringing up/adoption date.
 - i) Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.
- 33) The Chairman of the Board shall, at minimum, undertake the following:
 - a) Be keen to establish constructive relations between the Board and the executive management

within the Bank.

- b) Be keen to establish constructive relations between the Board and Sharia Supervision Board, and between the Sharia Supervision Board and the executive management of the Bank.
- c) Encourages constructive criticism of issues addressed in general and those having different viewpoints between the members, and encourages discussions and voting on such issues.
- d) Ensures that all previous minutes of meetings are received by the Board members and to be signed, and agendas are delivered within an adequate time before any meeting. The agenda shall include adequate written information about the subjects to be discussed in the meeting. Delivery of the agenda is the responsibility of the secretary of the Board.
- e) Ensures a charter regulating the Board business is in place and identified.
- f) Discusses exhaustively the strategic and important issues in the Board's meetings.
- g) Provides the board members, when elected, with the provisions of laws relating to the Bank's activities and relevant instructions of the Central Bank including these instructions as well as a manual showing the members' rights, responsibilities, and duties together with the duties, tasks, and assignments of the secretary.
- h) Provides every member of the Board with an adequate summary of the Bank-s businesses upon appointment or upon request.
- i) With the help of the legal counsel of the Bank, deliberates with any new member about tasks and responsibilities of the Board in particular those pertaining to the legal and regulatory requirements to explain tasks, powers, and other issues related to the Board membership such as the duration of membership in the Board, meetings schedule, committees missions, remunerations, and possible access to independent specialized technical advice when necessary.
- j) Meets the needs of the Board members in connection with upgrading their experience and continued learning. The new member shall be given the chance to attend orientation programs that consider the banking background of the member, provided that such program should, as minimum, include the following subjects:
 - 1) The Bank-s organizational structure, corporate governance, and the professional code of conduct and ethics.
 - 2) Corporate objectives and the Bank's strategic plan and approved policies.
 - 3) The financial situation of the Bank
 - 4) The Bank[,]s risk structure and its risk management framework.
 - 5) Sharia controls.
- 34) Each member of the Board shall undertake, as minimum, the following:
 - a) Be familiar with the Islamic banking business-related regulations and principles, and the Bank-s operating environment; keep abreast of the developments taking place as well as the external updates that are related to its business including recruitment requirements for of the top executive management of the Bank.
 - b) Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
 - c) Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.
 - d) In all transactions made with any other company in which he/she has a personal interest, the interest of the Bank shall prevail. Never take the business opportunities of the Bank for his/ her own interest. Avoid conflict of interests and disclose any conflict of interest to the Board in details if happened while committing not to be present or not to take part in the decision passed during the meeting in which this subject is discussed and deliberated. Such disclosure should be recorded in the minutes of the Board's meeting.
 - e) Have enough time to undertake his tasks as a member of the Board.

The nomination and remuneration committee shall set in place a clear methodology to verify the abovementioned including (for example) the members, relations and membership in other boards/authorities/ forums...etc.

Article 7: Limits of liability and accountability

- a. The Board of Directors should adopt a clear limits of liability, accountability, and commitment. All managerial levels of the Bank shall abide by those limits.
- b. The Board must ensure that the organizational structure clearly reflects lines of responsibility and authority provided that it includes at least the following regulatory levels:
 - 1- Board of Directors and its committees.
 - 2- Sharia Supervision Board.
 - 3- Separate departments of risks, compliance, internal audit, and Sharia internal audit which do not perform daily executive activities.
 - 4- Units/employees that do not participate in the daily operations of the Bank activities (such as credit audit officers and Middle Office employees).
- c. The Board must ensure that the top executive management assumes their responsibilities pertaining to the daily operation management of the Bank and contributes the implementation of the corporate governance, it delegates authorities to the officers, establishes an effective managerial structure that would enhance accountability, and implements tasks and missions of the various business activities and fields in conformity with the policies and procedures approved by the Board as well as the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
- d. The Board shall adopt regulatory and Sharia controls to hold accountable the top executive management.
- e. Despite the provisions of the Companies, Law, the combination between the positions of Chairman and general manager shall be prohibited, and the Chairman or any of the Board's directors or major shareholders may not have kinship with the general manager below the fourth degree.
- f. The general manager shall, in addition to the provisions of regulations, undertake the following:
 - 1- Develop the strategic orientation of the Bank
 - 2- Implement the Bank's strategies and policies
 - 3- Carry out the decisions of the Board of Directors
 - 4- Implement and comply with the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
 - 5- Provide guidance to implement short and long term business plans.
 - 6- Communicate vision, mission and strategy of the Bank to the staff members
 - 7- Notify the Board of all the important aspects of the Bank's operations
 - 8- Manage the Bank[,]s day-to-day operations.

Article 8: Board of Directors Committees

The Board of Directors shall form committees from among its members and determine their objectives and delegates authorities to them in accordance with a charter setting out the same. The committees submit periodic reports to the Board and a report on their work to Ordinary General Assembly meeting. Existence of such committees may not relief the Board as whole from assuming its Commitments each committee shall take its decisions and recommendations by the absolute majority of the members. If the votes are equal, the side voted by the Chairman of the Committee shall prevail The Board shall form, as minimum, the following committees:

a) Corporate Governance Committee:

- 1. The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman.
- 2. The Committee must meet at least twice a year or at the request of its Chairman.
- 3. The committee must assume guiding and overseeing the preparation of the corporate governance manual, and updates and controls its implementation, and prepare and submit a governance report to the board, And studying the Jordanian Securities Commission's observations regarding the implementation of governance in the Bank and following up on what has been done.

b) Audit Committee (AC)

- 1. Subject to the provisions of the Banking Law, The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman of the Committee, shall be independent members and the Chairman of the Committee shall not be the Chairman of the Board of Directors or the Chairman of any other Off the Board Committees.
- 2. The Committee must meet periodically, with at least four meetings a year.
- 3. All members of the committee should be holders of academic qualifications and have proper practical experience in accounting or finance or any other discipline or related similar fields. In case of lack of the proper Islamic Bank-related experience, they shall join the suitable training programs in accounting, audit and controls standards, and Islamic standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
- 4. Subject to the provisions of the Banks Law concerning the duties and authorities of the committee, the Audit Committee shall review the following matters:
 - a- Scope, results, and adequacy of internal and external audit of the Bank.
 - b- Accounting issues of material impact on the Bank's financial statements.
 - c- The internal control systems in the Bank
- 5. The committee shall provide recommendations to the Board relating to the external auditor, his/her termination, remuneration and any other contracting–related conditions in addition to evaluating his/her independence taking into account any other activities assigned to him/her beyond the audit scope.
- 6. The committee shall have the authority to access any information from the executive management and is entitled to call upon any Board member to attend its meetings provided that the same is mentioned in its charter.
- 7. The committee meets the external auditor, the internal auditor, and the compliance officer at least once a year without the attendance of any member from the top executive management.
- 8. The committee shall review and control procedures whereby the employee may confidentially notify of any error in the financial reports or any Sharia violations or any other matters. The committee shall ensure necessary arrangements for independent investigations and make sure that the results of the investigations are objectively pursued and addressed.
- 9. The committee shall ensure the ability of the external auditor to audit the extent of the Bank's commitment to the Sharia controls and the conditions provided for in the engagement letter signed with the auditor and makes sure he/she is undertaking the same.
- 10. The committee must make decisions regarding the requests of writing off debts partially or totally for all the facilities.
- 11. The committee must ensure that there is no conflict of interest that may result from holding deals or contracts or projects by the bank with related parties.
- 12. The work of any other committee may not be combined with the work of this committee.

C. Nomination & Remuneration Committee (NRC)

- 1- This Committee shall consist of at least three members, with the majority of the members of the Committee including the Chairman of the Committee being independent members.
- 2- The Committee shall meet periodically, with at least two meetings a year.
- 3- The NRC assumes the following tasks:
 - a- Identifies the persons qualified to enroll in the Board's membership taking into account the abilities and qualifications of the nominated persons. Further, in case of nomination for several times, the member's number of attendance cases and his/her effective participation in the Board's meetings shall be taken into consideration.
 - b- Identifies the persons qualified to join the Sharia Supervision Board, taking into account the abilities and qualifications of the nominated persons. Taking into consideration that the member of the Sharia Supervision Board should possess a jurisprudential talent conversant in understanding sedulous speech and able to work hard on jurisprudential matters and deriving from emerging issues. Further, the member should be characterized by Acumen and

Vigilance, familiar with people's customs and conditions, watchful to their tricks in Forgery and to or changing speech in portraying illegal as legal. He should be versed in the country traditions and customs in order to understand intention of the persons who ask for Sharia Fatwa. Further, in case of nomination for several times, the number of attendance cases and the effective participation in the Sharia Supervision Board's meetings shall be taken into consideration.

- c- Nominates the qualified persons to the Board to join the top executive management.
- d- Ensures the Board members and members of Sharia Supervision Board attend workshops or symposiums on the banking matters specially the risk management, corporate governance, and the latest developments in the Islamic Banking business.
- e- Defines whether the member satisfies the independent member/s capacity taking into account the least conditions prescribed herein, and review the same annually, The Jordanian Securities Commission shall be notified in the event of the absence of independence status from any member of the Board.
- f- Follows specific and approved bases in evaluating the performance of the Board, Sharia Supervision Board and the general manager so that the performance evaluation standard is objective.
- g- The Committee should conduct an annual evaluation of the performance of the Board and its committees, provided that the Committee shall notify the Jordan Securities Commission of the outcome of this evaluation.
- h- Provides information and briefs about the background of certain important Bank topics to the Board members and Sharia Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
- i- Ensures the existence of a remuneration policy to the Bank's Employees and that this policy is revised periodically and applied according to the committee recommendations to determine the salary of the general manager and the remaining top executive management along with other remuneration and benefits.
- j- The committee should set a policies of replacement, Career progression, human resources, and training at the bank and monitor its implementation, and review it annually.

d. Risk Management Committee

- 1- This committee shall be formed of at least 3 Board members, with one independent member. Members of the top executive management may join the committee as members.
- 2. The committee shall assume the following tasks:
 - a- Setting the Risk Management Framework (Risk Management Policy) at the Bank and review it annually.
 - b- Review the Bank's risk management strategy before being endorsed by the Board.
 - c- Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
 - d- Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.
 - e- Set up the proper circumstances to identify Substantial Risks and any activities carried out by the Bank that would expose it to greater risks than the risk appetite; submit reports to the Board accordingly and follow manipulation thereof.
 - f- To monitor and evaluate the various types of risks that the Bank might face

It is prohibited for any member of the Board to be a Chairman for more than one committee of the above-mentioned committees. It is also prohibited for him/her to be a Chairman for more than two committees of all the Board's committees.

e. Facilities Committee:

1. The committee must be formed from five board member, one of the members may be an independent member provided that he/she is not a member in the audit committee,

- 2. The Committee's Permissions authority must be limited to taking the appropriate decision regarding the facilities recommended for approval by the highest committee of the Executive Management Committee. Members of the top executive management may participate in the committee's meetings to present their recommendations.
- 3. High limits must be set for the powers vested in this Committee in respect of granting, modifying, renewing or structuring the credit facilities, so that the Board has clear powers in particular.
- 4. The quorum of the Committee meeting must be at least four members and take its decisions by a majority of its members, regardless of the number of those present.
- 5. A periodic report must be submitted to the Board with details of the facilities approved by the Committee.
- 6. Members of the Committee must personally attend their meetings and vote on their decisions. In the absence of personal attendance, the Member may express his opinion through video or telephone and shall have the right to vote and to sign the minutes of the meeting, duly documented.
- 7. The Board may delegate some or all of the powers of this Committee to amend the conditions or structure of the facilities for the Executive Management Committee mentioned above, with the need to inform the Facilities Committee of the decisions taken within these powers.

f. Management committee

- 1. This committee must consist at least three Board members.
- 2. The Committee must meet at least twice a year or at the request of its Chairman.
- 3. The Committee must assume the following functions:
 - a. The tasks related to financial decision-making and the corporate strategy in terms of recommending to the Board the adoption of the Bank-s strategic plan, the annual estimated budget and the approval of financial claims within the terms of reference specified in the Financial Terms of Reference adopted by the Board.
 - b. Making decisions regarding investment operations that exceed the powers of the highest executive management committee.
 - c. Recommend to the Board the adoption of all policies governing the Bank's business, with the exception of policies relating to risk management, credit, human resource, compliance, antimoney laundering and corporate governance policies.
 - d. To adopt all financial and administrative powers in addition to the powers related to investment operations and recommend to the Board for approval.

g. Compliance Committee:

- 1. The Committee consist of at least three board members.
- 2. The Committee meet quarterly or at the request of the Chairman.
- 3. The Committee undertake the following tasks:
 - A. Supervise to ensure the independence of the Compliance Department and anti-money laundering, and that the Compliance and AML Department shall include a Shari-a Compliance division, and ensure that they continuously provided with adequate and trained staff.
 - B. Supervise the compliance and anti-money laundering reporting process to the committee, And to the Shari'a Supervisory Board with respect to Shari'a compliance, with a copy sent to the CEO.
 - C. Approving the compliance policy (including the duties and responsibilities of the Compliance department), Shari, a Compliance, Anti-Money Laundering and any other policy relating to the Compliance and Anti-Money Laundering department and recommending to the Board for approval.
 - D. Evaluate effectiveness degree whereby the Bank manages the (noncompliance risks and antimoney laundry) at least once a year and review them when making any related changes.
 - E. Supervising and monitoring compliance with AML / CFT standards in the Bank through reports prepared and / or submitted by the Committee Secretary.
 - F. Ensure compliance in accordance with the policies and procedures and requirements of the Central Bank of Jordan and other regulatory bodies, including the requirements of anti-money

laundering and financing of terrorism.

- G. Ensure that there is an effective internal control system to implement compliance policies, and verify it in the best performance.
- H. Follow-up the disclosure reports issued by the Compliance and Anti-Money Laundering Department of the Bank.
- I. Work and coordinate with other Board committees to raise compliance in the Bank.
- J. Keeping up with the rapid developments and increasing complexity that arise on the management of compliance and anti-money laundering and submit periodic reports to the board on these developments.
- K. Recommend to the board of director within the scope of the Committee's responsibilities if it deems that is necessary to improve its work, or if the instructions so require.
- L. Recommend to provide resources for compliance activities and with the necessary requirements.

h. IT governance committee

- 1. The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the IT area.
- 2. The committee must hold meetings on a quarterly basis at least.
- 3. The committee shall assume the following tasks:
 - a. The committee shall approve the strategic objectives of IT and the appropriate organizational structure including the steering committees, specifically on top executive management level (the steering IT committees) in order to guarantee the achievement of the Bank-s strategic objectives and the best value added from the projects and IT resources investment. The committee shall use the tools and needed measures to supervise and ensure the achievement of these objectives, such as IT Balance Scorecards, and the return on investment (ROI). The committee shall measure the impact of contributions made to enhance the financial and operational efficiency.
 - b. The committee shall approve the general framework of managing, regulating, and supervising IT resources and projects that simulates the best approved international practices in this regard especially (Control Objectives for Information and related Technology-COBIT) that conform with and achieve the objectives and the requirements of our instructions through the continuous fulfilment of the institutional objectives, along with the achievement of the accompanying IT objectives[,] matrix, and covering the processes of IT governance.
 - c. The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its givens as minimum requirements, and describes the sub-objectives needed to achieve them.
 - d. The committee shall approve the (RACI chart) matrix regarding the main processes of IT governance along with the secondary processes related to: the entity/s or person/s or party/s primarily (responsible), and those who are ultimately responsible (accountable), and those who are (consulted), and those who are (informed) for all processes in light of (COBIT5 Enabling Processes) in this regard.
 - e. The committee shall ensure that a general framework for IT risk management is in place. And will be consistent and integrated with the overall framework of the risk management in the Bank considering and achieving all IT governance processes.
 - f. The committee shall approve the IT projects and resources[,] budget in accordance with the Bank[,]s strategic objectives.
 - g. The committee shall undertake the general supervision and monitoring of IT processes, projects, and resources to ensure their sufficiency and effective contribution in achieving the Bank's requirements and works.
 - h. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
 - I. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

Article (9): Sharia Supervision Board

- Subject to Article 58 of the Banks Law No. 28 of 2000, and the amended, the bank must commit to:
 - 1. The General Assembly of Shareholders must appoint the members of the Shari-a Supervisory Board upon the recommendation of the Board and upon recommendation of the Nomination and remuneration Committee and the for a period of four years renewable.
 - 2. A letter of engagement between the Bank and the Sharia Supervision Board shall be signed defining the scope of the Sharia Supervision Board's works, duties and remuneration is determined.
 - 3. Sharia Supervision Board's meetings:
 - a. The committee meet periodically to make periodic reviews and follows sharia commitment of the Bank-s operations provided that its meetings may not be less than six meetings a year. It also holds meetings with the Board of Directors, audit committee and external auditor at least twice a year (every six months) to discuss issues of common interest.
 - b. The Sharia Supervision Board members attend the meetings in person. If not, the member may express his/her opinion via phone or videoconference having obtained consent of the Chairman of the committee. He/she is entitled to vote or sign the minutes of meeting. The member may lose this right in any of the following cases:
 - If failed to attend personally without acceptable excuse.
 - If the personal attendance rate of the member is less than 50% of the Supervision Authority meetings.
 - c. Minutes of meeting must fully and accurately be recorded in addition to any reservations raised by any member. The Bank shall keep all these minutes properly.
 - d. The top executive management, within an adequate time before the Sharia Supervision Boardys meeting, shall provide accurate and complete information to the Sharia Supervision Boardys members. The Chairman of the Sharia Supervision Board shall verify this.
 - 4. The Sharia Supervision Board shall prepare a manual that includes its work system, job description, responsibilities, along with the organization of its relation with the Board of directors and the executive management, in addition to the reporting mechanism for the management, the Board of directors, and shareholders, and its methodology regarding sharia supervision, and the mechanism of holding meetings.
 - 5. The Sharia Supervision Board shall observe the Sharia environment taking into account Article 53/A of the Banks Law No. 28 of 2000, as amended- and legislations in the Kingdom.
 - 6. The Code of Conduct of the Bank shall apply to the members of the Sharia Supervision Board.
 - 7. To ensure the independence of the member of the Sharia Supervision Board, the following, as minimum, shall be met:
 - a. The member has not received any funding whether to him/her or to his/her family members up to the second degree from the Bank or from any of its subsidiaries.
 - b. The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.
 - c. The member has not been a member in any Sharia Supervision Boards in any other Islamic Bank licensed in the Kingdom and has not been a member in any Sharia Supervision Boards for more than four financial institutions that do not accept deposits and operating in the Kingdom, subject to no conflict of interests.
 - d. The member must not be a member in the bank's Board of Directors, or is not an owner of a company with which the Bank is dealing, except for the transactions arising due to services and/or normal business that the Bank renders to its clients, provided that they are governed by and subject to the same conditions of similar transactions with any other party and without any preferential terms.
 - e. The member must not be related to any of the members in the Bank-s Board, or the top executive management in any kinship up to the second degree. He/she does not receive any salary or amount or remuneration or benefits or gifts from the Bank except the remuneration received in consideration of his/her membership in the Sharia Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.

- f. The member must not be a shareholder in the Bank or proxy of a major shareholder or a shareholder in one of the Bank's subsidiaries or a shareholder in the group owning the Bank.
- 8. The Sharia Supervision Board member should strive to achieve the following:
 - a. Establishes justice and fairness among the stakeholders.
 - b. Acts in a manner allowing him/her to preserve his/her honesty and integrity.
 - c. Takes into account, while making any decisions, the legal and sharia aspects, in addition to the technical aspects for sharia commitment.
 - d. Regards the different opinions between the various jurisprudential doctrines and variance of experience between the coworkers in the Sharia Supervision Board.
- 9. The Sharia Supervision Board shall assume Sharia fatwa and Sharia supervision as follows:
 - a. Monitoring the Bank-s business and activities in terms of conformity and non-contravention with the Islamic provisions, and follows-up and reviews operations to verify they are free of any Sharia prohibitions.
 - b. Expresses opinion and approves all contracts, transactions, agreements, products, services and investment policies and the policy that regulates the relationship between the shareholders and the investment account holders including dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
 - c. Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
 - d. Makes and expresses opinion on the extent of the Bank>s compliance with the Islamic provisions and principles. The Sharia Supervision Board also:
 - 1. Reviews and adopts the annual Sharia audit report and reports it to the audit committee
 - 2. Releases semi-annual/annual report about the Sharia compliance. This report includes the effectiveness of the internal Sharia controls and any weak points in the Sharia controls system and internal legal control with a fundamental impact. The semi-annual report is submitted to the Board of Directors while the annual report to the shareholders general assembly both copied to the Central Bank.
 - e. Reviews and approves the policies and guidance relating to the Islamic provisions.
 - f. Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
 - g. Ensures adequacy and effectiveness of the internal Sharia control in the Bank.
 - h. Ensures adequacy and effectiveness of the internal Sharia audit department through reviewing the internal Sharia audit reports and response of the management thereto and submits directions to the internal Sharia audit department.
 - i. Coordinates with the (corporate governance and compliance committee) and the audit committee to ensure compliance of the Bank to the Islamic provisions and principles.
 - j. Proposes any necessary Sharia training to the Bank-s staff members.
 - k. Identifies all reports including review of compliance with the Islamic provisions and principles including the reports by the Central Bank, auditor and responses of the management thereon.
 - I. Attends meetings of the shareholders general assembly, and the Chairman of the Authority reads the Authority's report or choses one of the members to do so.
 - m. Makes opinion on the Bank-s memorandum of association and articles of association and ensure they are in harmony with the Islamic provisions and principles.
 - n. Makes submissions to the Board of Directors on appointment/dismissal of the Sharia internal audit manager.
- 10. Head of the Sharia internal audit department shall be appointed as the Sharia Supervision Board's Secretary.
- 11. The Secretary shall assume the following duties:
 - a. Attends all the Sharia Supervision Board's meetings; record all deliberations, proposals, objections and reservations and method of voting on the Sharia Supervision Board's draft decisions.
 - b. Determines the schedule of the Sharia Supervision Board's meetings in coordination with the

head of the Sharia Supervision Board and communicate the same to the members.

- c. Prepares the Sharia Supervision Board meetings; receives Sharia inquiries from all organizational units paving the way for submitting them to the Sharia Supervision Board.
- d. Ensures that all members have signed the minutes of meeting and decisions.
- e. Follows-up the implementation of Sharia Fatwa and decisions taken by the Sharia Supervision Board and provide the Sharia internal audit department and the compliance department for action and follows discussion of any topic brought forward from the previous meetings.
- f. Keeps meetings, records and documents of the Sharia Supervision Board.
- g. Document the name/s of member/s who absence the meeting and clarifying whether excused or not and state the same in the minutes of meeting.
- h. Provides the Central Bank with the suitability declarations signed by the Sharia Supervision Board members.
- 12. The Sharia Supervision Board shall have free access to any information without restriction to the activities of the Bank and can communicate with any employee within the Bank. It shall be delegated with all authorities and powers to perform the duties and tasks entrusted with it as required, including summon of any employee.
- 13. If necessary of the board, and after having obtained the consent from the Board, the Sharia Supervision Board may resort to outsourcing at the expense of the Bank to help it undertake the tasks vested in it to the fullest.

Article 10: Suitability

Members of the Board of Directors, members of the Sharia Supervision Board, and top executive management shall have the utmost integrity, credibility, competence, experience, and ability to commit and dedicate time to the Bank's business. It is the responsibility of the Board and NRC to ensure the same.

Article 11: Suitability of Board Members

- a- The Board shall adopt an effective policy to ensure Suitability of its members provided that such policy encompasses the minimum standards, requirements and conditions to be met by the nominated and appointed member. This policy should be reviewed when needed. Adequate procedures and regulations should be set to ensure all members satisfy the appropriate standards at all times. The Bank should provide the Central Bank with a copy of the policy approved by the Board.
 - b- The Chairman or member of the Board of Directors shall meet the following conditions:
 - 1- Not less than 25 years old
 - 2- He/she is not a member of the Board of Directors of another Bank within the Kingdom or is not its general manager or regional manager or employed by it unless such other Bank is a subsidiary.
 - 3- He/she is not a lawyer or legal counsel or auditor of the Bank.
 - 4- Holding the first university degree as minimum whether in economy or finance or accounting or business administration or any other similar discipline. The NRC may consider addition of other disciplines if coupled with bank-related business experience.
 - 5- He/she is not a government employee or any other public official institution unless he/she is its representative.
 - 6- He/she is not a member in the Board of directors of more than five public joint stock companies within the Kingdom in his/her personal capacity in some and representative of a legal person in the others.
 - 7- He has experience in the Bank business, finance or similar fields of no less than five years. He is familiar with the banking activities compliant with the Islamic provisions.
- c- The Central Bank may make objections to the nomination of any person to the membership of the bank-s Board of Directors should it find that he/she doesn-t meet any of the conditions set forth in clause (b) above.
- d- The Chairman or members of the Board shall sign a declaration (in accordance with the annexed

form No. (1)) to be kept with the Bank copied to the Central Bank along with the member's C.V.

e- The Chairman of the Board shall make sure that the Central Bank was notified with any material information that may negatively affect the consistency of the members.

Article 12: Suitability of Top Executive Management Members

- a- The Board must adopt a policy to ensure suitability of members of the top executive management in the Bank if such policy encompasses the minimum standards, requirements, and conditions to be met by the member. The Board shall review this policy from time to time. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy
- b- The Board must appoint a general manager characterized by integrity, technical competence, and banking experience. The prior consent of the Central Bank should be obtained before such appointment.
- c- The approval of the Board must be obtained before appointing any member of the top executive management in the Bank.
- d- The Board must approve a succession plan to the members of the top executive management. The Board shall review the plan once a year at least.
- e- The Board must notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
- f- Top executive managers shall meet the following conditions:
 - 1- He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
 - 2- Should be full time dedicated to the Bank business.
 - 3- Holder of the first university degree as a minimum in economics or finance or accounting or business administration or any other similar discipline that is related to the bank business.
 - 4- He/she has experience in bank-s business and related businesses of no less than five years except for the position of the general manager for which experience is not less than ten years.
 - 5- Among the experiences set out in the previous clause, at least two years in the Islamic banks field, otherwise the member of the top executive management shall undergo a comprehensive qualifying program in the Islamic banks field, accounting standards, audit and legal controls, and standards issued by the Accounting and Auditing Organization for the Islamic financial institutions and the standards issued by the Islamic Financial Services Board (IFSB) for no less than three months.
- g- No objection letter should be obtained from the Central Bank prior to the appointment of any member in the top executive management and thus the Bank should, before appointment of any member in the top executive management, have the C.V of the nominated person annexed with the scientific documents and certificates, experience certificates and good conduct certificate and other supporting documents. The candidate is asked to sign the declaration exhibit No.2 and the Bank should provide the Central Bank with a copy of the declaration together with the relevant C.V.

Article 13: Suitability of the Sharia Supervision Board

- a- The Board must adopt an effective policy to ensure Suitability of members of the Sharia Supervision Board provided that such policy should encompass the minimum standards, requirements and conditions to be met by the nominated and appointed member. The Board should review this policy when needed. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy approved by its Board of Directors.
- b- The Chairman or member of the Board shall meet the following conditions:
 - 1- He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
- 2- He/she has experience of no less than 3 years in issuing Sharia Fatwas and Islamic provisions and/



or experience in teaching or scientific research of no less than four years following graduation.

- c- The Central Bank may object on the nomination of any person to the membership of the Board of Directors of the Bank if found not meeting any of the conditions outlined in clause (b) above.
- d- The Chairman or members of the Supervision board shall sign the declaration in exhibit 3 to be kept with the Bank copied to the Central Bank and annexed with the members[,] C.V.
- e- The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Sharia Supervision Board members.
- f- If there is a need to appoint members of the Sharia Supervision Board of those residents abroad, the number is stipulated not to exceed half of the number of the Sharia Supervision Board members.

Article 14: Performance Appraisal of administrators and Sharia Supervision Board Members

- a. The Board shall create a system for appraisal of its works and members provided that it encompasses as a minimum the following:
 - 1- Sets specific objectives and determines role of the Board in achieving the measurable objectives.
 - 2. Determines the key performance indicators (KPIs) that may be deduced from the strategic plans and goals and use them to measure the Board <s performance
 - 3- Periodic communication between the Board of Directors and the shareholders
 - 4- Periodic meetings of the Board of Directors with the top executive management.
 - 5- Role of the member in the Board's meetings; compare its performance to that of other members' performance. Feedback should be obtained from the concerned member with a view to improve the appraisal process.
- b- The NRC shall evaluate annually the Board's business as whole and its committees and members if the NRC shall notify the Central Bank of the results of such evaluation.
- c- The Board must evaluate the Sharia Supervision Board and its members, performance in accordance with a predetermined evaluation by the NRC and encompasses setting the KPIs to include the Sharia Supervision Board and its members, performance evaluation standards through the role of the member in the Sharia Supervision Board, meetings; comparison of his/her performance with that of the Sharia Supervision Board, other members. Feedback of the concerned member should be obtained in order to improve the appraisal process. The evaluation system should include also the extent of the Sharia Supervision Board, achievement of its duties and tasks and effectiveness of the Sharia control system in the Bank.
- d- The Board shall evaluate performance of the general manager on annual basis in accordance with the predetermined evaluation by the NRC and encompasses setting the KPIs. The performance evaluation standards of the general manager include the financial and admin performance of the Bank, commitment to apply the legal controls approved by the Bank, extent of achievement of the Bank^s medium and long term strategies and plans, provided that the committee notifies the Central Bank of the evaluation results.
- e- The Board shall adopt a system to measure performance of the Bank members other than the members of the Board of Directors and the general manager provided that such system should include, at minimum, the following:
 - 1- The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
 - 2- Total income or profit is not the only element to measure performance; however, other elements to measure performance of members like the risks associated with the basic operations and customers satisfaction wherever applicable should be taken into consideration.
 - 3- Not to exploit influence and conflict of interests.

Article 15: Financial Remunerations of Directors and Sharia Supervision Boardys Members

- 1- The Board shall set procedures to determine remuneration of its members based on the approved evaluation system.
- 2- The Board shall set procedures to determine board members, based on the approved evaluation system.
- 3- NRC of the Bank shall set the financial remuneration policy to the directors characterized by objectivity and transparency. The policy should be adopted and approved by the Board and the Central Bank is provided with a copy thereof within a maximum period of seven working days from the date of its adoption by the Board
- 4- The financial remuneration policy shall provide, at minimum, the following elements:
 - a. Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
 - b. Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
 - c. It takes into account the risks, liquidity, and profits situation and timing.
 - d. Granting remuneration may not be based only on the current year's performance but also on the performance in the medium and long term (3-5 years)
 - e. It reflects the Bank's goals, values and strategy
 - f. Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits
 - g. It compasses possible postponement of payment of reasonable rate of remuneration, such rate together with the postponement period are determined based on the nature of business, risks and activities of the concerned member.
 - h. No financial remuneration to the members of the regulatory and control departments will be granted (risk management, audit, compliance and others) based on results of departments, activities under control.

Article 16: Conflict of Interests

- 1. Administrators and members of Sharia Supervision Board shall avoid conflict of interests.
- 2. The Board adopts a policy and procedures to address conflicts of interest that may arise when the Bank is part of a banking group and to disclose any conflict of interest that may arise from the Bank's association with companies within the Group.
- 3. The Sharia Supervision Board shall approve a policy and procedures to address conflict of interests
- 4. The Board shall adopt policies and procedures for transactions with stakeholders to include definition of stakeholders taking into account the regulations, transactions conditions, approval procedures and control mechanism over such transactions. These policies and procedures may not be passed over and encroached.
- 5. The control regulatory departments in the Bank shall ensure that the stakeholders³ transactions are carried out and processed in accordance with the approved policy and procedures. The audit committee reviews and controls all these transactions and introduces them to the Board of Directors.
- 6. The Board shall ensure that the top executive management implements the approved policies and procedures.
- 7. The Board shall adopt controls for information circulation movement between the different departments and such controls would prevent personal exploitation.
- 8. The Board shall adopt and circulate policies and charter of professional conduct to all members to include as minimum the following:
 - a- None of the administrators may use the internal information of the Bank for their own personal benefit.
 - b- Rules and procedures regulating transactions with the stakeholders.



c- Cases from which conflict of interest may arise.

9. The Board shall ensure that the executive management enjoys high level of integrity in exercising its business and avoids conflict of interest.

Article 17: Internal Audit

- 1- The Board must ensure that the internal audit department in the Bank is able to undertake the following tasks, as minimum:
 - a- Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
 - b- Verify compliance with the Bank's internal policies and international standards and related regulations.
 - c- Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
 - d- Review compliance to the corporate governance manual
 - e- Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.
 - f- Ensure the accuracy of the applicable procedures for the Internal Capital Adequacy Assessment Process (ICAAP).
- 2- The Board ensures and enhances the independence of the internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3- The Board must take necessary actions to enhance effectiveness of internal audit through the following:
 - The Board gives necessary importance to the audit process and establishes the same in the Bank.
 - The Board monitors the correction of audit notes.
- 4. The audit committee shall verify the provision of adequate resources and trained number of human personnel qualified to the internal audit department.
- 5. The audit committee shall verify that the internal audit staff members are rotated on auditing the Bank-s activities every three years as maximum.
- 6. The audit committee shall verify that the internal audit personnel are not assigned to any executive assignments.
- 7. The audit committee shall verify that all the Bank activities are audited including the outsourced activities.
- 8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the audit department and circulate it within the Bank.
- 9. The Board shall verify that the internal audit department is under the direct supervision of the audit committee and reports directly to the audit committee and the general manager.
- 10. The audit committee, in coordination with the nomination and remuneration committee shall evaluate performance of the internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 18: Shari'a Internal Audit

- 1- The Shari'a Supervision Board shall ensure that the Sharia internal audit in the Bank is able to undertake the following tasks and duties, as minimum:
 - a- Check and evaluate adequacy and effectiveness of the Sharia internal control system of the Bank.
 - b- Monitor the compliance of the Bank's management with the legal aspects, Sharia Fatwas, and decisions issued by the Sharia Supervision Board.
 - c- Set the annual Sharia audit plan to be approved by the Sharia Supervision Board and implement its items.

- d- Check receivables and finances that are classified under non-operating facilities or those decided to be written off which are funded by the joint investment accounts in order to verify absence of encroachment or default on the part of the Bank.
- e- Determine the earnings contravening the Islamic principles and dispose them in accordance with the decisions of the Sharia Supervision Board.
- f- Verify that executive management complies with the policy that regulates relations between the shareholders and investment account holders, in particular distribution bases of dividends.
- 2- The Board shall ensure and enhance independence of Sharia internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3- The Board shall take necessary actions to enhance effectiveness of Sharia internal audit through the following:

a. Give due importance to the Sharia audit process and establish the same in the Bank.

- b. Monitor the correction of Sharia audit notes.
- 4- The Board shall verify provision of adequate resources and qualified number of human personnel to the Sharia internal audit department and that they are well trained. The personnel in the department should, as minimum, meet the following requirements:
 - a- A related university degree and familiarity with the Islamic financial transaction principles, respective conditions of each contract, and reasons of contracts termination.
 - b- Familiar with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 5. The Board shall verify that the Sharia internal audit personnel are rotated to audit the Bank's activities every three years as maximum
- 6. The Board shall verify that the Sharia internal audit personnel are not assigned to any executive assignments.
- 7. The Board shall verify that all the Bank's activities are legally audited including the outsourced activities.
- 8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the Sharia audit department and circulate it within the Bank.
- 9. The Board shall verify that the Sharia internal audit department is under the direct supervision of the Sharia Supervision Board and reports directly to the Chairman of the Sharia Supervision Board and send copies of the reports to the audit committee and the general manager.
- 10. The Sharia Supervision Board, in coordination with the nomination and remuneration committee, shall evaluate the performance of the Sharia internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 19: External Audit

- 1- The Board shall ensure that the external auditor is regularly rotated between the audit offices and their subsidiaries or allied or associated companies in any way every seven years as maximum as of the election date.
- 2- The seven years period is calculated on the application commencement as of 2010
- 3- The first year (at rotation) of the new office shall be (joint) with the old office.
- 4- The former office may not be re-elected before the lapse of at least two years from the last election to it in the Bank unlike the joint audit duty.
- 5- The Sharia Supervision Board shall verify that the external auditor has audited the adequacy and effectiveness of the Sharia internal control system in the Bank.
- 6- The audit committee shall annually verify the independence of the external auditor.
- 7- The Board shall take proper actions to address weaknesses in the internal control systems or any other weak points demonstrated by the external auditor.

Article 20: Risk Management

- 1- The risk management shall monitor the compliance of the Bank-s executive managements with the risk appetite levels.
- 2- The Board shall verify that the irregularities at the risk appetite levels are addressed, including holding the concerned top executive management accountable for these irregularities.
- 3- The Board shall ensure that the risk management department periodically undertakes stress testing to measure the Bank's ability to tolerate shocks and face the elevated risks. The Board shall have a key role in approving the adopted assumptions and scenarios, discuss testing results, and adopt actions to be taken based on the results.
- 4- The Board shall approve the internal evaluation methodology of the Bank's capital adequacy so that it is comprehensive and effective and able to determine all risks including the legal ones that the Bank is likely to face; and it takes into account the Bank's strategic plan and capital plan. This methodology should be periodically reviewed and its application shall be ensured. It should be verified that the Bank maintains a capital adequate to meet all faced risks.
- 5- The Board, prior to approval of any activity expansion, shall take into account the resulting risks, competence, and qualifications of the risk management department personnel.
- 6- The Board shall ensure independence of the risk management department in the Bank through submitting its reports to the risk management committee and granting the department authorities and powers necessary to be able to access information from the Bank's other departments and cooperate with the other committees to undertake the respective duties.
- 7- The Board shall adopt the risk appetite charter of the Bank.
- 8- Duties of the risk management departments, as minimum, are as follows:
 - a- Review the risk management framework before the Board's approval.
 - b- Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
 - c- Setting methodologies to determine, measure, and control each type of the risks.
 - d- Submit reports to the Board through the risk management committee copied to the top executive management including information about the actual risk profile for all the Bank's activities compared to the risk appetite; and monitor the addressing of the negative deviations.
 - e- Verify that the risk measurement mechanisms are integrated with the adopted management information systems
 - f- Study and analyze all risk types faced by the Bank
 - g- Make recommendations to the risk management committee about the Bank-s exposures to risks; record exemptions from the risk appetite levels.
 - h- Provide necessary information about the Bank's risks to be used for disclosure purposes.

Article 21: Compliance Department

- 1- The Board shall ensure the independence of the compliance department whereas it includes the Sharia compliance department. The Board shall also ensure that the compliance department is continuously provided with adequate and well-trained personnel.
- 2- The Board shall adopt a policy to ensure the Bank's compliance with the related legislations, Sharia Fatwas, and decisions issued by the Sharia Supervision Board; and review the policy periodically and verify its application.
- 3- The Board shall approve the tasks and responsibilities of the compliance department.
- 4- The compliance department shall report to the corporate governance and compliance committee of the Board, and to the Sharia Supervision committee and send a copy of the reports to the general manager.

Article 22: Rights of Stakeholders

- 1- The Board shall provide a specific mechanism to ensure communication with the stakeholders through disclosure and to provide information of significance about the Bank-s activities to the stakeholders through the following:
 - a- General assembly meetings
 - b- Annual report
 - c- Quarterly reports containing financial information, in addition to reports of the Board about the Bank-s stock exchange, and its financial position during the year.
 - d- The Bank-s website.
 - e- Shareholders, relation division.
- 2- The Board shall ensure the designation of a part of the website to include explanations and clarifications of the shareholders rights and encourage them to attend the general assembly meetings and vote therein as well as dissemination of meetings-related documents including the full text of convocation and minutes of meetings.
- 3- The Board shall ensure the designation of a part of the website to include clarifications about rights of the investment account holders and disseminates the policy that regulates their relations with the shareholders to include quantitative and qualitative disclosures.

Article 23: Disclosure & Transparency

- 1- The Board shall ensure the dissemination of financial and non-financial information of concern to the stakeholders.
- 2- The annual report of the Bank should encompass a text stating that the Board is responsible for the accuracy and adequacy of the financial statements of the Bank, the information contained in that report, and the adequacy of the internal control systems and Sharia control systems.
- 3- The Board shall ascertain compliance of the Bank with the disclosures determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and compliance with the disclosures issued by the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in case Islamic Standards are not made available, along with the directions of the Central Bank and other related regulations. It shall make sure that the executive management is familiar with the changes to the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Accounting Standards.
- 4- The Board shall ensure that the annual report of the Bank and its quarterly reports include disclosures that enable the current or potential shareholders of reviewing the operation results and the financial position of the Bank.
- 5- The Board and the Sharia Supervision Board shall ensure that the annual report of the Bank includes disclosures that enable the current or potential investment account holders of reviewing the operation results and the legal and the financial situation of the Bank.
- 6- The Bank shall establish written work procedures in accordance with the disclosure policy adopted by the Board to regulate the disclosure of information and follow up its implementation in accordance with the requirements of the regulatory bodies and the applicable legislation.
- 7- The Board shall ensure that the annual report includes, as minimum, the following:
 - a- Summary of the organizational structure of the Bank
 - b- Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
 - c- The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
 - d- Information about each member of the Board in terms of respective qualifications, experience and his/her share in the Bank-s capital and whether he/she is independent or not, and his/her membership in the Board-s committees, date of appointment and any other memberships in the Boards of other companies, remuneration of all forms received from the Bank for the previous year as well as the funding granted to him/her from the Bank and any other operations made

between the Bank and the member or the parties related to him/ her.

- e- Information about each member of the Sharia Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
- f- Information about the risk management department including structure, nature of operations, and developments made to it.
- g- Frequency of meetings of the Board, committees, and the Sharia Supervision Board and the number of meetings attended.
- h- Names of independent members of the Board, top executive management, and Sharia Supervision Board during the year.
- i- Summary of the Bank's remuneration policy showing and disclosing all forms of remunerations granted to each member of the Board, fees paid to each member of the Sharia Supervision Board, remunerations of all forms paid to each member of the top executive management for the previous year.
- j- Names of shareholders holding 1% or more of capital while determining the ultimate beneficial owners of these shares or any part thereof and demonstrating whether any of these contributions are mortgaged wholly or partly.
- k- Declarations by all Board members and Sharia Supervision board members that the member has not received any benefits through his/her work at the Bank that has not been disclosed whether such benefits are financial or in-kind and whether personal or to any related party, for the past year.
- I- Governance report to be signed by the chairman.

Article 24: General Provisions

- 1- The Chairman of the Board shall invite the Central Bank to attend the general assembly meeting in a suitable time before the meeting to enable the nomination of its representative.
- 2- The Chairman of the Board shall provide the Central Bank with the general assembly minutes of meetings within a period not exceeding five days from the date of endorsement of the meetings, minutes by, or on behalf of, the Companies General Controller.
- 3- The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the external auditor to be elected or re-elected by the general assembly.
- 4- The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the Sharia Supervision Board's member to be elected or reelected by the general assembly.
- 5- The Bank shall notify the Central Bank of the number of shares mortgaged by the Bank-s shareholders holding 1% or more of the capital and of the mortgagee.
- 6- The Bank shall, semi-annually and whenever a change takes place, provide the Central Bank with the information related to the members of the Board and its committees, members of the Sharia Supervision Board, and members of the top executive management, in accordance with the annexed formats (4/1, 4/2, 4/3, 4/4).
- 7- The Bank shall, semi-annually or when change takes place, provide the Central Bank with information related to the members of the Board of directors and the top executive managements of its subsidiaries and affiliates within the Kingdom and abroad in accordance with the annexed formats (5/1, 5/2, 5/3).

Governance Report Contents

Names of the Board of Directors members 2018	258
Resigned Board members during 2018	258
Names of the Members of Shari'a Supervisory Board 2018	259
Resigned Shari'a Supervisory Board members during 2018	259
Names of Executive Management	260
Resigned Executive Management members during 2018	260
Name of Governance Officer in the Bank	261
Names of Committees Originating from the Board	261
Name of head and members of Governance Committee, NRC Committee and Risk Committee	261
Name of the Audit Committee Head, Members and a brief profite on their	
relative qualifictaions and experience concering financial and accounting	262
Number of BOD Meetings and its Committee's during 2018	263
Membership of the Board of Directors, which is occupied by a member of the Board of Directors in other companies	264

Names of the Board of Directors members 2018

Dr. "Mohammed Nasser" Abu Hammour Representative of Al-Etihad Islamic for Investmer	Chairman of the Board since 4/1/2017 nt Co.	non-executive /non-independent
Hamdan Al-Fawair Representative of Orphans Fund Development F	Deputy Chairman of the Board since 4/1/2017 Foundation	non-executive/ Independent
Basem Salfiti Representative of Al-Etihad Islamic for Investmer	Since 4/1/2017 nt Co.	non-executive /non-independent
Deema Aqel Representative of Al-Etihad Islamic for Investmer	Since 4/1/2017 nt Co.	non-executive /non-independent
Dr. Nofan Al-Aqeil Representative of Government Contributions Ma	Since 4/1/2017 Inagement Co.	non-executive /non-independent
Khaled Al-Gonsel Representative of Al-Etihad Islamic for Investmer	Since 4/1/2017 nt Co.	non-executive /non-independent
Dr. Khaled Al Zantouti Representative of Al-Etihad Islamic for Investmer	Since 17/12/2018 nt Co.	non-executive /non-independent
Dr. Ahmed Amneisi Representative of Al-Etihad Islamic for Investmer	Since 13/04/2017 nt Co.	non-executive /non-independent
Dr. Ibrahim Saif	Since 22/10/2017	non-executive/ Independent
Samir Abu Lughod	Since 13/04/2017	non-executive/ Independent
Salem Burgan	Since 17/12/2018	non-executive/ Independent
Resigned Board members d	luring 2018	
Fayez Al-Maremi Representative of Al-Etihad Islamic for Investmer	resignation date as of 1/11/2018 nt Co.	non-executive /non-independent

Haytham Kamhiyah	resignation date as of 29/11/2018	non-executive / Independent
Representative of AI-Etihad Islamic for Investme	ent Co.	

Names of the Members of Shari'a Supervisory Board 2018

His Eminence Prof.Dr.Hussein Hamed Hassan	Chairman of the Shari'a Supervisory Board and Executive Member
His Eminence Prof.Dr. Ali Muhieddin al Qaradaghi	Deputy Chairman of the Shari'a Supervisory Board
His Eminence Sheikh Abdul Karim Al-Khasawneh	Shari'a Supervisory Board member
His Eminence Dr. Ahmad Salem Melhem	Shari'a Supervisory Board member

Resigned Shari'a Supervisory Board members during 2018

His Eminence, Prof. Dr. Ali Mohamad Al Hussein El Moussa "Al Sawa" resignation date as of 28/04/2018

Names of Executive Managment

Samer Tamimi	Director General / Chief Executive Officer
Rami Khayyat	Deputy CEO, Chief of Corporate Banking
Hani Al-Zrari	Deputy CEO, Chief of Central Operations
Ziad Kokash	Deputy CEO, Chief of Risk Management
Ibrahim Samha	Deputy CEO, Chief of Finance and Corporate Strategies
Nasfat Taha	Head of Retail Banking
Wael Al-Bitar	Head of Treasury and Investment
Rami Al-Kilani	Head of Information Technology
Ahmad Tarteer	Head of Compliance and AML
Masoud "Sakf al-Hait"	Chief of Legal Affairs and Board Secretariat
Muneer Faroneyah	Head of Shari'a Supervision
Mohammad Hawari	Head of Human Capital Management
Khaled Al-Issa	Head of Internal Audit

Resigned Executive Management members during 2018

*There are no Resignations from The Executive Management during 2018.

Name of Governance Officer in the Bank

Ahmad Tarteer / Head of Compliance and AML

Names of Committees Originating from the Board

- NRC Committee
- Governance Committee
- Risk Committee
- Management Committee
- Compliance Committee
- Audit Committee
- IT Steering Committee
- Facilities Committee

Name of head and members of Governance Committee, NRC Committee And Risk Committee

Compliance Committee

Dr. "Mohammed Nasser" Abu Hammour Chairman Samir Abu Lughod Deputy Chairman Hamdan Al-Fawair

NRC Committee

Salem Burgan Samir Abu Lughod Basem Salfiti Chairman Deputy Chairman

Risk Committee

Deema Aqel Ibrahim Saif Khaled Al-Gonsel Chairman Deputy Chairman



Name of the Audit Committee Heads, Members and a brief profile on their relative qualifications and experiences concerning financial and accounting affairs:

Samir Abu Lughod (Head of the Committee)

Qualifications:

• Bachelor's Degree in Accounting 1976.

- Practical experiences :
 - Chairman of the Audit Committee The International Criminal Court / The Hague, Netherlands March 2017 till now.
 - Member of the Audit Committee The International Criminal Court / The Hague,

Netherlands January 2016 till March 2017.

- Country Senior Partner PWC, Jordan 2009-2012.
- Managing Partner EY, Jordan, 2002-2009.
- Office Managing Partner Arthur Andersen, Jordan, 1979-2002.
- Senior Auditor Saba&Co 1976-1979.

Hamdan Al-Fawair (Deputy Head of the Committee)

Qualifications:

• Bachelor of Law from Alexandria University in 1985.

Practical experience :

- Director General of the Foundation for the Orphans Fund Development Foundation from 2/10/2017 until now.
- Acting Director General of the Foundation for Orphans Fund Development Foundation from 2/1/2017-1/10/2017.
- Director General Assistant of the Foundation Orphans Fund Development Foundation 2010 till 2016.
- Director of Administrative Affairs and Human Resources for Orphans Fund Development Foundation 2009-2010
- Director of Internal Control for Orphans Fund Development Foundation 2008-2009.
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008.
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau 2005-2007.
- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 2005.
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004.
- Assistant Director, Internal Control, Audit Bureau 1999-2001.
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999.

Dr. Khaled Al Zantouti

Qualifications:

- PhD in Finance Administration and Management of Organization and Marketing , Bosphorus University Turkey 1992.
- MBA in Management Accounting University of Hartford C.T USA (Hons) 1982.
- Bachelor of Accounting, Faculty of Economics, Qaryounis University, Benghazi, Libya 1976.

Practical experience and membership:

- (1988 2000) Different positions, as Manager and DM in different companies owned by Libyan Arab Foreign Investment Company (LAFICO) in Turkey, Italy, Germany, Pakistan, Egypt.
- (2000 2002) State Secretary Investment and International Cooperation Libyan Cabinet.
- (2002 2004) Chairman and General Manager Libyan Arab Foreign Investment Co. (LAFICO).
- (2012 2016) Full time Ass. Proff. Of Finance and Accounting at PUST University Amman Jordan.
- General Manager and Chairman of the Management Committee / Long Term Investment Portfolio / Libya Tripoli 2004/2012.
- Advisor to the Union Bank Union Bank Amman / Jordan 2012 -2016.
- Financial, Economic and Investment Consultant for long term portfolio Amman, Jordan, 2016 till now.
- Vice Chairman of the Board of Directors of the British Arab Bank London / Britain 2004/2012.
- Vice Chairman / Union Bank Amman Jordan 2007/2012.
- Vice Chairman of the Board / Libyan Foreign Bank / Tripoli Libya 2009/2012.
- Member of the Board of Directors of the Arab Banking Corporation ABC Manama Bahrain 2010/2012.

Number of BOD Meetings and its Committee's during 2018

Board / Committee	NRC Committee	Governance Committee	Compliance Committee	Audit Committee *	Risk Committee	IT Steering Committee	Facilities Committee	Management Committee	Board of Directors Meetings
No. of meetings Members	6	4	4	10	7	5	11	24	8
Dr. "Mohammed Nasser" Abu Hammour	-	4/4	_	-	_	_	11/11	24/24	8/8
Hamdan Al-Fawair	-	4/4	-	10/10	-	-	_	-	8/8
Dr. Nofan Al–Aqeil	-	-	4/4	-	-	1/5	11/11	-	7/8
Deema Aqel	-	-	4/4	-	7/7	-	10/11	23/24	7/8
Basem Salfiti	6/6	-	-	-	-	5/5	10/11	18/24	8/8
Khaled Al-Gonsel	-	-	-	-	4/7	4/5	-	-	6/8
Dr. Ahmed Amneisi	-	-	3/4	-	-	-	-	-	7/8
Samir Abu Lughod	6/6	4/4	-	10/10	-	-	-	-	8/8
Dr. Ibrahim Saif	-	-	-	-	7/7	5/5	-	-	7/8
Dr. Khaled Al Zantouti Member since 17/12/2018	_	-	_	1/10	_	_	-	1/24	1/8
Dr. Salem Burgan Member since 17/12/2018	_	_	_	_	_	_	_	1/24	1/8
Haytham Kamhiyah Resigned on 29-11- 2018	5/6	_	_	_	_	_	_	18/24	3/ 8 A (3)
Fayez Al-Maremi Resigned on 1-11- 2018	-	-	-	8/10	-	_	-	23/24	5/ 8 A (1)

• Audit Committee met External Auditor 4 times during 2018.

• Board of Directors met Sharia Supervisory Board 2 times during 2018.

• A: Absence



Membership of the Board of Directors, which is occupied by a member of the Board of Directors in other companies

Dr. "Mohammed Nasser" Abu Hammour - Chairman of the Board

- Chairman of the Board of Al Salam Transport Company.
- Chairman of the Board Islamic Model Microfinance Company
- Chairman of the Board of Al Johoud Investment Company.
- Chairman of the Board of International Gathering Company.
- Deputy Chairman of the Board of Global Development Company for Consultancy and Economic Investments.
- Chairman of the Board of Denver Investments Company.
- Chairman of the Board of Al Hassan Microfinance Company.
- Chairman of the Board of Global Insights for Financial and Economic Consulting.
- Chairman of the Board of Arab Group for Development Company.
- Chairman of the Board of Al Salam Investment Company.

Hamdan Al-Fawair - Deputy Chairman of the Board

• Member of the Board of Directors , Rum Group for Transportation & Tourism Investment.

Basem Salfiti

- Non-Executive Board Member, Bank Al-Etihad.
- Member of the Board of Directors, AI-Etihad Islamic for Investment Co..
- Non-Executive Board Member of Delta Insurance and Advisory .

Deema Aqel

- Non-Executive Board Member, Bank Al-Etihad.
- Member of the Board of Directors, AL Etihad Brokerage Company.

Dr. Nofan Al-Aqeil

- Member of the Board of Directors, Aldamaan for Energy Investment. Khaled Al-Gonsel
- Member of the Board of Directors, Libyan Foreign Investment Company.

Dr. Khaled Al Zantouti

• No membership.

Dr. Ahmed Amneisi

• No membership.

Dr. Ibrahim Saif

• Member of the Board of Director, Jordan Loan Guarantee Corp..

Samir Abu Lughod

No membership.

Salem Burgan

• Member of the Board of Directors, Jerusalem Insurance Company.

Dr. "Mohammed Nasser" Abu Hammour

Chairman of the Board

We Started with you and will continue together

IT GOVERNANCE GUIDE FOR INFORMATION MANAGEMENT AND ASSOCIATED TECHNOLOGY

IT Governance Guide for Information Management and Associated Technology

Contents

Introduction	269
Definitions	269
Scope of work	270
General Policies and Procedures	270
Attributions	271
Committees	272
Goals and IT governance operations	274
Principles, policies and frameworks	274
Information and reports	274
Services, programs and infrastructure of information technology	274
Knowledge, skills and experience	275
System of Values, Morals and Behaviour	275

Introduction

In line with the instructions of information governance and the associated technology, Safwa Islamic Bank board of directors and its executive management approved a number of measures to equalize IT with other major business in the Bank. Usage of COBIT 5 framework for governance, information management, technology and IT projects assists in creating the optimal value of IT by maintaining a balance between achieving benefits and improving risks levels and using resources. COBIT 5 also enables IT to be managed in a comprehensive way for the full projects taking into account the functional and technological responsibilities from the beginning to the end, along with considering the interests from the involved internal and external stakeholders in addition to working on managing IT risk framework in an integrated manner that complies with the Bank overall risk management operations in accordance with the sound procedures and practices that lead to sound mechanisms for the risk-based decision-making. It also ensures achieving the value added at the lowest costs while mitigating expected losses and risks to reflect the vision of the Bank in this regard and within acceptable risk limits wherever possible.

Definitions

The following words and phrases, wherever stated in this regulation, shall have the meanings assigned to them unless the context indicates otherwise.

Concerned word	phrase		
The Bank	Safwa Islamic Bank		
The Board	Safwa Islamic Bank board of directors		
The CommitteeThe committee of information governance and management and the assoc technology			
The Organizational structure	The Bank organizational structure mentioned in the annex		
Top Executive Management	Comprises the Bank General Manager, Deputy General Manager, Financial Manager, Operations Manager, Risk Management Manager, Internal Audit Manager, Internal Sharia Audit Manager, Treasury Director (Investment),Compliance Manager, in addition to any employee at the Bank who has executive power parallel to any of the mentioned and directly linked to the General Manager and in a manner that doesn't conflict with human capital police.		
Stakeholders	Those who have interest in the Bank such as stakeholders, employees, creditors, customers, external suppliers or concerned regulatory authorities.		
Concerned Parties	Persons, groups or institutions which have direct or indirect interest in the Bank as they affect or are affected by its practices or activities.		
Guide	A guide to governance and management of information and the associated technology which aims to provide recommendation and guidance for the work of the Committee.		
Information governance and the associated technology	Distribution of roles ,responsibilities and characterization of relations among different parties entities and stakeholders such as the Board of Directors and the Executive Management in order to maximize the institution's value added using the optimal approach that ensures the balance between the risks and expected returns, through adopting necessary rules, principles and mechanisms for decision-making and determining strategic objectives of the Bank and the mechanisms for monitoring and compliance verification which ensure development and sustainability of the bank.		

Information Management and the associated technology	A set of on-going activities that fall within the responsibility of the Executive Management; Planning to achieve the strategic objectives including harmonization, organization, and construction and development activities including procurement and implementation, in addition to the operational activities including providing services and support, and monitoring activities including measurement and evaluation, ensuring the sustainability of the Bank objectives and strategic directions.		
IT Governance Operations	A set of practices and activities emerging from the institution's policies which are required to achieve the objectives of the information and the associated technology.		
Objectives of the information and the associated Technology	A set of key and sub objectives related to the governance and management activities of the information and associated technology which are required to achieve the institutional objectives.		
Institutional objectives	A set of objectives related to governance and institutional management which are required to achieve the needs of stakeholders and the objectives of these instructions.		
On – Site building	for the general administration, operation place is in the same building of the General Administration of the Bank in Jordan.		
Off – Site, for another Building	operation place is in a building other than that of the General Administration of the Bank in Jordan, but in the same governorate.		
Near – Site operation	place is in a governorate other than that of the General Administration of the Bank in Jordan.		
Off – Shore, for another Country	where the operation place is in a country other than that of the General Administration of the Bank.		

Scope of Work

The IT Department shall be the responsible entity for this evidence; compliance with the implementation is overseen by the Bank Control Departments; while the date of reviewing this evidence is set if a need arises.

The scope of implementing this guide includes all Safwa Islamic Bank's operations based on IT in various branches and departments. All stakeholder parties shall be considered concerned with applying the instructions each according to their position and role.

1. General Policies & Procedures

1. Major stakeholders' responsibilities:

- The responsibilities of the Board Chairman, the Board members, external experts include managing the governance project/program; approving the project's tasks and dues, the support, and providing the (needed) funds.
- The general director and the top management: Their responsibilities involve employing experienced calibres at the bank's operations to represent them in the project; defining their duties and responsibilities.
- IT Department and Project Management Office: They're responsible for managing the project/program.
- Internal Auditing: They're responsible for directly controlling the instructions' implementation; the participation in the project/program; which represents the role of internal auditing in the executive issues as an independent advisor and supervisor to facilitate the project/program's success and achievement.
- Risk Management, Information Security, Compliance and Legal Departments:

Their responsibilities include the participation in the project/program in means representing the role of these departments.

The competent calibres; holders of professional and technical certificates (COBIT 5

Assessor, COBIT 5 Implementation, CGEIT certification), who are appointed from inside and outside the Bank: Their responsibilities include the guide's role to disseminate knowledge and ease the implementation.

 Safwa Islamic Bank Board shall be responsible for overseeing the implementation of the five governance operations, which involve Administrative Regulation(Assessment, directives, and monitoring), in addition to the operation of Risk Improvement Guarantee), « EDM 03 and APO12 Risk Management», in line with the Central Bank of Jordan's (CBJ) instructions.

2. Governance goals and Associated Information and Technology Management to achieve:

Governance and Associated Information and Technology aim at:

- 1. Meeting the stakeholders' needs and achieving the Bank goals through benefiting from the governance framework in:
 - Facilitating the added-value creation by offering online services complying with the instructions of Governance Guidelines and Associated Information and Technology Management, in means ensuring the deliberate management of risks and enhancing the optimum use of resources.
 - Securing information quality guarantee in order to support the decision-making process.
 - Providing infrastructure for online services, which enables the Bank to accomplish its objectives.
 - Ensuring the sustainability of the Bank operations through boosting the operations' automation and activating reliable and effective technological systems.
 - IT risk management in a bid to ensure the necessary protection of the Bank assets.
 - Setting up e-system complying with the requirements of laws, regulations and instructions.
 - Improving the reliability of the internal control environment.
 - Maximize the level of satisfaction of IT users by efficiently and effectively meeting the needs of their work.
 - Management of services provided by suppliers or partners (outsourcing) who provide their services / products to the Bank or execute operations, services and products to the Bank.
- 2. The use of COBIT 5 is the benchmark for designing all successful electronic systems and successful and effective solutions in a way that achieves the Bank objectives and all stakeholders.
- 3. Separation of governance and management in accordance with related internationally recognized standards of governance and management of information and technology.
- 4. Achieving the comprehensiveness in the governance and management of information and the associated technology (and) provide the seven elements of enablers according to COBIT 5 ,too .
- 5. Building the practices and rules of work and organization according to the best international standards, including the areas of IT governance and projects and resources of IT.
- 6. Boosting the mechanisms of self and independent control and checking compliance in the areas of governance and management of information and technology in which they contribute to developing and improving work continuously.

2. Attribution

1-This guide is based on Central Bank of Jordan's instructions No. 65/2016, in addition to COBIT 5, Noted that it shall be reviewed and updated regularly by the committee of information governance and the associated technology, or upon issuance of instructions in particular by the Central Bank of Jordan.



2-The Bank shall publish this guide on the Website in any appropriate manner to the public. The Bank shall disclose in its annual report the existence of a special guide for the governance and management of information and the extent of compliance with it.

3. Committees

Safwa Islamic Bank formed the following committees:

- 1- IT Governance Committee The Board
- 2- IT Security Steering Committee
- 3- The Board of Directors of Safwa Islamic Bank adopted the organizational structures (hierarchical and committee structures) for managing resources, IT projects, risk management and information security, which meet the operational needs of the information governance and the associated technology system to achieve efficiency and effectiveness.

IT Governance Committee - The Board:

- 1. In line with the Central Bank of Jordan's (CBJ) instructions, the Bank has formed an IT governance committee including at least three members selected from calibres boasting of IT experience and strategic knowledge.
- 2. The committee shall hold at least one quarterly meeting and write the minutes of the meetings; the committee's regulation includes the following tasks:
 - 1. Adopting the IT strategic objectives and appropriate organizational structures, including the steering committees at the top executive management sphere, particularly the IT Steering Committee and the means guaranteeing the achievement of the Bank strategic objectives and accomplishing the optimum added-value of the projects and investments of IT resources; utilizing the necessary instruments and standards to monitor and put this into effect; such as using IT Balanced Scorecards, Return On Investment (ROI), and measuring the impact of contribution to boosting the financial and operational efficiency.
 - 2. Adopting the common framework of managing, setting and monitoring IT resources and projects, which embraces the international state-of-the-art practices in this realm, especially Control Objectives for Information and Related Technologies COBIT, in a compatible manner meeting the achievement of goals and requirements of the Governance Guidelines and Associated Information and Technology Management No. 65/2016 by fulfilling the institutional goals sustainably; the accomplishment of matrix of associated information and technology Goals.
 - 3. Endorsing the institutional goals matrix and its associated information and technology goals; considering its data as a minimum; defining the necessary sub-goals to achieve them.
 - 4. Adopting a RACI chart (RACI Matrix) towards the fundamental operations of IT governance; its sub-operations stemming from it in regard to: the entity, entities, the person or the parties initially responsible; the (Responsible), the (Accountable) and the (Consulted), along with the ones that are briefed on all operations, using COBIT 5 Enabling Processes in this regard.
 - 5. Making sure of existing a common framework to manage the IT risks in line with the comprehensive common framework of the Bank risk management, taking into its consideration all IT governance operations.

6. Adopting the budget of IT resources and projects in accordance with the Bank strategic goals.

7. General control of IT operations, resources and projects (to emphasize their) adequacy and effective contribution to achieving the Bank business program.

8. Reviewing IT auditing reports and taking any necessary measures to address the troubles.

9. Recommending the Bank board to take any necessary measures to fix any errors.

Information Technology (IT) Steering Committee:

The Bank has formed an Information Technology Steering Committee from the top executive management's members (to ensure a strategic alignment of information technology to achieve the strategic objectives of the bank and that shall be in a sustainable manner. Hence, the committee headed by the general director and with the membership of executive management's top managers, including IT and Risk Management heads, was appointed. A board member was elected to have an observer status in the committee, as well as the internal audit manager. Other parties could be invited for attending the meetings, if a need arises. The regulation states that the committee has to write the minutes its meetings that shall be periodically held at least once every three months.

The committee shall undertake the following tasks and functions:

- 1- Laying out the appropriate annual plans required to achieve the strategic goals set up by the board; supervising their implementation in a bid to guarantee their accomplishment, in addition to overseeing the internal and external conditions that affecting them consistently.
- 2- Linking the matrix of institutional goals to the goals of information and technology associated thereto, as well as adopting and reviewing them regularly in a way that ensures the attainment of the Bank strategic aims and the goals of instructions; taking into account the definition and revision of the set of the assessment criteria, and entrusting relevant parties of the Executive Management to constantly monitor them and brief the committee on the results.
- 3- Recommending the allocation of financial and non-financial resources necessary to fulfil the objectives and IT governance operations; using the assistance of competent human elements, the right person in the right place, through organizational structures including all fundamental operations to support the objectives; taking in consideration the functional separation and non-conflict of interest; adapting the technological infrastructure and other services related to achieve the objectives; overseeing the implementation IT projects and governance.
- 4- Prioritizing IT projects and programs.
- 5- Monitoring the level of technological and technical services, and work on to improve their efficiency constantly.
- 6- Briefing the IT Governance Committee on the following matters:
- A- Providing the necessary resources and efficient instruments which needed to achieve duties of the IT Governance Committee.
- B- Any deviations that may adversely affect the achievement of strategic goals.
- C- Any unacceptable risks related to the technology, security and protection of information.
- 7. The reports of performance and compliance with the management's general framework; setting and controlling IT resources and enterprises.



8. Periodically providing the IT Governance Committee with the minutes of its meetings, along with obtaining an indication that these minutes have been reviewed.

4. Goals and IT governance operations

The committee of information governance and the associated technology shall adopt a set of objectives across the Bank level and IT in accordance with COBIT 5 framework. The objectives will be overviewed, reviewed and appropriately identified to meet the needs of stakeholders.

Information Technology Steering Committee is primarily responsible for ensuring compliance through achieving its requirements; Information Technology Committee and the board as a whole are the final official in this regard. All Bank departments especially Information Technology, Information Security Management and Project Management Departments shall identify their processes and reformulate them in a way that covers the requirements of IT governance operations.

Safwa Islamic Bank has adopted successive objectives in COBIT 5 to interpret the needs of stakeholders into specified and customized objectives that can be implemented, in addition to IT-related goals and enablers' goals. Such interpretation allows setting specific objectives at all levels and in all departments and branches of the Bank to support the overall objectives and the requirements of stakeholders, and thus effectively support the alignment between Safwa Islamic Bank solutions and services of IT. The Board and the Risk Management Department are directly responsible for the process of ensuring smooth management of the risks included

in the annexes to the instructions and risk management process (IT) respectively.

5. Principles, policies and frameworks

- 1- IT Governance Committee and the associated technology shall adopt necessary policies to ensure the management of IT operations and to consider them as the minimum, with the possibility of combining such policies as required according to the nature of the work. IT Governance framework and associated technology at Safwa Islamic Bank rely on five key principles of COBIT 5:
 - Principle 1: Meeting Stakeholder Needs
 - Principle 2: Covering the Enterprise End to End
 - Principle 3: Applying a Single Integrated Framework
 - Principle 4: Enabling a Holistic Approach
 - Principle 5: Separating Governance from Management
- 2. The Board or any of its authorized committees shall adopt principles, policies and frameworks, particularly those related to IT risk management, information security management, and human resource management in particular which meet the requirements of IT Governance operations.

6. Information and reports

The Board and the Top Executive Management shall develop infrastructure and information systems necessary for providing the information and reports for their users as a base for making decisions at the bank.

7. Services, programs and infrastructure of information technology

• The Board or any of its authorized committees in addition to the top management shall adopt the system of services, programs and infrastructure that support achieving the Bank objectives and reaching an acceptable level in the governance of information and associated technology.

8. Knowledge, skills and experience

- A. The Board or any of its authorized committees shall approve HR Competencies and human resources policies which are necessary for achieving the requirements of IT governance of and the requirements of these instructions in general along with ensuring assigning the right man in the right place or to ensure that the appropriate human resources are in place.
- B. The Bank Management shall recruit qualified and trained personnel from persons with experience in the fields of Information Technology resources management, Risk Management, Information Security Management and Internal & External Information Technology Audit Management based on the criteria of academic and professional knowledge in addition to the practical experience recognized by qualified international associations under accreditation criteria ISO / IEC 17024(and / or any other parallel standards in accordance with its competence, With the re-qualification and training of staff who are currently employed to meet these requirements within two years of the date of these instructions.

Executive Management shall be responsible for continuing to provide its staff with continuous training education programs to maintain a level of knowledge and skills that achieves IT governance processes. The executive management is responsible for incorporating the annual evaluation of calibres with objective measurement that take into consideration the contribution through the career centre to achieve bank's objectives

9-System of Values, Morals and Behaviour

- A. The Board or its delegate committees shall adopt a code of conduct that reflects professional behaviour related to the management of information and its related technology that clearly define the desired behavioural rules and consequences.
- B. The Board and the Top Executive Management shall hire different mechanisms to encourage the application of desirable behaviors and avoidance Unwanted behaviours by following the methods of governance

06 4602100 | **f** | **y** | **in** | **⊙** | **▷** | www.safwabank.com